

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:

CAESARS ENTERTAINMENT
OPERATING COMPANY, INC., *et al.*¹

Debtors.

Chapter 11

Case No. 15-01145 (ABG)

(Jointly Administered)

Re: ECF No. 3197

NOTEHOLDER COMMITTEE'S RESPONSE AND LIMITED OBJECTION TO DEBTORS' THIRD MOTION TO EXTEND THEIR EXCLUSIVE PERIODS TO FILE A CHAPTER 11 PLAN AND SOLICIT ACCEPTANCES THEREOF

The Official Committee of Second Priority Noteholders (the "Noteholder Committee") responds and submits this limited objection to *Debtors' Third Motion To Extend Their Exclusive Periods To File A Chapter 11 Plan And Solicit Acceptances Thereof* [ECF No. 3197] (the "Third Exclusivity Motion").

1. The Noteholder Committee takes no position on the Debtors' current request for another extension of the exclusivity periods to file a plan and solicit acceptances, which currently are scheduled to expire on March 15, 2016 and May 15, 2016, respectively. However, the Debtors' request for the maximum extension available under section 1121(d) of the Bankruptcy Code (July 15, 2016 and September 15, 2016) is premature and inappropriate. The Noteholder Committee and other parties in interest should have an opportunity to revisit exclusivity following the public release of the Examiner's report, the filing of any amendments to the Debtors' Plan, the filing of a disclosure statement to the Debtors' Plan that does not contain

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>.

blanks on critical matters such as the determinations of the Special Governance Committee (*e.g.*, Transcript of Nov. 18, 2015 hearing, at 36-37), the disclosure of meaningful information regarding the “marketing process” being conducted by the Debtors’ financial advisors,² and the opportunity for the mediator to become familiar with the disputed issues and the positions of the parties.

2. The Debtors’ will not be prejudiced if their plan process is temporarily postponed while this Court and the mediator and other parties review and evaluate the Examiner’s report and any further amendments to the Debtors’ plan. Under section 1121(d)(2) of the Bankruptcy Code, this Court has the statutory authority, upon a showing of cause, to prevent the filing of competing plans until twenty months after the Petition Date – which is not until September 15, 2016, more than seven months away. Accordingly, there is no need to schedule a hearing on the Debtors’ disclosure statement in April, as proposed by the Debtors in their Third Exclusivity Motion (at 3, ¶ 4). Even if a hearing on the Debtors’ disclosure statement takes place at the omnibus hearing on May 18, 2016, or June 22, 2016, there will be more than sufficient time for the Debtors to complete their solicitation process by mid-September.

² As this Court recognized when it granted the second extension of the Debtors’ exclusivity period, the Debtors “have to confront *In re Castleton Plaza, L.P.*, 707 F.3d 821, 823-24 (7th Cir. 2013), which holds that an auction of the *new equity* is the only option for market testing.” Transcript of October 21, 2015 hearing, at 7:3-8 (emphasis added). The Debtors are in the process of marketing *assets*. See Third Exclusivity Motion, at 10 (“The Debtors and their advisors actively solicited strategic and financial buyers to bid for the Debtors’ *assets* . . .”) (emphasis added). To the extent the Debtors solicited bids for something other than the “same interest” in reorganized CEOC being offered to CEC, the “new value” exception (if it exists at all) would not apply. *E.g.*, *Bank of America National Trust & Savings Ass’n v. 203 North LaSalle Street Partnership*, 526 U.S. 434, 454 (1999) (plan was “doomed . . . by its provision for vesting equity in the reorganized business in the Debtor’s partners without extending an opportunity to anyone else either to compete for *that equity* or to propose a competing reorganization plan”)(emphasis added).

3. Accordingly, the exclusive periods should be extended by no more than two months at this time, and the Court should postpone any hearing on the Debtors' disclosure statement until after this Court, the mediator and parties in interest have an opportunity to review and evaluate the Examiner's report and any amendment to the Debtors' plan, and to be heard regarding whether any further extension of exclusivity is warranted.

Dated: February 10, 2016
Chicago, Illinois

Respectfully submitted,

/s/Timothy W. Hoffmann

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