

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. <i>et al.</i> , <sup>1</sup>	)	(Jointly Administered)
	)	
Debtors.	)	Hon. A. Benjamin Goldgar
	)	
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**EXAMINER’S SEVENTH 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 seventh interim report (the “Seventh 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 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”).

11. On September 21, 2015, the Examiner filed his fourth interim report [Docket No. 2236] (the “Fourth Interim Report”).

12. On November 5, 2015, the Examiner filed his fifth interim report [Docket No. 2535] (the “Fifth Interim Report”).

13. On December 21, 2015, the Examiner filed his sixth interim report [Docket No. 2758] (the “Sixth Interim Report” and together with the First Interim Report, Second Interim Report, Third Interim Report, Fourth Interim Report, and Fifth Interim Report the “Prior Interim Reports”).<sup>2</sup>

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

14. Since the Sixth Interim Report was filed, the Examiner and/or his counsel and financial advisors have been diligently analyzing the information received from both documents and interviews regarding the various transactions and/or subjects as issue in the Investigation.

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<sup>2</sup> The Examiner incorporates herein by reference the statements made in the Prior Interim Reports. All capitalized terms used but not otherwise defined herein have the meaning ascribed to them in the Prior Interim Reports.

Upon providing his preliminary views to the United States Trustee, the two official committees, CEC and the Sponsors, CAC and the ad hoc committees, the Examiner, his counsel and professionals has received extensive written submissions and participated in follow up meetings and telephone conferences with certain of those key parties in response to those such views. The Examiner believes the dialogue between the Examiner, his team, and these key parties has been extremely helpful in considering the issues that shape the Examiner's Investigation.

15. Although the Examiner and his counsel and financial advisor are nearing the completion of the process, they 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.).

16. Document production is substantially complete by the 46 parties in interest in the Investigation and third parties that were subpoenaed. Most of the subpoena recipients have completed their productions, which include many documents that have been designated as

Confidential, Attorneys' Eyes Only, and Examiner's Eyes Only, as is provided by the Discovery Protocol Order and Protective Order.

17. The Examiner requested that all parties that produced documents pursuant to the Examiner-issued subpoenas provide a certification that such productions are complete. The deadline to provide such certifications was January 15, 2016. To date, save agreement with respect to certain parties that are producing documents requested by the Examiner in follow-up, all parties have complied.

18. To date, the Examiner has received more than 1.15 million documents, communications and other data consisting of almost 8.8 million pages (which does not account for more than one page of each of many documents produced in native format, further increasing the page-count). Of the aforementioned total, 153,202 documents consisting of at least 1.1 million pages have been received by the Examiner since the issuance of the Sixth Interim Report, with 23,409 of those documents relating to the LBO. Notably, of those documents recently produced, the Sponsors (Apollo and TPG) collectively provided 31,495 documents, consisting of 350,718 pages in the last two weeks of January. Specifically, Apollo provided 9,780 documents, consisting of 80,934 pages, and TPG provided 21,715 documents, consisting of 269,784 pages.

19. In addition to continued productions pursuant to the document subpoenas issued, the Examiner has recently received privilege logs from the various key parties in interest. These logs—particularly those from the Sponsors and from CEC—are substantial, with thousands of entries. The Examiner and his professionals are reviewing the logs, have been and may continue to make follow up requests referenced in those logs.

20. The Examiner and his professionals have been working diligently to review and analyze the substantial volume of documents and information that has been produced, recognizing that a significant number of these documents were produced late in the process. The

Examiner's goal to complete and submit the Final Report, if at all possible, by the end of February remains, though the recent document productions that have necessitated or may necessitate additional follow-up interviews make reaching this goal more difficult. Should the Examiner determine that the projected date of submission will extend into March, the Examiner (or his counsel) will timely notify this Court.

21. Also, in total, the Examiner has issued 62 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. To date, the Examiner and his professionals have prepared for and conducted thorough interviews of over 70 witnesses on a transcribed basis, in addition to other informal interviews. In addition to conducting some of the aforementioned initial witness interviews, since the Sixth Interim Report, the Examiner has conducted numerous follow-up interviews with various witnesses, and is continuing to do so.

22. During the course of the Investigation, the Examiner has maintained open lines of communication with the United States Trustee, 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.

23. 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 Seventh 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: February 4, 2016  
Chicago, Illinois

By: /s/ Daniel J. McGuire

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