

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

In re:)	Chapter 11
)	
CAESARS ENTERTAINMENT OPERATING COMPANY, INC., <i>et al.</i> , ¹)	Case No. 15-01145 (ABG)
)	
Debtors.)	(Jointly Administered)
)	

**PRELIMINARY RESPONSE OF AD HOC COMMITTEE OF FIRST LIEN
BANK LENDERS TO DEBTORS' MOTION FOR THE ENTRY OF AN ORDER
APPROVING APPOINTMENT OF A MEDIATOR TO MEDIATE ISSUES
RELATED TO A CHAPTER 11 PLAN OF REORGANIZATION**

The ad hoc committee (the "Ad Hoc Bank Lender Committee") of beneficial holders, or the investment advisors or managers for certain beneficial holders, of first lien bank debt issued by the Debtors (the "First Lien Bank Lenders"), by and through its undersigned counsel, hereby files this preliminary response to the *Debtors' Motion for the Entry of an Order Approving Appointment of a Mediator to Mediate Issues Related to a Chapter 11 Plan of Reorganization* (Dkt. No. 3195) (the "Mediation Motion"),² and respectfully states as follows:

1. The Debtors believe, for the reasons set forth in the Mediation Motion, that mediation may facilitate an agreement between all major constituencies on a plan of reorganization. The Ad Hoc Bank Lender Committee does not oppose a mediated attempt at concluding these cases by reaching consensus on a plan of reorganization. The Ad Hoc Bank

¹ The last four digits of Caesars Entertainment Operating Company, Inc.'s ("CEOC") tax identification number are 1623. Due to the large number of debtors (the "Debtors") in these chapter 11 cases (these "Chapter 11 Cases"), a complete list of the debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors' claims and noticing agent at <https://cases.primeclerk.com/CEOC>.

² Each capitalized term that is not defined herein shall have the meaning ascribed to such term in the Mediation Motion.

Lender Committee believes that, for the mediation to be truly effective, the mediator should be a current, sitting judge of the U.S. Bankruptcy Court or the U.S. District Court and there should be a real deadline placed upon the length of the mediation process.

2. The Debtors in the Mediation Motion have not proposed a protocol for the mediation, presumably because the parties and the mediator will together negotiate the terms of the mediation. There are a number of issues that would need to be resolved prior to the start of a mediation, however, including which parties will participate, confidentiality issues, and the length of time the mediation should continue. As to the former issues, the Ad Hoc Bank Lender Committee is amenable to inviting to the mediation all of the “relevant key stakeholders” identified in the Mediation Motion (at 5, ¶ 8). To the extent that members of the Ad Hoc Bank Lender Committee are directed or choose to participate in the mediation (other than through counsel and their financial advisors), then the mediation protocol must provide for a means of sharing confidential information with such parties and “cleansing” such confidential information within a reasonable period of time following the conclusion of the mediation.

3. Similarly, in order for the mediation to have the highest likelihood of success, the Ad Hoc Bank Lender Committee believes that the duration of the mediation must be subject to a real deadline or else the delay that has paralyzed the Debtors’ cases to date will continue to the detriment of all parties-in-interest. Indeed, the Ad Hoc Bank Lender Committee believes that any mediation authorized by the Court should not exceed sixty days under any circumstances. The issues to be mediated are not new and the parties to the mediation have been negotiating them endlessly since before the Petition Date, now almost thirteen months ago. Some sense of urgency among the non-RSA parties must exist and a short window to see if a mediator can resolve the differences among the parties makes sense. But, it will not be productive and will not

help any of the parties reach a global resolution for there to be an endless mediation at which the parties spend time talking about the same issues, while the credit markets deteriorate and the Debtors' businesses suffer. Indeed, due to the weakening of the credit markets since the RSAs were signed, the deal outlined in the RSAs may no longer be possible to consummate and, if a deal cannot be struck quickly in the mediation, these cases will need to move in a very different direction with the first lien parties and the Debtors working toward a cram down solution to distribute value in a waterfall fashion.

WHEREFORE, for the reasons set forth above, the Ad Hoc Bank Lender Committee does not object to the Mediation Motion being granted, subject to the conditions set forth in this Response, or to such other relief as this Court may deem just, proper and equitable.

Dated: February 10, 2016
Chicago, Illinois

Respectfully submitted,

/s/ Brian L. Shaw

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