

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

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In re:	)	Chapter 11
	)	
<b>CAESARS ENTERTAINMENT</b>	)	<b>Case No. 15-01145 (ABG)</b>
<b>OPERATING COMPANY, INC. et al.,<sup>1</sup></b>	)	(Jointly Administered)
	)	
Debtors.	)	Hon. A. Benjamin Goldgar
	)	
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**EXAMINER’S FIRST INTERIM REPORT**

**TO THE HONORABLE A. BENJAMIN GOLDGAR  
UNITED STATES BANKRUPTCY JUDGE:**

Richard J. Davis, the Court-appointed examiner (the “Examiner”) of Caesars Entertainment Operating Company, Inc., et al. (collectively, the “Debtors”) submits this first interim report (the “First Interim Report”) pursuant to the Court’s *Order Granting in Part and Denying in Part Motions to Appoint Examiner* [Docket No. 675] (the “Examiner Order”).

**BACKGROUND**

1. On January 15, 2015, the Debtors filed their voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Illinois.

2. On March 12, 2015, the Court entered the Examiner Order directing the United States Trustee (the “UST”) to appoint an examiner.

<sup>1</sup> The last four digits of Caesars Entertainment Operating Company, Inc.’s tax identification number are 1623. Due to the large number of Debtors in these jointly-administered chapter 11 cases, a complete list of the Debtors and the last four digits of their federal tax identification numbers is available at <https://cases.primeclerk.com/CEOC>.

3. In accordance with the Examiner Order, the UST filed a motion seeking appointment of Richard J. Davis as the Examiner [Docket No. 946] (the “Examiner Motion”), which was approved by Court order dated March 25, 2015 [Docket No. 992].

4. Pursuant to Paragraph 3 of the Examiner Order, the Examiner is directed to investigate (a) the “Challenged Transactions” as defined and described in the *Debtors’ Motion for Entry of an Order (I) Appointing an Examiner and (II) Granting Related Relief* [Docket No. 363]; (b) the “Insider Transactions” as defined and described in the proposed order accompanying the *Motion of the Official Committee of Second Priority Noteholders for Appointment of Examiner with Access to and Authority to Disclose Privileged Materials* [Docket No. 367]; (c) any other transactions involving the Debtors, to the extent those transactions suggest potential claims belonging to the estates, including causes of action against any current officers or directors of the Debtors, any former officers or directors of the Debtors, or any affiliates of the Debtors; and (d) any apparent self-dealing or conflicts of interest involving the Debtors or their affiliates (collectively, the “Investigation”).

5. Pursuant to Paragraph 5 of the Examiner Order, the Examiner was directed to file with the Court interim reports on the Investigation every forty-five (45) days from the date his appointment was approved.

#### **THE EXAMINER’S ACTIVITIES TO DATE**

6. The Investigation is broad in scope and the size and complexity of the pre-petition transactions require significant focus and efficiency to carry out this Court’s directives. To that end, the Examiner’s Investigation consists of five stages: (a) preliminary interviews of certain key individuals and presentations from certain key constituents, assessment and determination of Investigation work plan; (b) establishment of a document depository that provides access to

certain parties in in interest, entry of a document discovery protocol with access (without waiver) to privileged information of the Debtors, issuance of document subpoenas and document requests; (c) formal interviews/depositions of witnesses; (d) preparation of the Examiner's report; and (e) post-Investigation and report administrative matters, including, without limitation, assignment of the Document Depository (defined below) to an estate fiduciary and determination of whether exhibits and other material in the possession of the Examiner needs to be returned, destroyed or released.

7. On April 7, 2015, the Examiner sought the retention of Winston & Strawn LLP ("W&S") as his counsel, *nunc pro tunc* to March 25, 2015 [Docket No. 1084] and Luskin, Stern & Eisler LLP ("LSE") as his special conflicts counsel, *nunc pro tunc* to March 25, 2015 [Docket No. 1085] and on April 15, 2015, the Court entered orders approving the retention of W&S [Docket No. 1167] and LSE [Docket No. 1168].

8. During this time, the Examiner also interviewed and pursued the retention of a financial advisor to assist in the Investigation. On April 29, 2015, the Examiner sought the retention of Alvarez & Marsal Global Forensic and Dispute Services, LLC ("A&M") as his financial advisors, *nunc pro tunc* to April 14, 2015 (ultimately filed as Docket No. 1475), and on May 6, 2015, the Court approved the retention of A&M on the record at the hearing, which was subsequently confirmed by Court order dated May 7, 2015 [Docket No. 1476].

9. The Examiner and/or his counsel and financial advisors have had extensive communications with certain key constituents and their counsel and financial advisors throughout the period since the Examiner's appointment, discussing matters relating to discovery, document and witness protocols, work plan, document subpoenas and other focuses of the Investigation. The meetings that the Examiner has conducted so far will not be the last such

meetings, nor are the parties with whom the Examiner has already met the only parties who may assist the Investigation.

10. The purpose of these meetings and communications with certain key constituents was also for the Examiner to ascertain each party's preliminary views and analysis regarding, among other things, the issues and/or transactions central to the Investigation, the manner in which the parties would be expected to cooperate and assist with the Investigation, and the manner in which issues of discovery, confidentiality and privilege should be addressed. These meetings included, without limitation, the following:

- a. The Examiner met with counsel for the Statutory Committee of Unsecured Claimholders (the "UCC") and separately with the full UCC and their advisors.
- b. The Examiner and his counsel met with counsel for the Ad Hoc Committee of First Lien Noteholders (the "First Lien Notes Committee") and UMB Bank, N.A., solely in its capacity as successor indenture trustee for the Debtors' first lien notes (the "First Lien Notes Trustee").
- c. The Examiner and his counsel met with counsel for the Official Committee of Second Priority Noteholders (the "Noteholder Committee") and then had a second meeting with certain members of and counsel and financial advisors for the Noteholder Committee for an extensive presentation on matters related to the Investigation.
- d. The Examiner and his counsel met with counsel for the Caesars Entertainment Corporation ("CEC").
- e. The Examiner met with counsel for the Debtors and he also met with counsel and certain financial advisors for the Debtors for an extensive presentation on the

findings of the Caesars Entertainment Operating Company Governance Committee and negotiations with Caesars Entertainment Corporation.

- f. The Examiner and his counsel met with counsel for the Apollo Global Management, LLC (“Apollo”).
  - g. The Examiner and his counsel met with counsel for the Ad Hoc Group of First Lien Bank Lenders.
  - h. The Examiner and his counsel met with counsel for TPG Global, LLC (“TPG”).
11. The Examiner and his counsel also have had numerous other communications with counsel for the Debtors, the Noteholder Committee and other interested parties relating to various aspects of his Investigation. The Examiner’s financial advisors have also met with the financial advisors for other interested parties.
12. Pursuant to the Court’s directive at the March 25, 2015 hearing in this case, on April 22, 2015, the Examiner filed the *Motion of the Examiner for an Order (I) Approving Protocol and Procedures Governing Examiner Discovery, (II) Approving Establishment of a Document Depository, and (III) Granting Related Relief* [Docket No. 1279] (the “Discovery Protocol Order”), to facilitate his ability to seek and obtain discovery from the key parties to the Investigation and otherwise fulfill his duties under the Examiner Order. The Discovery Protocol Motion requests from the Court (a) approval of the Examiner’s proposed protocol and procedures governing discovery (as amended and supplemented in advance of Court-approval, the “Discovery Protocol”); (b) approval of the establishment of a centralized document depository (the “Document Depository”); and (c) related relief.
13. The Discovery Protocol includes, among other things, access (without waiver) to certain privileged information, standard procedures relating to subpoenas and document requests

issued by the Examiner, including deadlines for parties to produce documents, appearance for interviews and examinations, and file responses and/or objections to the subpoenas, as well as procedures for addressing disputes. The establishment of the Discovery Protocol also will facilitate the sharing of information relevant to the Investigation in a cost-effective and time-efficient manner, expediting the Examiner's Investigation itself. At the same time it will allow other parties to benefit from the work of the Examiner.

14. As currently proposed, the Document Depository will contain all non-privileged material, documents, testimony and other information (whether written or oral) (collectively, the "Discovery Material") provided to the Examiner or produced in the Chapter 11 Cases related to the Investigation and/or the subjects being investigated by the Examiner will be deposited.

15. As currently proposed, Discovery Material in the Document Depository will be made available to the Debtors, the Noteholder Committee, the UCC, the First Lien Bank Lender Committee, the First Lien Notes Committee, the First Lien Notes Trustee, CEC, the Ad Hoc Committee of 12.75% Second Lien Bondholders, TPG, Apollo, and such other parties as determined by the Examiner or the Court.

16. The Examiner and his counsel carried out a process to select a vendor to host the Document Depository. In this process, the Examiner and his counsel contacted and obtained quotes from at least seven (7) vendors based on the same parameters for the Document Depository, entertained presentations from the two (2) most likely candidates, and ultimately decided on the most appropriate selection, both in ability to support the needs anticipated in this Investigation and its competitive pricing. Upon Court approval of the Discovery Protocol Order, the Examiner intends to retain the services of such vendor and begin the process of making

available the non-confidential Discovery Material available on the Document Depository pursuant to the terms of that order.

17. The Court held a hearing on the Discovery Protocol Motion, which was continued to May 11, 2015. At that hearing, the Court approved the relief requested, subject to certain modifications noted on the record, and directed the submission of the Discovery Protocol Order as modified.

18. Further on the discovery front, in April 2015, the Examiner joined the negotiations by and among the Debtors, the Noteholder Committee, the UCC, the Ad Hoc Bank Group, the First Lien Notes Committee, the First Lien Notes Trustee, CEC, TPG, Apollo, and the Ad Hoc Committee of 12.75% Second Lien Bonds, ultimately seeking to reach a resolution on a protective order to govern the any information, document or thing that has been or will be produced in discovery or otherwise in this case or any related adversary proceedings (i.e., Discovery Material).

19. An agreement was reached and on May 4, 2015, the Debtors, Noteholder Committee, UCC together filed the *Joint Motion of the Debtors, the Official Committee of Second Priority Noteholders and the Statutory Committee of Unsecured Claimholders for the Entry of an Agreed Protective Order Regarding the Disclosure and Use of Discovery Materials* [Docket No. 1432] (the "Protective Order Motion"), which seeks, *inter alia*, approval of the Agreed Stipulation and Protective Order appended to the motion (as supplemented, modified, and ultimately approved by the Court, the "Protective Order"). Among other parties, the Examiner signed the Protective Order. The Court held a hearing on the Protective Order Motion, which was continued to May 11, 2015. At that hearing, the Court approved the relief requested,

subject to certain modifications noted on the record, and directed the submission of the Protective Order as modified.

20. Additionally, the Examiner, Debtors, Noteholder Committee, and UCC negotiated and have reached agreement in principle as to a protocol governing the conduct of witness interviews and depositions throughout the Examiner's Investigation. Among other things, the protocol contemplates that the Examiner will conduct his interviews on the subjects of the Investigation prior to the depositions that may be taken by the other parties (i.e., the Debtors, Noteholder Committee, and UCC).

21. Since his appointment, the Examiner and his counsel and financial advisor have worked diligently to assemble and review materials available publicly and otherwise provided by key parties in interest in the case that might be relevant to the Investigation. Relevant public documents included pleadings filed in connection with the Debtors' cases, such as the first day pleadings, schedules, and statements, and the pleadings filed in support thereof and opposition thereto, the UST's motion regarding the appointment of the Examiner, motions for discovery from the Noteholder Committee and the UCC, and pleadings relating to the involuntary case fashioned *In re Caesars Entertainment Operating Company, Inc., et al.*, Chapter 11 Case No. 15-03193 (ABG) (Bankr. N.D. Ill.), and pleadings relating to the litigation commenced in or related to the bankruptcy cases.

22. At this stage, the Debtors and the Noteholder Committee have given the Examiner access to a small subset of the documents that the Examiner anticipates may ultimately be made available through the course of his Investigation. Based on these limited productions and his discussions with the key parties, the Examiner estimates that the quantity of data will include at

least hundreds of thousands, possibly nearing or more than a million pages of documents, communications, and other data.

23. In furtherance of the Examiner's Investigation, and pursuant to the Examiner Order and Discovery Protocol Motion, the Examiner has prepared and intends to serve subpoenas on any person or entity that the Examiner identifies as potentially having documents relevant to this Investigation. Among others, the Examiner will seek the production of documents and other information from the Debtors, CEC, their non-debtor affiliates, Apollo, TPG, and their respective professionals including advisors to the various parties of each transaction that is a subject of the Investigation. Once this information has been gathered and a thorough review is underway, the Examiner will identify any additional third parties that may be in possession of information relevant to the Investigation. The Examiner will then serve subpoenas and document requests on those parties in order to facilitate prompt production of information.

24. Additionally, based on preliminary discussions with the key parties in this case, the Examiner currently anticipates that he will interview numerous witnesses. Notably, interviews of key witnesses will be transcribed. The Examiner hopes to commence interviews immediately upon conclusion of document review, which he anticipates should be completed by mid-summer (assuming productions are made on a timely basis). He will, however, conduct informal preliminary interviews of certain key individuals prior to that time to assist in focusing the Investigation.

25. During the course of the Investigation, the Examiner will continue to maintain open lines of communication with the UST, the Debtors, the official and unofficial committees,

and other key interested parties. The Examiner's counsel will continue to monitor and review pertinent filings with the Court regarding or involving any issues related to the Investigation.

26. The Examiner's view of the Investigation is based upon currently available information and presumes the full and complete cooperation of the Debtors, the official and unofficial committees, CEC, the Debtors' and CEC's affiliates, Apollo, TPG, and other key parties in interest in these cases, and the respective current and former representatives of each. As the process unfolds, the plan for the Examiner's Investigation may need to be amended to fulfill the Court's direction to deliver a comprehensive report. The inclusion or discussion of any matter in this First Interim Report should not be construed as limiting the Examiner prospectively. The Examiner reserves his right to modify his plan for the Investigation accordingly.

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Respectfully submitted,

Dated: May 11, 2015  
Chicago, Illinois

By: /s/ Daniel J. McGuire

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