

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 FOURTH 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 fourth interim report (the “Fourth 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.

6. On May 11, 2015, the Examiner filed his first interim report [Docket No. 1520] (the “First Interim Report”).

7. On May 18, 2015, the Court entered the *Order (I) Approving Protocol and Procedures Governing Examiner Discovery, (II) Approving Establishment of a Document Depository, and (III) Granting Related Relief* [Docket No. 1576] (the “Discovery Protocol Order”). Among other things, the Discovery Protocol Order approves of the (a) Examiner’s proposed protocol and procedures governing discovery (as amended and supplemented in

advance of Court-approval, the “Discovery Protocol”) and (b) establishment of a centralized document depository (the “Document Depository”).

8. Also on May 18, 2015, the Court entered the *Agreed Protective Order* [Docket No. 1575] (the “Protective Order”). The Protective Order is intended to govern 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).

9. On June 23, 2015, the Examiner filed his second interim report [Docket No. 1805] (the “Second Interim Report”).

10. On August 7, 2015, the Examiner filed his third interim report [Docket No. 2022] (the “Third Interim Report”).<sup>2</sup>

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

11. Since the Third Interim Report was filed, the Examiner and/or his counsel and financial advisors have continued to have extensive communications with certain key constituents and their counsel and financial advisors, regarding matters relating to discovery and to the substance of the Investigation. The Examiner’s financial advisors also continue to meet with the financial advisors for other interested parties. 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.

12. For some of the aforementioned meetings, the Examiner’s financial advisors and his counsel travelled to Las Vegas, Nevada to visit the various Debtors’ properties, meet with

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<sup>2</sup> The Examiner incorporates herein by reference the statements made in the First Interim Report, Second Interim Report, and Third Interim Report. All capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them in the First Interim Report, Second Interim Report, and/or Third Interim Report.

various witnesses, and learn more about the structure and function of the Debtors' operations and important decisions made relating to such properties.

13. The Examiner and his counsel and financial advisor are still diligently assembling and reviewing materials available publicly and otherwise provided by key parties in interest in the case that might be relevant to the Investigation. Relevant public documents include 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, 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.), pleadings filed in the adversary proceeding and related appeal whereby plaintiffs seek, *inter alia*, to stay certain prepetition litigation, fashioned *Caesars Entertainment Operating Company, Inc. et al., v. BOKF, N.A. et al.*, Adv. Pro. No. 15-00149 (ABG), and other pleadings relating to the litigation commenced in or related to the bankruptcy cases. Additionally, the Examiner's counsel has attended a number of the depositions in the Delaware Chancery Court action fashioned *Wilmington Savings Fund Society, FSB v. Caesars Entertainment Corporation et al.*, C.A. No. 10004-VCG (Del. Ch. Ct.).

14. In addition to the assembly and review of publicly available documents, and other documents provided by various parties on an informal and confidential basis, the Examiner has issued forty-six (46) document subpoenas to various parties in interest in the Investigation and third parties in furtherance of the Investigation.

15. Other than those very recently served, all subpoenaed parties have either responded to their respective subpoena and/or are in discussion with the Examiner's counsel regarding the requests contained in the subpoenas. The Examiner's counsel has been diligently

conducting meet and confers with the subpoenaed parties to further clarify the scope of the subpoenas and address other related issues. In addition, the Examiner—in consultation with his counsel, financial advisor, and the relevant parties in interest (as required under the Discovery Protocol) has generated and provided the subpoenaed parties a set of universal search terms which the subpoenaed parties are to utilize in the production of documents to the Examiner.

16. The Examiner is receiving document productions in response to his subpoenas on a rolling basis. A large percentage of those documents has only been produced in the last few weeks. The productions made to the Examiner thus far include documents at various levels of confidentiality, including documents that are Confidential, Attorneys' Eyes Only, and Examiner's Eyes Only, as is provided by the Discovery Protocol Order and Protective Order.

17. In addition to the privilege issues referred to in the Examiner's Third Interim Report (*see* Docket No. 2022 at ¶ 17), there has been substantial delay in the production of documents to the Examiner from certain key parties. In the Examiner's Third Interim Report, the Examiner noted that, unless production was substantially complete from all subpoenaed parties within ten (10) days of the Third Interim Report (i.e., by August 17, 2015), it would be difficult for the Examiner to reach the parties' desired milestones set forth in the proposed revisions to the RSA. *See* Docket No. 2022 at ¶ 22; *see also, infra*, ¶¶ 23-24. Unfortunately, production was not substantially completed by August 17, and is still ongoing.

18. Upon learning of the delays, and based on the desire of both the Examiner and the key parties to this case that the Investigation proceed as expeditiously as possible, the Examiner's professionals agreed to receive significant portions of the key parties' productions initially on an Examiner's Eyes Only basis, subject to the proper re-designation of the documents contained in such productions within two weeks of the first production to the Examiner. Based

on this understanding, the Examiner has received a very large volume of production during the last two weeks, a large portion of which have been produced by the Sponsors.

19. To date, the Examiner has received almost 700,000 documents, communications and other data consisting of more than 4.1 million pages. The amount of documents received to date are more than five times what was produced by August 7, 2015, the date of the Third Interim Report. Indeed, since August 7, the Examiner has received over 567,000 documents comprising almost 3 million pages.

20. Having only recently received a significant percentage of the total production from the key parties including, in particular, the Sponsors, the Examiner and his professionals have been working diligently to review and analyze the substantial volume of documents and information that has been produced.

21. Also, beginning on August 24, 2015, the Examiner has issued 57 subpoenas for witness testimony from various individuals at CEOC, CEC, the Sponsors, their respective legal and financial advisors, CEC and CEOC's auditors, and other professionals and third parties who were involved in the transactions that are the subject of the Investigation. The Examiner and his professionals have devoted (and are continuing to devote) significant time and effort to scheduling these witness interviews with a view to completing as many of them as possible by the end of October 2015. Given the tight timeframe and the large volume of documents recently produced, the Examiner has notified all of the key parties that certain witnesses may need to be recalled at a later date to complete their interviews.

22. Although the Examiner notified the subpoenaed parties when he issued his subpoenas of the tight timeframe and need to limit flexibility, based mostly on an attempt to comport with the key parties' desired milestones, *see, infra*, ¶¶ 23-24 and Third Interim Report at

¶¶ 21-22, the Examiner has received a significant number of requests to reschedule the witness interviews for later dates. This, too, has resulted in delays in the Investigation.

23. The Examiner and his counsel have been notified as to certain revisions to the milestones set forth in the *Third Amended and Restated Restructuring Support and Forbearance Agreement* [Docket No. 260] (the “RSA”) that are currently subject to negotiation by and between various parties-in-interest in this case. In particular, the parties to the RSA contemplate that the Debtors will have obtained Court approval of the disclosure statement, solicitation procedures and a certain Backstop Commitment Agreement (as defined therein) by the earlier of February 15, 2016 or 60 days after the filing of the Examiner’s final report. In order to reach this milestone, the RSA contemplates that the Examiner will need to file his final report, if at all possible, sometime between November 15, 2015 or, at the latest, December 15, 2015.

24. The Examiner is mindful of the milestones in the proposed revisions to the RSA, but his primary obligation is to conduct a full and fair investigation. Given the delays in document production, the substantial volume of documents recently produced, and the repeated requests of the parties to reschedule interviews to later dates, meeting the current milestones will be, at best, very difficult.

25. A thorough review of the documents produced to date is underway. During this process, the Examiner has been and will continue to identify any additional parties and witnesses that may be in possession of information relevant to the Investigation. The Examiner has been and will continue to serve subpoenas and document requests on those parties and witnesses as necessary in order to facilitate prompt production of information.

26. During the course of the Investigation, the Examiner has continued 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 (and other relevant litigation) regarding or involving any issues related to the Investigation.

27. 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 and advisors 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 Fourth Interim Report should not be construed as limiting the Examiner prospectively. The Examiner reserves his right to modify his plan for the Investigation accordingly.

Respectfully submitted,

Dated: September 21, 2015  
Chicago, Illinois

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