

CAESARS ENTERTAINMENT CORP

FORM 8-K (Current report filing)

Filed 12/22/17 for the Period Ending 12/22/17

Address	ONE CAESARS PALACE DRIVE LAS VEGAS, NV, 89109
Telephone	7024076000
CIK	0000858339
Symbol	CZR
SIC Code	7011 - Hotels and Motels
Industry	Casinos & Gaming
Sector	Consumer Cyclical
Fiscal Year	12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): December 22, 2017 (December 22, 2017)

CAESARS ENTERTAINMENT CORPORATION
(Exact name of registrant as specified in charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-10410
(Commission
File Number)

62-1411755
(IRS Employer
Identification No.)

One Caesars Palace Drive, Las Vegas, Nevada 89109
(Address of Principal Executive Offices)(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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.

Item 1.01 Entry into a Material Definitive Agreement.

Harrah's Las Vegas Real Estate Sale and Leaseback

On December 22, 2017, certain subsidiaries of Caesars Entertainment Corporation (“CEC” and, together with such subsidiaries, the “Company”) and certain subsidiaries of VICI Properties Inc. (“VICI Properties” and, together with such subsidiaries, “VICI”) completed the sale by the Company of the real estate assets of Harrah's Las Vegas, LLC, a Nevada limited liability company (“HLV” and, the real estate assets of HLV, the “HLV Property”), to VICI pursuant to a purchase and sale agreement, dated as of November 29, 2017 (the “Harrah's Purchase Agreement”), by and between HLV and VICI, for approximately \$1.14 billion in cash proceeds.

As part of the HLV Property sale and leaseback transaction, HLV entered into an amended and restated lease, dated as of December 22, 2017, with VICI (the “HLV Lease”). The HLV Lease has an initial 15 year term, and HLV has four consecutive options to extend the HLV Lease for five-year renewal terms. Caesars Resort Collection, LLC (“CRC”) entered into a guaranty of HLV's obligations under the HLV Lease pursuant to an assumption agreement, dated as of December 22, 2017 (the “CRC Guaranty”).

The HLV Lease provides for a fixed base rent for each of the first seven years of the HLV Lease term equal to \$87.4 million (subject to escalation as described below). In the eighth year of the HLV Lease, rent will be split into an 80% fixed base rent component and a 20% variable rent component, which will be adjusted periodically from time to time. For the 8th lease year the fixed base rent component will equal 80% of the fixed base rent for the 7th lease year (subject to escalation as described below), and for the 9th through 10th lease year, the fixed base rent component will equal the fixed base rent component for the previous lease year, subject to escalation as described below. For the 8th through 10th lease years the variable rent component will equal 20% of the fixed base rent for the 7th lease year plus 4% of the positive or negative difference of (a) the HLV Property's net revenue for the fiscal year that ends immediately before the end of the 7th lease year (the “First VRP Net Revenue Amount”) minus (b) \$356,900,000. For the 11th lease year, fixed base rent will equal 80% of the sum of the fixed base rent for the 10th lease year and variable rent for the 10th lease year (as such sum is adjusted by escalation as described below), and for the 12th through 15th lease years, the fixed base rent component will equal the fixed base rent component for the previous lease year, subject to escalation as described below. For the 11th through 15th lease years the variable rent component will equal 20% of the sum of the fixed base rent for the 10th lease year and the variable rent for the 10th lease year plus 4% of the positive or negative difference of (x) the HLV Property's net revenue for the fiscal year that ends immediately before the end of the 10th lease year minus (y) the First VRP Net Revenue Amount. At the commencement of each renewal term (I) the fixed base rent will initially be adjusted to equal the fair market rental value of the HLV Property, which shall be calculated taking into account the variable rent (provided that if such fair market rental value is less than the fixed base rent immediately before such adjustment, then the fixed base rent will be the fixed base rent immediately before such adjustment, and if such fair market rental value exceeds 110% of the fixed base rent immediately before such adjustment, then the fixed base rent will be 110% of the fixed base rent immediately before such adjustment), and thereafter will be escalated annually as described below, and (II) the variable rent will be adjusted either upward or downward by 4% of the positive or negative difference of (i) the HLV Property's net revenue for the fiscal year that ends immediately before the commencement of such renewal term minus (ii) the HLV Property's net revenue for the fiscal year that ends immediately before the end of the lease year that ends 5 years before the commencement of such renewal term. In addition, the HLV Lease contains an annual rent escalator on the fixed base rent equal to (A) 1% commencing in the second year of the HLV Lease and (B) the greater of 2% and the increase in the Consumer Price Index commencing in the sixth year of the HLV Lease; provided that if the increase in clause (B) results in an EBITDAR to Rent Ratio (as defined in the HLV Lease) of less than 1.6:1, the annual escalator will be such lower amount necessary to achieve a 1.6:1 ratio (but will in no event result in rent being lower than the prior lease year's rent).

Generally, HLV may not assign the HLV Lease or enter into subleases of the HLV Property without VICI's written consent, except that HLV need not obtain VICI's consent for certain assignments in connection with financings, certain assignments to affiliates and certain subleases of portions of the HLV Property. In addition, HLV may assign the HLV Lease without VICI's consent so long as certain requirements related to the experience and quality of the assignee and the creditworthiness of the assignee and any guarantor are satisfied.

Generally, direct and indirect changes in control of HLV without VICI's consent (not to be unreasonably withheld) are restricted unless HLV continues to be controlled by CRC or an entity that satisfies certain requirements related to experience, quality and credit worthiness and that provides a replacement guaranty of the HLV Lease.

In the event of certain terminations of the HLV Lease, VICI may require HLV, or HLV may elect, to transfer the business operations conducted at the HLV Property (including all of HLV's personal property located at the HLV Property) to a designated successor for fair market value, and the successor tenant will be entitled to lease the HLV Property for a term of at least 10 years. The tenant will stay in possession of (and continue to operate) the HLV Property until a successor tenant is determined.

Amendment to Right of First Refusal Agreement

Additionally, on December 22, 2017, CEC and VICI entered into an amendment and restatement of the Right of First Refusal Agreement previously entered into between the Company and VICI Properties (the “ROFR Amendment”) pursuant to which VICI has a right of first offer in the event that the Company seeks to enter into a sale and leaseback transaction in respect of (i) certain income-producing improvements that are built on the designated land that are not subject to the Put-Call Agreement described below and (ii) if the Company's proposed acquisition of Centaur Holdings, LLC (“Centaur”) is consummated, the Centaur real property assets.

Eastside Land Sale

On December 22, 2017, the Company also completed the acquisition from VICI pursuant to a purchase and sale agreement, dated as of November 29, 2017 (the “Eastside Purchase Agreement”), of approximately 18 acres of land adjacent to the HLV Property (the “Eastside Land”) for \$73,600,000. The Eastside Land, together with adjacent land owned by the Company, is currently intended for the development of a new convention center featuring approximately 300,000 square feet of flexible meeting space (the “Eastside Convention Center”).

In connection with the acquisition of the Eastside Land, the Company entered into a put-call agreement, dated as of December 22, 2017 (the “Put-Call Agreement”), with VICI pursuant to which (i) if the Company develops the Eastside Convention Center so that the Eastside Convention Center includes at least 250,000 usable square feet and customary closing conditions are satisfied, then the Company will have the right, starting in the year 2024 and exercisable within one year, to sell to VICI and immediately lease back the real property consisting of the Eastside Convention Center (the “ECC Put”), (ii) if the Company exercises the ECC Put but VICI fails to close the purchase of the Eastside Convention Center and customary closing conditions are satisfied, then the Company will have the right to purchase the HLV Property from VICI, (iii) if the Company develops the Eastside Convention Center and customary closing conditions are satisfied, but the Company does not exercise the ECC Put, then VICI will have the right to exercise a call option, starting in the year 2027 and exercisable within one year, pursuant to which VICI would have the right to purchase from the Company and lease back the real property consisting of the Eastside Convention Center, and (iv) the Company will agree to certain restrictions on the Company’s right to develop a convention center in a location along the “Las Vegas Strip” other than the Eastside Land. However, neither the Put-Call Agreement, the HLV Lease, the Harrah’s Purchase Agreement nor the Eastside Purchase Agreement requires the Company to develop the Eastside Convention Center or any other convention center in any location.

Amendment to Non-CPLV Lease

Additionally, on December 22, 2017, the Company entered into the First Amendment to Lease (Non-CPLV), dated as of October 6, 2017, by and among CEOC, LLC, and certain other subsidiaries of the Company party thereto (the “Non-CPLV Lease Amendment”). The Non-CPLV Lease Amendment is being entered into to remove from the property leased thereunder the Eastside Land, and to make certain other technical amendments.

Item 8.01 Other Events.

On December 22, 2017, the Company issued a press release announcing the foregoing transactions. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release.

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: December 22, 2017

CAESARS ENTERTAINMENT CORPORATION

By: /s/ S COTT E. WIEGAND

Name: Scott E. Wiegand

Title: Senior Vice President, Deputy General Counsel and Corporate Secretary



Contacts: **Media**
Stephen Cohen
(212) 886-9332

Investors
Joyce Arpin
(702) 880-4707

**Caesars Entertainment Announces Completion of
 Harrah's Las Vegas Sale and Leaseback Transaction and
 Land Acquisition for New Convention Center in Las Vegas**

LAS VEGAS, December 22, 2017 – Caesars Entertainment Corporation (NASDAQ: CZR) (“Caesars Entertainment” or “Caesars”) has completed the previously announced agreement to sell and leaseback the real estate assets associated with Harrah’s Las Vegas to VICI Properties (“VICI”) and to acquire adjacent land from VICI to develop a planned new convention center. Caesars Entertainment received \$1.14 billion in cash in return for Harrah’s Las Vegas’ real estate assets and acquired 18.4 acres of adjacent land as part of the convention center agreement.

“The successful closing of these transactions marks the latest step in our diversified growth strategy,” said Mark Frissora, President and Chief Executive Officer of Caesars Entertainment. “The proceeds of the sale of Harrah’s Las Vegas will be used to partially fund the previously announced acquisition of Centaur and is expected to allow us to develop the convention center without increasing leverage. In addition, the transactions will allow us to maintain Harrah’s Las Vegas’ connectivity to our network, while pursuing our plans to develop another important destination right in the middle of our center-Strip footprint.”

Caesars Entertainment will continue to operate Harrah’s Las Vegas, including gaming, hotel operations and all other amenities. The property will remain a part of the Caesars Entertainment network and continue to benefit from the Harrah’s brand, the Total Rewards loyalty network and access to centralized services. The sale and leaseback transaction expands the recently formed relationship between Caesars Entertainment and VICI Properties. As part of the sale and leaseback transaction, Caesars and VICI will enter into a 15-year lease for Harrah’s Las Vegas under which Caesars will pay initial annual rent of \$87.4 million. The rent will increase contractually in subsequent years. Caesars will have the option to extend the lease for an additional 20 years via four five-year extensions.

The planned convention center is expected to feature 300,000 square feet of flexible meeting space. It will have the largest column-free ballroom in the United States, state-of-the-art technology and flexibility to accommodate meetings of many different sizes. The conference space is expected to accommodate more than 10,000 attendees and include an outdoor plaza, which can be used for a variety of events.

Caesars Entertainment and VICI Properties have negotiated for limited purchase rights with respect to the planned convention center upon completion. Subject to certain conditions, Caesars will have the right to require VICI to purchase the convention center and lease it back to Caesars, and in the event Caesars does not exercise its put right, VICI will have an option to acquire the convention center and lease it back to Caesars.

About Caesars Entertainment Corporation

Caesars Entertainment is the world's most diversified casino-entertainment provider and the most geographically diverse U.S. casino-entertainment company. Caesars Entertainment is mainly comprised of two wholly owned operating subsidiaries: CEOC, LLC and Caesars Resort Collection, LLC. Since its beginning in Reno, Nevada, in 1937, Caesars Entertainment has grown through development of new resorts, expansions and acquisitions and its portfolio of subsidiaries now operate 47 casinos in 13 U.S. states and five countries. Caesars Entertainment's resorts operate primarily under the Caesars[®], Harrah's[®] and Horseshoe[®] brand names. Caesars Entertainment's portfolio also includes the Caesars Entertainment UK family of casinos. Caesars Entertainment is focused on building loyalty and value with its guests through a unique combination of great service, excellent products, unsurpassed distribution, operational excellence and technology leadership. Caesars Entertainment is committed to environmental sustainability and energy conservation and recognizes the importance of being a responsible steward of the environment. For more information, please visit www.caesars.com.

Forward-Looking Statements

This release includes "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. In particular, they include statements relating to, among other things, Caesars Entertainment's plans, strategies, opportunities for growth and consummation of the proposed acquisition of Centaur and development of a convention center. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Further, these statements contain words such as "will", "expects", "plans" and "continue to" or the negative or other variations thereof or comparable terminology. These forward-looking statements are based on current expectations and projections about future events.

Investors are cautioned that forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties that cannot be predicted or quantified, and, consequently, the actual performance of Caesars Entertainment may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, the following factors, and other factors described from time to time in Caesars Entertainment's reports filed with the Securities and Exchange Commission (including the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained therein):

- completion of the acquisition of Centaur described herein is subject to receipt of regulatory approvals and other customary closing conditions, which may not be satisfied;
- we may not be able to realize the anticipated benefits of our proposed acquisition of Centaur;

-
- development of the convention center is subject to risks associated with new construction projects, including those described below;
 - the impact of our new operating structure post-emergence;
 - 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 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 financial results of our consolidated businesses;
 - the impact of our substantial indebtedness and lease obligations and the restrictions in our debt and lease agreements;
 - access to available and reasonable financing on a timely basis, including the ability of Caesars Entertainment to refinance its indebtedness on acceptable terms;
 - the ability of our customer tracking, customer loyalty, and yield management programs to continue to increase customer loyalty and same-store or hotel sales;
 - changes in the extensive governmental regulations to which we are subject, and changes in laws, including increased tax rates, smoking bans, regulations or accounting standards, third-party relations and approvals, and decisions, disciplines and fines of courts, regulators and governmental bodies;
 - our ability to recoup costs of capital investments through higher revenues;
 - 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;
 - the ability to timely and cost-effectively integrate companies that we acquire into our operations;
 - the potential difficulties in employee retention and recruitment;
 - 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;
 - litigation outcomes and judicial and governmental body actions, including gaming legislative action, referenda, regulatory disciplinary actions, and fines and taxation;
 - acts of war or terrorist incidents, (including the impact of the recent mass shooting in Las Vegas on tourism), 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 of our facilities;
 - the effects of environmental and structural building conditions relating to our properties;
 - 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 on reasonable terms for our assets; and

-
- the impact, if any, of unfunded pension benefits under multiemployer pension plans.

Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made. Caesars Entertainment disclaims any obligation to update the forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated or, if no date is stated, as of the date of this release.