**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re: CAESARS ENTERTAINMENT OPERATING COMPANY, INC., *et al.,*[1] Debtors.	Chapter 11 Case No. 15-01145 (ABG)
THE OFFICIAL COMMITTEE OF SECOND PRIORITY NOTEHOLDERS, Plaintiff, v. CAESARS ENTERTAINMENT CORPORATION, Defendant.	Adversary No. 15-00578

NOTICE OF MOTION OF OFFICIAL COMMITTEE OF SECOND PRIORITY NOTEHOLDERS' MOTION FOR PRELIMINARY INJUNCTION

PLEASE TAKE NOTICE that on the 17th day of August, 2015, at 9:30 a.m. (prevailing Central Time) or as soon thereafter as counsel may be heard, the Official Committee of Second Priority Noteholders of Caesars Entertainment Operating Company, Inc., *et al*., shall appear before the Honorable A. Benjamin Goldgar or any other judge who may be sitting in his place and stead, in courtroom 642 in the Everett McKinley Dirksen United States Courthouse, 219 South Dearborn Street, Chicago, Illinois 60604, and present the attached *Official Committee Of Second Priority Noteholders' Motion for Preliminary Injunction*.

[1] A complete list of the Debtors is available at https://cases.primeclerk.com/CEOC.

Dated: August 10, 2015
Chicago, Illinois

Respectfully submitted,

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THE OFFICIAL COMMITTEE OF SECOND PRIORITY NOTEHOLDERS, Plaintiff, v. CAESARS ENTERTAINMENT CORPORATION, Defendant.	Adversary No. 15-00578

**OFFICIAL COMMITTEE OF SECOND PRIORITY
NOTEHOLDERS' MOTION FOR PRELIMINARY INJUNCTION**

The Official Committee of Second Priority Noteholders (the "Noteholder Committee") moves for a preliminary injunction to prohibit, until a trial on the merits of the Complaint, Caesars Entertainment Corporation ("CEC"), the non-debtor parent of debtor Caesars Entertainment Operating Company, Inc. ("CEOC"), from paying or agreeing to pay or provide any consideration to holders of Second Priority Notes in exchange for a vote in favor of a plan of reorganization proposed by CEOC or against any alternative plan.

[1] A complete list of the Debtors is available at https://cases.primeclerk.com/CEOC.

INTRODUCTION

1. On July 20, 2015, CEC and CEOC entered into a "Restructuring Support And Forbearance Agreement" (the "Second RSA")[2] with certain holders of Second Priority Notes, many of whom are reported to be owners of CEC's stock. Mester Decl., Ex. 1.[3] Under the Second RSA, CEC has agreed to make payments to Second Priority Noteholders who become parties to the Second RSA in exchange for the agreement of those holders, among other things: (a) to vote in favor of a Plan that provides a broad release of valuable estate and third-party claims against CEC and its affiliates, and enables CEC to retain ownership and control of CEOC in violation of the absolute priority rule; and (b) not to support or vote for any alternative plan or restructuring of CEOC.

2. The payments to be made by CEC include $200 million in convertible notes to be issued by CEC, misleadingly called the "RSA Forbearance Fees." Those notes will be shared only by the Second Priority Noteholders (the so-called "Forbearance Fee Parties") who execute the Second RSA by a specified date in the near future and not by any other noteholders or creditors. Further, if the class of Second Priority Notes as a whole ultimately votes to reject the Plan, another $200 million in CEC convertible notes and an additional combination of PropCo equity interests, cash payments and consideration valued at more than $89 million that otherwise

[2] Capitalized terms not defined in this Motion have the meanings set forth in the Second RSA, a copy of which is attached as Exhibit 1 to the *Declaration Of Joshua M. Mester In Support Of Official Committee Of Second Priority Noteholders' Motion For Preliminary Injunction* (the "Mester Decl."). However, consistent with past practice, this Motion uses the term "Second Priority Notes" in place of the Second RSA's term "Second Lien Bonds" in reference to the securities held and represented by members of the Noteholder Committee.

[3] Mester Decl., Ex. 10. Notably, the publicly-filed version of the Second RSA neither reveals the names or holdings of the Second Priority Noteholders who have signed the Second RSA nor discloses their ownership of equity in CEC or other positions in the capital structure.

would have been distributed under the Plan to the entire class of Second Priority Notes instead will be delivered to the locked-up Second Priority Noteholders.

3. In other words, CEC proposes to pay up to $500 million to buy the votes of Second Priority Noteholders in support of the Plan. Although the Second RSA recites that the locked-up Second Priority Noteholders are to provide consideration in addition to their ballots (*i.e.*, forbearance of claims against CEC), the substance of the agreement demonstrates the contrary. In particular, the Second RSA authorizes CEOC to reallocate consideration purportedly paid for forbearance to non-forbearing creditors. CEC obviously would not pay hundreds of millions of dollars for a forbearance that is not actually provided. CEC wants votes in favor of the Plan, so that it can be freed of billions of dollars of its own liabilities without having to file a bankruptcy case and thereby wiping out the investment of its shareholders. The Second RSA is designed to lock up those votes.

4. CEC already has induced what it describes as holders "of a significant amount of" Second Priority Notes to execute the Second RSA, and has pledged to continue its illegal vote-buying campaign to "obtain additional support from other CEOC creditors." Mester Decl., Ex. 2. This ongoing effort by a non-debtor insider to buy votes in favor of the Plan threatens irreparable harm not only to the Second Priority Noteholders represented by the Noteholder Committee but to all parties in interest in the bankruptcy cases of CEOC and its subsidiaries (collectively, the "Debtors"), and to the integrity of the bankruptcy process itself.

5. Most acutely, CEC's vote-buying efforts will result in a fatally-flawed solicitation process and cause irreparable harm to all Second Priority Noteholders, including those who will be deprived of hundreds of millions of dollars if they choose not to sign the Second RSA and those who are coerced into signing the Second RSA and then face the prospect of designation of

their votes. More generally, all parties in interest will suffer from the delay and enormous expense that will result if CEC taints the plan confirmation process through bribery and coercion.

6. Time is of the essence. The Second RSA is not currently effective. In order to become effective, it must be accepted by more than 50% of Second Priority Noteholders by August 19, 2015 (a deadline that CEC can extend by thirty days). CEC currently is scrambling to sign up additional Second Priority Noteholders to the Second RSA before that deadline.

7. Accordingly, the Noteholder Committee requests that the Court preliminarily enjoin CEC, until a trial on the merits of the Complaint, from paying or agreeing to pay or provide any consideration to Second Priority Noteholders in exchange for a vote in favor of a plan of reorganization proposed by CEOC or against any alternative plan that may be proposed, whether pursuant to the Second RSA or an alternative agreement.

FACTUAL BACKGROUND

8. The Court is familiar with these bankruptcy cases. Accordingly, this factual background focuses on facts that are relevant to the injunctive relief sought in the Motion.

A. CEC's Prior Efforts to Buy Votes.

9. The Second RSA is not the first attempt by CEC to buy the votes of CEOC creditors. On December 19, 2014, prior to the commencement of the bankruptcy cases, CEOC and CEC entered into a Restructuring Support Agreement with certain First Lien Bondholders (the "First RSA"). Mester Decl., Ex. 3. Under the original version of the First RSA, attached to an SEC filing dated December 22, 2014, *all* holders of First Lien Bonds were to receive a *pro rata* distribution from CEOC *under a plan of reorganization* of, among other consideration, $413 million in cash. Mester Decl., Ex. 4 at Ex. B. First Lien Bondholders who signed the First RSA were required to vote in favor of a plan of reorganization that was to provide sweeping

releases of CEC and its affiliates, while enabling CEC to retain ownership and control of CEOC. *Id.* § 2(a).

10. In order for the agreement to become effective, holders of at least 60% of the outstanding First Lien Bonds needed to execute the First RSA by January 5, 2015. *Id.* § 15. Falling short of that hurdle, the First RSA did not become effective by that date. Having failed to sell the proposed plan on its merits, CEC then commenced illicit vote-buying and coercion efforts, announcing on January 5, 2015, that the First RSA would be revised to *reduce* the cash consideration paid to *all* First Lien Bondholders by $206 million and, instead, to provide for CEC to pay that $206 million, as a "forbearance fee," directly and *only* to those holders who executed the First RSA and agreed to vote in favor of the Plan. Mester Decl., Ex. 5. CEC thus proposed to pay First Lien Bondholders to vote for the Plan, and tried to coerce and induce those holders to sign the First RSA by reallocating $206 million that previously was to be paid *pro rata* among *all* First Lien Bondholders.[4]

11. CEC did not stop there. On January 12, 2015, CEC and CEOC announced that they would seek "consents" of the First Lien Banks – a different constituency holding approximately $5.4 billion in debt – to the First RSA. Mester Decl., Ex. 6. CEC promised to pay a $150 million "consent fee" directly to those holders of First Lien Bank Debt who approved the First RSA on or before January 14, 2015. *Id.* That fee was not to be shared with other holders of First Lien Bank Debt. The purpose of the fee was, once again, to coerce and induce creditors to vote in favor of the Plan contemplated under the First RSA.[5]

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[4] CEC apparently has not yet paid that fee, which is payable, among other things, upon entry of an order approving a disclosure statement in respect of the Plan. Mester Decl., Ex. 5 at page 11 of Ex. B.

[5] In response to CEC's efforts to buy the votes of First Lien Banks, certain holders of First Lien Bank Debt filed a lawsuit seeking to enjoin CEC and CEOC from further solicitation

12. Also on January 12, 2015, an involuntary petition was filed against CEOC. CEOC and the Debtors filed voluntary bankruptcy petitions shortly thereafter. Notwithstanding the commencement of those cases, however, CEOC and CEC continued to press ahead with the First RSA. On March 2, 2015, the Debtors filed an unsigned draft plan of reorganization, apparently in an effort to comply with a "milestone" established under the First RSA. (ECF No. 555) Then, having failed to meet other milestones under the agreement, CEC and CEOC executed an amended First RSA, dated as of August 1, 2015, that keeps First Lien Bondholders on the hook and extends various milestones into the middle of 2016.[6] Mester Decl., Ex. 9.

B. The Second RSA.

13. On July 20, 2015, CEC announced that it had "entered into a restructuring agreement with holders of a significant amount of CEOC's second-lien notes" and that it is "continuing to work to obtain additional support from other CEOC creditors." Mester Decl., Ex. 2. The next day, CEC filed a Form 8-K disclosing a summary of the terms and conditions of the Second RSA and including a purported "Execution Version" thereof. *Id*.

14. The Second RSA is not currently effective. In order to become effective, it must be accepted by more than 50% of holders of Second Priority Notes by August 19, 2015, a deadline that can be extended unilaterally by CEC for 30 days. Second RSA § 15.

15. If the agreement becomes effective, the "Forbearance Fee Parties" (those Second Priority Noteholders who execute the agreement by the later of August 29 or the agreement effective date), but not any other Second Priority Noteholders or other creditors, become entitled

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efforts. Mester Decl., Ex. 7. In response, CEOC and CEC agreed to discontinue the solicitation and represented that they would not extend the deadline for such consents to be given. The lawsuit was then dismissed without prejudice. Mester Decl., Ex. 8.

[6] The Noteholder Committee reserves all rights with respect to CEC's vote-buying efforts and improper solicitation of creditors other than Second Priority Noteholders, including the right to seek designation of votes cast by creditors who have signed or do sign the First RSA.

to receive directly from CEC the "RSA Forbearance Fees," consisting of $200 million principal amount of CEC convertible notes. *Id.*, Ex. A at 1. Further, if the class of Second Priority Notes as a whole votes to reject the Plan, the following additional consideration that would otherwise be distributed under the Plan to the entire class of the Second Priority Notes instead will be diverted and distributed solely to the Forbearance Fee Parties: (a) the Class Convertible Notes (an additional $200 million in convertible notes); and (b) the Class Acceptance Payment (4.9% of PropCo equity, or cash payments, with a Plan value of approximately $89 million, and 50% of the recovery of Caesars Acquisition Company ("CAC") under the Plan on account of its holdings of unsecured CEOC notes). *Id.*

16. In return for those payments, the Forbearance Fee Parties (and any other Second Priority Noteholders who later execute the agreement) are required, among other things, (a) to vote their claims as holders of Second Priority Notes in favor of the Plan, *id.* § 2(a)(iii); (b) to consent to the actions contemplated by the Second RSA and the Plan, *id.* § 2(a)(ii); (c) not to support or vote for any alternative or competing plan of reorganization, *id.* § 2(b)(i); and (d) to forbear from exercising default-related rights, including claims on CEC's guarantee of the Second Priority Notes, *id.* § 3(a). The obligation to vote in favor of the Plan, and to refrain from voting for any alternative or competing plan, extends until July 15, 2016, unless the agreement is terminated earlier, and cannot be revoked absent agreement by Second Priority Noteholders holding more than two-thirds of the aggregate amount of all Second Priority Notes locked up under the agreement. *Id.* §§ 1(a), 8(e). The failure to "vote in favor of the Plan" or refrain from voting in favor of an alternative plan purportedly entitles CEC to seek "specific performance and injunctive or other equitable relief . . . including, without limitation, an order of the Bankruptcy

Court . . . requiring any Party to comply promptly with any of its obligations under the RSA." *Id.* § 23.

ARGUMENT

17. The standard for a preliminary injunction is well settled. *In re Northlake Bldg. Partners*, 41 B.R. 231, 233 (Bankr. N.D. Ill. 1984). To obtain preliminary injunctive relief, the moving party must demonstrate that: "(1) it has at least a reasonable likelihood of success on the merits, (2) it has no adequate remedy at law and will otherwise be irreparably harmed, (3) the threatened injury to it outweighs the threatened harm the preliminary injunction may cause the Respondent, and (4) the granting of the preliminary injunction will not disserve the public interest." *Id.*; s*ee also In re Stirneman*, 421 B.R. 467, 473 (Bankr. N.D. Ill. 2009); *In re Franklin Arms Court, L.P.*, No. 03 A 00147, 2003 WL 1883472, *8 (Bankr. N.D. Ill. Apr. 10, 2003).

18. The first factor requires a minimum threshold showing that the prospect of success is "better than negligible." *In re Leber*, 134 B.R. 911, 917 (Bankr. N.D. Ill. 1991) (citing *Brunswick Corp. v. Jones*, 784 F.2d 271, 275 (7th Cir. 1986)). Once that threshold is met, a "sliding-scale" is applied, so that the greater the odds of success on the merits, the less heavily the other factors need weigh in the movant's favor. *Id.*; *Franklin Arms*, 2003 WL 1883472 at *8.

A. CEC's Attempt To Purchase Votes Violates the Bankruptcy Code.

19. Section 1129(a)(3) of the Bankruptcy Code mandates that a plan of reorganization be "proposed in good faith and not by any means forbidden by law." 11 U.S.C. § 1129(a)(3). That duty of good faith extends to the solicitation and voting process, as specifically reflected in section 1126(e) of the Code, which provides that "the court may designate any entity whose acceptance or rejection of such plan . . . was not . . . procured in good faith or in accordance with the provisions of this title." 11 U.S.C. § 1126(e).

20. Where a non-debtor insider makes payments to creditors in exchange for an agreement to vote in favor of a plan of reorganization, the plan violates section 1129(a)(3) and votes cast by creditors who received payment are deemed to have been procured in bad faith in violation of section 1126(e). *E.g.*, *In re Quigley Company, Inc.*, 437 B.R. 102, 131-32 (Bankr. S.D.N.Y. 2010); *In re Featherworks Corp.*, 25 B.R. 634, 640-41 (Bankr. E.D.N.Y. 1982) (violation of section 1126(e)), *aff'd*, 36 B.R. 460 (E.D.N.Y. 1984); *In re Wiston XXIV, Ltd. P'ship*, 153 B.R. 322, 326 (Bankr. D. Kan. 1993) (violation of section 1126(e)).

21. In *Quigley*, for example, the court designated votes under section 1126(e) and denied confirmation under section 1129(a)(3) after finding that the debtor's non-debtor parent (Pfizer) "wrongfully manipulated the voting process to assure confirmation of the [debtor's] plan, and thereby gain the benefit of the channeling injunction for itself." *Quigley*, 437 B.R. at 126. Specifically, Pfizer had executed settlement agreements under which it paid cash directly to certain creditors of the debtor outside of and separate from the debtor's proposed plan. *Id.* at 131. Some of the settlement payments were contingent on confirmation of a plan that included a channeling injunction in Pfizer's favor. *Id*. at 113. "In a nutshell, Pfizer bought enough votes to assure that any plan would be accepted." *Id*. at 127.

22. In concluding that Pfizer's vote-purchasing scheme constituted bad faith under section 1126(e), the court held that, as a general rule, "[a] plan based on a lockup agreement that secures an advantage for insiders at the expense of the creditors is not one proposed in good faith." *Id.* at 131 (noting Pfizer's strategy to ensure plan would free it from liability on creditors' asbestos claims). Pfizer's agreements were particularly objectionable because they promised direct payment to select members of a class of creditors, as opposed to ratable payment by the debtor under a plan to an entire class. *Id*. Thus, the plan was proposed in bad faith "since it was

designed to achieve acceptance through a tainted vote," *id*. at 129, and ballots cast by creditors who had signed settlement agreements had been procured in bad faith because Pfizer "bought votes for the purpose of obtaining the benefit of the channeling injunction." *Id*. at 132.

23. Similarly, in *Featherworks*, the court held that the ballot of a creditor who had been paid $25,000 by a plan funder to change its vote was not "solicited, procured, or given in good faith" and "will not be allowed." *Featherworks*, 437 B.R. at 641. In so ruling, the court observed that 18 U.S.C. § 152, which makes it a criminal offense to fraudulently and willfully give or receive money for taking or forbearing to take any act in connection with a bankruptcy case, was "[r]elevant to giving content" to section 1126(e). *Id*. Moreover, "the Code depends upon the self-interest of the creditors to act as a barrier against abuse of the bankruptcy laws. If a majority in number and amount of all creditors vote for a plan, there is good reason to believe that that plan is in the best interest of all creditors, since it would not receive such a vote otherwise. However, if any creditor receives some special consideration peculiar to him, his vote is no longer disinterested and unbiased and the Code's built-in controls are neutralized." *Id*.

24. Likewise, in *Wiston*, a secured creditor promised a lessor who held a blocking vote in the unsecured creditor class that, in exchange for the lessor's vote against the debtor's plan, the secured creditor would not attempt to recover $80,000 of improperly transferred cash collateral and would pay the lessor an additional $105,000 in exchange for the lessor's release of a claim to certain property. Finding that it was conceivable the lessor would have voted in favor of the plan but for the secured creditor's inducements, the court designated the lessor's vote, holding that it was procured in bad faith. *Wiston*, 153 B.R. at 326.

25. CEC's effort to buy votes pursuant to the Second RSA is at least as objectionable as the efforts that led to denial of confirmation and designation of votes in *Quigley*,

Featherworks and *Wiston*. Under the Second RSA, a non-debtor insider (CEC) who controls the debtor (CEOC) has agreed to pay hundreds of millions of dollars directly to creditors who agree to vote in favor of a plan that provides the insider with continuing ownership and control of the debtor and releases of billions of dollars of liabilities (in the form of estate claims and claims of third parties). Further, in an effort to coerce creditors to sign the Second RSA and vote in favor of that plan, the insider caused the debtor to place a "death trap" in the plan by providing for additional hundreds of millions of dollars (the Class Acceptance Payment, the Class Convertible Notes, and half of CAC's distribution on account of its unsecured notes) to be funneled away from the class of Second Priority Notes, and directed to the locked-up Second Priority Noteholders, if the class ultimately votes to reject the plan. As in *Quigley*, CEC is attempting to "wrongfully manipulate[] the voting process to assure confirmation of the [debtor's] plan, and thereby gain the benefit of the channeling injunction [*i.e.,* releases] for itself." *Quigley*, 437 B.R. at 126.

26. In fact, in the Second RSA itself CEOC tacitly acknowledges that CEC's payments to some but not all Second Priority Noteholders would violate the Bankruptcy Code. Specifically, the Second RSA provides CEOC the right to amend the Plan, without the consent of either CEC or the locked-up Second Priority Noteholders, in the event that the CEOC "Governance Committee determines, in its business judgment, that in order for the Plan to be confirmed by the Bankruptcy Court it must direct CEC to contribute the Class Convertible Notes to [CEOC] for *pro rata* distribution under the Plan to the applicable class or classes of holders of Second Lien Bond Claims and/or Unsecured Debt . . . " Second RSA § 14(c). The Second RSA further provides that CEOC has the right to direct CEC to contribute *all* of the consideration under the Second RSA (the Class Convertible Notes, the Class Acceptance Payment and the

RSA Forbearance Fees) to CEOC for distribution to the entire class of Second Priority Notes if more than two-thirds of Second Priority Noteholders execute the agreement and the Governance Committee determines that it must exercise this right. *Id.* § 14(b).

27. These provisions may be designed to mitigate the illegal nature of CEC's attempt to buy votes, but they fail to do so. For one thing, they are subject to the whim of the "Governance Committee" of an entity that CEC controls and, in the case of the Class Acceptance Payment and the RSA Forbearance Fees, subject to the utterly-unrealistic requirement that two-thirds or more of the Second Priority Noteholders execute and agree to be bound by the Second RSA. More basically, the mere prospect that consideration now reserved for locked-up Second Priority Noteholders might someday be reallocated to the entire class of Second Priority Noteholders does nothing to lessen the coercive nature of the Second RSA, which threatens to withhold that consideration to all Second Priority Noteholders who do not sign the agreement now.

28. CEC undoubtedly will argue that it is not attempting to buy votes of Second Priority Noteholders but instead is merely paying for their forbearance in exercising rights and remedies in respect of CEC's guarantee of the Second Priority Notes – hence, the euphemistically-named "RSA Forbearance Fees." The Second RSA plainly rebuts any such argument. If CEC only desired a forbearance and a stay of litigation against it, it could have drafted a short forbearance agreement that did not dictate the terms of a plan or require forbearing creditors to vote in favor of it. That, of course, is not how the Second RSA operates.

29. To the contrary, the Second RSA sets forth a comprehensive framework for a CEOC plan and obligates all locked-up Second Priority Noteholders to commit to voting in favor of that plan as a condition to receiving their "forbearance fee." Moreover, because CEOC has

the right to reallocate some or all of the consideration to be paid under the Second RSA to creditors who do not agree to forbear from exercising their rights against CEC, it is clear that the overarching purpose of the Second RSA is the purchase of votes, not forbearance.

30. There is no question that at least a portion of the special consideration provided by CEC to the locked-up Second Priority Noteholders is payment for their votes in favor of the plan. That is all that is required to render the Plan unconfirmable and result in designation of ballots cast by creditors who receive payment from CEC. *See, e.g.*, *Wiston*, 153 B.R. at 326 (designating vote even where creditor waived rights to certain equipment in addition to agreeing to vote against the plan); *Featherworks*, 25 B.R. at 640-41 (even where creditor "stoutly maintain[ed] that the change in its vote was not influenced by the contemporaneous receipt of the $25,000" payment for account receivables and general releases, refusing to permit amendment to ballot because "the timing and the surrounding circumstances are at least suspect").

31. Thus, given the policies articulated in *Quigley*, *Featherworks* and *Wiston*, not to mention the criminal prohibition of 18 U.S.C. § 152, CEC's attempt to buy the votes of Second Priority Noteholders threatens the entire solicitation process and risks future designation of votes cast by Second Priority Noteholders who sign the Second RSA. Injunctive relief is appropriate to prevent that harm. *E.g.*, *In re Mirant*, 334 B.R. 787, 793 (Bankr. N.D. Tex. 2005); *In re Gulph Woods*, 83 B.R. 339, 344 (Bankr. E.D. Pa. 1988).

32. Accordingly, the Noteholder Committee's prospect of injunctive relief to prevent and stop CEC's ongoing and threatened violation of the Bankruptcy Code, including sections 1126(e) and 1129(a)(3), is strong and certainly "better than negligible."

B. An Injunction Is Necessary To Prevent Irreversible Harm To The Voting Process And Irreparable Injury To Second Priority Noteholders.

33. In the absence of an injunction, all stakeholders in these cases risk irreparable harm. Second Priority Noteholders face the prospect that their votes on the Plan may be designated and disqualified, and all stakeholders face the prospect that the Debtors' effort to confirm a Plan tainted by CEC's illegal vote-buying campaign will be found to violate section 1129(a)(3) of the Bankruptcy Code, resulting in untold delay, expense and, ultimately, reduced recoveries for creditors.

34. This is irreparable harm justifying an injunction. In *Mirant*, for example, the court granted a preliminary injunction to prevent a creditor seeking rejection of a plan from transmitting solicitation materials that were found to be misleading. Regarding irreparable harm, the court held that, were the creditor permitted to solicit rejection using false and misleading information, and if the plan were ultimately rejected, "the entire voting process would be fatally flawed." *Mirant*, 334 B.R. at 799. As a result, an injunction against such solicitation was "necessary to avert irreparable harm." *Id*.

35. Here again, the Second RSA proves the point. CEC and other parties to the agreement have "understood" and "agreed" that "money damages would be an insufficient remedy for any breach of this Agreement" and that "each non-breaching Party shall be entitled to specific performance and injunctive or other relief as a remedy of any such breach." Second RSA § 23. The same principles apply to the Noteholder Committee's request here, which seeks to prevent precisely the activity that would otherwise be compelled by the Second RSA.

C. The Balance of Harms Favors Granting the Injunction.

36. In contrast, CEC will suffer no harm from an injunction. If the Court grants the Motion, CEC will not be able to pay Second Priority Noteholders to support its Plan. CEC and

CEOC, however, can move forward in the manner expressly contemplated by Section 14 of the Second RSA, *i.e.,* by amending the Second RSA to provide for the RSA Forbearance Fees, the Class Acceptance Payment and the Class Convertible Notes to be delivered to CEOC for *pro rata* distribution under the Plan, and then soliciting support for the Plan (and opposition to any alternative plan) pursuant to an approved disclosure statement and based on the merits of the Plan. If the Plan proposed by CEC and CEOC is truly in the best interest of Second Priority Noteholders, those creditors will support the Plan. There is no harm to CEC or anyone else from a prohibition on illicit attempts to purchase votes or unduly influence the solicitation process.

D. The Public Interest Favors An Injunction.

37. Finally, the public interest clearly favors a preliminary injunction to prevent CEC from engaging in unlawful vote buying. In the bankruptcy context, the public interest is served by carrying out the policies underlying the Bankruptcy Code. *Mirant*, 334 B.R. at 800 (where "the integrity of the bankruptcy process is at stake, the public interest is better served by the court exercising some control over [the creditor]'s speech to ensure that misleading or false information is not provided to shareholders").

38. The public interest is even more acute here given that unlawful purchasing of votes is at issue, conduct that at least one court has likened to criminal activity under 18 U.S.C. § 152. *Featherworks*, 25 B.R. at 641.

CONCLUSION

For the above stated reasons, the Noteholder Committee respectfully requests that the Court immediately issue a preliminary injunction enjoining CEC, until a trial on the merits, from paying or agreeing to pay or provide any consideration to Second Priority Noteholders in exchange for a vote in favor of a plan of reorganization proposed by CEOC or against any

alternative plan, whether pursuant to the Second RSA or otherwise, and grant such additional other relief as is just and proper.

Dated: August 10, 2015
Chicago, Illinois

Respectfully submitted,

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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re: CAESARS ENTERTAINMENT OPERATING COMPANY, INC., *et al.*[1] Debtors.	Chapter 11 Case No. 15-01145 (ABG)
THE OFFICIAL COMMITTEE OF SECOND PRIORITY NOTEHOLDERS, Plaintiff, v. CAESARS ENTERTAINMENT CORPORATION, Defendant.	Adversary No. 15-00578

ORDER GRANTING MOTION OF OFFICIAL COMMITTEE OF SECOND PRIORITY NOTEHOLDERS' MOTION FOR PRELIMINARY INJUNCTION

Upon consideration of *the Official Committee Of Second Priority Noteholders' Motion For Preliminary Injunction* (the "Motion"); after notice and a hearing was held on the Motion; for the reasons stated on the record at the close of the hearing on the Motion; it is hereby ORDERED that:

1. The Plaintiff's Motion is GRANTED.

2. Until further order of the Court, CEC is enjoined from paying or agreeing to pay or provide any consideration to Second Priority Noteholders in exchange for a vote in favor of a plan of reorganization proposed by CEOC, or against any alternative plan, whether pursuant to the Second RSA or otherwise

[1] A complete list of the Debtors is available at https://cases.primeclerk.com/CEOC.

Dated: August _____, 2015
Chicago, Illinois

____
The Honorable A. Benjamin Goldgar