

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

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 In re:) Chapter 11
)
 CAESARS ENTERTAINMENT) **Case No. 15-01145 (ABG)**
 OPERATING COMPANY, INC. *et al.*,¹) (Jointly Administered)
)
 Debtors.) Hon. A. Benjamin Goldgar
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EXAMINER’S SECOND 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 second interim report (the “Second 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.

¹ 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”).²

² The Examiner incorporates herein by reference the statements made in the First Interim Report. All capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them in the First Interim Report.

THE EXAMINER'S ACTIVITIES TO DATE

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. 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 Discovery Protocol facilitates 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 allows other parties to benefit from the work of the Examiner.

9. 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).

10. On June 2, 2015, pursuant to the Discovery Protocol Order, the Examiner retained the services of Firmex Inc. as the host for the Document Depository and shortly thereafter the Document Depository was established. 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.

11. Additionally, the Examiner, Debtors, Noteholder Committee, UCC, Ad Hoc Group of First Lien Bank Lenders, and the Ad Hoc Committee of First Lien Noteholders negotiated and have reached agreement as to a protocol governing the conduct of witness interviews and depositions throughout the Examiner’s Investigation (the “Witness Protocol”), which is memorialized in the *Amended Motion of the Examiner for Entry of an Agreed Order on Interviews and Depositions by the Examiner* [Docket No. 1715] (the “Witness Protocol Motion”). Among other things, the Witness 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). The Court held a hearing on the Witness Protocol Motion on June 22, 2015 and approved the relief sought, subject to certain modifications that are currently being addressed by the various key parties in interest.

12. Since the First 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 other material focuses of the Investigation. The Examiner’s financial advisors have also met 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.

13. For some of the aforementioned meetings, the Examiner, his counsel and, separately, his financial advisors travelled to Las Vegas, Nevada to visit the various Debtors' properties, meet with various witnesses, and learn more about the structure and function of the Debtors' operations. Such visits proved highly informative for both the Examiner and his professionals in terms of focusing the Investigation and related subjects.

14. 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 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.

15. 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 twenty-seven (27) subpoenas to various parties in interest in the Investigation in furtherance of the Investigation.

16. 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.

17. Pursuant to the Discovery Protocol Order, subpoenaed parties have thirty (30) days from the later of service of the subpoena and resolution of the recipient's objections to complete discovery. *See* Discovery Protocol Order ¶ 8. Based on this timeline, and the progress toward resolution of various objections by the subpoenaed parties, the Examiner anticipates receipt of all Discovery Materials responsive to the subpoenas from the respective subpoenaed parties by mid to late-July.

18. Some of the subpoenaed parties have begun to produce documents to the Examiner on a rolling basis. These productions 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. These productions appear to be a small subset of the documents that the Examiner anticipates may ultimately be made available through the course of his Investigation. Based on these 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.

19. 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.

20. In addition to the informal meetings with various constituent parties, the Examiner has begun conducting preliminary informal interviews of a number of certain key witnesses in an effort to focus his Investigation.

21. 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.

22. 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 Second 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: June 23, 2015
Chicago, Illinois

By: /s/ Daniel J. McGuire

Daniel J. McGuire (No. 6239526)

Gregory M. Gartland (No. 6298388)

WINSTON & STRAWN LLP

35 W. Wacker Drive

Chicago, IL 60601-9703

Telephone: (312) 559-5600

Facsimile: (312) 558-5700

E-mail: dmcguire@winston.com

ggartland@winston.com

and

Richard W. Reinthaler (admitted *pro hac vice*)

David Neier (admitted *pro hac vice*)

Carrie V. Hardman (admitted *pro hac vice*)

WINSTON & STRAWN LLP

200 Park Avenue

New York, New York 10166

Telephone: (212) 294-6700

Facsimile: (212) 294-4700

E-mail: rreinthaler@winston.com

dneier@winston.com

chardman@winston.com

Counsel to the Examiner