

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

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

NOTICE OF AMENDED PLAN AND CHANGES TO VOTING DEADLINE

I. Important Changes to Voting and Plan Objection Deadline.

As described in more detail below, on October 4, 2016, the Debtors filed their *Third Amended Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code* [Docket No. 5178] (as amended on October 20, 2016 [Docket No. 5325], the "Amended Plan").² In connection with the Amended Plan, the Bankruptcy Court has extended the deadline for creditors to vote to accept or reject the Amended Plan to **November 21, 2016, at 4:00 p.m. prevailing Central Time** (the "Voting Deadline"). In addition, the Bankruptcy Court has extended the deadline for parties to object to the Amended Plan to **November 21, 2016, at 4:00 p.m. prevailing Central Time** (the "Plan Objection Deadline").

If you have already submitted a Ballot and would like to change your vote, you must submit a new Ballot prior to the Voting Deadline.

Any holder of a Claim may obtain, at no charge, a copy of their Ballot or any documents in these chapter 11 cases by (a) accessing Prime Clerk's website at <https://cases.primeclerk.com/CEOC>, (b) writing to Prime Clerk, via first-class or overnight mail, at CEOC Ballot Processing, c/o Prime Clerk LLC, 830 Third Avenue, 3rd Floor, New York, New York 10022, (c) calling Prime Clerk at (855) 842-4123 within the United States or Canada or, outside of the United States or Canada, by calling +1 (646) 795-6969, or (d) e-mailing ceocballots@primeclerk.com.

¹ A complete list of the Debtors and the last four digits of their federal tax identification numbers may be obtained at <https://cases.primeclerk.com/CEOC>.

² Capital terms used but not otherwise defined herein shall have the meanings set forth in the Amended Plan.

II. Background and Events Since Distribution of Solicitation Materials.

On June 28, 2016, the Debtors filed their *Second Amended Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code* [Docket No. 4218] (the “Solicitation Plan”) and related disclosure statement [Docket No. 4220] (the “Disclosure Statement”). On that same date, the United States Bankruptcy Court for the Northern District of Illinois (the “Court”) entered an order approving the Disclosure Statement [Docket No. 4223]. The Debtors subsequently commenced the process of soliciting votes to accept or reject the Solicitation Plan on July 11, 2016, with October 31, 2016, set as the deadline for creditors to vote on the Solicitation Plan.

Subsequent to approval of the Disclosure Statement, the Debtors continued their efforts to negotiate a consensual resolution of their chapter 11 cases with their creditors, including their last major constituency that opposed the Solicitation Plan, the Official Committee of Second Priority Noteholders (the “Noteholder Committee”). During these negotiations, Caesars Interactive Entertainment, Inc.’s (“CIE”), a subsidiary of Caesars Growth Partners, LLC, entered into an agreement to sell its social and mobile gaming business for approximately \$4.4 billion in cash (the “SMG Sale”). See Caesars Acquisition Company, Current Report (Form 8-K) (Aug. 1, 2016). The cash generated by this sale, which closed on September 23, 2016 (Caesars Acquisition Company, Current Report (Form 8-K) (Sept. 26, 2016)), impacted negotiations among the parties.

Ultimately, the Debtors, the Debtors’ ultimate parent company, Caesars Entertainment Corporation (“CEC”), and the Noteholder Committee reached agreement on the economic terms of a potential resolution of the Debtors’ chapter 11 cases. See Caesars Entertainment Corporation, Current Report (Form 8-K) (Sept. 27, 2016). This resolution required additional contributions to the Debtors’ estates from CEC and its private equity sponsors (the “Sponsors”), as well as the Debtors’ first lien bank lenders (the “First Lien Bank Lenders”), first lien noteholders (the “First Lien Noteholders”), and subsidiary-guaranteed noteholders (the “Subsidiary-Guaranteed Noteholders”). Shortly thereafter the Debtors and CEC entered into new or amended restructuring support agreements, dated as of October 4, 2016, with the Noteholder Committee and certain second lien noteholders (the “Second Lien RSA”), the First Lien Bank Lenders, the First Lien Noteholders, and the Subsidiary-Guaranteed Noteholders. See Caesars Entertainment Corporation, Current Report (Form 8-K) (Oct. 5, 2016). Based upon the terms of the Debtors’ and CEC’s restructuring support agreement with the Statutory Unsecured Claimholders Committee (the “UCC”), its constituents are receiving improved recoveries proportionally equal to the recoveries obtained by the Noteholder Committee for second lien noteholders—a result of the UCC’s most-favored nation provision in the restructuring support agreement the UCC agreed to with the Debtors and CEC. In addition, the Debtors have reached agreements with certain holders of their Senior Unsecured Notes at CEOC, including Frederick Barton Danner,³ pursuant to which the Debtors believe that the holders of Senior Unsecured

³ As detailed in the Disclosure Statement, Mr. Danner is the plaintiff in the action pending in the District Court for the Southern District of New York, captioned *Frederick Barton Danner, individually and on behalf of all others similarly situated v. Caesars Entertainment Corp., et al.*, No. 14-cv-7973-JSR. On August 15, 2016, Mr. Danner entered into a

Notes Claims will largely support the Debtors' proposed restructuring. Accordingly, the Debtors believe that these agreements form the basis for a largely consensual plan confirmation process.

The Debtors incorporated the terms of these agreements into the Amended Plan. The notice of the Amended Plan [Docket No. 5325] also included a comparison of the Amended Plan showing the modifications from the Solicitation Plan previously filed with the Court (collectively, the "Plan Modifications").⁴

On October 14, 2016, the Debtors filed a motion pursuant to which the Debtors sought, among other things, entry of an order extending the voting deadline for the Amended Plan [Docket No. 5271] (the "Plan Modifications Motion"). On October 20, 2016, the Court entered an order establishing **November 21, 2016, at 4:00 p.m., prevailing Central Time**, as the new deadline to vote to accept or reject the Amended Plan [Docket No. 5328].

Copies of the Amended Plan, the Plan Modifications Motion, and all other documents filed in the Debtors' chapter 11 cases are available free of charge by visiting <https://cases.primeclerk.com/CEOC> or by calling (855) 842-4123 within the United States or Canada or, outside of the United States or Canada, by calling +1 (646) 795-6969. You may also obtain copies of any pleadings by visiting the Court's website at <http://www.ilnb.uscourts.gov> in accordance with the procedures and fees set forth therein.

III. The Plan Modifications.

The Amended Plan retains the same principal structure as the Solicitation Plan, but now provides for significantly increased value for the Debtors' constituents. This increased value derives primarily from increased contributions from CEC, the Sponsors, and other parties that would be released under the Amended Plan. The Amended Plan reflects these contributions and other consensual modifications necessary to obtain the support of all of the Debtors' major stakeholders. In general, based on the Debtors' valuations, the Amended Plan provides that:⁵

- CEC will contribute a combination of cash, new convertible debt, and equity with a midpoint value of approximately \$5.9 billion;

Settlement and Forbearance Agreement with Caesars Entertainment Operating Company, Inc., on behalf of itself and each of the Debtors, and CEC. See Caesars Entertainment Corporation, Current Report (Form 8-K) (Aug. 17, 2016).

⁴ Capital terms used but not otherwise defined herein shall have the meanings set forth in the Amended Plan.

⁵ The summary provided herein is qualified in its entirety by reference to the Amended Plan. In the event of any inconsistency between this summary and the Amended Plan, the Amended Plan shall control in all respects.

- the Sponsors will directly contribute the 14 percent of equity in “New CEC” (the surviving entity in the planned merger of CEC and Caesars Acquisition Company “CAC”) that they would have received pursuant to the merger agreement between CEC and CAC on account of their current equity ownership in CEC and the Solicitation Plan, which contribution the Debtors value at approximately \$950 million;
- various individuals who will be released under the Amended Plan will contribute directly to the cash recoveries provided therein through the use of proceeds from certain director and officer insurance policies, which negotiations remain ongoing;
- holders of Prepetition Credit Agreement Claims will receive recoveries of approximately 115 percent, a decline of approximately one percent on a pro rata basis (in comparison to the Solicitation Plan) due to an agreed-upon \$66 million reduction in cash distributed under the Amended Plan;
- holders of Secured First Lien Notes Claims will receive recoveries of approximately 109 percent, which remains nearly unchanged from the Solicitation Plan. In exchange for, among other things, a fixed cash payment of \$142 million, the holders of Secured First Lien Notes Claims will waive their right to certain excess cash to be paid pursuant to the Cash Collateral Order [Dkt. 988], resulting in a \$79 million net reduction in cash to the First Lien Notes Claims based on the Debtors’ projections;
- holders of Second Lien Notes Claims will receive recoveries of approximately 65.5 percent, which is an increase of approximately 26.6 percent. The additional consideration consists of \$345 million in cash, a 14.6 percent increase of the fully diluted New CEC Common Equity, and a \$108 million in additional New CEC Convertible Notes;
- holders of Subsidiary-Guaranteed Notes Claims will receive recoveries of approximately 83 percent, a decline of approximately one percent on a pro rata basis (in comparison to the Solicitation Plan) due to a less than 0.1 percent reduction in fully diluted New CEC Common Equity to be distributed under the Amended Plan;
- holders of Senior Unsecured Notes Claims, Undisputed Unsecured Claims, Disputed Unsecured Claims, Convenience Unsecured Claims, and Insurance Covered Unsecured Claims will receive increased recoveries of approximately 65.5 percent. This additional recovery consists of approximately \$34 million in cash, a one percent increase of the fully diluted New CEC Common Equity, and a \$11.1 million increase in New CEC Convertible Notes;
- the “death trap” for certain classes, including for holders of Second Lien Notes Claims, holders of Senior Unsecured Notes Claims, and certain holders of General Unsecured Claims, has been removed;
- \$1.2 billion of proceeds from the SMG Sale will be used to repurchase equity in New CEC from the Debtors’ creditors (with at least \$1 billion used to repurchase equity

from holders of Second Lien Notes Claims, Senior Unsecured Notes Claims, and General Unsecured Claims) and \$500 million of such proceeds will be used to deleverage the “OpCo” entity created under the Amended Plan, reducing the syndication risk under the Solicitation Plan; and

- **BOKF, N.A., Delaware Trust Company, Wilmington Savings Fund Society, FSB, Law Debenture Trust Company of New York, Frederick Barton Danner, the Noteholder Committee and its members, the Petitioning Creditors, the signatories to the Second Lien RSA, and the purchasers in the SMG Sale are now included in the definition of Released Party in the Amended Plan and will be the beneficiaries of the exculpation and release provisions in Article VIII of the Amended Plan.**

The following chart compares certain key recoveries under the Solicitation Plan to recoveries under the Amended Plan:⁶

Comparison of Creditor Recoveries				
Class	Solicitation Plan⁷		Amended Plan	
	Total Recovery (\$ in millions)	Recovery %	Total Recovery (\$ in millions)	Recovery %
Prepetition Credit Agreement Claims	\$6,314	116.4%	\$6,248	115.2%
Secured First Lien Notes Claims	\$7,145	109.4%	\$7,145	109.4%
Second Lien Notes Claims	\$2,151	38.9%	\$3,618	65.5%
Subsidiary-Guaranteed Notes Claims	\$423	84.4%	\$417	83.2%
Senior Unsecured Notes Claims	\$110	45.2%	\$160	65.5%
General Unsecured Claims ⁸	\$159	45.5%	\$229	65.5%

With the exception of two Classes, the Amended Plan either significantly improves or does not change the recoveries contemplated by the Solicitation Plan. And, although the Amended Plan reduces recoveries for Class E Secured First Lien Notes Claims and Class G Subsidiary-Guaranteed Notes Claims by approximately 1.2% in each case, such reductions have

⁶ Recovery figures for First Lien Bank Lenders and First Lien Noteholders exclude adequate protection, forbearance fees and amounts previously projected to be received under excess cash sweep of all Available Cash (as incorporated in the Solicited Plan) remaining on the Effective Date.

⁷ Recoveries in this illustrative chart assume that classes voted to accept the Solicitation Plan.

⁸ Includes recoveries for Undisputed Unsecured Claims, Disputed Unsecured Claims, Convenience Unsecured Claims, and Insurance Covered Unsecured Claims.

been consented to by super-majorities of the holders of such Claims pursuant to amended restructuring support agreements—meaning that these classes are anticipated to vote to accept the Amended Plan.

As a result of these improved recoveries, the Debtors’ prepetition creditors will now own approximately 70 percent of the fully diluted equity in New CEC. This ownership interest is subject to the New CEC Common Equity Buyback (as defined in the Amended Plan), pursuant to which junior creditors will have the opportunity to receive potentially much higher cash recoveries in exchange for their New CEC Common Equity. The New CEC Common Equity Buyback will occur on the Effective Date, at which time New CEC will use at least \$1 billion of proceeds from the SMG Sale to purchase New CEC Common Equity from certain classes of creditors who elect to sell the shares of New CEC Common Equity they would otherwise receive pursuant to the Amended Plan. The following chart illustrates the expected pro forma ownership of New CEC on a fully diluted basis (assuming full participation in the New CEC Common Equity Buyback and giving effect to the issuance of the New CEC Convertible Notes):⁹

Pro Forma Ownership of New CEC						
	Pre-Buyback		Post-Buyback			Total FD Own.
	Fully-Diluted	Pre-Convert	Pre-Convert	Fully Diluted	Convert	
Class D (Prepetition Credit Agreement Claims)	4.010%	4.647%	5.839%	4.753%	-	4.753%
Class E (Secured First Lien Notes Claims)	12.532%	14.524%	18.247%	14.855%	-	14.855%
Class F (Second Lien Notes Claims)	32.022%	37.111%	23.422%	19.068%	14.934%	34.002%
Class G (Subsidiary-Guaranteed Notes Claims)	4.045%	4.688%	5.890%	4.795%	1.940%	6.735%
Class H (Senior Unsecured Notes Claims)	1.414%	1.639%	1.034%	0.842%	0.658%	1.500%
Class I (Undisputed Unsecured Claims)	0.554%	0.642%	0.405%	0.330%	0.230%	0.560%
Class J (Disputed Unsecured Claims)	1.300%	1.507%	0.951%	0.774%	0.540%	1.314%
Class L (Convenience Unsecured Claims)	0.090%	0.104%	0.066%	0.054%	0.037%	0.091%
Class M (Par Recovery Unsecured Claims)	0.502%	0.582%	0.731%	0.595%	0.226%	0.821%
Class N (Winnick Unsecured Claims)	0.005%	0.006%	0.007%	0.006%	0.004%	0.010%
Class O (Caesars Riverboat Casino Unsecured Claims)	0.016%	0.019%	0.023%	0.019%	0.013%	0.032%
Class P (Chester Downs Management Unsecured Claims)	0.012%	0.014%	0.017%	0.014%	0.007%	0.021%
New CEC Convertible Notes	13.714%	-		18.590%	(18.590%)	-
CAC Shareholders	23.768%	27.545%	34.607%	28.174%	-	28.174%
CEC Non-Sponsor Shareholders	6.016%	6.972%	8.759%	7.131%	-	7.131%
Total	100.000%	100.000%	100.000%	100.000%	0.000%	100.000%

⁹ Note that these calculations assume that the entire \$1.2 billion amount is repurchased from the Second Lien Noteholders, Unsecured Noteholders, and General Unsecured Creditors, which amounts instead may be repurchased from the First Lien Bank Lenders, the First Lien Noteholders, and the Subsidiary-Guaranteed Noteholders in certain circumstances.

IV. Plan Confirmation Dates.

Although the Debtors already commenced solicitation on the Solicitation Plan, creditors are still able to vote (or change their vote) to accept or reject the Amended Plan until the extended Voting Deadline of November 21, 2016. See [Docket No. 4272], Ex. 1 ¶ E.(g). In addition, the deadline for filing and serving an objection to the Amended Plan is extended to November 21, 2016, at 4:00 p.m., prevailing Central Time; any such objection need only give the Debtors notice of the nature of the party's objections.

If you have already submitted a Ballot but would like to change your vote prior to the Voting Deadline, you may obtain a new Ballot by (a) accessing Prime Clerk's website at <https://cases.primeclerk.com/CEOC>, (b) writing to Prime Clerk, via first-class or overnight mail, at CEOC Ballot Processing, c/o Prime Clerk LLC, 830 Third Avenue, 3rd Floor, New York, New York 10022, (c) calling Prime Clerk at (855) 842-4123 within the United States or Canada or, outside of the United States or Canada, by calling +1 (646) 795-6969, or (d) e-mailing ceocballots@primeclerk.com.

The following are the major dates in connection with confirmation of the Amended Plan:

- **Plan Objection Deadline**: November 21, 2016, at 4:00 p.m., prevailing Central Time
- **Voting Deadline**: November 21, 2016, at 4:00 p.m., prevailing Central Time
- **Confirmation Hearing**: January 17, 2017, at 10:30 a.m., prevailing Central Time

V. Recommendation.

The Debtors strongly believe that the Amended Plan maximizes the value of their business and litigation assets for all stakeholders. Rather than exposing the Debtors and their stakeholders to the risks of potentially value-destructive litigation with affiliates, the Amended Plan provides for a global settlement of the Debtors' claims and causes of action against CEC, CAC, certain other non-debtor affiliates, the Sponsors, and certain individuals. These parties are all directly or indirectly providing a recovery through contributions to the Debtors' estates, which support significant near-term recoveries (in both quantum and form of consideration) to all of the Debtors' stakeholders. Indeed, the Debtors believe that the unanimous support of their major stakeholder groups, including the First Lien Noteholders, the First Lien Bank Lenders, the Noteholders Committee, the UCC, and the Subsidiary-Guaranteed Noteholders, demonstrates the fact that the Amended Plan maximizes value for all constituents.

Because the proposed Amended Plan maximizes creditor recoveries, meaningfully reduces the Debtors' aggregate debt (by approximately \$10.5 billion), and best positions the Debtors' business for future success, the Debtors encourage you to vote to accept the Amended Plan.

Dated: October 20, 2016
Chicago, Illinois

/s/ David R. Seligman, P.C.

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