**UNITED STATES BANKRUPTCY COURT**
**NORTHERN DISTRICT OF ILLINOIS**
**EASTERN DIVISION**

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| In re:<br><br>CAESARS ENTERTAINMENT OPERATING COMPANY, INC., *et al.*[1]<br><br>Debtors. | Chapter 11<br><br>Case No. 15-01145 (ABG)<br><br>(Jointly Administered)<br><br>Re: ECF No. 2404 |

**PRELIMINARY OBJECTION TO DEBTORS' MOTION TO FURTHER EXTEND THEIR EXCLUSIVE PERIODS TO FILE A CHAPTER 11 PLAN AND SOLICIT ACCEPTANCES THEREOF**

The Official Committee of Second Priority Noteholders (the "Noteholder Committee"), files this preliminary objection to the *Debtors' Motion To Further Extend Their Exclusive Periods To File A Chapter 11 Plan And Solicit Acceptances Thereof* (the "Motion").[2]

1. The Debtors have failed to carry their burden to show that cause exists to support a second four-month extension of their exclusive periods. During their most recent extension, the Debtors have continued to pursue acceptance of a draft plan that is patently unconfirmable and have refused to engage in meaningful dialogue with the Noteholder Committee and other constituents. At this juncture, exclusivity should end so that the Noteholder Committee can propose an alternative to the Debtors' Amended Plan.

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[1] The last four digits of the tax identification number for debtor Caesars Entertainment Operating Company, Inc. ("CEOC"), are 1623. A complete list of the Debtors may be obtained at https://cases.primeclerk.com/CEOC.

[2] Consistent with the case management order entered in these cases (ECF No. 395, as amended by ECF Nos. 1165, 1911, 2059), the Noteholder Committee intends to file a brief in support of this preliminary objection pursuant to a briefing schedule agreed upon by the parties or ordered by the Court.

2. Unconfirmable Plan. While the Debtors tout the filing of an unsigned Amended Plan as progress in these cases, they ignore the fact that this Amended Plan suffers from the same confirmation infirmities as their original plan and fails to take into account this Court's recent rulings. First, the Amended Plan still proposes to release individual creditor claims against third parties without their consent and for no consideration. This Court has already concluded that it lacks the authority under controlling Seventh Circuit precedent to enjoin creditors from pursuing their separate guarantee claims against the Debtors' parent company, Caesars Entertainment Corporation ("CEC"). [Adv. P. 15-149 ECF No. 158] If the Court lacks the authority to temporarily enjoin creditors from pursuing their separate claims against CEC, then it follows that the Court lacks the authority to effectively issue a permanent injunction by confirming a plan that releases those separate claims against CEC. For this reason alone, the Debtors' Amended Plan is doomed.

3. Second, the Amended Plan remains a new value plan that must be subjected to legitimate competition.[3] The Debtors' proposed market test is flawed in many respects and does not provide the competition required by applicable law. Among other things, the marketing process is unlikely to attract true market participants. The Debtors do not intend to actually sell the equity in either CEOC or the two proposed successor entities under the Amended Plan, but rather are soliciting bids for assets to determine whether the price purportedly paid by CEC under the Amended Plan is sufficient. Sophisticated market participants will recognize this reality and are not likely to commit the substantial time and expense required to perform diligence and propose a transaction that ultimately will only be used by the Debtors to support their transaction with CEC.

[3] The Debtors concede that the Amended Plan is likely to be considered a "new value" plan. *Amended Disclosure Statement* [ECF No. 2403] at 9.

4. In addition, the "market test" does not include all of the assets and benefits that CEC will acquire under the Amended Plan. For instance, through the proposed merger of CEC and Caesars Acquisition Company ("CAC"), CEC will also obtain control over assets that were fraudulently transferred away from CEOC. Potential market participants will not have the right to acquire those assets in the "market test." Thus, the test does not does not properly value the "new value" under the Amended Plan.[4]

5. Debtors' Failure to Negotiate. The Debtors highlight their recent agreement with certain First Lien Bank Lenders and continued agreement with certain First Lien Bondholders and failed discussions with other constituents as progress in these cases to support their requested extension. The Debtors' passing references to discussions with other constituencies overstates the extent of these discussions. Motion at 2, 16,17. While the Debtors and the Noteholder Committee engaged in discussions, those negotiations, if they amounted to that, were short lived. The Noteholder Committee conveyed a written proposal but never received a written response.

6. Not only have the Debtors failed to substantively engage the Noteholder Committee, but they also have discouraged the Noteholder Committee from formulating alternatives. On more than one occasion, the Debtors have used their exclusivity period as a sword to prevent other constituents from preparing meaningful alternatives to the plans described in the Debtors' Restructuring Support Agreements. Such tactics hinder meaningful dialogue rather than foster it.

7. In connection with the Debtors' first request for an extension of exclusivity, the Court noted the lack of proposed alternatives. Given the Debtors' position and refusal to

[4] In any event, the Debtors have admitted that the form of plan that has been filed (and remains unsigned) is still undergoing review and revision. Thus, the Debtors' market test may not generate any useful information at all.

meaningfully negotiate with the Noteholder Committee, the Noteholder Committee desires the opportunity to develop an alternative plan that is expected to gain the support of a partner that will benefit all creditors. This type of alternative plan is the means to properly test the Debtors' proposed new value plan.

8. Accordingly, the Motion should be denied.

Dated: October 14, 2015
Chicago, Illinois

Respectfully submitted,

*/s/Timothy W. Hoffmann*

Timothy W. Hoffmann (No. 6289756)
JONES DAY
77 West Wacker
Chicago, IL 60601-1692
Telephone: (312) 782-3939
Facsimile: (312) 782-8585
thoffmann@jonesday.com

-and-

Bruce Bennett
James O. Johnston
Sidney P. Levinson
Joshua M. Mester
JONES DAY
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071
Telephone: (213) 489-3939
Facsimile: (213) 243-2539

*Counsel for Official Committee of Second Priority Noteholders*