CAESARS ENTERTAINMENT Corp
Form 10-K
February 22, 2019
false--12-31FY20182018-12-3110-K0000858339670136264YesfalseLarge Accelerated Filer7400000000CAESARS ENTERTAINMENT Corpfalsefalse366052390136130178820994119510176618226174423526073909886016617916145047NoYesCZR300000041
style="font-family:Times New Roman;font-size:10pt;"><div style="line-height:120%;padding-top:12px;text-align:justify;font-size:10pt;">Leases - February 2016 (amended through December 2018): The amended guidance is intended to increase transparency and comparability among organizations by requiring additional disclosures to reflect the significance of an entity’s leasing arrangements. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to recognize an ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Many long-term operating leases, including agreements relating to real estate, will be recorded on the balance sheet as an ROU asset with a corresponding lease liability, which will be amortized using the effective interest rate method as payments are made. Certain leases embedded in other arrangements, such as service and supplier contracts, may be accounted for separately by allocating payments between lease and non-lease components.</div><div style="line-height:120%;padding-top:12px;text-align:justify;font-size:10pt;">The new standard provides a number of optional practical expedients in transition. We currently expect to elect the package of practical expedients, which permits us to carryforward our prior conclusions about lease identification, lease classification and initial direct costs. Additionally, we currently expect to adopt the practical expedient that allows comparative periods to be reported under current lease accounting guidance consistent with previously issued financial statements. We also do not currently expect to record leases on the balance sheet that at the commencement date have a lease term of twelve months or less. </div><div style="line-height:120%;padding-top:12px;text-align:justify;font-size:10pt;">While we continue to assess all of the effects of adoption, we currently believe the most significant effects relate to the recognition of new ROU assets and lease liabilities on our Balance Sheet for our real estate operating leases and providing significant new disclosures about our leasing activities. These operating leases will be recognized on a straight-line basis in rent expense. Additionally, we continue to evaluate the impact of the adoption on our existing failed sale-leaseback transactions. The Company expects the accounting for lease agreements where the Company is a lessor to be accounted for in the same manner as those agreements are accounted for under current accounting guidance.</div><div style="line-height:120%;padding-top:12px;text-align:justify;font-size:10pt;">This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. We will adopt the new standard on January 1, 2019 and have elected to apply the guidance as of the adoption date. Consequently, financial information will not be updated, and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019.</div></div><div style="font-family:Times New Roman;font-size:10pt;"><div style="line-height:120%;padding-top:12px;text-align:left;font-size:12pt;">Recently Issued Accounting Pronouncements</div><div style="line-height:120%;padding-top:12px;text-align:justify;font-size:10pt;">The FASB issued the following authoritative guidance amending the FASB ASC.</div><div style="line-height:120%;padding-top:12px;text-align:justify;font-size:10pt;">In 2018, we adopted the following ASUs:</div><table cellpadding="0" cellspacing="0" style="padding-top:12px;font-family:Times New Roman; font-size:10pt;"><tr><td style="width:48px;" rowspan="1"

colspan="1"></td><td rowspan="1" colspan="1"></td></tr><tr><td style="vertical-align:top" rowspan="1"
colspan="1"><div style="line-height:120%;font-size:10pt;padding-left:24px;">•</div></td><td style="vertical-align:top;" rowspan="1"
colspan="1"><div style="line-height:120%;text-align:justify;font-size:10pt;">ASU
2014-09, Revenue from Contracts with
Customers (see Note 15).</div></td></tr></table><table cellpadding="0" cellspacing="0"
style="padding-top:12px;font-family:Times New Roman; font-size:10pt;"><tr><td style="width:48px;" rowspan="1"
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colspan="1"><div style="line-height:120%;font-size:10pt;padding-left:24px;">•</div></td><td style="vertical-align:top;" rowspan="1"
colspan="1"><div style="line-height:120%;text-align:justify;font-size:10pt;">ASU
2016-16, Income Taxes (see Note 18).</div></td></tr></table><div
style="line-height:120%;padding-top:12px;text-align:justify;font-size:10pt;">In 2018, the
following ASUs became effective, but there was no quantitative or qualitative effect on our financial
statements:</div><table cellpadding="0" cellspacing="0" style="padding-top:12px;font-family:Times New
Roman; font-size:10pt;"><tr><td style="width:48px;" rowspan="1" colspan="1"></td><td rowspan="1"
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style="line-height:120%;font-size:10pt;padding-left:24px;">•</div></td><td style="vertical-align:top;" rowspan="1"
colspan="1"><div style="line-height:120%;text-align:justify;font-size:10pt;">ASU 2018-09, Codification Improvements.
</div></td></tr></table><table cellpadding="0" cellspacing="0" style="padding-top:12px;font-family:Times
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style="line-height:120%;font-size:10pt;padding-left:24px;">•</div></td><td style="vertical-align:top;" rowspan="1"
colspan="1"><div style="line-height:120%;text-align:justify;font-size:10pt;">ASU
2018-05, Income Taxes (Topic 740): Amendments to SEC Paragraphs
Pursuant to SEC Staff Accounting Bulletin No. 118. </div></td></tr></table><table cellpadding="0" cellspacing="0"
style="padding-top:12px;font-family:Times New Roman; font-size:10pt;"><tr><td style="width:48px;" rowspan="1"
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colspan="1"><div style="line-height:120%;font-size:10pt;padding-left:24px;">•</div></td><td style="vertical-align:top;" rowspan="1"
colspan="1"><div style="line-height:120%;text-align:justify;font-size:10pt;">ASU 2018-04, Investments — Debt Securities (Topic 320) and Regulated Operations (Topic 980):
Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 117 and SEC Release No.
33-9273. </div></td></tr></table><table
cellpadding="0" cellspacing="0" style="padding-top:12px;font-family:Times New Roman; font-size:10pt;"><tr><td
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colspan="1"><div style="line-height:120%;text-align:justify;font-size:10pt;">ASU

2017-09, Compensation - Stock Compensation. </div></td></tr></table><table cellpadding="0" cellspacing="0" style="padding-top:12px;font-family:Times New Roman; font-size:10pt;"><tr><td style="width:48px;" rowspan="1" colspan="1"></td><td rowspan="1" colspan="1"></td></tr><tr><td style="vertical-align:top" rowspan="1" colspan="1"><div style="line-height:120%;font-size:10pt;padding-left:24px;">•</div></td><td style="vertical-align:top;" rowspan="1" colspan="1"><div style="line-height:120%;text-align:justify;font-size:10pt;">ASU 2017-01, Business Combinations. </div></td></tr></table><table cellpadding="0" cellspacing="0" style="padding-top:12px;font-family:Times New Roman; font-size:10pt;"><tr><td style="width:48px;" rowspan="1" colspan="1"></td><td rowspan="1" colspan="1"></td></tr><tr><td style="vertical-align:top" rowspan="1" colspan="1"><div style="line-height:120%;font-size:10pt;padding-left:24px;">•</div></td><td style="vertical-align:top;" rowspan="1" colspan="1"><div style="line-height:120%;text-align:justify;font-size:10pt;">ASU 2016-18, Statement of Cash Flows. </div></td></tr></table><table cellpadding="0" cellspacing="0" style="padding-top:12px;font-family:Times New Roman; font-size:10pt;"><tr><td style="width:48px;" rowspan="1" colspan="1"></td><td rowspan="1" colspan="1"></td></tr><tr><td style="vertical-align:top" rowspan="1" colspan="1"><div style="line-height:120%;font-size:10pt;padding-left:24px;">•</div></td><td style="vertical-align:top;" rowspan="1" colspan="1"><div style="line-height:120%;text-align:justify;font-size:10pt;">ASU 2016-01, Financial Instruments - Overall. </div></td></tr></table><div style="line-height:120%;padding-top:12px;text-align:justify;font-size:10pt;">The following ASUs were not yet effective as of December 31, 2018:</div><div style="line-height:120%;padding-top:12px;text-align:justify;font-size:10pt;">New Developments</div><div style="line-height:120%;padding-top:12px;text-align:justify;font-size:10pt;">Collaborative Arrangements - November 2018: Amended guidance makes targeted improvements to GAAP for collaborative arrangements including: (i) clarifying that certain transactions between collaborative arrangement participants should be accounted for as revenue under ASC 606 when the collaborative arrangement participant is a customer in the context of a unit of account, (ii) adding unit-of-account guidance in ASC 808 to align with the guidance in ASC 606 (that is, a distinct good or service) when an entity is assessing whether the collaborative arrangement or a part of the arrangement is within the scope of ASC 606, and (iii) requiring that in a transaction with a collaborative arrangement participant that is not directly related to sales to third parties, presenting the transaction together with revenue recognized under ASC 606 is precluded if the collaborative arrangement participant is not a customer. The amendments in this update are effective for public entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The amendments should be applied retrospectively to the date of initial application of ASC 606. An entity may elect to apply the amendments in this ASU retrospectively either to all contracts or only to contracts that are not completed at the date of initial application of ASC 606. An entity should disclose its election. An entity may elect to apply the practical expedient for contract modifications that is permitted for entities using the modified retrospective transition method in ASC 606. We are currently assessing the effect the adoption of this standard will have on our financial statements. </div><div style="line-height:120%;padding-top:12px;text-align:justify;font-size:10pt;">Previously Disclosed</div><div

style="line-height:120%;padding-top:12px;text-align:justify;font-size:10pt;">Intangibles - Goodwill and Other - Internal-Use Software - August 2018: Amended guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The accounting for the service element of a hosting arrangement that is a service contract is not affected. The amendments in this update are effective for public entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The amendments in this ASU should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. We are currently assessing the effect the adoption of this standard will have on our financial statements. </div><div style="line-height:120%;padding-top:12px;text-align:justify;font-size:10pt;">Fair Value Measurement - August 2018: Amended guidance modifies fair value measurement disclosure requirements including (i) removing certain disclosure requirements such as the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, (ii) modifying certain disclosure requirements, and (iii) adding certain disclosure requirements such as changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period. The amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. We are currently assessing the effect the adoption of this standard will have on our financial statements. </div><div style="line-height:120%;padding-top:12px;text-align:justify;font-size:10pt;">Leases - February 2016 (amended through December 2018): The amended guidance is intended to increase transparency and comparability among organizations by requiring additional disclosures to reflect the significance of an entity’s leasing arrangements. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to recognize an ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Many long-term operating leases, including agreements relating to real estate, will be recorded on the balance sheet as an ROU asset with a corresponding lease liability, which will be amortized using the effective interest rate method as payments are made. Certain leases embedded in other arrangements, such as service and supplier contracts, may be accounted for separately by allocating payments between lease and non-lease components.</div><div style="line-height:120%;padding-top:12px;text-align:justify;font-size:10pt;">The new standard provides a number of optional practical expedients in transition. We currently expect to elect the package of practical expedients, which permits us to carryforward our prior conclusions about lease identification, lease classification and initial direct costs. Additionally, we currently expect to adopt the practical expedient that allows comparative periods to be reported under current lease accounting guidance consistent with previously issued financial statements. We also do not currently expect to record leases on the balance sheet that at the commencement date have a lease term of twelve months or less. </div><div style="line-height:120%;padding-top:12px;text-align:justify;font-size:10pt;">While we continue to assess all of the effects of adoption, we currently believe the most significant effects relate to the recognition of new ROU assets and lease liabilities on our Balance Sheet for our real estate operating leases and providing significant new disclosures about our leasing activities. These operating leases will be recognized on a straight-line basis in rent expense. Additionally, we continue to evaluate the impact of the adoption on our existing failed sale-leaseback transactions. The Company expects the accounting for lease agreements where the Company is a lessor to be accounted for in the same manner as those agreements are accounted for under current accounting guidance.</div><div style="line-height:120%;padding-top:12px;text-align:justify;font-size:10pt;">This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. We will adopt the new standard on January 1, 2019 and have elected to apply the guidance as of the adoption date. Consequently, financial information will not be updated, and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019.</div><div style="line-height:120%;padding-top:12px;text-align:justify;font-size:10pt;">Financial Instruments - Credit Losses - June 2016 (amended through November 2018): Amended guidance replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Amendments affect entities holding financial assets and net investments in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables and any other financial assets not excluded from the scope that have the contractual right to receive cash. Amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. An entity will apply the amendments in this ASU through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. The effect of a prospective transition approach is to maintain the same amortized cost basis before and after the effective date of this ASU. We are currently assessing the effect the adoption of this standard will have on our financial statements.</div></div><div style="font-family:Times New Roman;font-size:10pt;"><div style="line-height:120%;padding-top:12px;text-align:center;font-size:10pt;"><div style="padding-left:0px;text-indent:0px;line-height:normal;padding-top:10px;"><table cellpadding="0" cellspacing="0" style="font-family:Times New Roman;font-size:10pt;margin-left:auto;margin-right:auto;width:89.453125%;border-collapse:collapse;text-align:left;"><tr><td colspan="12" style="padding-left:0px;padding-right:0px;padding-top:4px;padding-bottom:4px;" rowspan="1"><div style="line-height:120%;padding-top:12px;text-align:justify;font-size:10pt;">Changes in Carrying Value of Goodwill by Segment</div></td></tr><tr><td style="width:52%;" rowspan="1" colspan="1"></td><td style="width:11%;" rowspan="1" colspan="1"></td><td style="width:1%;" rowspan="1" colspan="1"></td><td style="width:1%;" rowspan="1" colspan="1"></td><td style="width:10%;" rowspan="1" colspan="1"></td><td style="width:1%;" rowspan="1" colspan="1"></td><td style="width:1%;" rowspan="1" colspan="1"></td><td style="width:10%;" rowspan="1" colspan="1"></td><td style="width:1%;" rowspan="1" colspan="1"></td><td style="width:1%;" rowspan="1" colspan="1"></td><td style="width:10%;" rowspan="1" colspan="1"></td><td style="width:1%;" rowspan="1" colspan="1"></td></tr><tr><td style="vertical-align:bottom;border-bottom:1px solid #000000;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;border-left:1px solid #000000;border-right:1px solid #000000;border-top:1px solid #000000;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;">xBRL Tagging Purposes Only</div></td><td colspan="11" style="vertical-align:bottom;border-bottom:1px solid #000000;padding-left:2px;padding-top:2px;padding-bottom:2px;" rowspan="1"><div style="text-align:center;font-size:10pt;">Segment</div></td></tr><tr><td style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;"><font

style="font-family:inherit;font-size:10pt;font-weight:bold;">Date</div></td><td colspan="2"
style="vertical-align:bottom;border-bottom:1px solid
#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"><div
style="text-align:center;font-size:9pt;">Las
Vegas</div></td><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"
colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td colspan="2"
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style="text-align:center;font-size:9pt;">Other
U.S.</div></td><td
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#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1"><div
style="text-align:center;font-size:9pt;">CEC
Total</div></td></tr><tr><td
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colspan="1"><div style="text-align:left;font-size:10pt;">January 1,
2017</div></td><td
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rowspan="1" colspan="1"><div style="text-align:right;font-size:10pt;">(3,115</div></td><td
style="vertical-align:bottom;padding-right:2px;padding-top:2px;padding-bottom:2px;border-top:1px solid #000000;"
rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;">)</div></td><td
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colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td
style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;border-top:1px solid #000000;"
rowspan="1" colspan="1"><div style="text-align:right;font-size:10pt;">(337</div></td><td
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rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;">)</div></td><td
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rowspan="1" colspan="1"><div style="text-align:right;font-size:10pt;">—</div></td><td
style="vertical-align:bottom;border-top:1px solid #000000;" rowspan="1" colspan="1"><div

style="text-align:left;font-size:10pt;"><br clear="none"/></div></td><td style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1" colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;border-top:1px solid #000000;" rowspan="1" colspan="1"><div style="text-align:right;font-size:10pt;">(3,452</div></td><td style="vertical-align:bottom;padding-right:2px;padding-top:2px;padding-bottom:2px;border-top:1px solid #000000;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;">)</div></td></tr></table></div></div></div> 0000858339 2018-01-01 2018-12-31 0000858339 czr:OpCoMember 2018-01-01 2018-12-31 0000858339 czr:CaesarsAcquisitionCompanyMember 2018-01-01 2018-12-31 0000858339 czr:CentaurHoldingsLLCMember 2018-01-01 2018-12-31 0000858339 2018-06-30 0000858339 2019-02-19 0000858339 2017-12-31 0000858339 2018-12-31 0000858339 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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2018

OR

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

Commission File No. 1-10410

CAESARS ENTERTAINMENT CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**62-1411755**
(State of incorporation)	(I.R.S. Employer Identification No.)

One Caesars Palace Drive, Las Vegas, Nevada	**89109**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code:

(702) 407-6000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
Common stock, $0.01 par value	**NASDAQ Global Select Market**

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o
		Emerging growth company	o

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

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

The aggregate market value of common stock held by non-affiliates of the registrant as of June 30, 2018 was $7.4 billion.

As of February 19, 2019, the registrant had 670,136,264 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for our2019 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K, provided that if the Registrant does not file such Proxy Statement on or before April 30, 2019, such information will be included in an amendment to this Form 10-K filed on or before such date.

CAESARS ENTERTAINMENT CORPORATION
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PART I

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

We also refer to (i) our Consolidated Financial Statements as our "Financial Statements," (ii) our Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income/(Loss) as our "Statements of Operations," (iii) our Consolidated Balance Sheets as our "Balance Sheets," and (iv) our Consolidated Statements of Cash Flows as our "Statements of Cash Flows." References to numbered "Notes" refer to Notes to our Consolidated Financial Statements included in Item 8.

ITEM 1. Business

Overview

Caesars Entertainment is a casino-entertainment and hospitality services provider with the world's most diversified portfolio. We have established a rich history of industry-leading growth and expansion since we commenced operations in 1937. Our facilities typically include gaming offerings, food and beverage outlets, hotel and convention space, and non-gaming entertainment options. In addition to our brick and mortar assets, we operate an online gaming business that provides real money games in certain jurisdictions and offers retail sports wagering in certain jurisdictions.

CEC is primarily a holding company with no independent operations of its own. CEC operates the business primarily through its wholly owned subsidiaries CEOC, LLC ("CEOC LLC") and Caesars Resort Collection, LLC ("CRC"). We lease certain real property assets from VICI Properties Inc. and/or its subsidiaries (collectively, "VICI").

Significant Transactions in 2018

New Transactions with VICI

Harrah's Philadelphia Real Estate Sale and Leaseback

On December 26, 2018, we sold all land and real property improvements used in the operation of Harrah's Philadelphia Casino and Racetrack ("Harrah's Philadelphia") as part of a sale and leaseback transaction with VICI for $242 million. We continue to operate Harrah's Philadelphia under the terms of a long-term lease agreement relating to certain of our other domestic properties. See Note 1 and Note 10 for additional information.

Modifications to Lease Agreements with VICI

In connection with the Octavius Tower sale discussed below and the Harrah's Philadelphia transaction discussed above, on December 26, 2018, the Company and VICI consummated modifications to certain of our existing lease agreements for consideration of $159 million to VICI, which reduced our financing obligation. The modifications, among other things, bring certain of the lease terms into alignment with other master leases in the sector and the long-term performance of the properties and create additional flexibility to facilitate our future development strategies. See Note 1 and Note 10 for additional information.

Sale of Octavius Tower at Caesars Palace

On July 11, 2018, we sold Octavius Tower at Caesars Palace ("Octavius Tower") to VICI for $508 million in cash. Proceeds from the transaction were used to partially fund the closing of CEC's acquisition of Centaur Holdings, LLC ("Centaur"). We continue to operate the Octavius Tower under the current terms of the long-term lease agreement with VICI relating to Caesars Palace. See Note 1 and Note 10 for additional information.

Acquisition of Centaur Holdings, LLC

On July 16, 2018, we completed the acquisition of Centaur. Centaur operated Hoosier Park Racing & Casino in Anderson, Indiana, and Indiana Grand Racing & Casino in Shelbyville, Indiana. See Note 4 for additional information.

Other Significant Transactions and Significant Events

CEO Transition

On November 1, 2018, we announced that Mark P. Frissora, our President and Chief Executive Officer, will leave the Company. Subject to the terms of the separation agreement entered into between the Company and Mr. Frissora (as amended, the "Separation Agreement"), Mr. Frissora will continue as President and Chief Executive Officer until a termination date of April 30, 2019 (which the Company may extend by one month) for purposes of continuity of leadership as the Company searches for a successor to Mr. Frissora with the nationally recognized third-party search firm the Company has engaged for that purpose.

CEOC's Emergence from Bankruptcy and CEC's Merger with Caesars Acquisition Company

Caesars Entertainment Operating Company, Inc. ("CEOC") and certain of its U.S. subsidiaries (collectively, the "Debtors") voluntarily filed for reorganization on January 15, 2015 (the "Petition Date"), at which time CEC deconsolidated CEOC. The Debtors emerged from bankruptcy and consummated their reorganization pursuant to their third amended joint plan of reorganization (the "Plan") on October 6, 2017 (the "Effective Date"). As part of its emergence from bankruptcy, CEOC reorganized into an operating company ("OpCo") separate from its real property assets ("PropCo"). OpCo was acquired by CEC on the Effective Date and immediately merged with and into CEOC LLC. See Note 4 for additional information. CEOC LLC operates the properties and facilities formerly held by CEOC and leases the properties and facilities from VICI.

On the Effective Date, Caesars Acquisition Company ("CAC") merged with and into CEC, with CEC as the surviving company (the "CAC Merger"). See Note 4 for additional information. The CAC Merger was accounted for as a reorganization of entities under common control, which resulted in CAC being consolidated into Caesars at book value as an equity transaction for all periods presented.

Hamlet Holdings

The members of Hamlet Holdings LLC ("Hamlet Holdings") are comprised of affiliates of Apollo Global Management, LLC and affiliates of TPG Global, LLC. Hamlet Holdings contributed to CEC the 88 million shares of CEC common stock it owned prior to the CAC Merger, which CEC immediately canceled and retired. Hamlet Holdings controlled CEC prior to the CAC Merger. Upon completion of the CAC Merger and CEOC's emergence from bankruptcy, due to reductions in ownership percentage of the Company starting on the Effective Date, Hamlet Holdings no longer controls CEC.

CRC Merger

CRC, a wholly owned subsidiary of CEC, was created on December 22, 2017, with the merger of Caesars Entertainment Resort Properties, LLC ("CERP") into Caesars Growth Properties Holdings, LLC ("CGPH").

Organizational Structure

As of December 31, 2018, through our consolidated entities, we have a total of 53 properties, three of which do not have casinos, in 14 U.S. states and five countries outside of the U.S. Our facilities have an aggregate of over 3 million square feet of gaming space and approximately 40,000 hotel rooms. Of the 50 casinos, 37 are in the United States and primarily consist of land-based and riverboat or dockside casinos. Our 13 international casinos are land-based casinos, most of which are located in the United Kingdom.

We view each property as an operating segment and aggregate them into three regionally-focused reportable segments: (i) Las Vegas, (ii) Other U.S., and (iii) All Other, which is consistent with how we manage the business. Within these segments, our properties are primarily categorized as Leased (where we lease real property assets from VICI), Owned-Domestic, Owned-International, and Managed. See Item 2, "Properties," for more information about our properties.

Our All Other segment includes managed and international properties as well as other businesses, such as Caesars Interactive Entertainment ("CIE").

Business Operations

Our consolidated business is composed of five complementary businesses that reinforce, cross-promote, and build upon each other: casino entertainment, food and beverage, rooms and hotel, casino management services, and entertainment and other business operations, including mobile sports betting. Upon CEOC's emergence from bankruptcy on the Effective Date, the majority of its real property assets were sold to VICI and simultaneously leased back to us as part of the plan of reorganization. Additional transactions with VICI were subsequently completed to finance acquisitions, resulting in cash proceeds and corresponding financing obligations. See Note 1 and Note 10 for additional information.

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Casino Entertainment Operations

Our casino entertainment operations generate revenues from approximately 39,000 slot machines and 2,700 table games, as well as other games such as keno, poker, and race and sports books, all of which comprised approximately 51% of our total net revenues in 2018. Slot revenues generate the majority of our gaming revenues, particularly in our properties located outside of Las Vegas and Atlantic City.

Food and Beverage Operations

Our food and beverage operations generate revenues from over 180 buffets, restaurants, bars, nightclubs, and lounges located throughout our casinos, as well as banquets and room service, and represented approximately 19% of our total net revenues in 2018. Many of our properties include several dining options, ranging from upscale dining experiences to moderately-priced restaurants and buffets.

Rooms and Hotel Operations

Rooms and hotel operations generate revenues from hotel stays at our properties in our approximately 36,000 guest rooms and suites worldwide and represented approximately 18% of our total net revenues in 2018. Our properties operate at various price and service points, allowing us to host a variety of casino guests who are visiting our properties for gaming and other casino entertainment options and non-casino guests who are visiting our properties for other purposes, such as vacation travel or conventions.

We have engaged in large capital reinvestment projects in recent years focusing primarily on our room product across the United States, including renovating over 14,000 rooms in Las Vegas since 2015 at properties such as Caesars Palace, Planet Hollywood Resort & Casino ("Planet Hollywood"), Flamingo Las Vegas, Bally's Las Vegas, Harrah's Las Vegas and Paris Las Vegas. In addition, we continue to roll out self-check-in kiosks in order to help reduce customer wait times and improve labor efficiencies.

Management Services

We earn revenue from fees paid for the management of eight casinos. Managed properties represent Caesars-branded properties where Caesars Entertainment provides staffing and management services under management agreements. In 2018, we opened our first non-gaming properties, a Caesars and Caesars Palace, which are managed by us, including two beachfront luxury resorts, a beach club, and a residential tower on Meraas' Bluewaters Island in Dubai.

Entertainment and Other Business Operations

We provide a variety of retail and entertainment offerings at our properties. We operate various entertainment venues across the United States, including the Colosseum at Caesars Palace and Zappos Theater at Planet Hollywood, both of which were ranked among the top theater venues in the United States in 2018 based on ticket sales. These award-winning theaters have hosted prominent headliners, such as Celine Dion, Jennifer Lopez, Gwen Stefani, and the Backstreet Boys.

The LINQ Promenade and our retail stores offer guests a wide range of options from high-end brands and accessories to souvenirs and decorative items. The LINQ Promenade is an open-air dining, entertainment, and retail development located between The LINQ Hotel & Casino and Flamingo Las Vegas, and it features The High Roller, a 550-foot observation wheel. On November 9, 2018, we opened Fly LINQ, the first and only zipline on the Las Vegas Strip.

On July 16, 2018, we broke ground on CAESARS FORUM, a 550,000 square-foot conference center located at the center of the Las Vegas Strip. Scheduled to officially open in 2020, CAESARS FORUM will feature 300,000 square feet of flexible meeting space, the two largest pillarless ballrooms in the world, and FORUM Plaza, the first 100,000 square-foot outdoor meeting and event space in Las Vegas.

In addition, CIE operates a regulated online real money gaming business in Nevada and New Jersey and owns the World Series of Poker ("WSOP") tournaments and brand, and also licenses WSOP trademarks for a variety of products and businesses related to this brand.

The Company is now live with retail sports wagering across three U.S. jurisdictions, including launching in Pennsylvania in January 2019 to bring our total to four states. In September 2018, the Company also launched The Caesars Casino & Sports app for mobile sports betting which allows players in New Jersey who download the app to place bets on sporting events. They can also play over 400 casino games including slots, table games, and video poker. This product is expected to be launched in Pennsylvania in March 2019 pending regulatory approval and will launch in other states as regulatory approval is received.

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The Company continues to solidify local and national partnerships that align our casinos, resorts and brands with sports fans. During 2018, we had several developments in our strategy to raise Caesars' profile among professional sports fans. We announced high-profile exclusive sports entertainment partnerships with the NFL, making Caesars the first-ever "Official Casino Sponsor" in the history of the league. This historic partnership combines the NFL's legendary events with our properties to bring unique experiences to Caesars patrons. This includes exclusive rights to use NFL trademarks in the U.S. and U.K. to promote our properties, also enabling Caesars to host exclusive special events and experiences. Furthermore, Caesars will host brand activations at prominent, high-profile NFL events, including the NFL Draft, NFL playoffs, and the Super Bowl.

Sales and Marketing

On January 30, 2019, Caesars announced the rebranding of Total Rewards, the Company's industry-leading loyalty program, to Caesars Rewards effective February 1, 2019. The new program leverages the premium Caesars brand to better connect Caesars' elevated standard and prestige with the Company's global destinations.

We are excited about this opportunity to strengthen our unrivaled customer loyalty program. We believe Caesars Rewards enables us to compete more effectively and capture a larger share of our customers' entertainment spending when they travel among regions versus that of a standalone property, which is core to our cross market strategy. We believe that operating multiple properties in the center of the Las Vegas Strip generates greater revenues than would be generated if the properties were operated separately.

Members who have joined Caesars Rewards can earn Reward Credits for qualifying gaming activity and qualifying hotel, dining and retail spending at all Caesars-affiliated properties in the United States, Canada, the United Kingdom, and now Dubai. Members can also earn additional Reward Credits when they use their Caesars Rewards VISA credit card or make a purchase through a Caesars Rewards partner. Members can redeem their earned Reward Credits with Caesars for hotel amenities, casino free play and other items such as merchandise, gift cards, and travel.

Caesars Rewards is structured in tiers (designated as Gold, Platinum, Diamond or Seven Stars), each with increasing member benefits and privileges. Members are provided promotional offers based on their Tier Level, their engagement with Caesars-affiliated properties, aspects of their casino gaming play, and their preferred spending choices outside of gaming. Member information is also used in connection with various marketing promotions, including campaigns involving direct mail, email, our websites, mobile devices, social media, and interactive slot machines.

Intellectual Property

The development of intellectual property is part of our overall business strategy. We regard our intellectual property to be an important element of our success. While our business as a whole is not substantially dependent on any one patent, trademark, copyright, or combination of several of our intellectual property rights, we seek to establish and maintain our proprietary rights in our business operations and technology through the use of patents, trademarks, copyrights, and trade secret laws. We file applications for and obtain patents, trademarks, and copyrights in the United States and foreign countries where we believe filing for such protection is appropriate, including United States and foreign patent applications covering certain proprietary technology of Caesars Enterprise Services, LLC ("CES"). We also seek to maintain our trade secrets and confidential information by nondisclosure policies and through the use of appropriate confidentiality agreements. CES' United States patents have varying expiration dates.

We have not applied for the registration of all of our trademarks, copyrights, proprietary technology, or other intellectual property rights, as the case may be, and may not be successful in obtaining all intellectual property rights for which we have applied. Despite our efforts to protect our proprietary rights, parties may infringe upon our intellectual property and use information that we regard as proprietary, and our rights may be invalidated or unenforceable. The laws of some foreign countries do not protect proprietary rights or intellectual property to as great of an extent as do the laws of the United States. In addition, others may independently develop substantially equivalent intellectual property.

We own or have the right to use proprietary rights to a number of trademarks that we consider, along with the associated name recognition, to be valuable to our business, including Bally's, Caesars, Flamingo, Harrah's, Horseshoe, Paris, Rio, Caesars Rewards, WSOP, and a license for the Planet Hollywood trademark used in connection with the Planet Hollywood in Las Vegas.

Competition

The casino entertainment business is highly competitive. The industry is comprised of a diverse group of competitors that vary considerably in size and geographic diversity, quality of facilities and amenities available, marketing and growth strategies, and financial condition. In most regions, we compete directly with other casino facilities operating in the immediate and surrounding areas. In Las Vegas, our largest jurisdiction, competition has increased significantly. For example, the Genting Group is developing a casino and hotel called Resorts World Las Vegas, and Marriott International and New York-based global real estate firm Witkoff are developing a casino and hotel called The Drew Las Vegas. Both are expected to open in 2020 on the northern end of the Las Vegas Strip. In response to changing trends, Las Vegas operators have been focused on expanding their non-gaming offerings, including upgrades to hotel rooms, new food and beverage offerings, and new entertainment offerings. In May 2018, MGM rebranded the Monte Carlo Hotel and Casino as Park MGM, which underwent non-gaming renovations focused on room, food and beverage, and entertainment enhancements. There have also been proposals for other large scale non-gaming development projects in Las Vegas by various other developers. Our Las Vegas Strip hotels and casinos also compete, in part, with each other.

In recent years, many casino operators, including us, have been reinvesting in existing facilities, developing new casinos or complementary facilities, and acquiring established facilities. These reinvestment and expansion efforts combined with aggressive marketing strategies by us and many of our competitors have resulted in increased competition in many regions. As companies have completed new expansion projects, supply has typically grown at a faster pace than demand in some areas. For example, in Baltimore, Maryland, the opening of MGM Resorts National Harbor Resort & Casino has resulted in significant declines in revenue at our Horseshoe Baltimore property. The expansion of properties and entertainment venues into new jurisdictions also presents competitive issues. Atlantic City, in particular, has seen a significant decline primarily due to the addition of gaming and room capacity associated with the expansion of gaming in Maryland, New York, and Pennsylvania as well as the opening of new properties. This has resulted in several casino closings in recent years. In addition, Hard Rock Hotel Atlantic City and Ocean Resort Casino were introduced into the Atlantic City market in 2018, causing increased competition in the market.

Our properties also compete with legalized gaming from casinos located on Native American tribal lands. While the competitive impact on operations in Las Vegas from the continued growth of Native American gaming establishments in California remains uncertain, the proliferation of gaming in California and other areas located in the same regions as our properties could have an adverse effect on our results of operations. In addition, certain states have legalized, and others may legalize, casino gaming in specific areas, including metropolitan areas from which we traditionally attract customers.

We also compete with other non-gaming resorts and vacation areas, various other entertainment businesses, and other forms of gaming, such as state lotteries, on-and off-track wagering, video lottery terminals, and card parlors. Our non-gaming offerings also compete with other retail facilities, amusement attractions, food and beverage offerings, and entertainment venues. While we do not believe it to be the case, some have suggested that internet gaming could also create additional competition for us and could adversely affect our brick-and-mortar operations. We believe that internet gaming complements brick-and-mortar operations.

See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” See also Exhibit 99.1, “Gaming Overview,” to this Form 10-K.

Seasonality

We believe that business at our regional properties outside of Las Vegas is subject to seasonality, including seasonality based on the weather in the markets in which they operate and the travel habits of visitors. Business in our properties can also fluctuate due to specific holidays or other significant events, such as Easter (particularly when the holiday falls in a different quarter than the prior year), the WSOP tournament (with respect to our Las Vegas properties), city-wide conventions, a large sporting event or a concert, or visits by our premium players. We also believe that any seasonality, holiday, or other significant event may affect our various properties or regions differently.

Governmental Regulation

The gaming industry is highly regulated, and we must maintain our licenses and pay gaming taxes to continue our operations. Each of our casinos is subject to extensive regulation under the laws, rules, and regulations of the jurisdiction in which it is located. These laws, rules, and regulations generally concern the responsibility, financial stability, and character of the owners, managers, and persons with financial interests in the gaming operations. Violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. A more detailed description of the regulations to which we are subject is contained in Exhibit 99.1, “Gaming Overview,” to this Form 10-K.

Our businesses are subject to various foreign, federal, state, and local laws and regulations, in addition to gaming regulations. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, smoking, environmental matters, employees, currency transactions, taxation, zoning and building codes, construction, land use, and marketing and advertising. We also deal with significant amounts of cash in our operations and are subject to various reporting and anti-money laundering regulations. Such laws and regulations could change or could be interpreted differently in the future, or new laws and regulations could be enacted. Material changes, new laws or regulations, or material differences in interpretations by courts or governmental authorities could adversely affect our operating results. See Item 1A, “Risk Factors,” for additional discussion.

Employee Relations

We have approximately 66,000 employees throughout our organization. Approximately 28,000 of our employees are covered by collective bargaining agreements with certain of our subsidiaries relating to certain casino, hotel, and restaurant employees. The majority of these employees are covered by the following agreements:

Employee Group	**Approximate Number of Active Employees Represented**	**Union**	**Date on which Collective Bargaining Agreement Becomes Amendable**
Las Vegas Culinary Employees	12,900	Culinary Workers Union, Local 226	May 31, 2023
Atlantic City Food & Beverage and Hotel Employees	3,200	UNITE HERE, Local 54	February 28, 2020
Las Vegas Bartenders	1,300	Bartenders Union, Local 165	May 31, 2023
Las Vegas Dealers	2,400	Transport Workers Union of America and UAW	Various up to September 30, 2019

Corporate Social Responsibility, Citizenship and Sustainability

CEC's Board of Directors and senior executives view Corporate Social Responsibility ("CSR") as an integral element in the way we do business and make decisions, in the belief that being a good corporate citizen helps protect the company against risk, contributes to improved business results and helps foster positive relationships with all those who have a connection to our business. The Board of Directors and our executive management are committed to maintaining our position as an industry leader in CSR (which includes the concepts of corporate citizenship, social impact, and environmental sustainability). In 2018, we continued to engage with our CEO-level external sustainability advisory board with experts representing non-governmental organizations, business strategy, academia, and investors, and used their guidance to confirm our citizenship priorities. These priorities are reflected in our ninth annual citizenship report, published in 2018 in accordance with Global Reporting Initiative Standards.

Our approach, and our reporting on corporate social responsibility, is aligned with our People Planet Play framework. This framework unites all our properties and business activities behind a common language and core approaches so that all our properties and corporate functions can effectively support sustainable, ethical and profitable business growth. The framework is as follows:

- People: supporting the wellbeing of our team members, guests and local communities.
- Planet: taking care of the world we all call home.
- Play: creating memorable experiences for our guests and leading Responsible Gaming practices in the industry.

Our strategy includes targets to 2020 and 2030 across all elements of People Planet Play, including science-based emissions-reduction targets, formally approved by the Science Based Targets Initiative ("SBTi") and aligning with global best practices on climate change action. We enjoy strong support from our team members for People Planet Play activities, with 57% of team members participating in our HERO volunteering and/or CodeGreen environmental programs in 2017. Additionally, we aim to raise awareness and gain support from our guests for People Planet Play initiatives. In 2018, guest perception was that 56% strongly agreed that our company made a positive impact in economic development, responsible gaming, environmental impact and overall responsible conduct based on surveys completed by guests at our properties.

Code of Commitment

Our Code of Commitment to our employees, guests, communities and the environment continues to guide our approach to responsible and ethical business, compliance, anti-corruption and environmental stewardship. Our employees participate in training to reinforce their understanding of how they should implement the Code of Commitment in their daily work. Thirty years ago, Caesars was the first company to develop Responsible Gaming programs informed by science, evaluated objectively and created in conjunction with leading researchers. Our gaming offerings are underpinned by comprehensive Responsible Gaming programs that provide advice for those who need it (see more on our website: *www.caesars.com/corporate/corporate-social-responsibility/play/responsible-gaming*) with fully trained team members. In 2017, team members participated in 71,366 hours of training in Responsible Gaming. Over the past several years, with the engagement and support of the Board of Directors, we have further intensified our anti-money-laundering ("AML") compliance activities. We reinforced the number of qualified staff in dedicated AML compliance roles with more than 90 experts and have invested several million dollars in technology investments to implement new systems to improve

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transparency and information sharing within the Company, increase automation and enhance analytics, all to further the Company's efforts to be an industry leader in AML compliance.

For the fourth year running, we were recognized by the Civic 50, an initiative organized by Points of Light and Bloomberg that recognizes companies that demonstrate leading commitment to improving the quality of life in their home communities. In 2017, we reconfirmed our support for the UN Sustainable Development Goals and highlighted three goals where we can make the most significant contribution and expand our impact in coming years.

- #3: Good Health and Well-Being
- #8: Decent Work and Economic Growth
- #11: Sustainable Cities and Communities

Environmental Stewardship

Our structured, data-driven CodeGreen strategy leverages the passion of our team members and engages our guests and suppliers.

In 2017, we received formal approval from the SBTi for targets that place us among a small number of companies that are leading the way on climate change mitigation. We committed to: (i) reducing absolute Scope 1 and 2 greenhouse gas emissions 30% by 2025, and 95% by 2050 from a 2011 base-year and (ii) having 60% of suppliers by spend institute science-based greenhouse gas reduction targets for their operations by 2023. Between 2011 and 2017, we reduced greenhouse gas emissions internationally by 23% on an absolute basis and by 27% on a per square-foot basis, building on the significant achievements of our CodeGreen strategy from 2007. Since 2008, we have reduced water consumption by 22% on a per square foot basis. In 2017, 41% of our total waste in North America was diverted from landfill, bringing our cumulative waste diversion from landfill to 328,000 tons since 2012.

In 2017, 100% of our owned or managed North American hotel resort properties achieved a 4 Green Key rating or higher. Recently recognized by the Global Sustainable Tourism Council, Green Key is a rigorous program that ranks, certifies and inspects hotels and resorts based on their commitment to sustainable operations. Green Key uses a rating system of 1 to 5 Keys, with 5 being the highest possible attainment.

For our work in disclosure of our environmental impacts, in 2018, Caesars Entertainment received an "A" score in supplier engagement, an "A-" score for climate, and a "B" score in water from the Carbon Disclosure Project ("CDP"), an international not-for-profit that drives sustainable economies. Caesars was recently recognized as a world leader for Supplier Engagement on climate change. For the first time, we ranked among the 3% of organizations to be awarded a position on the Supplier Engagement Leader Board for actions to reduce emissions and lower climate-related risks in the supply chain in the past reporting year. Thousands of companies submit annual disclosures to CDP for independent assessment against its scoring methodology.

In order to both enhance our offerings and engage guests in our citizenship efforts, we have branded our hotel rooms with our People Planet Play messaging, inviting guests to play a role by using water, air-conditioning and towels with the environment in mind. We promote sustainable sourcing of key food ingredients for our menus from sustainably managed farms and fisheries, in response to the growing number of consumers who value such options. Additionally, to address concerns from animal rights groups, we have committed to source cage-free eggs across all our properties by 2025.

Employee Engagement, Development, Safety and Wellbeing

We aim to inspire our team members through our mission, vision and values, and our Code of Commitment. We nurture an open, collaborative and fun workplace where everyone can be their best. We provide opportunities for personal development and reward our team members with competitive compensation and the opportunity to earn substantial rewards based on merit. Our Total Return program for team members acknowledges great service, earning more than $9 million in 2018 for team members that they can redeem for merchandise, travel, entertainment, event tickets, and digital media. We survey our team members each year and, in 2018, we again achieved an improved engagement score of 4.22, higher than the Willis Towers Watson benchmark of 4.20 in the same year. This correlates to improvements in customer service, which in 2018 reached an all-time high, while our Net Promoter Scores also increased. In addition, we invest significantly in training and development of our team members.

Caesars Entertainment is committed to creating a safe workplace for our employees and a safe venue for our guests. We strive for zero injuries every day at every property. Our company-wide initiative launched in 2015, "All in for Zero", continues to embed standards and procedures to ensure all our colleagues have the awareness, knowledge and tools to make safe working a habit. We publicly report on our safety performance annually (Injury Rate of 2.74 per 100 employees in 2017). We also strive to help our team members look after their health and wellbeing through our Employee Wellness Rewards Program that is supported by 29

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nurses and coaches across our properties. The program has demonstrated results with improved health metrics for participating employees and their spouses, which has helped to mitigate insurance cost increases for Caesars and for employees.

Diversity, Equity and Inclusion

We embrace diversity and aim to create an inclusive working environment that welcomes and celebrates all our team members as individuals. Our diversity, equity and inclusion position directly connects to our endorsement of human rights for all as provided in the United Nations Universal Declaration of Human Rights and other international frameworks. In 2017, we formalized a diversity, equity and inclusion ("DEI") framework that identifies five pillars of activity, each headed by a senior executive sponsor. The pillars include advocacy, workplace, suppliers, communities and guests (through marketing offerings) for a holistic approach to embedding DEI in everything we do. Caesars received a perfect 100% score on the 2018 Human Rights Campaign Foundation Corporate Equality Index for the eleventh year in a row. In 2017, 32% of our manager level employees belonged to minority groups and 42% were women. In November 2017, we announced our goal to achieve gender equity in leadership by 2025. This initiative embodies Caesars' commitment to identifying, hiring, developing, and retaining talented people. This will enable our organization to be best in class, be more innovative, make better decisions, and better reflect our diverse clients and communities.

We also promote diversity in our supply chain and in 2017, approximately 17% of our addressable spend was with diverse suppliers. We maintain extensive outreach to discover diverse suppliers and support diverse suppliers through mentoring programs to gain business and grow with Caesars.

Human Trafficking

We take a strong stance against human trafficking and commercial sex exploitation, as can be seen in our public statement on our website. Under the guidance of a respected and accomplished leader in treating victims of exploitation, Dr. Halleh Seddighzadeh, we created an internal protocol supported by a suite of educational materials including a dedicated online portal for team members, a "Combating Human Trafficking Toolkit" and action guides. We trained customer-facing and security team members across our Las Vegas properties and have appointed 120 volunteer Community Engagement Ambassadors ("CEAs") as leaders in addressing sex trafficking and commercial sexual exploitation on property. We rolled out a train-the-trainers program for CEAs who continue to educate other team members. We continue to work in the context of an industry-wide partnership in an effort to eliminate all forms of exploitation from our operations and our supply chain.

Community Investment

Caesars Entertainment consistently makes significant contributions to our local communities to help them develop and prosper. We do this through funding of community projects, employee volunteering hours and cash donations from the Caesars Foundation, a private foundation funded by a portion of our operating income that has gifted more than $74 million since its inception in 2002. In 2017, we contributed a total of $63 million to communities through all these channels, including 331,000 reported employee volunteer hours.

In the last year, we have advanced in partnership with the City of Las Vegas and its ImpactNV initiative, a sustainable development approach in Southern Nevada. Through several multi-partner and multi-sector workshops designed to identify intersections of major social challenges facing the city, we have developed a social sustainability master plan blueprint with long-term goals in the areas of reducing homelessness, combating sex trafficking and improving the health of immigrant communities. We continue to commit resources to addressing these pressing social challenges.

Available Information

Our Internet address is *www.caesars.com.* We make available free of charge, on or through our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (the "SEC"). We also make available through our website all filings of our executive officers and directors on Forms 3, 4, and 5 under Section 16 of the Exchange Act. These filings are also available on the SEC's website at *www.sec.gov.* Our Code of Business Conduct and Ethics is available on our website under the “Investor Relations” link. We will provide a copy of these documents without charge to any person upon receipt of a written request addressed to Caesars Entertainment Corporation, Attn: Corporate Secretary, One Caesars Palace Drive, Las Vegas, Nevada 89109. Reference in this document to our website address does not constitute incorporation by reference of the information contained on the website.

ITEM 1A. Risk Factors

Risks Related to Our Business

Our substantial indebtedness and the fact that a significant portion of our cash flow is used to make interest payments and rent payments under the Lease Agreements (defined below) could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry and prevent us from making debt service payments and rent payments.

Caesars Entertainment is a highly-leveraged company and had $9.1 billion in debt outstanding under credit facilities and notes (including our convertible notes) as of December 31, 2018. As a result, a significant portion of our liquidity needs are for debt service on such indebtedness, including significant interest payments. Our estimated debt service (including principal and interest) on our credit facilities and notes (including our convertible notes) is $644 million for 2019 and $11.3 billion thereafter to maturity for our currently outstanding indebtedness under our credit facilities and notes (including our convertible notes).

See Note 12 for details of our debt outstanding and related restrictive covenants.

Our substantial indebtedness and the restrictive covenants under the agreements governing such indebtedness could:

- limit our ability to borrow money for our working capital, capital expenditures, development projects, debt service requirements, rent payment requirements, strategic initiatives or other purposes;
- make it more difficult for us to satisfy our obligations with respect to our indebtedness and the Lease Agreements, and any failure to comply with the obligations of any of our debt instruments or Lease Agreements, including restrictive covenants and borrowing conditions, could result in an event of default under the agreements governing our indebtedness or such Lease Agreements;
- require that a substantial portion of our cash flow from operations be dedicated to the payment of rent and interest and repayment of our indebtedness, thereby reducing funds available to us for other purposes;
- limit our flexibility in planning for or reacting to changes in our operations or business;
- make us more highly-leveraged than certain of our competitors, which may place us at a competitive disadvantage;
- make us more vulnerable to downturns in our business or the economy;
- restrict the availability for us to make strategic acquisitions, develop new gaming facilities, introduce new technologies or exploit business opportunities;
- affect our ability to renew certain gaming and other licenses;
- limit, along with the financial and other restrictive covenants in our indebtedness and the Lease Agreements, among other things, our ability to borrow additional funds or dispose of assets; and
- expose us to the risk of increased interest rates as certain of our borrowings are at variable rates of interest.

Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations, prospects and ability to satisfy our outstanding debt obligations and lease obligations.

Our ability to satisfy our debt obligations and lease obligations will depend upon, among other things:

- 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 future ability to borrow under our credit facilities, the availability of which depends on, among other things, our complying with the covenants thereunder.

Our debt agreements contain restrictions that limit our flexibility in operating our business.

Our debt agreements contain, and the agreements governing any future indebtedness of ours would likely contain, a number of covenants that impose significant operating and financial restrictions, including restrictions on our ability to, among other things:

- incur additional debt or issue certain preferred shares;

- pay dividends on or make distributions in respect of our capital stock or make other restricted payments;
- make certain investments;
- sell certain assets;
- create liens on certain assets;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into certain transactions with our affiliates; and
- designate our subsidiaries as unrestricted subsidiaries.

As a result of these covenants, we are limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs.

We have pledged a significant portion of our assets as collateral under our subsidiaries' secured debt agreements. If any of our lenders accelerate the repayment of borrowings, there can be no assurance that we will have sufficient assets to repay our indebtedness.

We are required to satisfy and maintain specified financial ratios under the agreements governing our revolving credit facilities if and when specified amounts are drawn and outstanding under our revolving credit facilities. See Note 12 for further information. Our ability to meet the financial ratios under our debt agreements can be affected by events beyond our control, and there can be no assurance that we will be able to continue to meet those ratios.

A failure to comply with the covenants contained in the agreements that govern our indebtedness could result in an event of default thereunder, which, if not cured or waived, could have a material adverse effect on our business, financial condition and results of operations. In the event of any default under the indebtedness of CEC, CRC or CEOC LLC, the lenders or noteholders thereunder:

- will not be required to lend any additional amounts to such borrowers;
- could elect to declare all indebtedness outstanding, together with accrued and unpaid interest and fees, to be due and payable and terminate all commitments to extend further credit; or
- require such borrowers to apply all of our available cash to repay such indebtedness.

Such actions by the lenders or noteholders under CEC's, CRC's or CEOC LLC's indebtedness could cause cross defaults under the other indebtedness of CEC, CRC or CEOC LLC, respectively, and in the case of lenders or noteholders under CRC's or CEOC LLC's indebtedness, could cause additional cross defaults under CEC's indebtedness. If we are unable to repay amounts under our secured credit facilities, the lenders under such secured credit facilities could proceed against the collateral granted to them to secure that indebtedness.

If the indebtedness under CEC's, CRC's or CEOC LLC's credit facilities or other indebtedness were to be accelerated, there can be no assurance that their assets would be sufficient to repay such indebtedness in full.

CEC, CEOC LLC, CRC and/or their respective subsidiaries are parties to certain leasing and related arrangements that may have a negative effect on CEC's business and operations.

CEC, CEOC LLC, CRC, and certain of their subsidiaries are parties to certain leasing and financial commitments, including three lease agreements relating to properties operated by CEOC LLC or its subsidiaries (the "CEOC LLC Lease Agreements"), three related management and lease support agreements, a lease agreement relating to a property operated by a subsidiary of CRC (the "HLV Lease Agreement" and collectively with the CEOC LLC Lease Agreements, the "Lease Agreements") and related guaranties (collectively, the "Lease Documents"). Pursuant to the CEOC LLC Lease Agreements, VICI leases properties to CEOC LLC (or the applicable subsidiaries of CEOC LLC) and CEOC LLC (or the applicable subsidiaries of CEOC LLC) is responsible for lease payments and other obligations for: (i) Caesars Palace Las Vegas; (ii) substantially all domestic properties owned by CEOC LLC and its subsidiaries other than Caesars Palace Las Vegas; and (iii) Harrah's Joliet Hotel & Casino in Joliet, Illinois. CEC guarantees the payment and performance of all monetary obligations of CEOC LLC and its subsidiaries under the CEOC LLC Lease Agreements. Pursuant to the HLV Lease Agreement, VICI leases Harrah's Las Vegas to a subsidiary of CRC, which is responsible for lease payments and other obligations for Harrah's Las Vegas. CRC guarantees the payment and performance of all monetary obligations of its subsidiary under the HLV Lease Agreement.

CEC has entered into call right agreements with VICI pursuant to which VICI has the right for five years from October 6, 2017, the date of those agreements, to purchase and lease to CEC or one of its subsidiaries interests in the real property assets associated with Harrah’s Laughlin, Harrah’s Atlantic City and Harrah’s New Orleans, which could also impose additional lease payments and other obligations on CEC and its subsidiaries. CEC and VICI also entered into a right of first refusal agreement that provides, among other things, for (a) a grant by CEC (on behalf of itself and all of its majority owned subsidiaries) to VICI (on behalf of itself and all of its majority owned subsidiaries) of a right of first refusal to own and lease to an affiliate of CEC certain non-Las Vegas domestic real estate that CEC or its affiliates may have the opportunity to acquire or develop and (b) a grant by VICI to CEC of a right of first refusal to lease and manage certain non-Las Vegas domestic real estate that VICI may have the opportunity to acquire or develop.

Pursuant to the Lease Agreements, as amended in December 2018, CEC’s subsidiaries are obligated to pay, in the aggregate, approximately $782 million in fixed annual rents, subject to certain escalators and adjustments beginning at various points in the initial term and continuing through the renewal terms. If CEC’s businesses and properties fail to generate sufficient earnings, the payments required to service these leasing commitments may materially and adversely limit the ability of CEC to make investments to maintain and grow its portfolio of businesses and properties. Additionally, CEC may be subject to other significant obligations under its guarantees if its subsidiaries are unable to satisfy their lease payments and other monetary obligations which could materially and adversely affect CEC’s business and operating results.

CEC’s guarantees of the CEOC LLC Lease Agreements impose restrictions on certain business activities of CEC, including restrictions on sales of assets and making dividends and distributions. The Lease Documents generally impose restrictions on the business activities of CEOC LLC, CRC and their applicable subsidiaries, including restrictions on transfers of the leased properties, requirements to make specified minimum levels of capital expenditures and limitations regarding how the leased properties may be operated. Compliance with the restrictions in the Lease Documents may constrain the ability of CEC to implement any growth plans as well as its flexibility to react and adapt to unexpected operational challenges and adverse changes in economic and legal conditions. Additionally, with respect to properties leased pursuant to the Lease Agreements, CEOC LLC or CRC (or their applicable subsidiaries) generally will be required to restore properties that are damaged by casualties regardless of whether any insurance proceeds are sufficient to pay for the restoration.

Each of CEOC LLC, CRC and/or their respective subsidiaries are required to pay a significant portion of their cash flow from operations to VICI pursuant to and subject to the terms and conditions of the Lease Agreements, which could adversely affect our ability to fund our operations or development projects, raise capital, make acquisitions, and otherwise respond to competitive and economic changes.

Each of CEOC LLC, CRC and/or their applicable subsidiaries are required to pay a significant portion of their cash flow from operations to VICI pursuant to and subject to the terms and conditions of the Lease Agreements. As a result of this commitment, their ability to fund their own operations or development projects, raise capital, make acquisitions and otherwise respond to competitive and economic changes may be adversely affected. For example, their obligations under the Lease Agreements may:

- make it more difficult for the applicable entity to satisfy their obligations with respect to their indebtedness and to obtain additional indebtedness;
- increase the applicable entity’s vulnerability to general or regional adverse economic and industry conditions or a downturn in its business;
- require the applicable entity to dedicate a substantial portion of its cash flow from operations to making lease payments, thereby reducing the availability of its cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit the applicable entity’s flexibility in planning for, or reacting to, changes in its business and the industry in which it operates; and
- restrict the applicable entity’s ability to raise capital, make acquisitions and divestitures and engage in other significant transactions.

In addition, the annual rent escalations under the Lease Agreements will continue to apply regardless of the amount of cash flows generated by the properties that are subject to the Lease Agreements (subject to certain EBITDAR to rent ratio-based caps). Accordingly, if the cash flows generated by such properties decrease, or do not increase at the same rate as the rent escalations, the rents payable under the Lease Agreements could comprise a higher percentage of the cash flows generated by the applicable entity, which could exacerbate, perhaps materially, the issues described above.

Any of the above listed factors could have a material adverse effect on CEOC LLC's and CRC's respective business, financial condition, and results of operations.

The CEC Convertible Notes are exercisable for shares of our common stock. The exercise of such equity instruments would have a dilutive effect to stockholders of CEC.

The $1.1 billion aggregate principal amount of 5.00% convertible senior notes maturing in 2024 (the "CEC Convertible Notes") are exercisable for shares of our common stock. The exercise of such equity instruments would have a dilutive effect to stockholders of CEC. In accordance with the terms of the Plan, on the Effective Date, we issued approximately $1.1 billion aggregate principal amount of CEC Convertible Notes that are convertible at the option of holders into a number of shares of our common stock that is initially equal to 0.139 shares of our common stock per $1.00 principal amount of CEC Convertible Notes, or approximately 156 million shares, of which 151 million shares are net of amounts held by CEC. If all the shares were issued on the Effective Date, they would have represented approximately 17.9% of the shares of our common stock outstanding after giving effect to the shares issued in accordance with the Plan. The CEC Convertibles Notes are subject to conversion at our option beginning in October 2020 if the last reported sale price of our common stock equals or exceeds 140% of the conversion price for the CEC Convertible Notes in effect on each of at least 20 trading days during any 30 consecutive trading day period. CEC does not have any other redemption rights for the CEC Convertible Notes. As of December 31, 2018, the remaining life of the CEC Convertible Notes is 5.75 years.

Most of CEOC LLC's U.S. gaming facilities, as well as Harrah's Las Vegas, are leased and could experience risks associated with leased property, including risks relating to lease termination, lease extensions, consents and approvals, charges and our relationship with VICI, which could have a material adverse effect on our business, financial position or results of operations.

Most of CEOC LLC's U.S. gaming facilities are leased and could experience risks associated with leased property, including risks relating to lease termination, lease extensions, consents and approvals, charges and our relationship with VICI, which could have a material adverse effect on our business, financial position, or results of operations. CEOC LLC and its subsidiaries lease most of the gaming facilities they operate pursuant to the CEOC LLC Lease Agreements. Termination of any or all of the CEOC LLC Lease Agreements would result in CEOC LLC or its applicable subsidiaries losing some or all of their rights with respect to the applicable properties, could result in a default under CEOC LLC's debt agreements, and could have a material adverse effect on CEOC LLC's business, financial position, or results of operations. In the event of certain terminations of the CEOC LLC Lease Agreements, CEOC LLC or its applicable subsidiaries may be required to cooperate to transfer all personal property located at the applicable facility to a designated successor. Moreover, since as a lessee CEOC LLC and its subsidiaries do not completely control the land and improvements underlying their operations, VICI, as lessor, could take certain actions to disrupt CEOC LLC and its subsidiaries' rights in the facilities leased under the CEOC LLC Lease Agreements, which are beyond our control. If VICI chose to disrupt CEOC LLC and its subsidiaries' use either permanently or for a significant period of time, then the value of their assets could be impaired and their business and operations could be adversely affected. There can also be no assurance that CEOC LLC and its subsidiaries will be able to comply with their obligations under the CEOC LLC Lease Agreements in the future. In addition, if VICI has financial, operational, regulatory or other challenges there can be no assurance that VICI will be able to comply with its obligations under its agreements with CEC, CEOC LLC, or their subsidiaries.

CRC's subsidiary leases Harrah's Las Vegas from VICI pursuant to the HLV Lease Agreement on terms that are similar to those of the CEOC LLC Lease Agreements. CRC and its subsidiary, therefore, are subject to many of the same risks described above with respect to Harrah's Las Vegas.

The Lease Agreements are a type of lease that is commonly known as a triple net lease. Accordingly, in addition to rent, the tenants under the Lease Agreements are required to pay all operating costs associated with the respective facilities, including the payment of taxes, insurance, and all repairs, and providing indemnities to VICI against liabilities associated with the operations of each facility. CEC's applicable subsidiaries are responsible for incurring the costs described in the preceding sentence notwithstanding the fact that many of the benefits received in exchange for such costs may in part accrue to VICI as owner of the associated facilities. In addition, if some of the leased facilities should prove to be unprofitable, CEOC LLC and its subsidiaries or CRC's subsidiary, as applicable, could remain obligated for lease payments and other obligations under the Lease Agreements even if they decided to withdraw from those locations, and consequently, CEC and CRC would remain obligated under the corresponding lease guarantees. CEOC LLC and its subsidiaries or CRC's subsidiary, as applicable, could incur special charges relating to the closing of such facilities including lease termination costs, impairment charges, and other special charges that would reduce their net income and could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to generate sufficient cash to service all of our indebtedness and lease commitments, and may be forced to take other actions to satisfy our obligations under our indebtedness and lease commitments that may not be successful.

We may be unable to generate sufficient cash flow from operations, or may be unable to draw under our credit facilities or otherwise, in an amount sufficient to fund our liquidity needs. Our operating cash inflows are typically used for operating expenses, debt service costs, lease payments, working capital needs, and capital expenditures in the normal course of business. Our estimated debt service (including principal and interest) is $644 million for 2019 and $11.3 billion thereafter to maturity for our outstanding indebtedness and our estimated financing obligations are $753 million for 2019 and $37.7 billion thereafter to maturity for our outstanding lease arrangements. If we are unable to service our debt obligations or pay our financing obligations, there can be no assurances that our business will continue in its current state. See Note 12 for details of our debt outstanding and Note 10 for details of our lease commitments.

We may incur additional indebtedness and lease commitments, which could adversely affect our ability to pursue certain business opportunities.

We and our subsidiaries may incur additional indebtedness and lease commitments at any time and from time to time in the future. Although the terms of the agreements governing our indebtedness and lease commitments contain restrictions on our ability to incur additional indebtedness and certain types of lease commitments, these restrictions are subject to a number of important qualifications and exceptions, and the indebtedness and lease commitments incurred in compliance with these restrictions could be substantial. For example, as of December 31, 2018, CRC had $864 million of additional borrowing capacity available under its senior secured credit facility, net of $100 million outstanding and $36 million committed to outstanding letters of credit, and CEOC LLC had a total of $161 million of additional borrowing capacity available under its senior secured credit facility, net of $39 million committed to outstanding letters of credit. We may consider incurring additional indebtedness in the future to fund our growth strategy.

Our subsidiary debt agreements allow for limited future issuances of additional secured or unsecured indebtedness, which may include, in each case, indebtedness secured on a pari passu basis with the obligations under CRC's or CEOC LLC's credit facilities. This indebtedness could be used for a variety of purposes, including financing capital expenditures, refinancing or repurchasing our outstanding indebtedness, including existing unsecured indebtedness, or for general corporate purposes. We have raised and expect to continue to raise debt, including secured debt, to directly or indirectly refinance our outstanding unsecured debt on an opportunistic basis, as well as development and acquisition opportunities. Additional indebtedness would require greater servicing payments, and accordingly, may affect our future liquidity and limit our ability to pursue certain opportunities and implement any growth plans in the future.

Repayment of our and our subsidiaries' debt is dependent on cash flow generated by our subsidiaries.

Our subsidiaries currently own a significant portion of our assets and conduct a significant portion of our operations. Accordingly, repayment of our and our subsidiaries' indebtedness is dependent, to a significant extent, on the generation of cash flow by our subsidiaries and, in the case of CEC's debt, their ability to make such cash available to us by dividend, if needed, or otherwise. Our subsidiaries do not have any obligation to pay amounts due on our other subsidiaries' indebtedness or to make funds available for that purpose (other than with respect to subsidiary guarantees granted by certain subsidiaries of CEOC LLC to guarantee CEOC LLC's indebtedness and by certain subsidiaries of CRC to guarantee CRC's indebtedness). Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our or our other subsidiaries' indebtedness. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries.

Our business and results of operations could be negatively affected as a result of the actions of activist stockholders, which could impact our stock price.

We have been the subject of actions taken by activist stockholders. For instance, on February 19, 2019, Carl C. Icahn and various affiliated entities (collectively, "Icahn") filed with the SEC a Schedule 13D indicating that Icahn beneficially owns 9.8 percent of our common stock. The Schedule 13D disclosed that Icahn had spoken to, and intended to continue to speak with, our Board of Directors and management regarding enhancing shareholder value, improving asset optimization and seeking board representation, including, if necessary, by nominating a slate of directors at the 2019 Annual Meeting. The Schedule 13D also indicated that Icahn believes the Board of Directors should conduct a strategic process to comprehensively assess the best path forward for our company and Icahn's belief that stockholder value might be best served, and enhanced, by selling our Company.

While we strive to maintain constructive, ongoing communications with all of our stockholders, and welcome their views and opinions with the goal of enhancing value for all stockholders, activist stockholders may, from time to time, engage in proxy solicitations or advance stockholder proposals, or otherwise attempt to effect changes and assert influence on our Board of Directors and management. Responding to proposals by activist stockholders may, and responding to a proxy contest instituted by stockholders would, require us to incur significant legal and advisory fees, proxy solicitation expenses (in the case of a proxy contest) and administrative and associated costs and require significant time and attention by our Board of Directors and management, diverting their attention from the pursuit of our business strategy. Any perceived uncertainties as to our future direction and control, our ability to execute on our strategy or changes to the composition of our Board of Directors or senior management team arising from proposals by activist stockholders or a proxy contest could lead to the perception of a change in the direction of our business or instability which may be exploited by our competitors, result in the loss of potential business opportunities and make it more difficult to pursue our strategic initiatives or attract and retain qualified personnel and business partners, any of which could have a material adverse effect on our business and operating results. In addition, stockholder activism and potential resulting changes in governance may have implications under the various gaming laws to which we are subject, and could have an adverse impact on our gaming licenses. We may choose to initiate, or may become subject to, litigation as a result of proposals by activist stockholders or proxy contests or matters relating thereto, which would serve as a further distraction to our Board of Directors and management and could require us to incur significant additional costs.

In addition, actions such as those described above could cause significant fluctuations in the trading prices of our common stock, based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

As we continue to engage in discussions with Icahn, the trading prices of our common stock may be subject to significant fluctuations, including as a result of actions taken by activist stockholders and our responses thereto, which may be material.

Likewise, to the extent that we implement any proposals made by Icahn or any other activist stockholder to change the composition of our Board of Directors, engage in particular transactions or change certain aspects of our strategy, the resulting changes in our business, assets, results of operations and financial condition may be material and may have an impact, which may be material, on the market prices of our common stock, and may also cause substantial volatility in the trading price of those securities.

We may not realize any or all of our anticipated value creation opportunities, which would have a negative effect on our results of operations.

As part of our enterprise-wide strategy, we have implemented a program of continuous improvement designed to identify value creation opportunities to improve operations and results, including without limitation through identifying opportunities to improve profitability by reducing costs. Any cost savings or other value creation that we ultimately realize from such efforts may differ materially from originally anticipated amounts or be offset by other unanticipated developments. These plans are subject to numerous risks and uncertainties that may change at any time. We cannot assure you that cost-savings or other value creation initiatives will be completed as anticipated or that the benefits we expect will be achieved on a timely basis or at all.

It is unclear what long-term impact our business structure will have on our key business relationships and our ability to compete with other gaming operators.

As a result of the consummation of the Plan, we are among a few gaming operators that lease a significant portion of its properties from a single lessor under lease arrangements. As a result, it is difficult to predict whether and to what extent our relationship with VICI, including any actual or perceived conflicts of interest, will affect our relationships with suppliers, customers, or regulators or our ability to compete with other gaming operators that are not subject to a master lease arrangement with a single lessor. In addition, VICI has numerous consent, audit, and other rights under the Lease Documents. As a result, a number of CEOC LLC’s and CRC’s strategic and operational decisions are subject to review and/or agreement with VICI, and there can be no assurance that VICI’s exercise of its rights under the Lease Documents will not be adverse to CEOC LLC’s or CRC’s business or operations, particularly where our interests and the interests of VICI (or those who control it) are not aligned.

The development and construction of new hotels, casinos, and gaming and non-gaming venues and the expansion of existing ones could have an adverse effect on our business, financial condition, and results of operations due to various factors including delays, cost overruns, and other uncertainties.

We intend to develop, construct, and open new hotels, casinos, and other gaming venues and develop and manage non-gaming venues in response to opportunities that may arise. Future development projects may require significant capital commitments, the incurrence of additional debt, guarantees of third-party debt, the incurrence of contingent liabilities and an increase in depreciation and amortization expense, which could have an adverse effect upon our business, financial condition, results of operations, and cash flow. The development and construction of new hotels, casinos and gaming venues and the expansion of existing ones is susceptible to various risks and uncertainties, such as:

- the existence of acceptable market conditions and demand for the completed project;

- general construction risks, including cost overruns, change orders and plan or specification modification, shortages of construction resources, labor disputes, unforeseen environmental, engineering or geological problems, work stoppages, fire and other natural disasters, construction scheduling problems, and weather interferences;
- changes and concessions required by governmental or regulatory authorities;
- the ability to finance the projects, especially in light of our substantial indebtedness;
- delays in obtaining, or inability to obtain, all licenses, permits and authorizations required to complete and/or operate the project; and
- disruption of our existing operations and facilities.

Moreover, our development and expansion projects are sometimes jointly pursued with third parties or by licensing our brands to third parties. These joint development, expansion project, or license agreements are subject to risks, in addition to those disclosed above, as they are dependent on our ability to reach and maintain agreements with third parties.

Our failure to complete any new development or expansion project, or complete any joint development or expansion projects or projects where we license our brands, as planned, on schedule, within budget, or in a manner that generates anticipated profits, could have an adverse effect on our business, financial condition, results of operations, and cash flow.

We may pursue strategic acquisitions of third-party assets and businesses as a complement to our future growth strategy, which could raise material investment risk and affect our businesses and operations, if integration is unsuccessful or the acquired assets and businesses perform poorly.

We intend to implement a growth plan centered on an organic growth strategy for our non-gaming entertainment, hospitality, and leisure offerings. We also intend to pursue strategic acquisitions as a complement to the extent such acquisitions present attractive opportunities that would bolster our organic growth strategy. Additionally, we will also look to become a more active participant in certain high-growth sports and mobile gaming opportunities in order to leverage our extensive experience and management expertise in the gaming industry and build an enhanced high-growth portfolio.

Our ability to realize the anticipated benefits of acquisitions will depend, in part, on our ability to integrate the acquired businesses with our businesses. The combination of two independent companies is a complex, costly, and time-consuming process. This process may disrupt the business of either or both of the companies and may not result in the full benefits expected. The difficulties of combining the operations of the companies include, among other things:

- coordinating marketing functions;
- undisclosed liabilities;
- unanticipated issues in integrating information, communications and other systems;
- unanticipated incompatibility of purchasing, logistics, marketing, and administration methods;
- retaining key employees;
- consolidating corporate and administrative infrastructures;
- the diversion of management attention from ongoing business concerns; and
- coordinating geographically separate organizations.

Additionally, even if integration is successful, the overall integration of acquired assets and businesses may result in material unanticipated problems, expenses, liabilities, competitive responses, loss of customer and other business relationships and diversion of management attention. There is also no guarantee that the acquired assets or businesses will generate any of the projected synergies and earnings growth, and the failure to realize such projected synergies and earnings growth may adversely affect our operating and financial results and derail any growth plans.

The risks associated with our existing and potential future international operations could reduce our profits.

Some of our properties are located outside the United States, and we are currently pursuing additional international opportunities. International operations are subject to inherent risks including:

- political and economic instability;
- variation in local economies;
- currency fluctuation;
- greater difficulty in accounts receivable collection;
- trade barriers; and
- burden of complying with a variety of international laws.

We are or may become involved in legal proceedings that, if adversely adjudicated or settled, could have a material adverse effect on our business, financial condition, results of operations, and prospects.

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

Compromises of our information systems or unauthorized access to confidential information or our customers' personal information could materially harm our reputation and business.

We collect and store confidential, personal information relating to our customers for various business purposes, including marketing and financial purposes, and credit card information for processing payments. For example, we handle, collect and store personal information in connection with our customers staying at our hotels and enrolling in Caesars Rewards. We may share this personal and confidential information with vendors or other third parties in connection with processing of transactions, operating certain aspects of our business, or for marketing purposes. Our collection and use of personal data are governed by state and federal privacy laws and regulations as well as the applicable laws and regulations in other countries in which we operate. Privacy law is subject to frequent changes and varies significantly by jurisdiction. We may incur significant costs in order to ensure compliance with the various applicable privacy requirements. In addition, privacy laws and regulations may limit our ability to market to our customers.

We assess and monitor the security of collection, storage, and transmission of customer information on an ongoing basis. We utilize commercially available software and technologies to monitor, assess and secure our network. Further, some of the systems currently used for transmission and approval of payment card transactions and the technology utilized in payment cards themselves, all of which can put payment card data at risk, are determined and controlled by the payment card industry, and other such systems are determined and controlled by us. Although we have taken steps designed to safeguard our customers' confidential personal information and important internal company data, our network and other systems and those of third parties, such as service providers, could be compromised, damaged, or disrupted by a third-party breach of our system security or that of a third-party provider or as a result of purposeful or accidental actions of third parties, our employees, or those employees of a third party, power outages, computer viruses, system failures, natural disasters, or other catastrophic events. Our third-party information system service providers face risks relating to cybersecurity similar to ours, and we do not directly control any of such parties' information security operations. Advances in computer and software capabilities, encryption technology, new tools, and other developments may increase the risk of a security breach. As a result of any security breach, customer information or other proprietary data may be accessed or transmitted by or to a third party. Despite the measures we have implemented to safeguard our information, there can be no assurance that we are adequately protecting our information.

Any loss, disclosure of, misappropriation of, or access to customers' or other proprietary information or other breach of our information security could result in legal claims or legal proceedings, including regulatory investigations and actions, or liability for failure to comply with privacy and information security laws, including for failure to protect personal information or for misusing personal information, which could disrupt our operations, damage our reputation, and expose us to claims from customers, financial institutions, regulators, payment card associations, employees, and other persons, any of which could have an adverse effect on our financial condition, results of operations, and cash flow.

We have cybersecurity insurance to respond to a breach which is designed to cover expenses around notification, credit monitoring, investigation, crisis management, public relations and legal advice. We also carry other insurance which may cover ancillary aspects of the event. However, damage and claims arising from a breach may not be completely covered or may exceed the amount of any insurance available.

Our reliance on our computer systems and software could expose us to great financial harm if any of our computer systems or software were subject to any material disruption or corruption.

We rely significantly on our computer systems and software to receive and properly process internal and external data, including data related to Caesars Rewards. A disruption or corruption of the proper functioning of our computer systems or software could cause us to lose data or record erroneous data, which could result in material losses. We cannot guarantee that our efforts to maintain competitive computer systems and software will be successful. Our computer systems and software may fail or be subject to bugs or other errors, resulting in service interruptions or other unintended consequences. If any of these risks materialize, they could have a material adverse effect on our business, financial condition, and results of operations.

We may sell or divest different properties or assets as a result of our evaluation of our portfolio of businesses. Such sales or divestitures could affect our costs, revenues, profitability, and financial position.

From time to time, we evaluate our properties and our portfolio of businesses and may, as a result, sell or attempt to sell, divest, or spin-off different properties or assets (subject to any restrictions in the agreements governing our indebtedness and leases). These sales or divestitures affect our costs, revenues, profitability, financial position, liquidity, and our ability to comply with our debt covenants. Divestitures have inherent risks, including possible delays in closing transactions (including potential difficulties in obtaining regulatory approvals), the risk of lower-than-expected sales proceeds for the divested businesses, and potential post-closing claims for indemnification. In addition, current economic conditions and relatively illiquid real estate markets may result in fewer potential bidders and unsuccessful sales efforts. Expected costs savings, which are offset by revenue losses from divested properties, may also be difficult to achieve or maximize due to our fixed cost structure.

Reduction in discretionary consumer spending resulting from a downturn in the national economy, the volatility and disruption of the capital and credit markets, adverse changes in the global economy, and other factors could negatively impact our financial performance and our ability to access financing.

Changes in discretionary consumer spending or consumer preferences are driven by factors beyond our control, such as perceived or actual general economic conditions; high energy, fuel and other commodity costs; the cost of travel; the potential for bank failures; a soft job market; an actual or perceived decrease in disposable consumer income and wealth; increases in payroll taxes; increases in gaming taxes or fees; fears of recession and changes in consumer confidence in the economy; and terrorist attacks or other global events. Our business is susceptible to any such changes because our properties offer a highly-discretionary set of entertainment and leisure activities and amenities. Gaming and other leisure activities we offer represent discretionary expenditures and participation in such activities may decline if discretionary consumer spending declines, including during economic downturns, during which consumers generally earn less disposable income. Particularly, we have business concentrations in gaming offerings and in Las Vegas, which are sensitive to declines in discretionary consumer spending and changes in consumer preferences. During periods of economic contraction, our revenues may decrease while most of our costs remain fixed and some costs even increase, resulting in decreased earnings.

We are subject to significant risks associated with joint ventures, strategic alliances and other third-party collaborations.

We pursue certain of our new license opportunities, development projects and other strategic business opportunities through third party collaborations such as joint ventures, license arrangements and other alliances. Examples include our joint ventures for Horseshoe Baltimore and our development project in Korea, our recently announced deal with Turner Sports regarding gaming-related sports content, and other sports-related opportunities.

Our joint ventures are governed by mutually established agreements that we entered into with our partners. As such, we do not unilaterally control the joint ventures or other initiatives. The terms of the joint venture and the rights of our joint venture partners may preclude us from taking actions that we believe to be in the best interests of the Company. Alternatively, our joint venture partners could take actions binding on the joint venture without our consent. Disagreements with our joint venture partners could result in delays in project development, including construction delays, and ultimate failure of the project. Moreover, our joint venture partners may not be able to provide capital to the joint venture on the terms agreed to or at all, and the joint venture may be unable to obtain external financing to finance its operations. Also, our ability to exit the joint venture may be subject to contractual and other limitations. With any third-party collaboration, there is a risk that our partners' economic, business or legal interests or objectives may not be aligned with ours, leading to potential disagreements and/or failure of the applicable project or initiative. Additionally, we are subject to the risks relating to our partners' failure to satisfy contractual obligations, conflicts arising between us and any of our partners and changes in the ownership of any of our partners.

Any of the foregoing with respect to our third-party collaborations could adversely affect our financial condition, operating results and cash flows.

Our strategies to grow our business may be unsuccessful, which could have an adverse effect on our results of operations.

Our success depends in part on our ability to grow our business. In addition to increasing our revenues from operations, we plan to grow our business through (i) real estate development domestically and internationally, (ii) traditional mergers and acquisitions, (iii) expanding our Caesars Rewards partnerships, and (iv) pursuing licensing and management agreements to utilize our brands on third party-owned properties. Our ability to execute on our growth strategy is dependent upon, among other things, our ability to finance development projects and to obtain all necessary zoning, land-use, building, occupancy and other governmental permits and authorizations, and upon risks inherent in acquisitions including the ability to finance acquisitions, the ability to integrate acquisitions, the ability to realize anticipated benefits of the acquisitions and the diversion of management's attention from Company resources. In addition, we may be unsuccessful in identifying acceptable third parties for Caesars Rewards and for licensing and managing properties. As a result, we may not be able to realize the growth we expect from our strategies, which could have an adverse effect on our results of operations. Moreover, even if our growth strategy is successful, we may not realize the benefit we expect from our growth strategy on a timely basis or at all, which could have an adverse effect on our business, financial condition, results of operations and cash flow.

In addition, the Company may from time to time pursue strategic investments in pursuit of its growth strategy. There can be no assurance that any such investment will be successful or result in the benefits we expect within the expected time frame or at all. A failure of any strategic investment could have an adverse effect on our business, financial condition, results of operations and cash flow.

We are subject to extensive governmental regulation and taxation policies, and the enforcement of or any changes in such regulation or policy could adversely impact our business, financial condition, and results of operations.

We are subject to extensive gaming regulations and political and regulatory uncertainty. Regulatory authorities in the jurisdictions where we operate have broad powers with respect to the licensing of casino operations and may revoke, suspend, condition, or limit our gaming or other licenses, impose substantial fines and take other actions, any one of which could adversely impact our business, financial condition, and results of operations. Furthermore, in many jurisdictions where we operate, licenses are granted for limited durations and require renewal from time to time. There can be no assurance that continued gaming activity will be approved in any referendum in the future. If we do not obtain the requisite approval in any future referendum, we will not be able to operate our gaming operations in the affected jurisdiction, which would negatively impact our future performance. In addition, the gaming and other laws and regulations to which we are subject could change or could be interpreted differently in the future, or new laws and regulations could be enacted. For example, in 2018, the U.S. Department of Justice ("DOJ") reversed its previously-issued opinion published in 2011, which stated that interstate transmissions of wire communications that do not relate to a "sporting event or contest" fall outside the purview of the Wire Act of 1961 (the "Wire Act"). The DOJ's updated opinion, which is still being evaluated by industry members, concluded instead that the Wire Act was not uniformly limited to gaming relating to sporting events or contests and that certain of its provisions apply to non-sports-related wagering activity. Any such material changes, new laws or regulations, or material differences in interpretations by courts or governmental authorities could adversely affect our business and operating results.

From time to time, individual jurisdictions have also considered legislation or referendums, such as bans on smoking in casinos and other entertainment and dining facilities, which could adversely impact our operations. These smoking bans have adversely affected revenues and operating results at our properties. The likelihood or outcome of similar legislation in other jurisdictions and referendums in the future cannot be predicted, though any smoking ban would be expected to negatively impact our financial performance.

Furthermore, because we are subject to regulation in each jurisdiction in which we operate, and because regulatory agencies within each jurisdiction review our compliance with gaming laws in other jurisdictions, it is possible that gaming compliance issues in one jurisdiction may lead to reviews and compliance issues in other jurisdictions.

The casino entertainment industry represents a significant source of tax revenues to the various jurisdictions in which casinos operate. From time to time, various state and federal legislators and officials have proposed changes in tax laws, or in the administration of such laws, including increases in tax rates, which would affect the industry. If adopted, such changes could adversely impact our business, financial condition, and results of operations.

Our ability to utilize net operating loss ("NOL") carryforwards may be limited as a result of any future stock ownership changes.

In general, Section 382 of the Internal Revenue Code provides an annual limitation with respect to the ability of a corporation to utilize its net operating loss carryovers, as well as certain built-in losses, against future taxable income in the event of a change in ownership. CEOC's emergence from bankruptcy and the CAC Merger resulted in a change in ownership for purposes of Section 382, making its provisions applicable to the Company. It is unlikely that the annual limitation caused as a result of the CAC Merger and CEOC's emergence from bankruptcy will adversely affect the Company's ability to utilize its net operating loss carryovers against its future taxable income. However, if the Company undergoes another ownership change before all the net operating loss carryovers have offset taxable income, a future limitation may restrict the Company's ability to utilize its net operating loss carryover prospectively.

Any violation of the Bank Secrecy Act or other similar anti-money laundering laws and regulations could have a negative impact on us.

We deal with significant amounts of cash in our operations and are subject to various reporting and AML regulations. In recent years, governmental authorities have been increasingly focused on AML policies and procedures, with a particular focus on the gaming industry. Any violation of AML or regulations by any of our resorts could have a negative effect on our results of operations.

Any violation of the Foreign Corrupt Practices Act or other similar anti-corruption laws and regulations could have a negative impact on us.

We are subject to risks associated with doing business outside of the United States, which exposes us to complex foreign and U.S. regulations inherent in doing business cross-border and in each of the countries in which we conduct business. We are subject to requirements imposed by the Foreign Corrupt Practices Act ("FCPA") and other anti-corruption laws that generally prohibit U.S. companies and their affiliates from offering, promising, authorizing, or making improper payments to foreign government officials for the purpose of obtaining or retaining business. Violations of the FCPA and other anti-corruption laws may result in severe criminal and civil sanctions and other penalties, and the SEC and DOJ have increased their enforcement activities with respect to the FCPA. Policies and procedures and employee training and compliance programs that we have implemented to deter prohibited practices may not be effective in prohibiting our employees, contractors, or agents from violating or circumventing our policies and the law. If our employees or agents fail to comply with applicable laws or company policies governing our international operations, we may face investigations, prosecutions, and other legal proceedings and actions that could result in civil penalties, administrative remedies, and criminal sanctions. Any determination that we have violated any anti-corruption laws could have a material adverse effect on our financial condition. Compliance with international and U.S. laws and regulations that apply to our international operations increases our cost of doing business in foreign jurisdictions.

Our stockholders are subject to extensive governmental regulation, and if a stockholder is found unsuitable by the gaming authority, that stockholder would not be able to beneficially own our common stock directly or indirectly.

In many jurisdictions, gaming laws can require any of our stockholders to file an application, be investigated, and qualify or have his, her or its suitability determined by gaming authorities. Gaming authorities have very broad discretion in determining whether an applicant should be deemed suitable. For any cause deemed reasonable by the gaming authorities, subject to certain administrative proceeding requirements, the gaming regulators have the authority to deny any application; limit, condition, restrict, revoke, or suspend any license, registration, finding of suitability or approval; or fine any person licensed, registered, or found suitable or approved. For additional information on the criteria used in making determinations regarding suitability, see Item 1, "Business—Governmental Regulation."

For example, under Nevada gaming laws, each person who acquires, directly or indirectly, beneficial ownership of any voting security, or beneficial or record ownership of any non-voting security or any debt security, in a public corporation that is registered with the Nevada Gaming Commission ("NGC"), may be required to be found suitable if the NGC has reason to believe that his or her acquisition of that ownership, or his or her continued ownership in general, would be inconsistent with the declared public policy of Nevada, in the sole discretion of the NGC. Any person required by the NGC to be found suitable must apply for a finding of suitability within 30 days after the NGC's request that he or she should do so and, together with his or her application for suitability, deposit with the Nevada Gaming Control Board (“NGCB”) a sum of money which, in the sole discretion of the NGCB, will be adequate to pay the anticipated costs and charges incurred in the investigation and processing of that application for suitability, and deposit such additional sums as are required by the NGCB to pay final costs and charges.

Furthermore, any person required by a gaming authority to be found suitable, who is found unsuitable by the gaming authority, may not hold, directly or indirectly, the beneficial ownership of any voting security or the beneficial or record ownership of any non-voting security or any debt security of any public corporation that is registered with the gaming authority beyond the time prescribed by the gaming authority. A violation of the foregoing may constitute a criminal offense. A finding of unsuitability by a particular gaming authority impacts that person's ability to associate or affiliate with gaming licensees in that particular jurisdiction and could impact the person's ability to associate or affiliate with gaming licensees in other jurisdictions. Many jurisdictions also require any person who acquires beneficial ownership of more than a certain percentage of voting securities of a gaming company and, in some jurisdictions, non-voting securities, typically 5%, to report the acquisition to gaming authorities, and gaming authorities may require such holders to apply for qualification or a finding of suitability, subject to limited exceptions for "institutional investors" that hold a company's voting securities for investment purposes only. Under Maryland gaming laws, we may not sell or otherwise transfer more than 5% of the legal or beneficial interest in Horseshoe Baltimore without the approval of the Maryland Lottery and Gaming Control Commission if it determines that the transferee is qualified or grants the transferee an institutional investor waiver. Some jurisdictions may also limit the number of gaming licenses in which a person may hold an ownership or a controlling interest. For example, in Indiana, a person may not have an ownership interest in more than two Indiana riverboat owner's licenses, and in Maryland, an individual or business entity may not own an interest in more than one video lottery facility.

If we are unable to effectively compete against our competitors, our profits will decline.

The gaming industry is highly competitive and our competitors vary considerably in size, quality of facilities, number of operations, brand identities, marketing and growth strategies, financial strength and capabilities, and geographic diversity. We also compete with other non-gaming resorts and vacation areas, and with various other entertainment businesses. Our competitors in each region in which we participate may have greater financial, marketing, or other resources than we do, and there can be no assurance that they will not engage in aggressive pricing action to compete with us. Although we believe we are currently able to compete effectively in each of the various regions in which we participate, we cannot ensure that we will be able to continue to do so or that we will be capable of maintaining or further increasing our current market share. Our failure to compete successfully in our various regions could adversely affect our business, financial condition, results of operations, and cash flow.

In recent years, many casino operators, including us, have been reinvesting in existing jurisdictions to attract new customers or to gain market share, thereby increasing competition in those jurisdictions. As companies have completed new expansion projects, supply has typically grown at a faster pace than demand in some areas. For example, in Baltimore, Maryland, the opening of MGM Resorts National Harbor Resort & Casino has resulted in significant declines in revenue at our Horseshoe Baltimore property. In Las Vegas, our largest jurisdiction, competition has increased significantly. For example, the Genting Group is developing a casino and hotel called Resorts World Las Vegas, and Marriott International and New York-based global real estate firm Witkoff are developing a casino and hotel called The Drew Las Vegas. Both are expected to open in 2020 on the northern end of the Las Vegas Strip. In response to changing trends, Las Vegas operators have been focused on expanding their non-gaming offerings, including upgrades to hotel rooms, new food and beverage offerings, and new entertainment offerings. In May 2018, MGM rebranded the Monte Carlo Hotel and Casino as Park MGM, which underwent non-gaming renovations focused on room, food and beverage, and entertainment enhancements. There have also been proposals for other large scale non-gaming development projects in Las Vegas by various other developers. The expansion of existing casino entertainment properties, the increase in the number of properties, and the aggressive marketing strategies of many of our competitors have increased competition in many markets in which we operate, and this intense competition is expected to continue. These competitive pressures have and are expected to continue to adversely affect our financial performance in certain areas, including Atlantic City, where Hard Rock Hotel Atlantic City and Ocean Resort Casino were introduced into the market in 2018, causing increased competition in the market. Growth in consumer demand for non-gaming offerings could also negatively impact our gaming revenue.

In particular, our business may be adversely impacted by the additional gaming and room capacity in Nevada, Louisiana, and Atlantic City and by the initiation and growth of online gaming in Nevada, Louisiana and other states. In addition, our operations located in New Jersey may be adversely impacted by the expansion of gaming in Maryland, New York, and Pennsylvania, our operations in Louisiana may be adversely impacted by the expansion of gaming in Mississippi and the Gulf Coast, and our operations located in Nevada may be adversely impacted by the expansion of gaming in California.

In addition, the gaming industry has expanded into new jurisdictions in which gaming was not previously permitted. This growth is likely to continue in the future and will result in increased competition for our facilities in the jurisdictions in which we operate.

The loss of the services of key personnel or the failure to manage our Chief Executive Officer transition could have a material adverse effect on our business.

We believe that the leadership of our executive officers has been a critical element of our success. On November 1, 2018, we announced that Mark P. Frissora, our President and Chief Executive Officer, will leave the Company. Subject to the terms of the Separation Agreement, Mr. Frissora will continue as President and Chief Executive Officer until a termination date of April 30, 2019 (which the Company may extend by one month) for purposes of continuity of leadership as the Company searches for a successor to Mr. Frissora with the nationally recognized third-party search firm the Company has engaged for that purpose. Any failure by us to manage this leadership transition or a failure to timely identify a qualified permanent Chief Executive Officer could have a material adverse effect on our businesses. Our other executive officers and other members of senior management have substantial experience and expertise in our businesses that we believe will make significant contributions to our growth and success. The unexpected loss of services of one or more of these individuals could also adversely affect us. We do not have key man or similar life insurance policies covering members of our senior management. We have employment agreements with our executive officers, but these agreements do not guarantee that any given executive will remain with us, and there can be no assurance that any such officers will remain with us.

If we cannot attract, retain, and motivate employees, we may be unable to compete effectively, and lose the ability to improve and expand our businesses.

Our success and ability to grow depend, in part, on our ability to hire, retain, and motivate sufficient numbers of talented people with the increasingly diverse skills needed to serve clients and expand our business in many locations around the world. We face intense competition for highly qualified, specialized technical, managerial, and consulting personnel. Recruiting, training, retention, and benefit costs place significant demands on our resources. Additionally, the impending departure of our Chief Executive Officer, Mark P. Frissora, and the ongoing search for a successor to Mr. Frissora may make recruiting executives to our businesses more difficult. The inability to attract qualified employees in sufficient numbers to meet particular demands or the loss of a significant number of our employees could have an adverse effect on us.

Our business may be subject to seasonal fluctuations that could result in volatility and have an adverse effect on our operating results.

Our business may be subject to some degree of seasonality. Weather conditions may deter or prevent customers from reaching the facilities or undertaking trips. Such conditions would particularly affect customers who are traveling longer distances to visit our properties. Seasonality may cause our properties working capital cash flow requirements to vary from quarter to quarter depending on the variability in the volume and timing of sales. Business in our properties can also fluctuate due to specific holidays or other significant events, such as Easter (particularly when the holiday falls in a different quarter than the prior year), the World Series of Poker tournament (with respect to our Las Vegas properties), city-wide conventions, a large sporting event or a concert, or visits by our premium players. We also believe that any seasonality, holiday, or other significant event may affect our various properties or regions differently. These factors, among other things, make forecasting more difficult and may adversely affect our properties' ability to manage working capital and to predict financial results accurately, which could adversely affect our business, financial condition, and operating results.

Our business is particularly sensitive to energy prices and a rise in energy prices could harm our operating results.

We are a large consumer of electricity and other energy and, therefore, higher energy prices may have an adverse effect on our results of operations. Accordingly, increases in energy costs may have a negative impact on our operating results. Additionally, higher electricity and gasoline prices that affect our customers may result in reduced visitation to our resorts and a reduction in our revenues. We may be indirectly impacted by regulatory requirements aimed at reducing the impacts of climate change directed at up-stream utility providers, as we could experience potentially higher utility, fuel, and transportation costs.

Win rates (hold rates) for our casino operations depend on a variety of factors, some of which are beyond our control.

The gaming industry is characterized by an element of chance. Accordingly, we employ theoretical win rates to estimate what a certain type of game, on average, will win or lose in the long run. In addition to the element of chance, win rates (hold percentages) are also affected by the spread of table limits and factors that are beyond our control, such as a player's skill, experience, and behavior, the mix of games played, the financial resources of players, the volume of bets placed, and the amount of time players spend gambling. As a result of the variability in these factors, the actual win rates at our casinos may differ from the theoretical win rates we have estimated and could result in the winnings of our gaming customers exceeding those anticipated. The variability of win rates (hold rates) also have the potential to negatively impact our financial condition, results of operations, and cash flows.

We face the risk of fraud, theft, and cheating.

We face the risk that gaming customers may attempt or commit fraud or theft or cheat in order to increase winnings. Such acts of fraud, theft, or cheating could involve the use of counterfeit chips or other tactics, possibly in collusion with our employees. Internal acts of cheating could also be conducted by employees through collusion with dealers, surveillance staff, floor managers, or other casino or gaming area staff. Additionally, we also face the risk that customers may attempt or commit fraud or theft with respect to our non-gaming offerings or against other customers. Such risks include stolen credit or charge cards or cash, falsified checks, theft of retail inventory and purchased goods, and unpaid or counterfeit receipts. Failure to discover such acts or schemes in a timely manner could result in losses in our operations. Negative publicity related to such acts or schemes could have an adverse effect on our reputation, potentially causing a material adverse effect on our business, financial condition, results of operations, and cash flows.

We may not be able to protect the intellectual property rights we own or may be prevented from using intellectual property necessary for our business.

The development of intellectual property is part of our overall business strategy, and we regard our intellectual property to be an important element of our success. We rely primarily on trade secret, trademark, domain name, copyright, and contract law to protect the intellectual property and proprietary technology we own. We also actively pursue business opportunities in the United States and in international jurisdictions involving the licensing of our trademarks to third parties. It is possible that third parties may copy or otherwise obtain and use our intellectual property or proprietary technology without authorization or otherwise infringe on our rights. For example, while we have a policy of entering into confidentiality, intellectual property invention assignment, and/or non-competition and non-solicitation agreements or restrictions with our employees, independent contractors, and business partners, such agreements may not provide adequate protection or may be breached, or our proprietary technology may otherwise become available to or be independently developed by our competitors. The laws of some foreign countries may not protect proprietary rights or intellectual property to as great an extent as do the laws of the United States. Despite our efforts to protect our proprietary rights, the unauthorized use or reproduction of our trademarks could diminish the value of our trademarks and our market acceptance, competitive advantages, or goodwill, which could adversely affect our business.

Third parties have alleged and may in the future allege that we are infringing, misappropriating, or otherwise violating their intellectual property rights. Third parties may initiate litigation against us without warning or may send us letters or other communications that make allegations without initiating litigation. We may elect not to respond to these letters or other communications if we believe they are without merit, or we may attempt to resolve these disputes out of court by negotiating a license, but in either case it is possible that such disputes will ultimately result in litigation. Any such claims could interfere with our ability to use technology or intellectual property that is material to the operation of our business. Such claims may be made by competitors seeking to obtain a competitive advantage or by other parties, such as entities that purchase intellectual property assets for the purpose of bringing infringement claims. We also periodically employ individuals who were previously employed by our competitors or potential competitors, and we may therefore be subject to claims that such employees have used or disclosed the alleged trade secrets or other proprietary information of their former employers.

In the future, we may have to rely on litigation to enforce our intellectual property rights, protect our trade secrets, determine the validity and scope of the proprietary rights of others, or defend against claims of infringement or invalidity. Any such litigation, whether successful or unsuccessful, could result in substantial costs and the diversion of resources and the attention of management. If unsuccessful, such litigation could result in the loss of important intellectual property rights, require us to pay substantial damages, subject us to injunctions that prevent us from using certain intellectual property, require us to make admissions that affect our reputation in the marketplace, and require us to enter into license agreements that may not be available on favorable terms or at all. Finally, even if we prevail in any litigation, the remedy may not be commercially meaningful or fully compensate us for the harm we suffer or the costs we incur. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We cannot assure you that we will be able to retain our performers and other entertainment offerings on acceptable terms or at all.

Our properties' entertainment offerings are only under contract for a limited time. For example, Jennifer Lopez's contract expired in 2018 and the contracts for Backstreet Boys and Celine Dion are scheduled to end in 2019. These and other of our performers draw customers to our properties and are a significant source of our revenue. We cannot assure you that we will be able to retain our performers or other shows on acceptable terms or at all. In addition, the third parties that we depend on for our properties' entertainment offerings may become incapable or unwilling to provide their services at the level agreed upon or at all. These and other of our entertainment offerings draw customers to the properties and are a significant source of our revenue.

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

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

Acts of terrorism, war, natural disasters, severe weather, and political, economic and military conditions may impede our ability to operate or may negatively impact our financial results.

Terrorist attacks and other acts of war or hostility have created many economic and political uncertainties. For example, a substantial number of the customers of our properties in Las Vegas use air travel. As a result of terrorist acts that occurred on September 11, 2001, domestic and international travel was severely disrupted, which resulted in a decrease in customer visits to our properties in Las Vegas. Visitation to Las Vegas also declined for a period of time following the mass shooting tragedy on October 1, 2017. We cannot predict the extent to which disruptions in air or other forms of travel as a result of any further terrorist act, security alerts or war, uprisings, or hostilities in places such as Iraq, Afghanistan, and/or Syria or other countries throughout the world, and governmental responses to those acts or hostilities, will directly or indirectly impact our business and operating results. For example, our operations in Cairo, Egypt, were negatively affected from the uprising there in January 2011. As a consequence of the threat of terrorist attacks and other acts of war or hostility in the future, premiums for a variety of insurance products have increased, and some types of insurance are no longer available. If any such event were to affect our properties, we would likely be adversely affected.

In addition, natural and man-made disasters such as major fires, floods, severe snowstorms, hurricanes, earthquakes, and oil spills could also adversely impact our business and operating results. Such events could lead to the loss of use of one or more of our properties for an extended period of time and disrupt our ability to attract customers to certain of our gaming facilities. For example, Harrah’s Metropolis Hotel & Casino and Horseshoe Southern Indiana each closed in late February 2018 for an extended period of time due to flooding from the Ohio River. In most cases, we have insurance that covers portions of any losses from a natural disaster, but it is subject to deductibles and maximum payouts in many cases. Although we may be covered by insurance from a natural disaster, the timing of our receipt of insurance proceeds, if any, may be out of our control. In some cases, however, we may receive no proceeds from insurance.

Additionally, a natural disaster affecting one or more of our properties may affect the level and cost of insurance coverage we may be able to obtain in the future, which may adversely affect our financial position.

As our operations depend in part on our customers’ ability to travel, severe or inclement weather can also have a negative impact on our results of operations.

We have in the past and may in the future incur impairments to goodwill, indefinite-lived intangible assets, or long-lived assets, which could negatively affect our future profits.

We perform our annual goodwill impairment assessment as of October 1. We perform this assessment more frequently if impairment indicators exist. We performed our annual goodwill impairment test by comparing the fair value of each reporting unit with its carrying amount. We determine the estimated fair value of each reporting unit based on a combination of earnings before interest, taxes, depreciation, and amortization (“EBITDA”), valuation multiples, and estimated future cash flows discounted at rates commensurate with the capital structure and cost of capital of comparable market participants, giving appropriate consideration to the prevailing borrowing rates within the casino industry in general. We also evaluate the aggregate fair value of all of our reporting units and other non-operating assets in comparison to our aggregate debt and equity market capitalization at the test date. EBITDA multiples and discounted cash flows are common measures used to value businesses in our industry.

We perform our annual impairment assessment of other non-amortizing intangible assets as of October 1. We perform this assessment more frequently if impairment indicators exist. We determine the estimated fair value of our non-amortizing intangible assets by primarily using the “Relief from Royalty Method” and “Excess Earnings Method” under the income approach.

We review the carrying value of our long-lived assets whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. As necessary, we typically estimate the fair value of assets starting with a “Replacement Cost New” approach and then deduct appropriate amounts for both functional and economic obsolescence to arrive at the fair value estimates. Other factors considered by management in performing this assessment may include current operating results, trends, prospects, and third-party appraisals, as well as the effect of demand, competition, and other economic, legal, and regulatory factors.

Declines in our stock price and increases in market yields within our industry, which are both factors used to determine the discount rate, along with downward adjustments to expectations of future performance at certain of our properties and the closure of casino operations at one of our properties outside of Las Vegas resulted in impairment charges during the year ended December 31, 2018. If significant negative industry or economic trends, reduced estimates of future cash flows, disruptions to our business, slower growth rates or lack of growth in our business, or property closures or divestitures occur, we may be required to record additional impairment charges in future periods which may be material.

Work stoppages and other labor problems could negatively impact our future profits.

Some of our employees are represented by labor unions and, accordingly, we are subject to the risk of work stoppages or other labor disruptions from time to time. Approximately half of our hourly team members employed in the U.S. are covered by a collective bargaining agreement ("CBA"). Our CBAs are the product of good faith negotiations with the respective unions that represent employees in many of our facilities.

We currently have 32 CBAs covering various employees in Las Vegas expiring in 2019. Four unions represent the employees covered by 31 of those expiring agreements. Five agreements covering employees outside of Las Vegas were set to expire in 2018. We successfully negotiated renewal agreements for four of the five agreements, and the renewal terms expire in 2021 or later. With respect to the fifth agreement, we concluded negotiations, but the union was eventually decertified and replaced by another union. We anticipate that the new union will soon request to negotiate an agreement. All agreements are subject to automatic extension unless one party gives 60 days' prior notice of intent to terminate. No such notice has been given. We intend to negotiate renewal agreements or agree to extensions for all CBAs expiring and are hopeful that we will be able to reach agreements with the respective unions without any work stoppage. Work stoppages and other labor disruptions could have a material adverse impact on our operations.

From time to time, we have also experienced attempts by labor organizations to organize certain of our non-union employees. These efforts have achieved some success to date. We cannot provide any assurance that we will not experience additional and successful union activity in the future. The impact of this union activity is undetermined and could negatively impact our profits.

Any deterioration in our reputation or the reputation of our brands could adversely impact our business, financial condition, or results of operations.

Our business is dependent on the quality and reputation of our Company and brands. Events beyond our control could affect the reputation of one or more of our properties or more generally impact our corporate or brand image. Other factors that could influence our reputation include the quality of the services we offer and our actions with regard to social issues such as diversity, human rights and support for local communities. Broad access to social media makes it easy for anyone to provide public feedback that can influence perceptions of us, our brands or our properties. It may be difficult to control or effectively manage negative publicity, regardless of whether it is accurate. Negative events and publicity could quickly and materially damage perceptions of us, our brands or our properties, which, in turn, could adversely impact our business, financial condition or results of operations through loss of customers, loss of business opportunities, lack of acceptance of our company to operate in host communities, employee retention or recruiting difficulties or other difficulties.

We may be subject to material environmental liability, including as a result of unknown environmental contamination.

Our business is subject to certain federal, state, and local environmental, health, and safety laws, regulations, and ordinances that govern activities or operations that may have adverse environmental effects, such as emissions to air, discharges to streams and rivers, and releases of hazardous substances and pollutants into the environment, as well as handling and disposal from municipal/non-hazardous waste, and that also apply to current and previous owners or operators of real estate generally. Federal examples of these laws include the Clean Air Act, the Clean Water Act, the Resource Conservation Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, and the Oil Pollution Act of 1990. Our failure to comply with these laws, including any required permits or licenses, could result in substantial fines or possible revocation of our authority to conduct some of our operations. Certain of these laws may impose cleanup responsibility and liability without regard to whether the owner or operator knew of or caused particular contamination or release of hazardous substances and regardless of whether the practices that resulted in the contamination were legal at the time that they occurred. Should unknown contamination be discovered on any of our properties, or should a release of hazardous substances occur on any of our properties, we could be required to investigate and clean up the contamination and could also be held responsible to a governmental entity or third parties for property damage, personal injury, or investigation and cleanup costs incurred in connection with the contamination or release, which may be substantial. Moreover, such contamination may also impair our ability to use or develop the affected property. Such liability could be joint and several in nature, regardless of fault, and could affect us even if such property is vacated. The potential for substantial costs and an inability to use the property could adversely affect our business. New and more stringent environmental, health, and safety regulations and permit requirements or stricter interpretations of current laws or regulations, such as those related to climate change, could also impose substantial additional costs on our business.

Our insurance coverage may not be adequate to cover all possible losses we could suffer, and, in the future, our insurance costs may increase significantly, or we may be unable to obtain the same level of insurance coverage.

We may suffer damage to our property caused by a casualty loss (such as fire, natural disasters, and acts of war or terrorism) that could severely disrupt our business or subject it to claims by third parties who are injured or harmed. Although we maintain insurance (including property, casualty, terrorism, and business interruption), it may be inadequate or unavailable to cover all of the risks to which our business and assets may be exposed. In several cases, we maintain extremely high deductibles or self-insure against specific losses. Should an uninsured loss (including a loss that is less than our deductible) or loss in excess of insured limits occur, it could have a significant adverse impact on our operations and revenues.

We generally renew our insurance policies on an annual basis. If the cost of coverage becomes too high, we may need to reduce our policy limits or agree to certain exclusions from our coverage in order to reduce the premiums to an acceptable amount. Among other factors, homeland security concerns, other catastrophic events, or any change in the current U.S. statutory requirement that insurance carriers offer coverage for certain acts of terrorism could adversely affect available insurance coverage and result in increased premiums on available coverage (which may cause us to elect to reduce our policy limits) and additional exclusions from coverage. Among other potential future adverse changes, in the future we may elect to not, or may be unable to, obtain any coverage for losses due to acts of terrorism.

The success of third parties adjacent to our properties is important to our ability to generate revenue and operate our business and any deterioration to their success could materially adversely affect our revenue and result of operations.

In certain cases, we do not own the businesses and amenities adjacent to our properties. However, the adjacent third-party businesses and amenities stimulate additional traffic through our complexes, including the casinos, which are our largest generators of revenue. Any decrease in the popularity of, or the number of customers visiting, these adjacent businesses and amenities may lead to a corresponding decrease in the traffic through our complexes, which would negatively affect our business and operating results. Further, if newly opened properties are not as popular as expected, we will not realize the increase in traffic through our properties that we expect as a result of their opening, which would negatively affect our business projections.

We may require additional capital to support business growth, and this capital might not be available on acceptable terms or at all.

We intend to continue to make significant investments to support our business growth and may require additional funds to respond to business challenges, expand into new markets, improve our operating infrastructure, or acquire complementary businesses, personnel, and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. Any debt financing we secure in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on favorable terms, if at all. There can be no assurances that we could pursue a future offering of securities or enter into a new credit facility at an appropriate price and/or terms to raise the necessary financing. If we are unable to obtain adequate financing or financing on terms satisfactory to us when required, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, which could have a material adverse effect on our business, financial condition, and operating results.

Our obligation to contribute to multi-employer pension plans, or discontinuance of such obligations, may have an adverse impact on us.

We contribute to and participate in various multi-employer pension plans for employees represented by certain unions. We are required to make contributions to these plans in amounts established under CBAs. We do not administer these plans and, generally, are not represented on the boards of trustees of these plans. The Pension Protection Act enacted in 2006 (the “PPA”) requires under-funded pension plans to improve their funding ratios. Based on the information available to us, some of the multi-employer plans to which we contribute are either “critical” or “endangered” as those terms are defined in the PPA. Specifically, the HEREIU Intermediary Plan (a spin-off of the Pension Plan of the

UNITE HERE National Retirement Fund, effective January 1, 2018) is less than 65% funded. We cannot determine at this time the amount of additional funding, if any, we may be required to make to these plans. However, plan assessments could have an adverse impact on our results of operations or cash flows for a given period. Furthermore, under current law, upon the termination of a multi-employer pension plan, due to the withdrawal of all its contributing employers (a mass withdrawal), or in the event of a withdrawal by us, which we consider from time to time, we would be required to make payments to the plan for our proportionate share of the plan’s unfunded vested liabilities, and that would have a material adverse impact on our consolidated financial condition, results of operations, and cash flows.

Future sales or the possibility of future sales of a substantial amount of our common stock may depress the price of shares of our common stock.

Future sales or the availability for sale of substantial amounts of our common stock in the public market could adversely affect the prevailing market price of our common stock and could impair our ability to raise capital through future sales of equity securities.

As of February 19, 2019, there were 670 million shares of our common stock outstanding, all of which are the same class of voting common stock. All of the outstanding shares of our common stock will be eligible for resale under Rule 144 or Rule 701 of the Securities Act of 1933, as amended (“Securities Act”), subject to volume limitations, applicable holding period requirements or other contractual restrictions.

In connection with the CAC Merger, the Plan, and CEOC’s emergence from bankruptcy, we issued a significant number of shares of our common stock and a significant amount of notes that are convertible into shares of our common stock. We may issue shares of common stock or other securities from time to time as consideration for future acquisitions and investments or for any other reason that our Board of Directors deems advisable. If any such acquisition or investment is significant, the number of shares of our common stock, or the number or aggregate principal amount, as the case may be, of other securities that we may issue may in turn be substantial. We may also grant registration rights covering those shares of common stock or other securities in connection with any such acquisitions and investments.

We cannot predict the size of future issuances of our common stock or other securities or the effect, if any, that future issuances and sales of our common stock or other securities will have on the market price of our common stock. Sales of substantial amounts of common stock (including shares of common stock issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock.

The price and trading volume of our common stock may fluctuate significantly.

The market price of our common stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume of our common stock may fluctuate and cause significant price variations to occur. Volatility in the market price of our common stock may prevent a holder of our common stock from being able to sell their shares. The market price for our common stock could fluctuate significantly for various reasons, including:

- our operating and financial performance and prospects;
- our quarterly or annual earnings or those of other companies in our industry;
- conditions that impact demand for our products and services;
- the public’s reaction to our press releases, other public announcements and filings with the SEC;
- changes in earnings estimates or recommendations by securities analysts who track our common stock;
- market and industry perception of our success, or lack thereof, in pursuing our growth strategy;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- changes in government and environmental regulation, including gaming taxes;
- changes in accounting standards, policies, guidance, interpretations, or principles;
- arrival and departure of key personnel;
- changes in our capital structure;
- sales of common stock by us or members of our management team;
- the expiration of contractual lockup agreements; and
- changes in general market, economic, and political conditions in the United States and global economies or financial markets, including those resulting from natural disasters, terrorist attacks, acts of war, and responses to such events.

In addition, the stock market experiences significant price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in the gaming, lodging, hospitality, and entertainment industries. The changes frequently appear to occur without regard to the operating performance of the affected companies. Hence, the price of our common stock could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce our share price.

Holders of our common stock should not expect to receive dividends on shares of our common stock.

We have no present plans to pay cash dividends to our stockholders and, for the foreseeable future, intend to retain all of our earnings for use in our business. The declaration of any future dividends by us is within the discretion of our Board of Directors and will be dependent on our earnings, financial condition and capital requirements, as well as any other factors deemed relevant by our Board of Directors.

Our actual financial results after CEOC's emergence from bankruptcy may not be comparable to our historical financial information as a result of the implementation of the Plan and the transactions contemplated thereby.

In connection with the disclosure statement CEOC filed with the Bankruptcy Court, and the hearing to consider confirmation of the Plan, CEOC prepared projected financial information to demonstrate to the Bankruptcy Court the feasibility of the Plan and CEOC's ability to continue operations upon its emergence from bankruptcy. In connection with the proxy statement/prospectus relating to the merger of CAC and CEC filed with the SEC, we also disclosed certain projections. These projections were prepared solely for the purpose for which they were filed and have not been, and will not be, updated on an ongoing basis and should not be relied upon by investors. Although the financial projections disclosed in the disclosure statement filed with the Bankruptcy Court and the proxy statement/prospectus relating to the merger of CAC and CEC represented certain views based on then current known facts and assumptions about the future operations of CEOC and the Company, there is no guarantee that the financial projections will be realized. We may not be able to meet the projected financial results or achieve projected revenues and cash flows assumed in projecting future business prospects. To the extent we do not meet the projected financial results or achieve projected revenues and cash flows, we may lack sufficient liquidity to continue operating as planned and may be unable to service our debt obligations as they come due or may not be able to meet our operational needs. Any one of these failures may preclude us from, among other things: (a) taking advantage of future opportunities; (b) growing our businesses; or (c) responding to future changes in the gaming industry. Further, our failure to meet the projected financial results or achieve projected revenues and cash flows could lead to cash flow and working capital constraints, which constraints may require us to seek additional working capital. We may not be able to obtain such working capital, when it is required.

PRIVATE SECURITIES LITIGATION REFORM ACT

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

In addition to the risk factors set forth above, important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include without limitation:

- our ability to respond to changes in the industry, particularly digital transformation, and to take advantage of the opportunity for legalized sports betting in multiple jurisdictions in the United States (which may require third-party arrangements and/or regulatory approval);
- development of our announced convention center in Las Vegas, CAESARS FORUM, and certain of our other announced projects are subject to risks associated with new construction projects, including those described below;
- we may not be able to realize the anticipated benefits of our acquisition of Centaur, including anticipated benefits from introducing table games to the acquired properties which is subject to approvals and may not occur;
- the impact of our operating structure following CEOC's emergence from bankruptcy;
- the effects of local and national economic, credit, and capital market conditions on the economy, in general, and on the gaming industry, in particular;
- the effect of reductions in consumer discretionary spending due to economic downturns or other factors and changes in consumer demands;
- the ability to realize improvements in our business and results of operations through our property renovation investments, technology deployments, business process improvement initiatives, and other continuous improvement initiatives;
- the ability to take advantage of opportunities to grow our revenue;
- the ability to use NOLs to offset future taxable income as anticipated;
- the ability to realize all of the anticipated benefits of current or potential future acquisitions;
- the ability to effectively compete against our competitors;
- the financial results of our consolidated businesses;
- the impact of our substantial indebtedness, including its impact on our ability to raise additional capital in the future and react to changes in the economy, and lease obligations and the restrictions in our debt and lease agreements;
- the ability to access available and reasonable financing or additional capital on a timely basis and on acceptable terms or at all, including our ability to refinance our indebtedness on acceptable terms;
- the ability of our customer tracking, customer loyalty, and yield management programs to continue to increase customer loyalty and hotel sales;
- changes in the extensive governmental regulations to which we are subject and (i) changes in laws, including increased tax rates, smoking bans, regulations, or accounting standards; (ii) third-party relations; and (iii) approvals, decisions, disciplines and fines of courts, regulators, and governmental bodies;

- compliance with the extensive laws and regulations to which we are subject, including applicable gaming laws, the Foreign Corrupt Practices Act and other anti-corruption laws, and the Bank Secrecy Act and other anti-money laundering laws;
- our ability to recoup costs of capital investments through higher revenues;
- growth in consumer demand for non-gaming offerings;
- abnormal gaming holds (“gaming hold” is the amount of money that is retained by the casino from wagers by customers);
- the effects of competition, including locations of competitors, growth of online gaming, competition for new licenses, and operating and market competition;
- our ability to protect our intellectual property rights and damages caused to our brands due to the unauthorized use of our brand names by third parties in ways outside of our control;
- the ability to timely and cost-effectively integrate companies that we acquire into our operations;
- the ability to execute on our brand licensing and management strategy is subject to third-party agreements and other risks associated with new projects;
- not being able to realize all of our anticipated cost savings;
- the potential difficulties in employee retention, recruitment, and motivation, including in connection with our Chief Executive Officer transition;
- our ability to retain our performers or other entertainment offerings on acceptable terms or at all;
- the risk of fraud, theft, and cheating;
- seasonal fluctuations resulting in volatility and an adverse effect on our operating results;
- any impairments to goodwill, indefinite-lived intangible assets, or long-lived assets that we may incur;
- construction factors, including delays, increased costs of labor and materials, availability of labor and materials, zoning issues, environmental restrictions, soil and water conditions, weather and other hazards, site access matters, and building permit issues;
- the impact of adverse legal proceedings and judicial and governmental body actions, including gaming legislative action, referenda, regulatory disciplinary actions, and fines and taxation;
- acts of war or terrorist incidents, severe weather conditions, uprisings, or natural disasters, including losses therefrom, losses in revenues and damage to property, and the impact of severe weather conditions on our ability to attract customers to certain facilities of ours;
- fluctuations in energy prices;
- work stoppages and other labor problems;
- our ability to collect on credit extended to our customers;
- the effects of environmental and structural building conditions relating to our properties and our exposure to environmental liability, including as a result of unknown environmental contamination;
- a disruption, failure, or breach of our network, information systems, or other technology, or those of our vendors, on which we are dependent;
- risks and costs associated with protecting the integrity and security of internal, employee, and customer data;
- access to insurance for our assets on reasonable terms;
- the impact, if any, of unfunded pension benefits under multi-employer pension plans; and
- the other factors set forth under Item 1A, “Risk Factors.”

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Form 10-K. We undertake no obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Form 10-K or to reflect the occurrence of unanticipated events, except as required by law.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2.

As of December 31, 2018, the following are our properties. All amounts are approximations.

Property	**Location**	**Casino Space– Sq. Ft.**	**Slot Machines**	**Table Games**	**Hotel Rooms and Suites**
Las Vegas Segment					
Owned-Domestic					
Bally's Las Vegas	Las Vegas, NV	68,400	920	70	2,810
The Cromwell	Las Vegas, NV	41,600	340	50	190
Flamingo Las Vegas	Las Vegas, NV	73,000	1,140	110	3,460
The LINQ Hotel & Casino	Las Vegas, NV	32,900	800	50	2,250
The LINQ Promenade (1)	Las Vegas, NV	—	—	—	—
Paris Las Vegas	Las Vegas, NV	95,300	950	100	2,920
Planet Hollywood Resort & Casino	Las Vegas, NV	64,500	1,010	100	2,500
Rio All-Suites Hotel & Casino	Las Vegas, NV	117,300	1,060	70	2,520
Leased from VICI Properties Inc.					
Caesars Palace Las Vegas	Las Vegas, NV	124,200	1,440	160	3,970
Harrah's Las Vegas	Las Vegas, NV	88,800	1,220	90	2,540
Other U.S. Segment					
Owned-Domestic					
Harrah's Atlantic City	Atlantic City, NJ	156,300	2,100	170	2,590
Harrah's Laughlin	Laughlin, NV	56,000	880	30	1,510
Harrah's New Orleans	New Orleans, LA	125,100	1,460	170	450
Hoosier Park (2)	Anderson, IN	54,000	1,710	—	—
Indiana Grand (3)	Shelbyville, IN	83,800	2,070	—	—
Leased from VICI Properties Inc.					
Bally's Atlantic City	Atlantic City, NJ	127,200	1,800	160	1,210
Bluegrass Downs (4)	Paducah, KY	—	—	—	—
Caesars Atlantic City	Atlantic City, NJ	115,900	1,890	130	1,140
Harrah's Council Bluffs	Council Bluffs, IA	21,400	550	20	250
Harrah's Gulf Coast	Biloxi, MS	31,400	770	30	500
Harrah's Joliet	Joliet, IL	39,000	1,090	40	200
Harrah's Lake Tahoe	Lake Tahoe, NV	45,100	760	70	510
Harrah's Louisiana Downs	Bossier City, LA	12,000	830	—	—
Harrah's Metropolis	Metropolis, IL	24,300	840	30	260
Harrah's North Kansas City	N. Kansas City, MO	60,100	1,300	60	390
Harrah's Philadelphia	Chester, PA	112,600	2,450	110	—
Harrah's Reno	Reno, NV	40,200	610	30	930
Harveys Lake Tahoe	Lake Tahoe, NV	44,200	670	50	740
Horseshoe Bossier City	Bossier City, LA	28,100	1,170	70	610
Horseshoe Council Bluffs	Council Bluffs, IA	60,000	1,380	70	—
Horseshoe Hammond	Hammond, IN	108,200	2,220	150	—
Horseshoe Southern Indiana	Elizabeth, IN	86,600	1,580	100	500
Horseshoe Tunica	Tunica, MS	63,000	1,010	100	510
Tunica Roadhouse (5)	Tunica, MS	33,000	360	20	140

Property	Location	Casino Space– Sq. Ft.	Slot Machines	Table Games	Hotel Rooms and Suites
All Other Segment					
Owned-International					
Caesars Cairo	Egypt	6,500	20	20	—
Ramses Casino	Egypt	2,700	40	20	—
Emerald Casino Resort	South Africa	37,400	440	20	190
Alea Glasgow	United Kingdom	22,000	50	30	—
Alea Nottingham	United Kingdom	15,200	50	30	—
The Empire Casino	United Kingdom	20,400	130	50	—
Manchester235	United Kingdom	17,600	50	40	—
Playboy Club London	United Kingdom	10,000	20	30	—
Rendezvous Brighton	United Kingdom	15,000	50	30	—
Rendezvous Southend-on-Sea	United Kingdom	10,300	40	20	—
The Sportsman	United Kingdom	5,800	40	20	—
Managed					
Harrah's Ak-Chin	Phoenix, AZ	65,200	1,150	30	530
Harrah's Cherokee	Cherokee, NC	176,800	3,300	160	1,110
Harrah's Cherokee Valley River	Murphy, NC	65,000	1,070	60	300
Harrah's Resort Southern California	Funner, CA	72,900	1,640	70	1,090
Horseshoe Baltimore (6)	Baltimore, MD	122,000	2,200	210	—
Caesars Windsor	Canada	100,000	2,280	90	760
Kings & Queens Casino	Egypt	2,100	30	10	—
Caesars Dubai	United Arab Emirates	—	—	—	570

(1) *The LINQ Promenade is an open-air dining, entertainment, and retail promenade located on the east side of the Las Vegas Strip. It also features the High Roller, a 550-foot observation wheel, and the Fly LINQ Zipline attraction.*
(2) *Hoosier Park includes operations of our off-track betting locations, Winner's Circle Indianapolis and Winner's Circle New Haven.*
(3) *Indiana Grand includes operations of our off-track betting location, Winner's Circle Clarksville.*
(4) *Bluegrass Downs features simulcast harness and quarter horse racing.*
(5) *Tunica Roadhouse ceased gaming operations in January 2019.*
(6) *As of December 31, 2018, Horseshoe Baltimore was 41% owned and held as an equity-method investment.*

ITEM 3. Legal Proceedings

From time to time, we are a defendant in various lawsuits or other legal proceedings relating to matters incidental to our business. Some of these matters involve commercial or contractual disputes, intellectual property claims, legal compliance, personal injury claims, and employment claims. As with all legal proceedings, no assurance can be provided as to the outcome of these matters and in general, legal proceedings can be expensive and time consuming. We may not be successful in the defense or prosecution of these lawsuits, which could result in settlements or damages that could significantly impact our business, financial condition, and results of operations. See Note 11 for full details of the litigation matters.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock trades on The NASDAQ Stock Market under the ticker symbol "CZR."

As of February 19, 2019, there were 670,136,264 shares of common stock issued and outstanding that were held by approximately 1,450 stockholders of record.

Except as described below, there have not been any sales by CEC of equity securities during the years ended December 31, 2018, 2017, or 2016 that have not been registered under the Securities Act.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On May 2, 2018, the Company announced that our Board of Directors authorized a Share Repurchase Program (the "Repurchase Program") to repurchase up to $500 million of the Company's common stock. On August 10, 2018, the Company announced that our Board of Directors increased its share repurchase authorization to $750 million of our common stock. Repurchases may be made at the Company's discretion from time to time on the open market or in privately negotiated transactions. The Repurchase Program has no time limit, does not obligate the Company to make any repurchases, and may be suspended for periods or discontinued at any time. Any shares acquired are available for general corporate purposes. During the year ended December 31, 2018, we repurchased approximately 31 million shares for approximately $311 million under the program recorded in Treasury stock. During the three months ended December 31, 2018, there were no shares repurchased under the program. As of December 31, 2018, the maximum dollar value that may still be purchased under the program was $439 million.

Performance Graph

The graph depicted below compares the cumulative total stockholder return on our common stock with the cumulative total return on the Standard & Poor's 500 Stock Index ("S&P 500") and the Dow Jones U.S. Gambling Total Stock Market Index ("Dow Jones U.S. Gambling") for the period beginning on December 31, 2013 and ending on December 31, 2018. NASDAQ OMX furnished the data. The performance graph assumes a $100 investment in our stock and each of the two indices, respectively, on December 31, 2013, and that all dividends were reinvested. Stock price performance, presented for the period from December 31, 2013 to December 31, 2018, is not necessarily indicative of future results.

	As of December 31,					
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
CZR	$100.00	$72.84	$36.63	$39.46	$58.73	$31.52
S&P 500 Index	100.00	113.69	115.26	129.05	157.22	150.33
Dow Jones U.S. Gambling	100.00	82.95	69.11	87.66	131.48	92.68

The performance graph should not be deemed filed or incorporated by reference into any other of our filings under the Securities Act or the Exchange Act, unless we specifically incorporate the performance graph by reference therein.

Equity Compensation Plan Information

We maintain a long-term incentive plan for management, other personnel, and key service providers. The plan allows for granting stock-based compensation awards, including time-based and performance-based stock options, restricted stock units ("RSU"), restricted stock awards, performance stock units ("PSU"), stock grants, or a combination of awards. See Note 16 for a description of our stock-based compensation plan. The following table provides information relating to shares of our common stock that are authorized for issuance under the Company's equity compensation plan as of December 31, 2018.

Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights[(1)] (a)**	**Weighted-average exercise price of outstanding options, warrants and rights [(2)] (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders	23,281,640	$ 10.63	8,982,929

(1) *Includes (a) 8,360,365 shares of common stock issuable upon exercise of outstanding options with a weighted-average exercise price of $10.63, and (b) 14,921,275 unvested RSUs and PSUs.*

(2) *RSUs and PSUs do not have an exercise price and therefore are not included in the calculation of the weighted-average exercise price.*

Issuance of CEC Common Stock to Certain Creditors of the Debtors

Consideration to support the reorganization of CEOC that was provided by CEC as of the Effective Date included 268 million shares of CEC common stock (valued at $12.80 per share), consideration provided by CEC to acquire OpCo on the Effective Date included 139 million shares of CEC common stock (valued at $12.80 per share), and CEC deposited approximately 8 million shares of CEC common stock (valued at $12.80 per share) into an escrow account in order to satisfy obligations related to unresolved claims that are subject to the bankruptcy claims reconciliation process to be distributed to unsecured claims (excluding debt claims) as they become allowed. These transactions were not registered under the Securities Act and are exempt from the registration requirements of the Securities Act pursuant to Section 1145 of the Bankruptcy Reform Act of 1978 (the "Bankruptcy Code"). See Note 1 for additional information.

Transactions Related to our CEC Convertible Notes

On the Effective Date, CEC issued $1.1 billion aggregate principal amount of 5.00% convertible senior notes maturing in 2024 to the creditors of CEOC pursuant to the terms of the Plan. The CEC Convertible Notes were issued pursuant to the Indenture, dated as of October 6, 2017, between CEC and Delaware Trust Company, as trustee. As of December 31, 2018, an immaterial amount of the CEC Convertible Notes were converted into shares of CEC common stock. The issuance of the CEC Convertible Notes and the CEC common stock issued upon conversion thereof were not registered under the Securities Act and are exempt from the registration requirements of the Securities Act pursuant to Section 1145 of the Bankruptcy Code. See Note 12 for additional information.

ITEM 6. Selected Financial Data

The following selected financial data should be read in conjunction with the consolidated financial statements and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of this Form 10-K.

(In millions, except per share data)	2018	2017 [(1)]	2016	2015 [(2)]	2014 [(3)]
OPERATING DATA					
Net revenues	$8,391	$4,868	$3,877	$3,957	$7,967
Impairment of goodwill	43	—	—	—	695
Impairment of tangible and other intangible assets	35	—	—	—	299
Income/(loss) from operations	739	537	226	318	(580)
Interest expense	(1,346)	(773)	(599)	(683)	(2,669)
Gain on deconsolidation of subsidiaries	—	31	—	7,125	—
Restructuring and support expenses	—	(2,028)	(5,729)	(1,017)	—
Loss on extinguishment of debt	(1)	(232)	—	—	(96)
Other income/(loss)	791	95	(29)	7	1
Income/(loss) from continuing operations, net of income taxes	304	(375)	(6,458)	5,856	(2,995)
Discontinued operations, net of income taxes [(4)]	—	—	3,380	155	(143)
Net income/(loss)	304	(375)	(3,078)	6,011	(3,138)
Net income/(loss) attributable to Caesars	303	(368)	(3,049)	6,012	(2,941)
COMMON STOCK DATA					
Basic earnings/(loss) per share from:					
Continuing operations	$0.44	$(1.32)	$(43.96)	$40.44	$(19.64)
Discontinued operations [(4)]	—	—	23.11	1.07	(1.00)
Net income/(loss)	$0.44	$(1.32)	$(20.85)	$41.51	$(20.64)
Diluted earnings/(loss) per share from:					
Continuing operations	$0.41	$(1.32)	$(43.96)	$39.83	$(19.64)
Discontinued operations [(4)]	—	—	23.11	1.06	(1.00)
Net income/(loss)	$0.41	$(1.32)	$(20.85)	$40.89	$(20.64)
FINANCIAL POSITION DATA					
Total assets	$25,775	$25,436	$14,936	$12,251	$23,368
Current portion of long-term debt [(5)]	164	64	89	187	15,779
Long-term debt [(5)]	8,801	8,849	6,749	6,777	7,230
Current portion of financing obligations [(6)]	20	9	—	—	—
Financing obligations [(6)]	10,057	9,355	—	—	—
Noncontrolling interests [(7)]	88	71	53	80	(809)
Stockholders' equity/(deficit)	3,250	3,226	(1,660)	1,962	(4,140)

[(1)] *2017 reflects the consolidation of CEOC's successor operating company subsequent to the Effective Date (see Note 1).*

[(2)] *2015 reflects the deconsolidation of CEOC (see Note 1).*

[(3)] *2014 financial information has not been recast for our adoption of Accounting Standards Update 2014-09 and therefore, is not comparable to the 2015 through 2018 financial information.*

[(4)] *See Note 19.*

[(5)] *See Note 12.*

[(6)] *See Note 10.*

[(7)] *The decrease in 2014 was primarily due to the sale and grant of CEOC shares in May 2014, which reduced CEC's ownership to approximately 89%.*

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

We also refer to (i) our Consolidated Financial Statements as our "Financial Statements," (ii) our Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income/(Loss) as our "Statements of Operations," (iii) our Consolidated Balance Sheets as our "Balance Sheets," and (iv) our Consolidated Statements of Cash Flows as our "Statements of Cash Flows." References to numbered "Notes" refer to Notes to our Consolidated Financial Statements included in Item 8.

The following discussion should be read in conjunction with, and is qualified in its entirety by, the audited consolidated financial statements and the notes thereto and other financial information included elsewhere in this Form 10-K.

The statements in this discussion regarding our expectations of our future performance, liquidity and capital resources, and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties. Our actual results may differ materially from those contained in or implied by any forward-looking statements. See Item 1A, "Risk Factors—PRIVATE SECURITIES LITIGATION REFORM ACT," of this report.

Overview

CEC is primarily a holding company with no independent operations of its own. CEC operates its business primarily through its wholly owned subsidiaries CEOC, LLC ("CEOC LLC") and Caesars Resort Collection, LLC ("CRC"). We lease certain real property assets from VICI Properties Inc. and/or its subsidiaries (collectively, "VICI").

We view each property as an operating segment and aggregate such properties into three regionally-focused reportable segments: (i) Las Vegas, (ii) Other U.S., and (iii) All Other, which is consistent with how we manage the business. The way in which Caesars management assesses results and allocates resources is aligned with these segments. See Part I, Item 2, "Properties" and Note 21.

Summary of Significant Events

The following are the significant events and drivers of performance. Accordingly, the remainder of the discussion and analysis of results in this Item 7 should be read in conjunction with this summary.

Year Ended December 31, 2018

Failed Sale-Leaseback Financing Obligations

Our leases with VICI were evaluated as a sale-leaseback of real estate, and we determined that these transactions did not qualify for sale-leaseback accounting. The amount recognized for depreciation expense and interest expense substantially exceeds our periodic rental payments for most of CEOC LLC's leases with VICI as a result of the majority of the failed sale-leaseback obligations being initially recognized at an amount equal to the fair value of the leased properties when Caesars Entertainment Operating Company, Inc. ("CEOC") emerged from bankruptcy. The table below presents the activity for the period.

(In millions)	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Depreciation Expense	Interest Expense	Rental Payments (1)	Depreciation Expense	Interest Expense	Rental Payments
Harrah's Las Vegas lease	$ 15	$ 77	$ 80	$ —	$ 2	$ 10
CEOC LLC leases	475	801	645	118	185	204

Total	$ 490	$ 878	$ 725	$ 118	$ 187	$ 214

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(1) *Rental payments for CEOC LLC leases exclude a nonrecurring $159 million payment relating to the modifications to certain of our existing lease agreements with VICI. See Note 1.*

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Caesars Bluewaters Dubai

In 2018, we opened our first non-gaming properties, including two beachfront luxury resorts, a beach club, and a residential tower on Meraas' Bluewaters Island in Dubai. These properties are managed by us. We made a $20 million initial key money investment to the development which we will amortize over the 20 year term of the management agreement.

New Transactions with VICI

Harrah's Philadelphia Real Estate Sale and Leaseback

On December 26, 2018, we sold all land and real property improvements used in the operation of Harrah's Philadelphia Casino and Racetrack ("Harrah's Philadelphia") as part of a sale and leaseback transaction with VICI for $242 million. We continue to operate Harrah's Philadelphia under the terms of a long-term lease agreement relating to certain of our other domestic properties included in CEOC LLC leases in the table above. We determined that this transaction did not qualify for sale-leaseback accounting. The Harrah's Philadelphia real estate assets remain on our Balance Sheet at their historical net book value and are depreciated over their remaining useful lives, while a financing obligation was recognized for the proceeds received. See Note 10 for additional information.

Modifications to Lease Agreements with VICI

In connection with the Octavius Tower sale discussed below and the Harrah's Philadelphia transaction discussed above, on December 26, 2018, the Company and VICI consummated modifications to certain of our existing lease agreements for consideration of $159 million to VICI, which reduced our financing obligation. The modifications, among other things, bring certain of the lease terms into alignment with other master leases in the sector and the long-term performance of the properties and create additional flexibility to facilitate our future development strategies. See Note 10 for additional information.

Sale of Octavius Tower at Caesars Palace

On July 11, 2018, we sold Octavius Tower at Caesars Palace ("Octavius Tower") to VICI for $508 million in cash. Proceeds from the transaction were used to partially fund the closing of CEC's acquisition of Centaur Holdings, LLC ("Centaur"). We continue to operate the Octavius Tower under the current terms of the long-term lease agreement with VICI relating to Caesars Palace included in CEOC LLC leases in the table above. We determined that this transaction did not qualify for sale-leaseback accounting. The Octavius Tower real estate assets remain on our Balance Sheet at their historical net book value and are depreciated over their remaining useful lives, while a financing obligation was recognized for the proceeds received. See Note 10 for additional information.

Acquisition of Centaur Holdings, LLC

On July 16, 2018, we completed the acquisition of Centaur. Centaur operated Hoosier Park Racing & Casino in Anderson, Indiana, and Indiana Grand Racing & Casino in Shelbyville, Indiana. See Note 4 for additional information.

Share Repurchase Program

On May 2, 2018, the Company announced that our Board of Directors authorized a Share Repurchase Program (the "Repurchase Program") to repurchase up to $500 million of our common stock. On August 10, 2018, the Company announced that our Board of Directors increased its share repurchase authorization to $750 million of our common stock. Repurchases may be made at the Company's discretion from time to time on the open market or in privately negotiated transactions. The Repurchase Program has no time limit, does not obligate the Company to make any repurchases, and may be suspended for periods or discontinued at any time. Any shares acquired are available for general corporate purposes. During the year ended December 31, 2018, we repurchased approximately 31 million shares for approximately $311 million under the program recorded in Treasury stock.

Adoption of New Revenue Recognition Standard

On January 1, 2018, we adopted the new accounting standard Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, and all related amendments using the full retrospective method and have recast revenue and expenses for all prior periods presented. See Note 15 for additional information.

Year Ended December 31, 2017

CEOC's Emergence from Bankruptcy and CEC's Merger with Caesars Acquisition Company

CEOC and certain of its U.S. subsidiaries emerged from bankruptcy and consummated their reorganization pursuant to their third amended joint plan of reorganization (the "Plan") on October 6, 2017 (the "Effective Date"). As part of its emergence from bankruptcy, CEOC reorganized into an operating company ("OpCo") separate from its real property assets. OpCo was acquired by CEC on the Effective Date and immediately merged with and into CEOC LLC. CEOC LLC operates the properties and facilities formerly held by CEOC and leases the properties and facilities from VICI, which are accounted for as failed sale-leaseback transactions (see Failed Sale-Leaseback Financing Obligations above). As a result of CEC's acquisition of the operating company and the subsequent merger of the operating company with and into CEOC LLC, CEC's consolidated financial results include the results of the operating company subsequent to the Effective Date. See Note 1 and Note 2.

CEOC LLC Operating Results

(Dollars in millions)	**Year Ended December 31, 2018**	**October 6, 2017 - December 31, 2017**
Casino	$ 2,697	$ 628
Food and beverage	777	173
Rooms	559	118
Other revenue	222	47
Management fees	57	15
Reimbursed management costs	202	48
Net revenues	$ 4,514	$ 1,029
Income from operations	$ 271	$ 52
Interest expense	(866)	(208)
Restructuring and support expenses	—	(9)
Other income	78	2
Net loss, net of income taxes	(400)	(164)
Net loss attributable to Caesars	(403)	(164)

On the Effective Date, Caesars Acquisition Company ("CAC") merged with and into CEC, with CEC as the surviving company (the "CAC Merger"). The CAC Merger was accounted for as a reorganization of entities under common control, which resulted in CAC being consolidated into Caesars at book value as an equity transaction for all periods presented (see Note 2).

Other Events and Transactions

On December 22, 2017, we sold the real estate assets of Harrah's Las Vegas for approximately $1.1 billion as part of a sale and leaseback transaction with VICI. See Note 10 for additional information.

Debt Activity

During the year ended December 31, 2017, proceeds received from the issuance of new debt was $7.6 billion and cash paid to extinguish debt was $7.8 billion. In addition, as part of the acquisition of OpCo, we assumed $1.2 billion in debt that was issued in connection with CEOC's emergence from bankruptcy. See Note 12 for additional information on our debt transactions.

Horseshoe Baltimore Deconsolidation

As of August 31, 2017, Horseshoe Baltimore was deconsolidated and is accounted for as an equity method investment subsequent to the deconsolidation. Upon deconsolidation, we derecognized total assets and liabilities of $350 million and $356 million, respectively, including long-term debt totaling $294 million. The equity method investment was recorded at its estimated fair value of $28 million, and we recognized a gain on deconsolidation of $31 million. See Note 2 for further details.

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Horseshoe Baltimore Operating Results through August 31, 2017

(In millions)	**2017**	**2016**
Casino	$ 168	$ 296
Food and beverage	13	21
Other revenue	9	16
Net revenues	$ 190	$ 333
Income from operations	$ 16	$ 37
Interest expense	(18)	(30)
Loss on extinguishment of debt	(12)	—
Net income/(loss)	(14)	7
Net income/(loss) attributable to Caesars	(7)	3

Year Ended December 31, 2016

Sale of the SMG Business

On September 23, 2016, Caesars Interactive Entertainment ("CIE") sold its social and mobile games business (the "SMG Business") to Alpha Frontier Limited ("Alpha Frontier") for cash consideration of $4.4 billion, pursuant to the Stock Purchase Agreement dated as of July 30, 2016 (the "Purchase Agreement"), which resulted in a pre-tax gain of approximately $4.2 billion. The SMG Business represented the majority of CIE's operations and was classified as discontinued operations effective beginning in the third quarter of 2016. See "Discontinued Operations, net of Income Taxes" in the Discussion of Operating Results section below and Note 19 for further details.

Upon closing the sale of the SMG Business, all outstanding CIE stock-based compensation awards were deemed fully vested and subsequently canceled in return for the right to receive a cash payment. CIE's stock-based compensation expense directly identifiable with employees of the SMG Business included in Discontinued operations was $264 million during the year ended December 31, 2016. Stock-based compensation expense not directly identifiable with employees of the SMG Business was $189 million during the year ended December 31, 2016 and was included in property, general, administrative, and other in the Statements of Operations. In 2018 and 2017, there were no amounts related to CIE's stock-based compensation expense.

Approximately $259 million was held as of December 31, 2016 in an escrow account to fund potential indemnity claims of Alpha Frontier under the Purchase Agreement. In the third quarter of 2017, the escrow funds were released to CIE and $63 million was distributed to the minority investors and former holders of CIE equity awards.

Discussion of Operating Results

Segment results in this Management's Discussion and Analysis of Financial Condition and Results of Operations are presented consistent with the way Caesars' management assesses the Company's results and allocates resources, which is a consolidated view that adjusts for the effect of certain transactions related to reportable segments within Caesars. We view each property as an operating segment and aggregate such properties into three regionally-focused reportable segments: (i) Las Vegas, (ii) Other U.S., and (iii) All Other. "All Other" includes managed, international and other properties as well as parent and other adjustments to reconcile to consolidated Caesars results.

Analysis of Key Drivers of Consolidated Operating Results

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

Consolidated Operating Results

(Dollars in millions)	Years Ended December 31, 2018	2017	2016	2018 vs. 2017 Fav/(Unfav)		2017 vs. 2016 Fav/(Unfav)	
Net revenues	$8,391	$4,868	$3,877	$3,523	72.4 %	$991	25.6 %
Income from operations	739	537	226	202	37.6 %	311	137.6 %
Interest expense	(1,346)	(773)	(599)	(573)	(74.1)%	(174)	(29.0)%
Gain on deconsolidation of subsidiaries	—	31	—	(31)	(100.0)%	31	*
Restructuring and support expenses	—	(2,028)	(5,729)	2,028	100.0 %	3,701	64.6 %
Loss on extinguishment of debt	(1)	(232)	—	231	99.6 %	(232)	*
Other income/(loss)	791	95	(29)	696	*	124	*
Income/(loss) from continuing operations, net of income taxes	304	(375)	(6,458)	679	*	6,083	94.2 %
Discontinued operations, net of income taxes	—	—	3,380	—	*	(3,380)	(100.0)%
Net income/(loss) attributable to Caesars	303	(368)	(3,049)	671	*	2,681	87.9 %
Adjusted EBITDA [(1)]	2,308	1,361	1,069	947	69.6 %	292	27.3 %
Operating margin [(2)]	8.8 %	11.0 %	5.8 %	—	(2.2) pts	—	5.2 pts

*Not meaningful.

(1) *See the "Reconciliation of Non-GAAP Financial Measures" discussion later in this Management's Discussion and Analysis of Financial Condition and Results of Operations for a reconciliation of Adjusted EBITDA.*

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

Analysis of Key Drivers of Revenue Performance

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

Net Revenues - Consolidated

(Dollars in millions)	Years Ended December 31, 2018	2017	2016	2018 vs. 2017 Fav/(Unfav)		2017 vs. 2016 Fav/(Unfav)	
Casino	$4,247	$2,168	$1,608	$2,079	95.9%	$560	34.8%
Food and beverage	1,574	982	822	592	60.3%	160	19.5%
Rooms	1,519	1,074	950	445	41.4%	124	13.1%
Other revenue	789	584	497	205	35.1%	87	17.5%
Management fees	60	12	—	48	*	12	*
Reimbursed management costs	202	48	—	154	*	48	*
Net revenues	$8,391	$4,868	$3,877	$3,523	72.4%	$991	25.6%

*Not meaningful.

Complimentaries

As part of our normal business operations, we often provide lodging, transportation, food and beverage, entertainment and other goods and services to our customers at no additional charge. Alternatively, Reward Credits can be redeemed for these services. Both are considered complimentaries. Such complimentaries are provided in conjunction with other revenue earning activities

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and are generally provided to encourage additional customer spending on those activities. The table below represents the amounts recorded within net revenues above relating to these complimentaries.

Retail Value of Complimentaries

	Years Ended December 31,		
(In millions)	**2018**	**2017**	**2016**
Food and beverage	$589	$364	$276
Rooms	489	307	234
Other revenue	106	62	28
Total complimentaries	1,184	733	538
CEOC complimentaries [(1)]	—	427	531
Total complimentaries with CEOC	$1,184	$1,160	$1,069

(1) Complimentaries recognized by CEOC prior to the Effective Date.

Net Revenues - Segment

	Years Ended December 31,			2018 vs. 2017		2017 vs. 2016	
(Dollars in millions)	**2018**	**2017**	**2016**	**Fav/(Unfav)**		**Fav/(Unfav)**	
Las Vegas	$3,753	$2,902	$2,613	$851	29.3 %	$289	11.1%
Other U.S.	4,047	1,758	1,209	2,289	130.2%	549	45.4%
All Other	591	208	55	383	184.1%	153	*
Net revenues	$8,391	$4,868	$3,877	$3,523	72.4 %	$991	25.6%

**Not meaningful.*

Cash ADR [(1)]

Years Ended December 31, 2016, 2017, and 2018

(1) Cash average daily rate ("cash ADR") is a key indicator by which we evaluate the performance of our properties and is determined by rooms revenues and rooms occupied. 2016 and 2017 excludes CEOC's results prior to the Effective Date.

Year Ended December 31, 2018 versus 2017

Net revenue increased $3.5 billion, or 72.4%, in 2018 compared with 2017 primarily due to the consolidation of CEOC LLC's results following the Effective Date, which contributed an incremental $3.5 billion to net revenues, partially offset by a decrease of $190 million in net revenue due to the deconsolidation of Horseshoe Baltimore's results subsequent to August 31, 2017. In addition to the effect of CEOC LLC and Horseshoe Baltimore, net revenues increased $228 million primarily due to the following:

- Casino revenues increased $178 million in 2018 compared with 2017 primarily due to the acquisition of Centaur, which contributed $209 million in the Other U.S. region. This was partially offset by a decrease in the Las Vegas region primarily due to higher complimentaries.

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- Other revenue increased $39 million in 2018 compared with 2017 primarily due to increases in valet and self-parking revenues as well as increases in retail and lease revenues in the Las Vegas region.
- Rooms revenues increased $4 million in 2018 compared with 2017 and Caesars cash ADR increased from $145 in 2017 to $155 in 2018, primarily due to an increase in resort fee revenue in the Las Vegas region.

Year Ended December 31, 2017 versus 2016

Net revenue increased $991 million, or 25.6%, in 2017 compared with 2016 primarily due to the consolidation of CEOC LLC's results following the Effective Date, which contributed $1.0 billion to net revenues, partially offset by a decrease of $143 million in net revenue due to the deconsolidation of Horseshoe Baltimore's results subsequent to August 31, 2017. In addition to the effect of CEOC LLC and Horseshoe Baltimore, net revenues increased by $105 million primarily due to the following:

- Casino revenues increased $60 million in 2017 compared with 2016 primarily resulting from increases in gaming volume and gross casino hold.
- Rooms revenues increased $6 million in 2017 compared with 2016 resulting from an increase in resort fees and occupancy rates, as well as improved hotel yield. Rooms revenues also benefitted from completed room renovations at certain properties in the Las Vegas region, which resulted in an increase in Caesars cash ADR from $136 in 2016 to $145 in 2017.
- Other revenue increased $47 million in 2017 compared with 2016 primarily due to revenue from valet and self-parking fees that were fully implemented in Las Vegas in April 2017, as well as amounts related to a sub-license agreement extending the right to use various brands of Caesars Entertainment in connection with social and mobile games to the buyer of the SMG Business.

Analysis of Key Drivers of Income from Operations Performance

Income from Operations by Category - Consolidated

	Years Ended December 31,			2018 vs. 2017		2017 vs. 2016	
(Dollars in millions)	2018	2017	2016	Fav/(Unfav)		Fav/(Unfav)	
Net revenues	$8,391	$4,868	$3,877	$3,523	72.4 %	$991	25.6 %
Operating expenses							
Casino	2,393	1,213	890	(1,180)	(97.3)%	(323)	(36.3)%
Food and beverage	1,106	693	572	(413)	(59.6)%	(121)	(21.2)%
Rooms	480	360	318	(120)	(33.3)%	(42)	(13.2)%
Property, general, administrative, and other	1,761	1,124	1,147	(637)	(56.7)%	23	2.0 %
Reimbursable management costs	202	48	—	(154)	*	(48)	*
Depreciation and amortization	1,145	626	439	(519)	(82.9)%	(187)	(42.6)%
Impairment of goodwill	43	—	—	(43)	*	—	*
Impairment of tangible and other intangible assets	35	—	—	(35)	*	—	*
Corporate expense	332	202	194	(130)	(64.4)%	(8)	(4.1)%
Other operating costs	155	65	91	(90)	(138.5)%	26	28.6 %
Total operating expenses	7,652	4,331	3,651	(3,321)	(76.7)%	(680)	(18.6)%
Income from operations	$739	$537	$226	$202	37.6 %	$311	137.6 %

Income from Operations - Segment

	Years Ended December 31,			2018 vs. 2017		2017 vs. 2016	
(Dollars in millions)	2018	2017	2016	Fav/(Unfav)		Fav/(Unfav)	
Las Vegas	$716	$549	$526	$167	30.4 %	$23	4.4 %
Other U.S.	434	199	163	235	118.1 %	36	22.1 %
All Other	(411)	(211)	(463)	(200)	(94.8)%	252	54.4 %
Income from operations	$739	$537	$226	$202	37.6 %	$311	137.6%

*Not meaningful.

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Year Ended December 31, 2018 versus 2017

Income from operations increased $202 million, or 37.6%, in 2018 compared with 2017 primarily due to the consolidation of CEOC LLC's results following the Effective Date, which contributed an incremental $219 million to income from operations, partially offset by a decrease of $16 million in income from operations due to the deconsolidation of Horseshoe Baltimore's results subsequent to August 31, 2017. In addition to the effect of CEOC LLC and Horseshoe Baltimore, income from operations decreased $1 million primarily due to the following:

- Net revenues increased $228 million in 2018 compared with 2017 as explained above.
- This increase was offset by an increase in operating expenses of $229 million in 2018 compared with 2017 primarily due to the acquisition of Centaur which contributed $177 million to the increase. In addition to the effect of Centaur, operating expenses increased $52 million due to the following:

Other operating costs increased $54 million primarily due to $20 million related to lease termination costs, a $10 million loss on asset sales in 2018, and $8 million in acquisition costs for Centaur. In addition, during 2017, CEC benefitted from the reimbursement of $19 million for amounts related to the Korea joint venture development that were previously written off. These were partially offset by a decrease in legal fees of $10 million in 2018 compared with 2017.

Depreciation and amortization increased $23 million primarily due to significant additions to property and equipment that began depreciating upon the completion of major renovation projects at certain Las Vegas properties in 2018.

These increases were partially offset by a decrease of $36 million in direct expenses primarily due to operating efficiencies driven by lower marketing and labor costs.

Year Ended December 31, 2017 versus 2016

Income from operations increased $311 million, or 137.6%, in 2017 compared with 2016 partially due to the consolidation of CEOC LLC's results following the Effective Date, which contributed $52 million to income from operations, partially offset by a $21 million decrease in income from operations due to the deconsolidation of Horseshoe Baltimore's results subsequent to August 31, 2017. In addition to the effect of CEOC LLC and Horseshoe Baltimore, income from operations increased $280 million primarily due to the following:

- Net revenues increased $105 million in 2017 compared with 2016 as explained above.
- Property, general, administrative, and other expenses decreased as a result of CIE's stock-based compensation expense recorded in the prior year of $189 million compared with no CIE stock-based compensation recognized in 2017.
- Other operating costs decreased $23 million primarily due to the following:

$36 million less in expenses incurred by CEC in 2017 compared with 2016 related to CEOC's bankruptcy activity and other expenses related to ongoing litigation, $18 million of costs related to the sale of the SMG Business that were incurred during 2016, and CEC was reimbursed $19 million in 2017 for amounts related to a joint venture development in Korea that were previously deemed uncollectible and written off in 2015;

partially offset by accrued exit fees of $26 million for amounts payable to NV Energy (see Note 11) and a $19 million increase in demolition costs for ongoing renovations.

- These decreases were partially offset by a $25 million increase in depreciation expense that was accelerated in 2017 compared with 2016 due to the removal and replacement of certain assets in connection with ongoing property renovation projects primarily at certain properties in our Las Vegas region.

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Other Factors that Affect Net Income/(Loss)

Other Factors Affecting Net Income/(Loss) - Consolidated

	Years Ended December 31,			2018 vs. 2017		2017 vs. 2016	
(Dollars in millions)	2018	2017	2016	Fav/(Unfav)		Fav/(Unfav)	
Interest expense	$(1,346)	$(773)	$(599)	$(573)	(74.1)%	$(174)	(29.0)%
Gain on deconsolidation of subsidiaries	—	31	—	(31)	(100.0)%	31	*
Restructuring and support expenses	—	(2,028)	(5,729)	2,028	100.0 %	3,701	64.6 %
Loss on extinguishment of debt	(1)	(232)	—	231	99.6 %	(232)	*
Other income/(loss)	791	95	(29)	696	*	124	*
Income tax benefit/(provision)	121	1,995	(327)	(1,874)	(93.9)%	2,322	*
Discontinued operations, net of income taxes	—	—	3,380	—	*	(3,380)	(100.0)%

* *Not meaningful.*

Interest Expense

	Years Ended December 31,			2018 vs. 2017		2017 vs. 2016	
(Dollars in millions)	2018	2017	2016	Fav/(Unfav)		Fav/(Unfav)	
CEOC LLC VICI failed-sale leases	$801	$185	$—	$(616)	*	$(185)	*
Harrah's Las Vegas VICI failed-sale lease	77	2	—	(75)	*	(2)	*
CEOC LLC Term Loan	65	12	—	(53)	*	(12)	*
Golf Course Use Agreement	11	2	—	(9)	*	(2)	*
Chester Downs Senior Secured Notes	—	6	—	6	100.0 %	(6)	*
Horseshoe Baltimore	—	18	30	18	100.0 %	12	40.0 %
CRC Debt	324	508	548	184	36.2 %	40	7.3 %
CEC Convertible Notes	53	13	—	(40)	*	(13)	*
Other interest expense	15	27	21	12	44.4 %	(6)	(28.6)%
Total interest expense	$1,346	$773	$599	$(573)	(74.1)%	$(174)	(29.0)%

**Not meaningful.*

Interest expense increased $573 million, or 74.1%, in 2018 compared with 2017 primarily due to the consolidation of CEOC LLC's results following the Effective Date. CEOC LLC contributed $658 million to the increase in interest expense as a result of (i) a $602 million increase in interest expense related to CEOC LLC's lease agreements with VICI that are accounted for as failed sale-leaseback financing obligations, (ii) a $53 million increase in interest expense recognized for the CEOC LLC Term Loan and (iii) a $9 million increase in interest expense related to the Golf Course Use Agreement (as described in Note 11), and (iv) offset by non-recurring interest expense of $6 million in the prior year for the Chester Downs Senior Secured Notes. The increase was partially offset by an $18 million decrease in interest expense related to the Horseshoe Baltimore debt resulting from the deconsolidation of Horseshoe Baltimore in August 2017. In addition to the effect of CEOC LLC and Horseshoe Baltimore, interest expense decreased by $67 million primarily due to the following:

- A $184 million decrease in interest expense resulting from lower interest rates due to the refinancing of debt as well as repayment of loans in 2017 and a $12 million decrease in other interest expense.
- These decreases was partially offset by an increase of $75 million in interest expense related to the Harrah's Las Vegas lease agreement with VICI and $14 million of interest expense for Octavius Tower related to CEOC LLC's lease agreements with VICI, which are accounted for as a failed sale-leaseback financing obligations, and $40 million in interest expense recognized for the $1.1 billion aggregate principal amount of 5.00% convertible senior notes maturing in 2024 (the "CEC Convertible Notes"), which were not outstanding until the fourth quarter of 2017.

Interest expense increased $174 million in 2017 compared with 2016 primarily due to $187 million recognized as interest expense related to our lease agreements with VICI that are accounted for as failed sale-leaseback financing obligations in 2017 (see Note 10) and $2 million recognized as interest expense related to the Golf Course Use

Agreement. In addition to interest expense related to the failed sale-leaseback financing obligation and the Golf Course Use Agreement, interest expense is primarily attributable to debt described in Note 12. Excluding the impact of interest expense related to the failed sale-leaseback financing obligation and the Golf Course Use Agreement, interest expense decreased $15 million in 2017 compared with 2016 primarily due to the following:

- A $64 million decrease at CRC primarily due to the refinancing of the previously outstanding Caesars Growth Properties Holdings, LLC ("CGPH") and Caesars Entertainment Resort Properties, LLC ("CERP") debt which reduced the interest rate margins in the second quarter of 2017 as well as repayment of the CERP, CGPH and Cromwell loans during the year; and
- A $12 million decrease in interest expense related to the Horseshoe Baltimore debt resulting from the deconsolidation of Horseshoe Baltimore in August 2017.
- These decreases were mostly offset by $24 million in interest expense recognized related to the CRC Term Loan and CRC Notes, $13 million in interest expense recognized for the CEC Convertible Notes, $12 million in interest expense recognized for the CEOC LLC Term Loan, $6 million in interest expense recognized for the Chester Downs Senior Secured Notes and an increase of $6 million in other interest expense. See Note 12 for defined terms.

Gain on Deconsolidation of Subsidiaries

As described in Note 2, we deconsolidated Horseshoe Baltimore in 2017 and recognized a gain of $31 million.

Restructuring and Support Expenses

As described in Note 1, we recognized certain obligations that were ultimately settled upon CEOC's emergence from bankruptcy on the Effective Date. Restructuring and support expenses for the years ended December 31, 2017 and 2016 were $2.0 billion and $5.7 billion, respectively. These were primarily composed of accruals for (i) forbearance fees and other payments to CEOC's creditors that were settled in cash, (ii) a bank guaranty settlement related to the modification of CEC's guarantee under CEOC's senior secured credit facilities that was settled in cash, (iii) payments of CEOC's creditors' expenses, settlement charges, and other fees that were settled in cash, (iv) the issuance of CEC common stock, (v) the issuance of the CEC Convertible Notes (see Note 8 and Note 12), and (vi) the VICI Call Right to purchase and leaseback the real property assets associated with three of our properties as other consideration (see Note 9). A portion of the obligations we recognized reflected our estimates of the fair value of the consideration CEC agreed to provide in exchange for the resolution of litigation claims and potential claims against CEC and its affiliates.

Loss on Extinguishment of Debt

We recognized losses on extinguishment of debt totaling $232 million in 2017 relating to early debt redemption charges as well as the write-off of debt discounts and deferred financing costs associated with the extinguishment of the outstanding debt of CGPH and CERP in conjunction with the refinancing during the year.

Other Income/(Loss)

Other income in 2018 primarily relates to a benefit of $697 million due to a change in fair value of the derivative liability related to the conversion option of the CEC Convertible Notes and a benefit of $24 million due to a change in the fair value of the disputed claims liability related to the CEC Convertible Notes and CEC common stock estimated to be used to settle those claims. In 2018, we also recorded a gain of $31 million for claims that were expunged (see Note 8 for further details), recognized dividend and interest income of $21 million, and recognized $19 million in income related to an adjustment to our pension obligation for employees of our London Clubs International subsidiary (see Note 17 for further details).

Other income in 2017 primarily relates to a benefit of $64 million due to a change in fair value of the derivative liability related to the conversion option of the CEC Convertible Notes (see Note 8 for further details), a $17 million gain for an interest swap payment CEC made on behalf of CEOC that was recovered with interest, and $14 million for interest income earned on the proceeds from the sale of the SMG Business described above (see Note 19).

Other losses in 2016 relate primarily to a $30 million accrual pursuant to the NRF Settlement Agreement for the litigation settlement, the legal fee reimbursement, and the withdrawal liability.

Income Tax Benefit/(Provision)

The effective tax rate was negative 66.1% for 2018, 84.2% for 2017, and negative 5.3% for 2016. The effective tax rate in 2018 differed from the statutory rate of 21% primarily due to the deferred tax benefit from the partial release of the federal valuation allowance upon the acquisition of Centaur and from revisions to the estimated deferred tax balances as of December 31, 2017 as a result of the Tax Act (defined below) offset by state income taxes and nondeductible expenses. The effective tax rate in 2017

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differed from the statutory rate of 35% primarily due to nondeductible restructuring expenses, the acquisition of OpCo and the Tax Act passed in 2017. The effective tax rate in 2016 differed from the statutory rate of 35% primarily due to nondeductible restructuring expenses and other pre-tax losses for which the Company could not recognize a tax benefit. See Note 18 for a detailed discussion of income taxes and the effective tax rate.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code that affected our year ended December 31, 2017, including, but not limited to (i) reducing the U.S. federal corporate tax rate, (ii) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017, (iii) bonus depreciation that will allow for full expensing of qualified property, (iv) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries, (v) a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings accumulated post 1986 through 2017 that were previously deferred from U.S. income taxes, and (vi) a tax on Global Intangible Low-Taxed Income which imposes taxes on foreign income in excess of a deemed return on tangible assets of foreign corporations.

As of December 31, 2018, the Company has completed the accounting for the tax effects of the Tax Act. In 2017, the Company made a reasonable estimate of the effects on the existing deferred tax balances and accrued a provisional income tax benefit of approximately $1.2 billion which was recorded in the period ended December 31, 2017. The amount of the estimated income tax benefit was (i) $797 million related to the net deferred tax benefit of the corporate rate reduction and (ii) $442 million related to the net deferred tax benefit of deferred tax assets which were realizable due to the changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017. During the year ended December 31, 2018, the Company revised its estimate of the effects on the existing deferred tax balances as of December 31, 2017, and accrued an additional provisional income tax benefit of $82 million. The total amount of the revised estimated income tax benefit is (i) $710 million related to the net deferred tax benefit of the corporate rate reduction, (ii) $569 million related to the net deferred tax benefit of deferred tax assets, which are now realizable due to the changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017, and (iii) $42 million relating to the net deferred tax benefit of state deferred tax assets, which are now realizable due to the changing rules related to interest expense disallowance for those states which conform to the Tax Act.

Discontinued Operations, net of Income Taxes

Discontinued operations primarily represent CIE's SMG Business, which was sold in September 2016. See Note 19 for additional information.

Reconciliation of Non-GAAP Financial Measures

Adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") is presented as a measure of the Company's performance. Adjusted EBITDA is defined as revenues less operating expenses and is comprised of net income/(loss) before (i) interest expense, net of interest capitalized and interest income, (ii) income tax (benefit)/provision, (iii) depreciation and amortization, (iv) corporate expenses, and (v) certain items that we do not consider indicative of its ongoing operating performance at an operating property level.

In evaluating Adjusted EBITDA you should be aware that, in the future, we may incur expenses that are the same or similar to some of the adjustments in this presentation. The presentation of Adjusted EBITDA should not be construed as an inference that future results will be unaffected by unusual or unexpected items.

Adjusted EBITDA is a non-GAAP financial measure commonly used in our industry and should not be construed as an alternative to net income/(loss) as an indicator of operating performance or as an alternative to cash flow provided by operating activities as a measure of liquidity (as determined in accordance with generally accepted accounting principles, "GAAP"). Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies within the industry. Adjusted EBITDA is included because management uses Adjusted EBITDA to measure performance and allocate resources, and believes that Adjusted EBITDA provides investors with additional information consistent with that used by management.

Reconciliation of Adjusted EBITDA

	Years Ended December 31,		
(In millions)	**2018**	**2017**	**2016**
Net income/(loss) attributable to Caesars	$ 303	$ (368)	$ (3,049)
Net income/(loss) attributable to noncontrolling interests	1	(7)	(29)
Discontinued operations, net of income taxes	—	—	(3,380)
Income tax (benefit)/provision	(121)	(1,995)	327
Gain on deconsolidation of subsidiaries	—	(31)	—
Restructuring and support expenses	—	2,028	5,729
Loss on extinguishment of debt	1	232	—
Other (income)/loss [(1)]	(791)	(95)	29
Interest expense	1,346	773	599
Depreciation and amortization	1,145	626	439
Impairment of goodwill	43	—	—
Impairment of tangible and other intangible assets	35	—	—
Other operating costs [(2)]	155	65	91
CIE stock-based compensation	—	—	189
Stock-based compensation expense	79	43	43
Other items [(3)]	112	90	81
Adjusted EBITDA	$ 2,308	$ 1,361	$ 1,069

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

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

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

Segment Adjusted EBITDA [(1)]

	Years Ended December 31,			2018 vs. 2017		2017 vs. 2016	
(Dollars in millions)	**2018**	**2017**	**2016**	**Fav/(Unfav)**		**Fav/(Unfav)**	
Las Vegas	$ 1,362	$ 1,007	$ 881	$ 355	35.3 %	$ 126	14.3 %
Other U.S.	1,014	398	259	616	154.8 %	139	53.7 %
All Other	(68)	(44)	(71)	(24)	(54.5)%	27	38.0 %
Adjusted EBITDA	$ 2,308	$ 1,361	$ 1,069	$ 947	69.6 %	$ 292	27.3 %

(1) *See reconciliation of Net income/(loss) to Adjusted EBITDA by segment in Note 21.*

Liquidity and Capital Resources

Liquidity Discussion and Analysis

CEC has no requirement to fund the operations of CRC, CEOC LLC, or their subsidiaries; however, the payment of all monetary obligations under CEOC LLC's leases with VICI is guaranteed by CEC. CEC cash outflows are primarily used for corporate development opportunities, other corporate-level activity, litigation, and restructuring expenses associated with CEOC's bankruptcy including residual claims upon emergence. In addition, because CEC has no operations of its own and due to the restrictions under its subsidiaries' lending arrangements, CEC has limited ability to raise additional capital.

Cash and cash equivalents as of December 31, 2018, as shown in the table below, include amounts held by CRC and

CEOC LLC, which are not readily available to CEC. Other includes $393 million in cash at CEC (the parent holding company), $136 million related to insurance captives, and $68 million related to the casino resort project in Incheon, South Korea (see Note 2).

Summary of Cash and Revolver Capacity

	December 31, 2018			
(In millions)	CRC	CEOC LLC	Other	Caesars
Cash and cash equivalents	$322	$517	$652	$1,491
Revolver capacity	1,000	200	—	1,200
Revolver capacity drawn or committed to letters of credit	(136)	(39)	—	(175)
Total	$1,186	$678	$652	$2,516

CRC and CEOC LLC's sources of liquidity are independent of one another and primarily include currently available cash and cash equivalents, cash flows generated from their operations, and borrowings under their separate revolving credit facilities (see Note 12). Operating cash inflows are typically used for operating expenses, debt service costs, lease payments and working capital needs. CRC and CEOC LLC are highly leveraged, and a significant portion of their liquidity needs are for debt service and financing obligations, as summarized below.

During the year ended December 31, 2018, we generated net income of $304 million and our operating activities yielded consolidated operating cash inflows of $786 million, which is an increase of $3.1 billion from the year ended December 31, 2017 primarily as a result of $2.8 billion in cash paid on the Effective Date in the prior year to support the reorganization of CEOC as described in the Plan (see Note 1 and Note 19). We believe that our cash flows from operations are sufficient to cover planned capital expenditures for ongoing property renovations and our total estimated financing activities during the next 12 months. However, if needed, our existing cash and cash equivalents and availability under our revolving credit facilities are available to further support operations during the next 12 months and the foreseeable future. In addition, restrictions under our lending arrangements generally prevent the distribution of cash from our subsidiaries to CEC, except for certain restricted payments.

In 2018, we paid $1.2 billion in interest, which includes $448 million of interest associated with our debt and $721 million of interest related to our financing obligations and Golf Course Use Agreement. Our capital expenditures were $565 million during 2018 in support of our ongoing property renovations, see Capital Spending and Development section below.

On July 16, 2018, we completed our acquisition of Centaur for $1.7 billion, including $1.6 billion at closing and $75 million in deferred consideration. The funding for this acquisition was primarily from $1.1 billion in cash proceeds received from the sale of the real estate assets of Harrah's Las Vegas to VICI in December 2017, approximately $500 million in cash proceeds received from the sale of the Octavius Tower to VICI in July 2018, and the use of $200 million of our revolving credit facility. See Note 4 for additional information.

During 2018, the Company announced that our Board of Directors authorized the Repurchase Program to repurchase up to $750 million of our common stock. During the year ended December 31, 2018, we repurchased approximately 31 million shares for approximately $311 million under the program recorded in Treasury stock.

Our ability to fund operations, pay debt and financing obligations, and fund planned capital expenditures depends, in part, upon economic and other factors that are beyond our control, and disruptions in capital markets and restrictive covenants related to our existing debt could impact our ability to fund liquidity needs, pay indebtedness and financing obligations, and secure additional funds through financing activities.

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

Debt Activity and Lease-Related Obligations

As noted above, we are a highly-leveraged company and had $9.1 billion in face value of debt outstanding and $10.1 billion of failed sale-leaseback financing obligations as of December 31, 2018. As a result, a significant portion of our liquidity needs are for debt service, including significant interest and principal payments associated with our financing obligations. As detailed in the table below, our estimated debt service (including principal and interest) is $644 million for 2019 and $11.3 billion thereafter to maturity and our estimated financing obligations are $753 million for 2019 and $37.7 billion thereafter to maturity.

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Financing Activities

	Years Ended December 31,						
(In millions)	**2019**	**2020**	**2021**	**2022**	**2023**	**Thereafter**	**Total**
Annual maturities of long-term debt	$164	$64	$64	$64	$64	$ 8,655	$9,075
Estimated interest payments	480	470	470	460	450	540	2,870
Total debt service payments [(1)]	644	534	534	524	514	9,195	11,945
Financing obligations - principal	15	18	20	22	26	8,400	8,501
Financing obligations - interest	738	791	802	814	829	25,933	29,907
Total financing obligation payments [(2)]	753	809	822	836	855	34,333	38,408
Total financing activities	$1,397	$1,343	$1,356	$1,360	$1,369	$ 43,528	$50,353

(1) *Debt principal payments are estimated amounts based on maturity dates and potential borrowings under our revolving credit facility. Interest payments are estimated based on the forward-looking London Interbank Offered Rate ("LIBOR") curve and include the estimated impact of the ten interest rate swap agreements (see Note 8). Actual payments may differ from these estimates.*

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

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

Debt Activity

See Note 12 for proceeds received from draws on our revolving credit facilities, proceeds received from the issuance of new debt, and cash paid to extinguish debt, as well as a table presenting details on our individual borrowings outstanding, interest rates and restrictive covenants related to certain of our borrowings as of December 31, 2018 and 2017. See Note 8 for details regarding our use of interest rate swap derivatives to manage the mix of our debt between fixed and variable rate instruments.

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

Lease-Related Obligations

As described in Note 10, we have entered into various leases for our properties with VICI. During 2018, we received a net amount of $591 million related to our transactions with VICI and proceeds from the transactions were used to partially fund the closing of CEC's acquisition of Centaur (see Note 1). On the Effective Date, in accordance with the Plan, VICI received a call right (the "VICI Call Right") for up to five years to purchase and leaseback the real property assets associated with Harrah's Atlantic City, Harrah's Laughlin, and Harrah's New Orleans for a cash purchase price of ten times the agreed upon annual rent for each property. The VICI Call Right is subject to the terms of the CRC Credit Agreement (see Note 9 and Note 12).

Each lease agreement provides for fixed rent (subject to escalation) during an initial term, then rent consisting of both base rent and variable percentage rent elements, and has a 15-year initial term and four five-year renewal options. We assume the renewal is probable and include renewal commitments in the estimated financing obligations in the table above. In addition, the future lease payment amounts included in the table above represent the contractual lease payments adjusted for estimated escalations, as determined by the underlying lease agreements. The estimates are based on the terms and conditions known at the inception of the leases. However, a portion of the actual payments will be determined in the period in which they are due, and therefore, actual lease payments may differ from our estimates. CEC determined that these transactions do not qualify for sale-leaseback accounting based on the terms of the lease agreements; therefore, the Company will be accounting for these transactions as a financing. We do not recognize rent expense related to the leases, but we have recorded a liability for the financing obligations and the majority of the periodic lease payments are recognized as interest expense. In the initial periods, cash payments are less than the interest expense recognized in the Statements of Operations, which causes the related sale-leaseback liability to increase during the beginning of the lease term.

Subject to certain exceptions, the payment of all monetary obligations under the CEOC LLC leases are guaranteed by CEC and the payment of all monetary obligations under the Harrah's Las Vegas lease is guaranteed by CRC. See Note 10 for further details around the financing obligations.

Capital Spending and Development

We incur capital expenditures in the normal course of business, and we perform ongoing refurbishment and maintenance at our properties to maintain our quality standards. We also continue to pursue development and acquisition opportunities for additional casino entertainment and other hospitality facilities, and online businesses that meet our strategic and return on investment criteria. Cash used for capital expenditures in the normal course of business is typically made available from cash flows generated by our operating activities and established debt programs, while cash used for development projects is typically funded from established debt programs, specific project financing, and additional debt offerings.

Summary of Consolidated Capital Expenditures

	Years Ended December 31,			Increase/(Decrease)	
(In millions)	**2018**	**2017**	**2016**	**2018 vs. 2017**	**2017 vs. 2016**
Maintenance [(1)]	$419	$597	$217	$ (178)	$ 380
Development [(2)]	146	1	3	145	(2)
Total capital expenditures	$565	$598	$220	$ (33)	$ 378
Included in capital expenditures:					
Capitalized payroll costs	$9	$4	$5		
Capitalized interest	8	6	2		

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

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

During the year ended December 31, 2018, capital expenditures were primarily related to hotel renovation projects at Flamingo Las Vegas, Bally's Las Vegas, Harrah's Atlantic City, and Paris Las Vegas, construction of the Fly LINQ Zipline, and the development of a casino resort project in Incheon, South Korea and a new convention center in Las Vegas ("CAESARS FORUM"). During the year ended December 31, 2017, capital expenditures were primarily related to hotel renovation projects at Caesars Palace, Bally's Las Vegas, Planet Hollywood, Flamingo Las Vegas and Harrah's Las Vegas. During the year ended December 31, 2016, capital expenditures were primarily related hotel renovation projects at Harrah's Las Vegas, Paris Las Vegas and Planet Hollywood.

Cash paid for capital expenditures were $565 million during 2018. Due to our working capital initiatives, we had an increase in construction payables of $149 million, of which $100 million was related to the 2018 capital plan, which will be paid in the first quarter of 2019. Our projected capital expenditures for 2019 range from $850 million to $1 billion. We expect to fund capital expenditures from cash flows generated by operating activities.

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

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

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

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

Under the CEOC LLC leases and the Harrah's Las Vegas lease, we are required to spend certain minimum amounts on capital expenditures.

Our planned development projects, if they proceed, will require significant capital commitments, individually and in the aggregate, and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion, and the commencement of operations of development projects are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate political and regulatory bodies. We must also comply with covenants and restrictions set forth in our debt agreements.

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

Related Party Transactions

For a description of the nature and extent of related party transactions, see Note 20.

Critical Accounting Policies and Estimates

We prepare our financial statements in conformity with GAAP. In preparing our financial statements, we have made our best estimates and judgments of the amounts and disclosures included in the financial statements, giving regard to materiality. When more than one accounting principle, or method of its application, is generally accepted, we select the principle or method that we consider to be the most appropriate under specific circumstances. Application of these accounting principles requires us to make estimates about the future resolution of existing uncertainties. Certain of our accounting policies, including the estimated lives assigned to our assets, the determination of bad debt, asset impairments, the fair value of derivative instruments, self-insurance reserves, the purchase price allocations made in connection with our acquisitions/mergers, the calculation of our income tax liabilities, and the determination of whether to consolidate a variable interest entity require that we apply significant judgment in defining the appropriate assumptions for calculating financial estimates.

We consider accounting estimates to be critical accounting policies when:

- the estimates involve matters that are highly uncertain at the time the accounting estimate is made; and
- different estimates or changes to estimates could have a material impact on the reported financial position, changes in financial position, or results of operations.

By their nature, these judgments and estimates are subject to an inherent degree of uncertainty. Our judgments and estimates are based on our historical experience, terms of existing contracts, observance of trends in the industry, information gathered from customer behavior, and information available from other outside sources, as appropriate. Due to the inherent uncertainty involving judgments and estimates, actual results may differ from those estimates.

Long-Lived Assets

We have significant capital invested in our long-lived assets, and judgments are made in determining the estimated useful lives of assets, salvage values to be assigned to assets, and if or when an asset has been impaired. The accuracy of these estimates affects the amount of depreciation and amortization expense recognized in our financial results and whether we have a gain or loss on the disposal of an asset. We assign lives to our assets based on our standard policy, which is established by management as representative of the useful life of each category of asset. We review the carrying value of our long-lived assets whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The factors considered by management in performing this assessment include current operating results, trends and prospects, planned construction and renovation projects, as well as the effect of obsolescence, demand, competition, and other economic, legal, and regulatory factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the lowest level of identifiable cash flows, which, for most of our assets, is the individual property. See Note 6 for additional information.

Goodwill and Other Non-Amortizing Intangible Assets

The evaluation of goodwill and other non-amortizing intangible assets requires the use of estimates about future revenues and EBITDA, valuation multiples, and discount rates to determine their estimated fair value. Our future revenues and EBITDA assumptions are determined based upon actual results giving effect to expected changes in operating results in future years. Our valuation multiples and discount rates are based upon market participant assumptions using a defined gaming peer group. Changes in these assumptions can materially affect these estimates. Thus, to the extent the gaming volumes deteriorate in the near future, discount rates increase significantly, or we do not meet our projected performance, we could recognize impairments, and such impairments could be material. This is especially true for any of our properties where goodwill and other non-amortizing intangible

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assets have been partially impaired as a result of a recent impairment analysis, and for our Las Vegas properties, which comprise a significant portion of our remaining goodwill balance.

As of December 31, 2018, we had approximately $4.0 billion in goodwill and $2.6 billion of other non-amortizing intangible assets. During 2018, as a result of declines in our stock price and increases in market yields within our industry, which are both factors used to determine the discount rate, along with downward adjustments to expectations of future performance at certain of our properties outside of Las Vegas, we recognized impairment charges related to goodwill of $43 million and gaming rights of $21 million for certain of our properties. As of December 31, 2018, all other reporting units with goodwill and/or other non-amortizing intangible assets have estimated fair values that exceed their carrying values. See Note 7 for additional information. As of December 31, 2018, a 1% increase to the discount rate would increase goodwill impairment by approximately $10 million and gaming rights impairment by approximately $4 million.

Allowance for Doubtful Accounts - Gaming

We reserve an estimated amount for gaming receivables that may not be collected to reduce the Company’s receivables to their net carrying amount. Methodologies for estimating the allowance for doubtful accounts range from specific reserves to various percentages applied to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific reserves. As with many estimates, management must make judgments about potential actions by third parties in establishing and evaluating our reserves for allowance for doubtful accounts. As of December 31, 2018, a 5% increase or decrease to the allowance determined based on a percentage of aged receivables would change the reserve by approximately $13 million.

Markers acquired as part of the acquisition of OpCo were accounted for at fair value on the Effective Date, with no acquired reserve, and will be accreted to interest income up to their expected realizable value over the life of their expected collectability. The acquired markers are subject to adjustment if the actual cash collection differs from the expected collectibility.

Self-Insurance Accruals

We are self-insured for workers’ compensation and other risk products through our captive insurance subsidiaries. Our insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims. In estimating these reserves, historical loss experience and judgments about the expected levels of costs per claim are considered. We also utilize consultants to assist in the determination of certain estimated accruals. These claims are accounted for based on actuarial estimates of the undiscounted claims, including those claims incurred but not reported. We believe the use of actuarial methods to account for these liabilities provides a consistent and effective way to measure these highly judgmental accruals; however, changes in health care costs, accident frequency and severity, and other factors can materially affect the estimates for these liabilities. We regularly monitor the potential for changes in estimates, evaluate our insurance accruals, and adjust our recorded provisions.

Fair Value Measurements

The CEC Convertible Notes contain derivative features that require bifurcation. We estimate the fair value of the CEC Convertible Notes using a market-based approach that incorporates the value of both straight debt and conversion features of the notes. The valuation model incorporates actively traded prices of the CEC Convertible Notes as of the reporting date, the value of CEC’s equity into which these notes could convert, and assumptions regarding the incremental cost of borrowing for CEC. The fair value of the CEC Convertible Notes derivative liability is subject to interest rate and market price risk due to the conversion features of the notes and other factors. Generally, as the fair value of fixed interest rate debt increases (due to a decrease in interest rates) the derivative liability decreases and as the fair value of fixed interest rate debt decreases (due to an increase in interest rates) the derivative liability increases. The fair value of the CEC Convertible Notes derivative liability may also increase as the market price of our stock rises or due to increased volatility in our stock price which will result in an expense recognized in our Statement of Operations, and decrease as the market price of our stock falls or due to decreased volatility in our stock price which will result in income recognized in our Statement of Operations. Upon issuance on the Effective Date, the CEC Convertible Notes had a fair value of $1.1 billion when the price per share of CEC common stock was $12.80. As of December 31, 2017, the fair value of the convertibles notes was $1.0 billion when the price per share of CEC common stock was $12.65. During the year ended December 31, 2018, we recognized income of $697 million due to the decrease in the fair value of the CEC Convertible Notes to $324 million when the price per share of CEC common stock was $6.79. Subsequent to December 31, 2018, our stock has been trading at a higher price as compared to December 31, 2018 and as a result we expect the fair value of the CEC Convertible Notes to increase and we expect to recognize expense during the first quarter of 2019.

We use interest rate swaps, which are derivative instruments classified as hedging transactions, to limit our exposure to interest rate risk. Derivative instruments are recognized in the financial statements at fair value. The estimated fair values of our derivative instruments are based on market prices obtained from dealer quotes. Such quotes represent the estimated amounts we would receive or pay to terminate the contracts. Our derivative instruments contain a credit risk that the counterparties may be unable to meet the terms of the agreements. We minimize that risk by evaluating the creditworthiness of our counterparties, which are limited to major banks and financial institutions. The fair values of our derivative instruments are 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 8 for more details regarding fair value measurements and Item 7A for quantitative and qualitative disclosures about market risk.

Income Taxes

We are subject to income taxes in the United States (including federal and state) and numerous foreign jurisdictions in which we operate. We record income taxes under the asset and liability method, whereby deferred tax assets and liabilities are recognized based on the expected future tax consequences of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and as attributable to operating loss and tax credit carryforwards. We reduce the carrying amounts of deferred tax assets by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically based on the "more likely than not" realization threshold. This assessment considers, among other matters, the nature, frequency, and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, our experience with operating loss and tax credit carryforwards not expiring unused, and tax planning alternatives.

The effect on the income tax provision and deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. We have provided a valuation allowance on certain foreign and state net operating losses ("NOLs"), and other federal, state, and foreign deferred tax assets. NOLs and other federal, state, and foreign deferred tax assets were not deemed realizable based upon near term estimates of future taxable income.

We report unrecognized tax benefits within Accrued expenses other current liabilities and Deferred credits and other liabilities on our Balance Sheets, separate from any related income tax payable, which is also reported within Accrued expenses and other current liabilities or Deferred income taxes. Reserve amounts relate to any potential income tax liabilities resulting from uncertain tax positions, as well as potential interest or penalties associated with those liabilities.

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 and various state taxing authorities on open tax positions, and in general, it is possible that the amount of the liability for unrecognized tax benefits could change during the next 12 months.

Recently Issued and Proposed Accounting Standards

See Note 5 for discussions of the adoption and potential impact of recently issued accounting standards.

Contractual Obligations and Commitments

The table below summarizes Caesars Entertainment's contractual obligations and other commitments through their respective maturity or ending dates as of December 31, 2018.

	Payments due by Period [1]				
(In millions)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**After 5 years**
Debt, face value	$9,075	$164	$128	$128	$8,655
Estimated interest payments [2]	2,870	480	940	910	540
Financing obligations - principal	8,501	15	38	48	8,400
Financing obligations - interest	29,907	738	1,593	1,643	25,933
Golf course use obligations	682	14	30	31	607
Operating lease obligations	1,279	82	127	104	966
Purchase order obligations	946	592	322	23	9
Sports sponsorship and partnership obligations	177	25	66	19	67
Construction commitments	323	253	70	—	—
Community reinvestment	31	6	12	12	1
Entertainment obligations [3]	4	3	1	—	—
Other contractual obligations [4]	218	36	63	52	67
Total contractual obligations [5]	$54,013	$2,408	$3,390	$2,970	$45,245

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(1) *In addition to the contractual obligations disclosed in this table, we have unrecognized tax benefits for which, based on uncertainties associated with the items, we are unable to make reasonably reliable estimates of the period of potential cash settlements, if any, with taxing authorities.*

(2) *Estimated interest for variable-rate debt included in this table is based on the 1-month LIBOR curve available as of December 31, 2018. Estimated interest includes the estimated impact of the ten interest rate swap agreements (see Note 8). Actual payments may differ from these estimates.*

(3) *Entertainment obligations represent obligations to pay performers that have contracts for future performances. This amount does not include estimated obligations for future performances where payment is only guaranteed when the performances occur and/or is based on factors contingent upon the profitability of the performances.*

(4) *Primarily includes licensing, management and other fees.*

(5) *Contractual obligations do not include amounts that we have not yet incurred under the CEOC LLC and Harrah's Las Vegas leases. Under the CEOC LLC leases, we are required to spend an amount equal to at least 1% of CEOC LLC's net revenue for the prior lease year and $845 million for every three-year period. Under the Harrah's Las Vegas lease, we are required to spend $171 million in capital expenditures for the period from January 1, 2017 through December 31, 2021, and thereafter, spend an amount equal to at least 1% of Harrah's Las Vegas net revenue for the prior lease year.*

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates, and commodity prices. Our primary exposure to market risk is interest rate risk associated with our debt. We attempt to limit our exposure to interest rate risk by managing the mix of our debt between fixed rate and variable rate obligations. While we may enter into agreements limiting our exposure to higher interest rates, any such agreements may not offer complete protection from this risk. As of December 31, 2018, the face value of long-term debt was $9.1 billion, including $6.2 billion of variable rate obligations.

We have entered into ten interest rate swap agreements to fix the interest rate on $3.0 billion of variable rate debt, three that became effective on December 31, 2018, four that became effective on January 1, 2019, and three that became effective on January 2, 2019, at which time $3.2 billion of debt will remain subject to variable interest rates for the term of the agreement. See Note 8 for additional information. The difference to be paid or received under the terms of the interest rate swap agreements will be accrued as interest rates change and recognized as an adjustment to interest expense for the related debt beginning on December 31, 2018. 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.

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

The table below provides information as of December 31, 2018 about our financial instruments that are sensitive to changes in interest rates including the cash flows associated with amortization, the notional amounts of interest rate derivative instruments, and related weighted average interest rates. Principal amounts are used to calculate the payments to be exchanged under the related agreements and weighted average variable rates are based on implied forward rates in the yield curve as of December 31, 2018.

	Expected Maturity Date							
(Dollars in millions)	**2019**	**2020**	**2021**	**2022**	**2023**	**Thereafter**	**Total**	**Fair Value**
Liabilities								
Long-term debt								
Fixed rate	$2	$2	$2	$2	$2	$ 2,827	$2,837	$2,530
Average interest rate	5.4 %	5.4 %	5.4 %	5.4 %	5.2 %	5.9 %	5.5 %	
Variable rate	$162	$62	$62	$62	$62	$ 5,828	$6,238	$5,997
Average interest rate	5.4 %	5.1 %	5.0 %	5.0 %	5.1 %	5.3 %	5.1 %	
Interest Rate Derivatives								
Interest rate swaps								
Variable to fixed [(1)]	$—	$700	$1,050	$1,250	$—	$—	$3,000	$—
Average pay rate	2.6 %	2.6 %	2.7 %	2.7 %	— %	— %	2.7 %	
Average receive rate	2.6 %	2.4 %	2.4 %	2.4 %	— %	— %	2.4 %	

[(1)] *These amounts represent the interest rate swap notional amounts that mature at the end of each respective year. See Note 8 for additional information.*

As of December 31, 2018, our long-term variable rate debt reflects borrowings under our credit facilities provided to us by a consortium of banks with a total capacity of $7.3 billion. The interest rates charged on borrowings under these facilities are a function of LIBOR. As such, the interest rates charged to us for borrowings under the facilities are subject to change as LIBOR changes. Assuming a constant outstanding balance for our variable rate long-term debt, a hypothetical 1% increase in interest rates would increase interest expense approximately $32 million while a hypothetical 1% decrease in interest rates would decrease interest expense approximately $32 million.

The fair value of the CEC Convertible Notes is subject to interest rate and market price risk due to the conversion features of the notes and other factors. Generally, the fair value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The fair value of the notes may also increase as the market price of our stock rises or due to increased volatility in our stock price, and decrease as the market price of our stock falls or due to decreased volatility in our stock price. Interest rate and market value changes affect the fair value of the notes, and may affect the prices at which we would be able to repurchase such notes were we to do so.

.Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of
Caesars Entertainment Corporation:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Caesars Entertainment Corporation and subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income/(loss), stockholders' equity/(deficit), and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 21, 2019 expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, the Company has changed its method of accounting for revenue in all periods presented due to the adoption of ASU 2014-09, *Revenue from Contracts with Customers*, and related amendments.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the Caesars Acquisition Company ("CAC") merged with and into the Company, with the Company as the surviving company on October 6, 2017. The merger transaction was accounted for as a transaction among entities under common control, which resulted in CAC being consolidated into the Company at book value as an equity transaction for all periods presented.

/s/ DELOITTE & TOUCHE LLP
Las Vegas, Nevada
February 21, 2019
We have served as the Company's auditor since 2002.

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CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED BALANCE SHEETS

	As of December 31,	
(In millions, except par value)	**2018**	**2017**
Assets		
Current assets		
Cash and cash equivalents ($14 and $58 attributable to our VIEs)	$1,491	$2,558
Restricted cash	115	116
Receivables, net	457	494
Due from affiliates, net	6	11
Prepayments and other current assets ($6 and $2 attributable to our VIEs)	155	239
Inventories	41	39
Total current assets	2,265	3,457
Property and equipment, net ($137 and $57 attributable to our VIEs)	16,045	16,154
Goodwill	4,044	3,815
Intangible assets other than goodwill	2,977	1,609
Restricted cash	51	35
Deferred income taxes	10	2
Deferred charges and other assets ($35 and $0 attributable to our VIEs)	383	364
Total assets	$25,775	$25,436
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable ($41 and $3 attributable to our VIEs)	$399	$318
Accrued expenses and other current liabilities ($1 and $0 attributable to our VIEs)	1,217	1,326
Interest payable	56	38
Contract liabilities	144	129
Current portion of financing obligations	20	9
Current portion of long-term debt	164	64
Total current liabilities	2,000	1,884
Financing obligations	10,057	9,355
Long-term debt	8,801	8,849
Deferred income taxes	730	577
Deferred credits and other liabilities ($5 and $0 attributable to our VIEs)	849	1,474
Total liabilities	22,437	22,139
Commitments and contingencies (See Note 11)		
Stockholders' equity		
Common stock: voting, $0.01 par value, 670 and 696 shares issued, respectively	7	7
Treasury stock: 46 and 12 shares, respectively	(485)	(152)
Additional paid-in capital	14,124	14,040
Accumulated deficit	(10,372)	(10,675)
Accumulated other comprehensive income/(loss)	(24)	6
Total Caesars stockholders' equity	3,250	3,226
Noncontrolling interests	88	71
Total stockholders' equity	3,338	3,297
Total liabilities and stockholders' equity	$25,775	$25,436

See accompanying Notes to Consolidated Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,		
(In millions, except per share data)	**2018**	**2017**	**2016**
Revenues			
Casino	$4,247	$2,168	$1,608
Food and beverage	1,574	982	822
Rooms	1,519	1,074	950
Other revenue	789	584	497
Management fees	60	12	—
Reimbursed management costs	202	48	—
Net revenues	8,391	4,868	3,877
Operating expenses			
Direct			
Casino	2,393	1,213	890
Food and beverage	1,106	693	572
Rooms	480	360	318
Property, general, administrative, and other	1,761	1,124	1,147
Reimbursable management costs	202	48	—
Depreciation and amortization	1,145	626	439
Impairment of goodwill	43	—	—
Impairment of tangible and other intangible assets	35	—	—
Corporate expense	332	202	194
Other operating costs	155	65	91
Total operating expenses	7,652	4,331	3,651
Income from operations	739	537	226
Interest expense	(1,346)	(773)	(599)
Gain on deconsolidation of subsidiaries	—	31	—
Restructuring and support expenses	—	(2,028)	(5,729)
Loss on extinguishment of debt	(1)	(232)	—
Other income/(loss)	791	95	(29)
Income/(loss) from continuing operations before income taxes	183	(2,370)	(6,131)
Income tax benefit/(provision)	121	1,995	(327)
Income/(loss) from continuing operations, net of income taxes	304	(375)	(6,458)
Discontinued operations, net of income taxes	—	—	3,380
Net income/(loss)	304	(375)	(3,078)
Net (income)/loss attributable to noncontrolling interests	(1)	7	29
Net income/(loss) attributable to Caesars	$303	$(368)	$(3,049)
Earnings/(loss) per share - basic and diluted			
Basic earnings/(loss) per share from continuing operations	$0.44	$(1.32)	$(43.96)
Basic earnings per share from discontinued operations	—	—	23.11
Basic earnings/(loss) per share	$0.44	$(1.32)	$(20.85)
Diluted earnings/(loss) per share from continuing operations	$0.41	$(1.32)	$(43.96)
Diluted earnings per share from discontinued operations	—	—	23.11
Diluted earnings/(loss) per share	$0.41	$(1.32)	$(20.85)
Weighted-average common shares outstanding - basic	686	279	146
Weighted-average common shares outstanding - diluted	841	279	146

See accompanying Notes to Consolidated Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

	Years Ended December 31,		
(In millions)	**2018**	**2017**	**2016**
Net income/(loss)	$304	$(375)	$(3,078)
Foreign currency translation adjustments	(22)	9	—
Change in fair market value of interest rate swaps, net of tax	(13)	—	—
Other	1	(3)	(2)
Other comprehensive income/(loss), net of income taxes	(34)	6	(2)
Comprehensive income/(loss)	270	(369)	(3,080)
Amounts attributable to noncontrolling interests:			
Net (income)/loss attributable to noncontrolling interests	(1)	7	29
Foreign currency translation adjustments	4	—	—
Comprehensive loss attributable to noncontrolling interests	3	7	29
Comprehensive income/(loss) attributable to Caesars	$273	$(362)	$(3,051)

See accompanying Notes to Consolidated Financial Statements.

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CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY/(DEFICIT)

	Caesars Stockholders' Equity/(Deficit)							
(In millions)	Common Stock	Treasury Stock	Additional Paid-in-Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Total Caesars Stockholders' Equity/(Deficit)	Non controlling Interests	Total Equity/(Deficit)
Balance at January 1, 2016	$ 1	$ (22)	$ 9,239	$ (7,257)	$ 1	$ 1,962	$ 80	$ 2,042
Cumulative effect adjustment share-based compensation [(1)]	—	—	1	(1)	—	—	—	—
Net loss	—	—	—	(3,049)	—	(3,049)	(29)	(3,078)
Stock-based compensation	—	—	53	—	—	53	—	53
CIE stock transactions, net	—	—	(626)	—	—	(626)	(3)	(629)
Other comprehensive loss, net of tax	—	—	—	—	(2)	(2)	—	(2)
Change in noncontrolling interest, net of distributions and contributions	—	—	—	—	—	—	5	5
Other	—	(7)	9	—	—	2	—	2
Balance as of December 31, 2016	1	(29)	8,676	(10,307)	(1)	(1,660)	53	(1,607)
Net loss	—	—	—	(368)	—	(368)	(7)	(375)
Stock-based compensation	—	(9)	53	—	—	44	—	44
Bankruptcy emergence and acquisition of OpCo [(2)]	4	(114)	5,321	—	—	5,211	(35)	5,176
CAC Merger [(2)]	2	—	(2)	—	—	—	—	—
Consolidation of Korea Joint Venture [(3)]	—	—	—	—	1	1	57	58
Other comprehensive income, net of tax	—	—	—	—	6	6	—	6
Change in noncontrolling interest, net of distributions and contributions	—	—	—	—	—	—	3	3
Other	—	—	(8)	—	—	(8)	—	(8)
Balance as of December 31, 2017	7	(152)	14,040	(10,675)	6	3,226	71	3,297
Net income	—	—	—	303	—	303	1	304
Stock-based compensation	—	(22)	84	—	—	62	—	62
Repurchase of common stock	—	(311)	—	—	—	(311)	—	(311)
Other comprehensive loss, net of tax	—	—	—	—	(30)	(30)	(4)	(34)
Change in noncontrolling interest, net of distributions and contributions	—	—	—	—	—	—	20	20
Balance as of December 31, 2018	$ 7	$ (485)	$ 14,124	$ (10,372)	$ (24)	$ 3,250	$ 88	$ 3,338

(1) *Adoption of Accounting Standards Update No. 2016-09, Compensation-Stock Compensation.*

(2) *See Note 1.*

(3) *See Note 2.*

See accompanying Notes to Consolidated Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

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(In millions)	Years Ended December 31, 2018	2017	2016
Cash flows from operating activities			
Net income/(loss)	$304	$(375)	$(3,078)
Adjustments to reconcile net income/(loss) to cash flows from operating activities:			
Income from discontinued operations	—	—	(3,380)
Non-cash change in restructuring accrual	—	2,065	3,667
Interest accrued on financing obligations	142	27	—
Deferred income taxes	(145)	(1,858)	(90)
Gain on deconsolidation of subsidiaries	—	(31)	—
Depreciation and amortization	1,145	626	439
Loss on extinguishment of debt	1	232	—
Change in fair value of derivative liability	(697)	(64)	—
Stock-based compensation expense	79	43	232
Amortization of deferred finance costs and debt discount/premium	15	26	24
Provision for doubtful accounts	21	8	11
Impairment of goodwill	43	—	—
Impairment of intangible and tangible assets	35	—	—
Other non-cash adjustments to net income/(loss)	(28)	32	23
Net changes in:			
Accounts receivable	14	(75)	(28)
Due from affiliates, net	5	(55)	19
Inventories, prepayments and other current assets	76	64	9
Deferred charges and other assets	(69)	(26)	—
Accounts payable	(78)	(4)	39
Interest payable	19	(35)	(64)
Accrued expenses	(101)	15	87
Contract liabilities	18	3	(1)
Restructuring accruals	—	(2,880)	2,029
Deferred credits and other liabilities	(6)	(63)	104
Other	(7)	2	—
Cash flows provided by/(used in) operating activities	786	(2,323)	42
Cash flows from investing activities			
Acquisition of businesses, net of cash and restricted cash acquired	(1,578)	561	—
Acquisition of property and equipment, net of change in related payables	(565)	(598)	(220)
Deconsolidation of subsidiary cash	—	(57)	—
Consolidation of Korea Joint Venture	—	19	—
Payments to acquire certain gaming rights	(20)	—	—
Payments to acquire investments	(22)	(12)	(23)
Proceeds from the sale and maturity of investments	43	33	46
Return of investment from discontinued operations	—	—	132
Contributions to discontinued operations	—	—	(56)
Other	7	(1)	—
Cash flows used in investing activities	(2,135)	(55)	(121)

(In millions)	Years Ended December 31, 2018	2017	2016
Cash flows from financing activities			
Proceeds from long-term debt and revolving credit facilities	1,167	7,550	120

Debt issuance and extension costs and fees	(5)	(288)	—
Repayments of long-term debt and revolving credit facilities	(1,130)	(7,846)	(268)
Proceeds from sale-leaseback financing arrangement	745	1,136	—
Proceeds from the issuance of common stock	6	11	6
Repurchase of common stock	(311)	—	—
Repurchase of CIE shares and distribution of sale proceeds	—	(63)	(1,126)
Taxes paid related to net share settlement of equity awards	(22)	(11)	(7)
Financing obligation payments	(173)	(54)	—
Contributions from noncontrolling interest owners	20	—	15
Distributions to noncontrolling interest owners	—	(6)	—
Cash flows provided by/(used in) financing activities	297	429	(1,260)
Cash flows from discontinued operations			
Cash flows from operating activities	—	—	168
Cash flows from investing activities	—	—	4,379
Cash flows from financing activities	—	—	(76)
Net cash from discontinued operations	—	—	4,471
Change in cash, cash equivalents, and restricted cash classified as assets held for sale	—	—	112
Net increase/(decrease) in cash, cash equivalents, and restricted cash	(1,052)	(1,949)	3,244
Cash, cash equivalents, and restricted cash, beginning of period	2,709	4,658	1,414
Cash, cash equivalents, and restricted cash, end of period	$1,657	$2,709	$4,658
Supplemental Cash Flow Information			
Cash paid for interest	$1,169	$749	$634
Cash paid for income taxes	8	7	305
Non-Cash Settlement of Accrued Restructuring and Support Expenses			
Issuance of convertible notes and call right	—	2,349	—
Issuance of CEC common stock	—	3,435	—
Other non-cash investing and financing activities:			
Change in accrued capital expenditures	149	(6)	14
Deferred consideration for acquisition of Centaur	66	—	—

See accompanying Notes to Consolidated Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

We also refer to (i) our Consolidated Financial Statements as our "Financial Statements," (ii) our Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income/(Loss) as our "Statements of Operations," (iii) our Consolidated Balance Sheets as our "Balance Sheets," and (iv) our Consolidated Statements of Cash Flows as our "Statements of Cash Flows." References to numbered "Notes" refer to Notes to our Consolidated Financial Statements included herein.

Note 1 — Description of Business

Organization

CEC is primarily a holding company with no independent operations of its own. Caesars Entertainment operates the business primarily through its wholly owned subsidiaries CEOC, LLC ("CEOC LLC") and Caesars Resort Collection, LLC ("CRC"). Caesars Entertainment has a total of 53 properties in 14 U.S. states and five countries outside of the U.S., including 50 casino properties. Nine casinos are in Las Vegas, which represented 45% of net revenues for the year ended December 31, 2018.

We lease certain real property assets from VICI Properties Inc. and/or its subsidiaries (collectively, "VICI").

New Transactions with VICI

Harrah's Philadelphia Real Estate Sale and Leaseback

On December 26, 2018, we sold all land and real property improvements used in the operation of Harrah's Philadelphia Casino and Racetrack ("Harrah's Philadelphia") as part of a sale and leaseback transaction with VICI for $242 million. We continue to operate Harrah's Philadelphia under the terms of a long-term lease agreement relating to certain of our other domestic properties. We determined that this transaction did not qualify for sale-leaseback accounting. The Harrah's Philadelphia real estate assets remain on our Balance Sheet at their historical net book value and are depreciated over their remaining useful lives, while a financing obligation was recognized for the proceeds received. See Note 10 for additional information.

Modifications to Lease Agreements with VICI

In connection with the Octavius Tower sale discussed below and the Harrah's Philadelphia transaction discussed above, on December 26, 2018, the Company and VICI consummated modifications to certain of our existing lease agreements for consideration of $159 million to VICI, which reduced our financing obligation. The modifications, among other things, bring certain of the lease terms into alignment with other master leases in the sector and the long-term performance of the properties and create additional flexibility to facilitate our future development strategies. See Note 10 for additional information.

Sale of Octavius Tower at Caesars Palace

On July 11, 2018, we sold Octavius Tower at Caesars Palace ("Octavius Tower") to VICI for $508 million in cash. Proceeds from the transaction were used to partially fund the closing of CEC's acquisition of Centaur Holdings, LLC ("Centaur"). We continue to operate the Octavius Tower under the current terms of the long-term lease agreement with VICI relating to Caesars Palace. We determined that this transaction did not qualify for sale-leaseback accounting. The Octavius Tower real estate assets remain on our Balance Sheet at their historical net book value and are depreciated over their remaining useful lives, while a financing obligation was recognized for the proceeds received. See Note 10 for additional information.

Acquisition of Centaur Holdings, LLC

On July 16, 2018, we completed the acquisition of Centaur. Centaur operated Hoosier Park Racing & Casino in Anderson, Indiana, and Indiana Grand Racing & Casino in Shelbyville, Indiana. See Note 4 for additional information.

CEOC's Emergence from Bankruptcy and CEC's Merger with Caesars Acquisition Company

Caesars Entertainment Operating Company, Inc. ("CEOC") and certain of its U.S. subsidiaries (collectively, the "Debtors") voluntarily filed for reorganization on January 15, 2015 (the "Petition Date"), at which time CEC deconsolidated CEOC. The Debtors emerged from bankruptcy and consummated their reorganization pursuant to their third amended joint plan of

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

reorganization (the "Plan") on October 6, 2017 (the "Effective Date"). As part of its emergence from bankruptcy, CEOC reorganized into an operating company ("OpCo") separate from its real property assets ("PropCo"). OpCo was acquired by CEC on the Effective Date and immediately merged with and into CEOC LLC. See Note 4 for additional information. CEOC LLC operates the properties and facilities formerly held by CEOC and leases the properties and facilities from VICI.

On the Effective Date, Caesars Acquisition Company ("CAC") merged with and into CEC, with CEC as the surviving company (the "CAC Merger"). See Note 4 for additional information. The CAC Merger was accounted for as a reorganization of entities under common control, which resulted in CAC being consolidated into Caesars at book value as an equity transaction for all periods presented.

Summary of CAC Merger and CEOC Emergence Transactions

(In millions)	CAC Merger	Restructuring Support Settlement	OpCo Acquisition	Total
Cash	$ —	$ 2,787	$ 700	$ 3,487
CEC common stock (value)	2,894	3,435	1,774	8,103
CEC convertible notes (fair value)	—	2,172	—	2,172
Other consideration	—	177	—	177
Total consideration	$ 2,894	$ 8,571	$ 2,474	$ 13,939
CEC common stock (shares)	226	268	139	633

Restructuring and Support Expenses

Prior to the Effective Date, CEC made material financial commitments to support the reorganization of CEOC as described in the Plan. Our estimate of restructuring and support expenses was determined based on the total value of the consideration that was required by CEC to resolve claims and potential claims related to the reorganization. Restructuring and support expenses for the years ended December 31, 2017 and 2016 were $2.0 billion and $5.7 billion, respectively, recorded in the Statements of Operations. These were primarily composed of accruals for (i) forbearance fees and other payments to CEOC's creditors that were settled in cash, (ii) a bank guaranty settlement related to the modification of CEC's guarantee under CEOC's senior secured credit facilities that was settled in cash, (iii) payments of CEOC's creditors' expenses, settlement charges, and other fees that were settled in cash, (iv) the issuance of CEC common stock, (v) the issuance of the $1.1 billion aggregate principal amount of 5.00% convertible senior notes maturing in 2024 (the "CEC Convertible Notes") (see Note 8 and Note 12), and (vi) the call right to purchase and leaseback the real property assets associated with Harrah's Atlantic City, Harrah's Laughlin, and Harrah's New Orleans (the "VICI Call Right") as other consideration (see Note 9). The total value of the consideration that was provided by CEC as of the Effective Date was $8.6 billion. See Restructuring Support Settlement in the table above.

Note 2 - Basis of Presentation and Principles of Consolidation

Basis of Presentation and Use of Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), which require the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities. Management believes the accounting estimates are appropriate and reasonably determined. Actual amounts could differ from those estimates. Certain prior year amounts have been reclassified to conform to the current year's presentation. For the year ended December 31, 2017, $12 million was reclassified from Other revenue to Management fees on our Statement of Operations.

Adoption of New Revenue Recognition Standard

On January 1, 2018, we adopted the new accounting standard Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, and all related amendments. See Note 15 for additional information and details on the effects of adopting the new standard.

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Reportable Segments
We view each property as an operating segment and aggregate all such properties into three regionally-focused reportable segments: (i) Las Vegas, (ii) Other U.S., and (iii) All Other, which is consistent with how we manage the business. See Note 21.

Consolidation of Subsidiaries and Variable Interest Entities
Our consolidated financial statements include the accounts of Caesars Entertainment and its subsidiaries after elimination of all intercompany accounts and transactions.

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

We consolidate a VIE when we have both the power to direct the activities that most significantly impact the results of the VIE and the right to receive benefits or the obligation to absorb losses of the entity that could be potentially significant to the VIE. Along with the VIEs that are consolidated in accordance with the above guidelines, we also hold variable interests in other VIEs that are not consolidated because we are not the primary beneficiary. We continually monitor both consolidated and unconsolidated VIEs to determine if any events have occurred that could cause the primary beneficiary to change. A change in determination could have a material impact on our financial statements.

Consolidation of Korea JV
During 2017, CEC formed a joint venture referred to herein as the Korea JV. The purpose of the Korea JV is to acquire, develop, own, and operate a casino resort project in Incheon, South Korea. We determined that the Korea JV is a VIE and CEC is the primary beneficiary and, therefore, CEC consolidates the Korea JV into its financial statements.

Horseshoe Baltimore Casino
Through August 31, 2017, we consolidated Horseshoe Baltimore Casino ("Horseshoe Baltimore") as a VIE for which we were the primary beneficiary. Due to the expiration of certain transfer restrictions, we were no longer considered the primary beneficiary and deconsolidated Horseshoe Baltimore.

Horseshoe Baltimore generated year-to-date net revenues of $190 million and net loss attributable to Caesars of $7 million until its deconsolidation effective August 31, 2017. Upon deconsolidation, we derecognized total assets and liabilities of $350 million and $356 million, respectively, including long-term debt totaling $294 million. We recorded our interest in Horseshoe Baltimore at its estimated fair value of $28 million, recognizing a gain on deconsolidation of $31 million, and are accounting for Horseshoe Baltimore as an equity method investment subsequent to the deconsolidation. We estimated the fair value of the interest in Horseshoe Baltimore by weighting the results of the discounted cash flow method and the guideline public company method.

Horseshoe Baltimore will continue to be a managed property of CEOC LLC subsequent to its deconsolidation, and transactions with Horseshoe Baltimore are not eliminated under the equity method of accounting. These related party transactions include but are not limited to items such as casino management fees paid to CEOC LLC, reimbursed management costs, and the allocation of other expenses. See Note 20.

Note 3 — Summary of Significant Accounting Policies

Additional significant accounting policy disclosures are provided within the applicable notes to the Financial Statements.

Cash, Cash Equivalents, and Restricted Cash
Cash equivalents are highly liquid investments with original maturities of three months or less from the date of purchase and are stated at the lower of cost or market value. Our cash and cash equivalents as of December 31, 2018

and 2017 includes $14 million and $58 million, respectively, held by our consolidated VIEs, which is not available for our use to fund operations or satisfy our obligations.
Restricted cash includes cash pledged as collateral for certain operating and capital expenditures in the normal course of bu

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

siness and certain other cash deposits that are for a specific purpose including $49 million as of December 31, 2018 that is held in the escrow trust for distribution to holders of disputed claims whose claims may ultimately become allowed (see Note 11). The classification of restricted cash between current and non-current is dependent upon the intended use of each particular reserve.

Reconciliation to Statements of Cash Flows

	As of December 31,	
(In millions)	2018	2017
Cash and cash equivalents	$1,491	$2,558
Restricted cash, current	115	116
Restricted cash, non-current	51	35
Total cash, cash equivalents, and restricted cash	$1,657	$2,709

Advertising

The Company expenses the production costs of advertising the first time the advertising takes place. Advertising expense was $76 million, $61 million, and $55 million, respectively, for the years ended December 31, 2018, 2017 and 2016. Advertising expense is included in Property, general, administrative, and other within the Statements of Operations.

Other Operating Costs

Other operating costs primarily includes write-downs, reserves, and project opening costs, net of recoveries and acquisition and integration costs. During 2017, CEC was reimbursed $19 million for amounts related to the joint venture development in Korea that were previously deemed uncollectible and written off in 2015.

Note 4 - Business Combinations

Acquisition of Centaur Holdings, LLC

As described in Note 1, on July 16, 2018 (the "Centaur Closing Date"), CEC completed its acquisition of all of the voting equity interest of Centaur, for consideration of $1.7 billion. This acquisition expands our footprint to the central Indiana region and facilitates broad distribution of the Caesars Rewards customer loyalty program, formerly known as Total Rewards (see Note 7). Acquisition-related costs included in Other operating costs in the Statements of Operations were $8 million during the year ended December 31, 2018. Consideration transferred was composed of the following:

(In millions)	
Cash paid	$1,636
Deferred consideration [(1)]	66
Total purchase price	$1,702

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(1) *Deferred consideration is payable in an installment of $25 million on the second anniversary of the Centaur Closing Date and $50 million on the third anniversary of the Centaur Closing Date with prepayments and right of setoff permitted, subject to the terms and conditions of the Unit Purchase Agreement. $66 million represents the present value of future expected cash flows.*

Additionally, CEC paid a $50 million license transfer fee on behalf of Hoosier Park Racing & Casino, which was excluded from the purchase price consideration and is an assumed liability.

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Purchase Price Allocation
The following table summarizes the preliminary fair value of assets acquired and liabilities assumed as part of the Centaur acquisition. We will continue to evaluate the fair value of the assets acquired and liabilities assumed which may require the preliminary purchase price allocation to be adjusted within the allowable measurement period. The intangible assets subject to amortization will be amortized on a straight-line basis over their estimated useful lives as of the acquisition date.

(In millions)	Fair Value	Weighted-Average Useful Life (years)
Assets acquired:		
Cash and cash equivalents	$ 39	
Receivables, net	2	
Other current assets	26	
Property and equipment	297	
Intangible assets other than goodwill		
Trade names and trademarks	14	2.5
Gaming rights [(1)]	1,390	
Customer relationships	41	15.0
Total assets	1,809	
Liabilities assumed:		
Current liabilities	(92)	
Deferred income taxes	(290)	
Total liabilities	(382)	
Net identifiable assets acquired	1,427	
Goodwill	275	
Total Centaur equity value	$ 1,702	

[(1)] *Indefinite-lived intangible assets.*

We applied the acquisition method of accounting in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, *Business Combinations* ("ASC 805"). Goodwill of $275 million was recognized as a result of the transaction and relates to (i) the values of acquired assets that do not meet the definition of an identifiable intangible asset under ASC 805, but that do contribute to the value of the acquired business, including the assembled workforce and relationships with customers that are not tracked through their customer loyalty program; (ii) the going-concern value associated with expectations of forging relationships with future customers; (iii) the assemblage value associated with acquiring an on-going business whose value is worth more than simply the sum of its parts; (iv) synergies; and (v) the future potential expansion of table games to the properties. All of the goodwill was assigned to our Other U.S. segment. None of the goodwill recognized is expected to be deductible for income tax purposes.

Unaudited Pro Forma Financial Information
The following unaudited pro forma financial information is presented to illustrate the estimated effects of the acquisition of Centaur as if it had occurred on January 1, 2017, and is not necessarily indicative of either future results of operations or results that might have been achieved had the acquisition been consummated as of this date. The pro forma results include adjustments related to purchase accounting, primarily interest expense related to the legacy debt of Centaur that was not acquired, tax adjustments and amortization of intangible assets. Net loss for the year ended December 31, 2017 below includes a discrete tax benefit of $185 million, resulting from a partial release of valuation allowance in connection with the acquisition. The net deferred tax liability resulting from the acquisition of Centaur provided a source of additional future taxable income requiring us to reassess the amount of valuation allowance

previously recorded. The deferred tax liability considered the 21% corporate tax rate enacted by the Tax Act (defined in Note 18).

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	(Unaudited) Years Ended December 31,	
(In millions)	**2018**	**2017**
Net revenues	$8,663	$5,357
Net income/(loss) attributable to Caesars	166	(117)

The results of operations for Centaur have been included in the Company's Financial Statements since the acquisition date. The acquired business contributed $226 million and $49 million, respectively, to Net revenues and Income from operations to CEC for the period from July 16, 2018 to December 31, 2018.

CEC's Acquisition of OpCo

As described in Note 1, the Debtors emerged from bankruptcy and consummated their reorganization pursuant to the Plan on the Effective Date. As part of its emergence from bankruptcy, CEOC reorganized into OpCo and PropCo, and CEC acquired OpCo on the Effective Date for the total consideration summarized below. The acquisition was accounted for in accordance with ASC 805 with CEC considered the acquirer, which requires, among other things, that the assets acquired and liabilities assumed be recognized on the balance sheet at their fair values as of the acquisition date. The excess of the purchase price over the net fair value of the assets and liabilities was recorded as goodwill. Consideration transferred was composed of the following:

(In millions)	
Cash	$700
CEC common stock [(1)]	1,774
Total cash and stock consideration	2,474
Settlement of pre-existing relationships	252
Total OpCo equity value	$2,726

[(1)] *Approximately 139 million shares of CEC common stock issued at the Effective Date closing stock price of $12.80.*

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Purchase Price Allocation

The following table summarizes the assets acquired and liabilities assumed. The intangible assets subject to amortization are being amortized on a straight-line basis over their estimated useful lives as of the acquisition date.

(In millions)	Fair Value	Weighted-Average Useful Life (years)
Assets acquired:		
Cash and cash equivalents	$ 1,239	
Receivables, net	266	
Other current assets	200	
Property and equipment	8,943	35.0
Intangible assets other than goodwill		
Trade names and trademarks [(1)]	664	
Gaming rights [(1)]	207	
Caesars Rewards [(1)]	253	
Customer relationships	137	14.8
Other non-current assets	180	
Total assets	12,089	
Liabilities assumed:		
Current liabilities	(765)	
Long-term debt	(1,607)	
Financing obligations	(8,310)	
Deferred income taxes	(568)	
Deferred credits and other liabilities	(361)	
Total liabilities	(11,611)	
Noncontrolling interest	41	
Net identifiable assets acquired	519	
Goodwill	2,207	
Total OpCo equity value	$ 2,726	

[(1)] *Indefinite-lived intangible assets.*

As part of the Plan, certain real estate assets were sold to PropCo and leased back to OpCo. The leases were evaluated as a sale-leaseback of real estate. We determined that these transactions did not qualify for sale-leaseback accounting, and we accounted for the transaction as a financing. See Note 10. Additionally, certain golf course properties (the “Golf Course Properties”) were sold to VICI. See Note 11.

Goodwill of $2.2 billion was recognized as a result of the transaction and relates to (i) the values of acquired assets that do not meet the definition of an identifiable intangible asset under ASC 805, but that do contribute to the value of the acquired business, including the assembled workforce and relationships with customers that are not tracked through our customer loyalty program Caesars Rewards; (ii) the going-concern value associated with expectations of forging relationships with future customers; and (iii) the assemblage value associated with acquiring an on-going business whose value is worth more than simply the sum of its parts. Goodwill has been assigned to our three reportable segments. None of the goodwill recognized is expected to be deductible for income tax purposes.

The Company recognized certain deferred tax assets and liabilities resulting from (i) net operating loss (“NOL”) carryforwards available to CEC and reorganization of CEOC under the Plan and (ii) the difference between the fair value of the assets and liabilities and their respective tax bases. Due to CEC’s recent history of losses, CEC will continue to record a valuation allowance against the excess deferred tax assets that are not offset by deferred tax liabilities. Deferred tax liabilities of $568 million were recognized in the purchase price allocation of OpCo.

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Included within liabilities are estimates related to obligations and future resolution of disputed claims pursuant to the Plan. These liabilities assumed were measured at their estimated fair value based on the bankruptcy proceedings and creditor's proof of claim. Refer to Note 11 for additional information.
In connection with the reorganization of CEOC, the income approach was used to estimate the fair value of the noncontrolling interest of $13 million.
Receivables
Markers acquired as part of the acquisition of OpCo were accounted for at fair value on the Effective Date, with no acquired reserve, and will be accreted to interest income up to their expected realizable value over the life of their expected collectibility. The acquired markers are subject to adjustment if the actual cash collection differs from the expected collectibility. The fair value, which also represents the carrying amount of markers acquired as part of the acquisition of OpCo as of the Effective Date, was $139 million. As of December 31, 2018 and 2017, the carrying amount of the markers acquired was $25 million and $69 million, respectively.
Acquired Markers Accretable Yield

(In millions)	2018	2017
Balance as of January 1 and October 6, respectively	$ 6	$ 8
Accretion	(3)	(2)
Balance as of December 31	$ 3	$ 6

Unaudited Pro Forma Financial Information
The following unaudited pro forma financial information is presented to illustrate the estimated effects of the acquisition of OpCo as if it had occurred on January 1, 2016, and is not necessarily indicative of either future results of operations or results that might have been achieved had the acquisition been consummated as of this date. The pro forma adjustments, with related tax impacts, are comprised primarily of the following:

- Depreciation and interest expense recognized related to the failed sale-leaseback financing obligations associated with the real estate assets and the financing obligation associated with the Golf Course Properties that were sold to VICI and leased back by CEOC LLC; and
- Interest expense related to the issuance of the CEOC LLC Term Loan, the CEOC LLC Revolving Credit Facility, and the CEC Convertible Notes (see Note 12 for additional information).

	(Unaudited) Years Ended December 31,	
(In millions, except per share data)	2017	2016
Net revenues	$8,349	$8,529
Net income/(loss) attributable to Caesars	6,401	(2,570)

The results of operations for OpCo have been included in the Company's Financial Statements since the acquisition date. The acquired business contributed $1 billion and $52 million, respectively, of net revenues and income from operations to CEC for the period from October 6, 2017 to December 31, 2017.
Merger with CAC
As described in Note 1, pursuant to the Merger Agreement, CAC merged with and into CEC, with CEC as the surviving company and each share of CAC common stock issued and outstanding immediately prior to the Effective Date was converted into, and became exchangeable for, 1.625 shares of CEC common stock on the Effective Date, which resulted in the issuance of 226 million shares of CEC common stock to stockholders of CAC. Hamlet Holdings LLC (see Note 20) beneficially owned a majority of both CEC's and CAC's common stock immediately prior to the CAC Merger. Therefore, the CAC Merger was accounted for as a reorganization of entities under common control, which resulted in CAC being consolidated into the Company at book value as an equity transaction for all periods presented after elimination of all intercompany accounts and transactions. The consolidated financial statements are

not necessarily indicative of the results of operations that would have occurred if the Company had

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

consolidated CAC prior to the Effective Date. In addition, as a result of the CAC Merger, Caesars Growth Partners, LLC ("CGP") is no longer a VIE and is a wholly owned subsidiary of CEC. The following table summarizes the assets acquired, liabilities assumed and CEC's noncontrolling interest in CGP and excludes CGP's results, which were consolidated with CEC as a VIE prior to the Effective Date.

Summary of Merger as of October 6, 2017

(In millions)	**Total Value**
Assets acquired	$ 152
Liabilities assumed	(96)
Acquisition of noncontrolling interest in CGP from CAC	1,751
Net book value	$ 1,807

Note 5 - Recently Issued Accounting Pronouncements

The FASB issued the following authoritative guidance amending the FASB ASC.

In 2018, we adopted the following ASUs:

- ASU 2014-09, *Revenue from Contracts with Customers* (see Note 15).
- ASU 2016-16, *Income Taxes* (see Note 18).

In 2018, the following ASUs became effective, but there was no quantitative or qualitative effect on our financial statements:

- ASU 2018-09, *Codification Improvements.*
- ASU 2018-05, *Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118.*
- ASU 2018-04, *Investments — Debt Securities (Topic 320) and Regulated Operations (Topic 980): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 117 and SEC Release No. 33-9273.*
- ASU 2017-09, *Compensation - Stock Compensation*.
- ASU 2017-01, *Business Combinations*.
- ASU 2016-18, *Statement of Cash Flows*.
- ASU 2016-01, *Financial Instruments - Overall*.

The following ASUs were not yet effective as of December 31, 2018:

New Developments

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

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Previously Disclosed

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

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

Leases - February 2016 (amended through December 2018): The amended guidance is intended to increase transparency and comparability among organizations by requiring additional disclosures to reflect the significance of an entity's leasing arrangements. The new standard establishes a right-of-use ("ROU") model that requires a lessee to recognize an ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Many long-term operating leases, including agreements relating to real estate, will be recorded on the balance sheet as an ROU asset with a corresponding lease liability, which will be amortized using the effective interest rate method as payments are made. Certain leases embedded in other arrangements, such as service and supplier contracts, may be accounted for separately by allocating payments between lease and non-lease components.

The new standard provides a number of optional practical expedients in transition. We currently expect to elect the package of practical expedients, which permits us to carryforward our prior conclusions about lease identification, lease classification and initial direct costs. Additionally, we currently expect to adopt the practical expedient that allows comparative periods to be reported under current lease accounting guidance consistent with previously issued financial statements. We also do not currently expect to record leases on the balance sheet that at the commencement date have a lease term of twelve months or less.

While we continue to assess all of the effects of adoption, we currently believe the most significant effects relate to the recognition of new ROU assets and lease liabilities on our Balance Sheet for our real estate operating leases and providing significant new disclosures about our leasing activities. These operating leases will be recognized on a straight-line basis in rent expense. Additionally, we continue to evaluate the impact of the adoption on our existing failed sale-leaseback transactions. The Company expects the accounting for lease agreements where the Company is a lessor to be accounted for in the same manner as those agreements are accounted for under current accounting guidance.

This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. We will adopt the new standard on January 1, 2019 and have elected to apply the guidance as of the adoption date. Consequently, financial information will not be updated, and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019.

Financial Instruments - Credit Losses - June 2016 (amended through November 2018) : Amended guidance replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Amendments affect entities holding financial assets and net investments in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables and any other financial assets not excluded from the scope that have the contractual right to receive cash. Amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. An entity will apply the amendments in this ASU through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). A prospective transition approach is required for debt securities for which an other-than-temporary impairment had b

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

een recognized before the effective date. The effect of a prospective transition approach is to maintain the same amortized cost basis before and after the effective date of this ASU. We are currently assessing the effect the adoption of this standard will have on our financial statements.

Note 6 ~~P~~roperty and Equipment

We have significant capital invested in our long-lived assets, and judgments are made in determining their estimated useful lives and salvage values and if or when an asset (or asset group) has been impaired. The accuracy of these estimates affects the amount of depreciation and amortization expense recognized in our financial results and whether we have a gain or loss on the disposal of an asset. We assign lives to our assets based on our standard policy, which is established by management as representative of the useful life of each category of asset.

We review the carrying value of our long-lived assets whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. As necessary, we typically estimate the fair value of assets starting with a "Replacement Cost New" approach and then deduct appropriate amounts for both functional and economic obsolescence to arrive at the fair value estimates. Other factors considered by management in performing this assessment may include current operating results, trends, prospects, and third-party appraisals, as well as the effect of demand, competition, and other economic, legal, and regulatory factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the lowest level of identifiable cash flows, which, for most of our assets, is the individual property. These analyses are sensitive to management assumptions and the estimates of the obsolescence factors. Changes in these assumptions and estimates could have a material impact on the analyses and the consolidated financial statements.

Additions to property and equipment are stated at cost. We capitalize the costs of improvements that extend the life of the asset. We expense maintenance and repair costs as incurred. Gains or losses on the dispositions of property and equipment are recognized in the period of disposal. Interest expense is capitalized on internally constructed assets at the applicable weighted-average borrowing rates of interest. Capitalization of interest ceases when the project is substantially complete or construction activity is suspended for more than a brief period of time. Interest capitalized was $8 million, $6 million, and $2 million, respectively, for the years ended December 31, 2018, 2017, and 2016.

Useful Lives

Land improvements			12	years
Buildings	5	to	40	years
Building and leasehold improvements	3	to	30	years
Riverboats and barges			30	years
Furniture, fixtures, and equipment	2.5	to	12	years

Property and Equipment, Net

	As of December 31,	
(In millions)	**2018**	**2017** [(1)]
Land	$4,871	$4,857
Buildings, riverboats, and leasehold and land improvements	12,243	11,824
Furniture, fixtures, and equipment	1,563	1,277
Construction in progress	406	329
Total property and equipment	19,083	18,287
Less: accumulated depreciation	(3,038)	(2,133)
Total property and equipment, net	$16,045	$16,154

(1) *We reclassified $73 million in land improvements to Buildings, riverboats and leasehold and land improvements to align with our 2018 reporting presentation.*

During 2018, we recorded tangible asset impairment charges of $14 million, which was related to the closure of casino operations at our property Tunica Roadhouse in January 2019.

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Depreciation Expense and Other Amortization Expense

(In millions)	Years Ended December 31, 2018	2017	2016
Depreciation expense [(1)]	$1,074	$555	$369
Other amortization expense	3	4	5

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(1) *Depreciation expense for 2018 includes accelerated depreciation of $83 million due to asset removal and replacement in connection with property renovations primarily at Flamingo Las Vegas, Harrah's Atlantic City, Paris Las Vegas, Harrah's Las Vegas and Bally's Las Vegas compared with $80 million in 2017 primarily at Flamingo Las Vegas, Bally's Las Vegas, Harrah's Las Vegas, Harrah's Laughlin, Planet Hollywood and Harrah's New Orleans and $55 million in 2016 primarily at Planet Hollywood, Paris Las Vegas, Harrah's Las Vegas and Flamingo Las Vegas.*

Depreciation is calculated using the straight-line method over the shorter of the estimated useful life of the asset or the related lease.

Note 7 — Goodwill and Other Intangible Assets

The purchase price of an acquisition is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. We determine the estimated fair values after review and consideration of relevant information including discounted cash flows, quoted market prices, and estimates made by management. To the extent the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired and liabilities assumed, such excess is recorded as goodwill.

We perform our annual goodwill impairment assessment as of October 1. We perform this assessment more frequently if impairment indicators exist. We performed our annual goodwill impairment test by comparing the fair value of each reporting unit with its carrying amount. We determine the estimated fair value of each reporting unit based on a combination of earnings before interest, taxes, depreciation, and amortization ("EBITDA"), valuation multiples, and estimated future cash flows discounted at rates commensurate with the capital structure and cost of capital of comparable market participants, giving appropriate consideration to the prevailing borrowing rates within the casino industry in general. We also evaluate the aggregate fair value of all of our reporting units and other non-operating assets in comparison to our aggregate debt and equity market capitalization at the test date. EBITDA multiples and discounted cash flows are common measures used to value businesses in our industry.

We perform our annual impairment assessment of other non-amortizing intangible assets as of October 1. We perform this assessment more frequently if impairment indicators exist. We determine the estimated fair value of our non-amortizing intangible assets by primarily using the "Relief from Royalty Method" and "Excess Earnings Method" under the income approach.

The evaluation of goodwill and other non-amortizing intangible assets requires the use of estimates about future operating results, valuation multiples, and discount rates to determine their estimated fair value. Changes in these assumptions can materially affect these estimates. Thus, to the extent gaming volumes deteriorate in the near future, discount rates increase significantly, or we do not meet our projected performance, we could have impairments to record in the future and such impairments could be material.

Caesars Rewards

On January 30, 2019, Caesars announced the rebranding of Total Rewards, the Company's industry-leading loyalty program, to Caesars Rewards effective February 1, 2019. The new program leverages the premium Caesars brand to better connect Caesars' elevated standard and prestige with the Company's global destinations.

CAESARS ENTERTAINMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Changes in Carrying Value of Goodwill by Segment

(In millions)	Las Vegas	Other U.S.	All Other	CEC Total
Gross Goodwill				
Balance as of January 1, 2017	$4,410	$650	$ —	$5,060
OpCo acquisition [(1)]	1,794	352	61	2,207
Balance as of December 31, 2017	6,204	1,002	61	7,267
Accumulated Impairment				
Balance as of January 1, 2017 and December 31, 2017	(3,115)	(337)	—	(3,452)
Net carrying value, as of December 31, 2017 [(2)]	$3,089	$665	$ 61	$3,815
Gross Goodwill				
Balance as of January 1, 2018	$6,204	$1,002	$ 61	$7,267
Centaur acquisition [(1)]	—	275	—	275
Other	—	—	(3)	(3)
Balance as of December 31, 2018	6,204	1,277	58	7,539
Accumulated Impairment				
Balance as of January 1, 2018	(3,115)	(337)	—	(3,452)
Impairment	—	(17)	(26)	(43)
Balance as of December 31, 2018	(3,115)	(354)	(26)	(3,495)
Net carrying value, as of December 31, 2018 [(2)]	$3,089	$923	$ 32	$4,044

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(1) *See Note 4 for further details relating to the acquisitions of OpCo and Centaur.*

(2) *$405 million of goodwill is associated with a reporting unit with zero or negative carrying value. As the reporting unit has a positive fair value, there was no impairment associated with this reporting unit.*

Changes in Carrying Value of Intangible Assets Other than Goodwill