

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

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In re:		) Chapter 11
		)
CAESARS ENTERTAINMENT OPERATING		) Case No. 15-01145 (ABG)
COMPANY, INC., <i>et al.</i> , <sup>1</sup>		)
		)
<i>Debtors.</i>		) (Jointly Administered)
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		)
CAESARS ENTERTAINMENT OPERATING		) Chapter 11
COMPANY, INC., <i>et al.</i> ,		)
		) Adversary Case. No. 15-00149 (ABG)
<i>Plaintiffs</i>		)
vs.		)
		)
BOKF, N.A., <i>et al.</i>		)
		)
<i>Defendants.</i>		)
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**MEDIATOR’S STATEMENT**

As previously reported to the Court, I am the mediator for the voluntary process commenced by the above-captioned debtors and debtors in possession (collectively, the “Debtors”) to mediate issues surrounding the development of a plan of reorganization in these chapter 11 cases. I am submitting this statement to update the Court on the progress and current status of discussions since the last statement I submitted on June 6, 2016. As part of the last two months of the mediation, I have mediated discussions (1) among the Debtors, Caesars Entertainment Corporation (“CEC”, and together with certain of its affiliates, the “CEC Parties”), and the Official Committee of Second Priority Noteholders (the “Noteholder Committee”), (2) among the Debtors, CEC, and the Ad Hoc Group of 5.75% and 6.5% Senior

<sup>1</sup> A complete list of the Debtors may be obtained at <https://cases.primeclerk.com/CEOC>.

Notes (which includes Trilogy and Relative Value) (the “Senior Unsecured Notes Group”), and (3) with the insurers for the Caesars enterprise.

1. Since my last statement to the Court, there has been material progress in the mediation. This includes four in-person mediation sessions among the Debtors (represented by Kirkland & Ellis LLP and Millstein & Co.), the CEC Parties (represented by Milbank, Tweed, Hadley & McCloy LLP and PJT Partners), and the Noteholder Committee (represented by Jones Day and Houlihan Lokey). Two of these mediation sessions were primarily with principals for the parties and two were primarily with legal and financial advisors. I have also mediated two in-person mediation sessions with the Senior Unsecured Notes Group and one session with Caesars’ insurers. In addition, I have had numerous other in-person and telephonic discussions with principals and advisors for these parties outside of the official mediation sessions, including in-person meetings and telephonic discussions with Marc Rowan, a founding principal of Apollo Global Management, LLC, as well as with a senior principal at TPG.

2. Each of these mediation sessions has been productive, and I believe the parties are making progress towards a consensual resolution of the Debtors’ cases and the related litigation against the CEC Parties, while also addressing real time developments relevant to the Plan. In particular, CEC and the Debtors recently entered into a restructuring support agreement with certain second lien noteholders that provides for materially enhanced recoveries to second lien noteholders under the Debtors’ plan of reorganization (the “2L RSA”). Although subject to certain contingencies, the recoveries available through the 2L RSA reflect a significant step forward by CEC toward a resolution with other second lien noteholders, and have served as a helpful springboard to continued negotiations and a potential consensual resolution. The mediation is also focused on issues related to the allocation of proceeds from the anticipated sale

of Caesars Interactive Entertainment, a recent development that requires thoughtful negotiations among the many interested parties involved while also creating new settlement currency. In addition, the Debtors, CEC, and the Noteholder Committee have been engaged in negotiations regarding the non-monetary terms of a potential restructuring support agreement among the parties.

3. This is a very complicated mediation involving multiple parties and issues. The process of working through and resolving those issues necessarily takes time. I believe all of the the parties are acting in good faith in the mediation, there is a likelihood of continued material progress in the discussions among the Debtors, the CEC Parties, the Noteholder Committee, and the Senior Unsecured Notes Group and, based on my experience, there ultimately should be a successful conclusion to the mediation before the conclusion of the confirmation hearing. More time is needed to resolve by mediation the complex issues raised by the Debtors' chapter 11 cases and related litigation against the CEC Parties.

Dated: August 16, 2016

Respectfully,

*/s/ Joseph J. Farnan, Jr.*

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JOSEPH J. FARNAN, JR.