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

In re:	)	Chapter 11
	)	
CAESARS ENTERTAINMENT OPERATING COMPANY, INC., et al.,	)	Case No. 15-01145 (ABG)
	)	
Debtors.	)	Hon. A. Benjamin Goldgar
	)	**Hearing Date: September 28, 2015**
	)	**Hearing Time: 1:30 p.m. CDT**

NOTICE OF MOTION

PLEASE TAKE NOTICE that on **September 28, 2015, at 1:30 p.m. (prevailing Central Time)**, or as soon thereafter as counsel may be heard, I shall appear before the Honorable A. Benjamin Goldgar, Bankruptcy Judge, in the Ceremonial Courtroom (Room 2525) of the U.S. Courthouse, 219 South Dearborn Street, Chicago, Illinois, or in his absence, before such other Judge who may be sitting in his place and stead and hearing bankruptcy motions, and shall then and there present the **Motion of the 10.75% Notes Trustee for Entry of An Order Granting Standing and Authority to Commence, Prosecute, and Settle Certain Causes of Action** (the "Motion").

PLEASE TAKE FURTHER NOTICE that any objection to the Motion must be filed with the Court by **September 21, 2015, at 4:00 p.m. (prevailing Central Time)** and served in accordance with the applicable Case Management Procedures, as amended [Docket Nos. 1165 & 1911].

Respectfully submitted,

NOVACK AND MACEY LLP

By: /s/ Julie Johnston-Ahlen
Eric N. Macey (IL # 3122684)
Stephen J. Siegel (IL # 6209054)
Julie Johnston-Ahlen (IL # 6277736)
100 North Riverside Plaza
Chicago, IL 60606
Telephone: (312) 419-6900
Facsimile: (312) 419-6928

-and-

J. Christopher Shore (*admitted pro hac vice*)
Harrison L. Denman *(pro hac pending)*
White & Case LLP
1155 Avenue of the Americas
New York, NY 10036
Telephone: (212) 819-8200
Facsimile: (212) 354-8113

-and-

Thomas E Lauria (*admitted pro hac vice*)
Jason Zakia (IL # 6270866)
White & Case LLP
Southeast Financial Center, Suite 4900
200 South Biscayne Blvd.
Miami, FL 33131
Telephone: (305) 371-2700
Facsimile: (305) 358-5744

-and-

Seth H. Lieberman (*admitted pro hac vice*)
Patrick Sibley (*admitted pro hac vice*)
Pryor Cashman LLP
7 Times Square
New York, NY 10036
Telephone: (212) 421-4100
Facsimile: (212) 326-0806

Attorneys for Wilmington Trust, National Association, as successor Indenture Trustee

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In re:	)	Chapter 11
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CAESARS ENTERTAINMENT OPERATING COMPANY, INC., *et al.*,[1]	)	Case No. 15-01145 (ABG)
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Debtors.	)	Hon. A. Benjamin Goldgar
	)	

MOTION OF THE 10.75% NOTES TRUSTEE FOR ENTRY OF AN ORDER GRANTING STANDING AND AUTHORITY TO COMMENCE, PROSECUTE, AND SETTLE CERTAIN CAUSES OF ACTION

Wilmington Trust, National Association, as Successor Indenture Trustee (the "10.75% Notes Trustee") for the 10.75% Senior Unsecured Notes (the "10.75% Notes") issued by Caesars Entertainment Operating Company, Inc. ("CEOC," and, together with its affiliated debtors, the "Debtors"), and guaranteed by 137 wholly-owned domestic Debtor subsidiaries of CEOC (the "Subsidiary Guarantors") under that certain indenture dated February 1, 2008 (the "10.75% Notes Indenture"), by and through its undersigned counsel, brings this motion (the "Motion") for entry of an order granting it standing and authority on behalf of 137 Subsidiary Guarantors to commence, prosecute, and settle certain causes of action seeking declaratory judgment unwinding the Subject Stipulations (as defined below) concerning certain claims made by the First Lien Credit Parties[2] and the First Lien Noteholder Parties (collectively, the "First Lien

[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] Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the *Final Order (I) Authorizing Use Of Cash Collateral, (II) Granting Adequate Protection, (III) Modifying The Automatic Stay To Permit Implementation, And (IV) Granting Related Relief* [Dkt. No. 988] (the "Final CCO"). Contemporaneously herewith, the 10.75% Notes Trustee has filed the Declaration of Harrison Denman in Support of the Motion (the "Denman Decl."). A

Claims") asserted against each Subsidiary Guarantor, and objecting to such claims, as addressed in the proposed complaint attached hereto as Exhibit B (the "Proposed Complaint"). In support of the Motion, the 10.75% Notes Trustee respectfully represents as follows:

PRELIMINARY STATEMENT

1. To date, substantially all of the legal skirmishing in these consolidated Chapter 11 Cases has taken place in the case of CEOC, the parent holding company of the Debtors. Despite CEOC having \$17.5 billion in scheduled secured prepetition bank and bond debt and another \$1 billion in scheduled unsecured bond debt, CEOC actually owns few assets, consisting mostly of encumbered cash, residual equity interests in its subsidiaries, and unliquidated litigation claims against affiliates and insiders.

2. The physical assets of the Caesars enterprise—the casinos, their contents, and the land underneath them—are largely owned by the Subsidiary Guarantors. Those estates have only two main groups of prepetition creditors: (i) holders of approximately \$52 million in trade debt against various estates and (ii) holders of \$502 million of outstanding principal and accrued interest of 10.75% Notes. The noteholders' claims arise from express guarantees, given by each of the Subsidiary Guarantors in connection with the Debtors' 2008 leveraged buyout ("LBO"), which assure the prompt payment in full of all amounts due and owing on 10.75% Notes.

3. Although the Subsidiary Guarantors have few prepetition creditors, other lenders did hold prepetition security interests in certain of the Subsidiary Guarantors' assets. As part of CEOC's financial machinations leading up to the filing of these Chapter 11 Cases, the Subsidiary Guarantors were compelled to pledge certain of their operating assets to the First Lien Credit Parties and the First Lien Noteholder Parties (together, the "First Lien Parties") as a means of allowing CEOC to incur more debt and/or avoid defaults on its own existing debt. As explained

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full list of Subsidiary Guarantors is attached to the Denman Decl. as Ex. 1.

below, to comply with key covenants in certain of CEOC's other indentures and avoid triggering defaults, the Subsidiary Guarantors were not able to undertake any direct debt obligation to the secured parties. Rather, the Subsidiary Guarantors and the First Lien Parties committed that "no recourse shall be had, whether by levy or execution, or under any law . . . for the payment of any of [CEOC's] Obligations, against any [Subsidiary Guarantor] or any of the assets of any [Subsidiary Guarantor], other than the Collateral, it being expressly understood that the sole remedies available to the Agent and the Secured Parties pursuant to this Agreement with respect to the Obligations shall be against the Collateral." Amended and Restated Collateral Agreement, dated as of January 28, 2008 (the "First Lien Security Agreement") § 7.18 (Denman Decl. Ex. 10). As of the filing of the Subsidiary Guarantors' Chapter 11 Cases, that "Collateral" (as defined below) consisted largely of the physical plants of the casinos, the personalty located in those casinos, and the underlying real estate. Importantly, the liens do not extend to cash in unpledged accounts of the Subsidiary Guarantors, cage cash, or any gaming assets, all of which in the aggregate appear sufficient to pay subsidiary unsecured creditors in full. This Motion seeks to protect these subsidiary unsecured recoveries from overreaching by their parent and its First Lien Parties.

4. As part of the first and second day relief in these Chapter 11 Cases, each of the subsidiary Debtors agreed to a cash collateral order which establishes the terms for such Debtors' use of "Collateral" and "Cash Collateral." Included in those orders are traditional stipulations by CEOC (the actual borrower of secured debt) as to the validity, priority, and extent of the claims of the First Lien Parties and a challenge period for parties-in-interest to contest those stipulations. Quite out of the ordinary, however, are a series of paragraphs in the Final CCO (the

"Subject Stipulations")[3] in which each Subsidiary Guarantor stipulated to having allowed secured claims in favor of the First Lien Parties for the full amount of CEOC's $11.6 billion First Lien Obligations (as defined below), even though those estates never agreed to incur any debt claims against them, much less all of CEOC's first lien debt. The Subject Stipulations, if recognized, would create billions of dollars of claims at the Subsidiary Guarantors that simply did not exist prepetition and would have the practical effect of diluting subsidiary unsecured recoveries to near zero. The Court should not permit that result for at least three reasons.

5. First, as discussed at length in the companion objections filed contemporaneously herewith to the proofs of claim filed by the First Lien Credit Agent and the First Lien Notes Indenture Trustee (the "Claim Objections"),[4] the terms of the relevant pledge agreement make clear that the First Lien Parties agreed to waive any recovery from a Subsidiary Guarantor "under any law" "other than the Collateral." Whether that particular language is viewed as a waiver of section 1111(b)(1) rights or as a voluntary cap on deficiency claims under state law, or both, the effect is the same: The First Lien Parties committed to having no right to payment from the Subsidiary Guarantors except from the Collateral, and the Court should enforce that prepetition bargain.

6. Second, in the absence of a valid section 1111(b)(2) election by the First Lien Parties (and it would be highly unusual if one were made here), their secured claims at each estate must be limited to the value of the Collateral at each estate as of the petition date. That is

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[3] A list of the Subject Stipulations is attached hereto as Exhibit A.

[4] See *10.75% Notes Trustee Objection To Proof Of Claim No. 2797 Filed By The Agent For The First Lien Credit Parties* and *10.75% Notes Trustee Objection To Proof Of Claim No. 4822 Filed By The Indenture Trustee For The First Lien Noteholder Parties*, filed contemporaneously herewith. While the Claim Objections seek the same bottom line relief—a substantial reduction in the amount of the First Lien Claims at each Subsidiary Guarantor estate—standing in the shoes of the Subsidiary Guarantors will provide additional benefits to the movant that inure solely to the Subsidiary Guarantors, such as state law privileges.

exactly what section 506(a) of the Bankruptcy Code provides, and it was improper for the Subsidiary Guarantors to have stipulated to a single quantum of $11.6 billion in secured claims at each of their estates. As a result, the precise amount of the secured claims at each subsidiary estate will have to be established by the First Lien Parties when litigating the Claim Objections.

7. Third, as noted, the First Lien Parties expressly agreed prepetition that they would have no direct recourse against any of the Subsidiary Guarantors to recover on CEOC's debts. While section 1111(b)(1) of the Bankruptcy Code can operate to create a "claim" notwithstanding the contrary prepetition contractual commitment, section 1111(b) claims are not inviolate. To the extent, for example, that a Subsidiary Guarantor confirmed a plan of reorganization that distributed all of its Collateral to the First Lien Parties, the latter would have no section 1111(b)(1) "claims" at all by virtue of section 1111(b)(1)(A)(ii) of the Bankruptcy Code. As such, any claims allowance at the Subsidiary Guarantors must be expressly subject to disallowance at a later date depending on future restructuring events. Indeed, it is hard to conceive why a Subsidiary Guarantor would ever adopt a plan structure that created billions of dollars of new debt claims when a simple section 363 plan would preserve a pool of substantial assets which could be used to pay existing prepetition creditors in full.

8. In sum, the Subsidiary Guarantors have stipulated to First Lien Claims substantially in excess of what the law provides. By this Motion, the 10.75% Notes Trustee seeks standing on behalf of each of the Subsidiary Guarantors to file the Proposed Complaint seeking to unwind the Subject Stipulations and object to the allowance of such claims in excess of the First Lien Parties' legal entitlements.[5]

[5] The 10.75% Notes Trustee is a party to the Intercreditor Agreement dated January 28, 2008 (the "Guarantor Intercreditor Agreement") that prevents it from challenging the "validity, perfection, priority or enforceability of the Credit Agreement" or "Liens in the Collateral granted to the Agent pursuant to the Credit Agreement or the other Loan Documents." Guarantor Intercreditor

JURISDICTION & VENUE

9. This Court has jurisdiction over the matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).

10. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

11. The statutory and other legal bases for the relief requested herein are sections 105(a) and 1109 of the Bankruptcy Code and the Final CCO.

RELEVANT FACTUAL BACKGROUND

12. The facts set forth herein are also alleged in the Proposed Complaint. The 10.75% Notes Trustee reserves the right to supplement or amend the Proposed Complaint as necessary to reflect further diligence.

A. The Debtors' Relevant Prepetition Capital Structure

13. CEOC issued $4.93 billion of 10.75% Notes on February 1, 2008 pursuant to the 10.75% Notes Indenture, in connection with the LBO undertaken by a consortium of private equity sponsors. See 10.75% Notes Indenture (Denman Decl. Ex. 3). Thereafter, the outstanding principal amount of the 10.75% Notes was reduced, including pursuant to a consent solicitation and exchange offer on March 26, 2009 which stripped the 10.75% Notes Indenture of several of its covenants. As of the Voluntary Petition Date (as defined below), approximately $502 million in principal and accrued interest remained outstanding on the 10.75% Notes.

14. Initially, the 10.75% Notes were guaranteed by 116 of CEOC's wholly-owned domestic subsidiaries. Thereafter, 21 additional subsidiaries guaranteed the 10.75% Notes. See First Supplemental Indenture, dated as of June 12, 2008 (Denman Decl. Ex. 8); Second Supplemental Indenture, dated as of January 9, 2009 (Denman Decl. Ex. 9). As of the Voluntary

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Agreement ¶ 21 (Denman Decl. Ex. 2). There is no prohibition on any challenge to the Subject Stipulations or the allowance of unsecured claims allegedly arising under the Bankruptcy Code.

Petition Date, 137 of the 173 Debtors were Subsidiary Guarantors.

15. Concurrent with the LBO, CEOC borrowed approximately $5.35 billion under a secured credit agreement (as amended, the "First Lien Credit Obligations"). Thereafter, CEOC subsequently issued approximately $6.35 billion of first lien secured bonds in separate tranches of notes governed by: (i) an Indenture, dated as of June 10, 2009 (the "11.25% First Lien Notes") (Denman Decl. Ex. 4), (ii) an Indenture, dated as of February 14, 2012 (the "8.50% First Lien Notes") (Denman Decl. Ex. 5), (iii) an Indenture, dated as of August 22, 2012 (the "August 9.00% First Lien Notes") (Denman Decl. Ex. 6), and (iv) an Indenture, dated as of February 15, 2013 (Denman Decl. Ex. 7) (the "February 9.00% First Lien Notes" and, together with the 11.25% First Lien Notes, the 8.50% First Lien Notes, and the August 9.00% First Lien Notes, the "First Lien Notes" and, together with the First Lien Credit Obligations, the "First Lien Obligations").

16. CEOC and the Subsidiary Guarantors granted liens on certain assets in support of the First Lien Obligations, including all assets constituting Article 9 Collateral (the "Collateral"). See First Lien Security Agreement § 4.01. That agreement specifically excluded certain assets of CEOC and the Subsidiary Guarantors from the Collateral, including any assets to the extent that liening such assets "would violate any applicable law or regulation (including any Gaming Law or regulation). . . ." Id. As of the Voluntary Petition Date, unencumbered assets included cash in accounts not subject to a control agreement, cage cash, gaming licenses, and proceeds thereof.[6] The 10.75% Notes Trustee believes that the unencumbered assets are sufficient to pay all or nearly all of the scheduled unsecured claims of the Subsidiary Guarantors.

[6] The dispute at bar concerning the timing of perfection of liens on cash accounts relative to the filing of the involuntary and voluntary petitions relates only to accounts at CEOC. There is no dispute that the accounts of the Subsidiary Guarantors were not subject to control agreements at the Voluntary Petition Date or the date of the filing of the involuntary petition against CEOC.

17. Prior to the LBO, CEOC had issued several tranches of unsecured notes with covenants that effectively prevented the Subsidiary Guarantors from incurring debt senior to the 10.75% Notes. See, e.g., Indenture, dated as of September 28, 2005 (the "5.75% Notes Indenture") § 4.7 ("Limitation on Liens. Neither the Company nor any of its Subsidiaries may issue, assume or guarantee any Indebtedness secured by a Lien . . . without effectively providing that the Notes shall be secured equally and ratably with (or prior to) such Indebtedness so long as such Indebtedness shall be so secured") (Denman Decl. Ex. 11); Indenture, dated as of June 9, 2006 (the "6.50% Notes Indenture"), at Ex. 4.2 (same) (Denman Decl. Ex. 12). For this reason, at all times following the LBO, the Subsidiary Guarantors never issued or guaranteed any of the First Lien Obligations. Instead, CEOC compelled each Subsidiary Guarantor to pledge certain of its assets to secure the First Lien Obligations pursuant to the First Lien Security Agreement. That agreement specifies that each Subsidiary Guarantor's asset pledge is nonrecourse, and affirmatively waives any right under any law to seek to recover the First Lien Obligations directly from the Subsidiary Guarantors or from their assets other than Collateral:

> [n]otwithstanding anything to the contrary in this Agreement, no recourse shall be had, whether by levy or execution, or *under any law* . . . for the payment of any of the Obligations, against any Pledgor or any of the assets of any Pledgor, other than the Collateral, it being expressly understood that the sole remedies available to the Agent and the Secured Parties pursuant to this Agreement with respect to the Obligations shall be against the Collateral.

First Lien Security Agreement § 7.18 (emphasis added) (the "Waiver").[7] In the absence of that explicit waiver of claims under any law, CEOC would have defaulted on its existing funded debt.

[7] Recognizing that the governing documents did not provide a basis for First Lien Parties to recover directly from the Subsidiary Guarantors, the First Lien Credit Agent entered into the Guarantor Intercreditor Agreement with the 10.75% Notes Trustee. That agreement required the 10.75% Notes Trustee, under certain circumstances, to turn over a portion of its recovery from unencumbered assets at the Subsidiary Guarantors to the First Lien Credit Agent to the extent those obligations are not otherwise paid in full. See Guarantor Intercreditor Agreement § 2. Whether and to what extent any recovery by holders of 10.75% Notes would need to be turned

Thus, up to the filing of these Chapter 11 Cases, no First Lien Party had any right to repayment from any Subsidiary Guarantor.

B. The Final Cash Collateral Order

18. On January 15, 2015 (the "Voluntary Petition Date"), the Debtors filed voluntary petitions for reorganization under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the Northern District of Illinois. On the Voluntary Petition Date, the Debtors filed the *Debtors' Motion For Entry Of Interim And Final Orders (I) Authorizing Use Of Cash Collateral, (II) Granting Adequate Protection, (III) Modifying The Automatic Stay To Permit Implementation, (IV) Scheduling A Final Hearing, And (V) Granting Related Relief* (the "Cash Collateral Motion") [Dkt. No. 22]. On March 26, 2015, the Court entered the Final CCO, approving the Cash Collateral Motion on a final basis.

19. In the Final CCO, each of the Debtors stipulated to the validity, extent, and priority of the First Lien Obligations (the "Stipulations"). Among these Stipulations, the Subsidiary Guarantors stipulated to the allowance of First Lien Claims in the full amount of the outstanding First Lien Obligations without defense, counterclaim, or offset of any kind. See Exhibit A (the Subject Stipulations). The Subject Stipulations became binding on each Subsidiary Guarantor upon entry of the Final CCO and are not subject to challenge or disallowance at any later date. See Final CCO ¶ E(iv). Each Subsidiary Guarantor subsequently identified the First Lien Claims in the full amount outstanding on its respective schedule. See, e.g., *Schedules of Assets and Liabilities for Caesars Palace Corp.* [Dkt. No. 761], at Ex. D-1. The First Lien Parties likewise have publicly asserted claims against the Subsidiary Guarantors for the full $11.6 billion in outstanding First Lien Obligations, and filed proofs of claim to the

over to First Lien Parties is expressly not a part of the Proposed Complaint or the Claim Objections, and all intercreditor issues are reserved.

same effect. See Proof of Claim No. 2797 (filed by First Lien Credit Agent) (Denman Decl. Ex. 13); Proof of Claim No. 4822 (filed by First Lien Notes Indenture Trustee) (Denman Decl. Ex. 14); *First Lien Notes' Reply to Cash Collateral Objections* [Dkt. No. 543] n. 3 ("[T]he 10.75% Trustee's contention . . . that the First Lien Creditors do not have deficiency claims against the Subsidiary Obligors is flatly wrong.").

20. The Stipulations have not become binding on other parties in interest, including the 10.75% Notes Trustee. See Final CCO ¶ 12(b). The Challenge Deadline is currently August 7, 2015. The parties have agreed that the filing of this Motion tolls that deadline from the date hereof until such time as standing is granted or denied pursuant to an order of the Court with regard to such Motion. See *Third Stipulation Pursuant to Final Cash Collateral Order Extending Challenge Period* [Dkt. No. 1862].[8]

RELIEF REQUESTED

21. The 10.75% Notes Trustee respectfully requests the entry of an order, substantially in the form annexed hereto as Exhibit C (the "Proposed Order"), pursuant to sections 105(a) and 1109 of the Bankruptcy Code, granting the 10.75% Notes Trustee standing and authority, on behalf of the Subsidiary Guarantors, to commence, prosecute, and settle causes of action seeking declaratory judgment unwinding the Subject Stipulations and objecting to the allowance of the First Lien Claims against the Subsidiary Guarantors.

[8] Contemporaneously with the filing of this Motion, the Statutory Unsecured Claimholders' Committee (the "Creditors' Committee") is also seeking standing to pursue similar claims on behalf of the Subsidiary Guarantors. To the extent the Motion is granted, the 10.75% Notes Trustee will work cooperatively with the Creditors' Committee to avoid duplication.

ARGUMENT

I. THE COURT SHOULD GRANT STANDING TO THE 10.75% NOTES TRUSTEE TO COMMENCE, PROSECUTE, AND SETTLE THE PROPOSED ACTION

22. Section 1109(b) provides that a party-in-interest, including creditors, "may raise and may appear and be heard on any issue in a case under [chapter 11]." 11 U.S.C. § 1109(b). Authority to assert estate claims has been extended to creditors acting outside of an official committee. See, e.g., Enodis Corp. v. Emp'rs Ins. of Wassau (In re Consol. Indus. Corp.), 360 F.3d 712, 716 (7th Cir. 2004) (holding that a creditor can bring a derivative claim on behalf of the debtor's estate). Derivative standing may only be granted: (i) when a debtor has unjustifiably refused a demand to bring suit; (ii) a colorable claim or claims for relief exist; and (iii) upon leave of the court to prosecute the claims at issue. In re Perkins, 902 F.2d 1254, 1258 (7th Cir. 1990). See also Access Lending Corp. v. Scott (In re Scott), Bankr. No. 05 B 16227, Adversary Nos. 05 A 1677, 05 A 1715, 2006 WL 126757, at *4 (Bankr. N.D. Ill. Jan. 18, 2006) (applying the Perkins factors).

A. Demand Upon the Debtors Would Be Futile

23. Derivative standing is appropriate when a debtor unjustifiably or unreasonably refuses to pursue claims that the bankruptcy court finds would benefit the estate. See Official Comm. of Unsecured Creditors of Cybergenics Corp. ex rel. Cybergenics Corp. v. Chinery, 330 F.3d 548, 568 (3d Cir. 2003). A party seeking derivative standing is not required to demand formally that a debtor take action where it is "plain from the record that no action on the part of the debtor would have been forthcoming." See Official Comm. of Unsecured Creditors of Nat'l Forge Co. v. Clark (In re Nat'l Forge Co.), 326 B.R. 532, 544 (W.D. Pa. 2005).

24. Here, it would be futile for the 10.75% Notes Trustee to demand that the Subsidiary Guarantors disavow the Subject Stipulations, if they even could do so at this point.

Any Debtor challenge to the Subject Stipulations would trigger a default under the Final CCO. See Final CCO ¶¶ 7(*l*)(iii), 8(i)(iii). Challenging the Subject Stipulations would also trigger a First Lien Noteholder Party termination right under the RSA—which the Debtors have repeatedly vowed to attempt to preserve. See Fourth Amended & Restated Restructuring Support and Forbearance Agreement, dated as of July 31, 2015 § 8(k) (Denman Decl. Ex. 21).

B. The Proposed Complaint Asserts Colorable Claims

25. To demonstrate that a claim is "colorable," a party need only show that a proposed complaint asserts plausible claims not entirely without merit. See In re Midway Airlines, Inc., 167 B.R. 880, 884 (Bankr. N.D. Ill. 1994) (Squires, J.) (a "colorable claim (one seemingly valid and genuine) is not a difficult standard to meet"); Adelphia Commc'ns Corp. v. Bank of Am., N.A. (In re Adelphia Commc'ns Corp.), 330 B.R. 364, 376 (Bankr. S.D.N.Y. 2005). The causes of action in the Proposed Complaint colorably challenge the Subject Stipulations on the three primary bases set out below.

1. Allowance and Valuation of Secured Claims

26. The Proposed Complaint seeks declaratory relief undoing the Subject Stipulations to the extent they would deem allowed any secured claims of the First Lien Parties in excess of the value of their Collateral at any Subsidiary Guarantor on the Voluntary Petition Date. See 11 U.S.C. § 506(a)(1) ("An allowed claim of a creditor secured by a lien on property in which the estate has an interest . . . is a secured claim to the extent of the value of such creditor's interest in the estate's interest in such property . . . .").[9] It is a basic principle of section 506(a) of the Bankruptcy Code that the amount of an allowed secured claim against a debtor can never exceed the value of its collateral. U.S. v. Ron Pair Enters., Inc., 489 U.S. 235, 239 (1989). That

[9] The Proposed Complaint is not intended to address any diminution in value claim affecting replacement liens on certain unencumbered assets, or any allowed postpetition, superpriority administrative expense claim against any Subsidiary Guarantor. Final CCO ¶ 4(d).

fundamental precept applies equally here, where the Court must fix the amount of an allowed secured claim of a nonrecourse lender lacking any deficiency right.[10] See, e.g., In re Rosa, 521 B.R. 337 (Bankr. N.D. Ca. 2014) (valuing a nonrecourse lender's allowed secured claim under section 506(a) before disallowing the resulting deficiency claim under section 502(b)(1), when section 1111(b)(1) did not apply); Cavaliere v. Sapir, 208 B.R. 784 (D. Conn. 1997) (same). As secured parties, the First Lien Parties will have the burden to prove the precise amount of their secured claims against each Subsidiary Guarantor in the context of litigating the Claim Objections.[11] See In re Heritage Highgate, Inc., 679 F.3d 132 (3d Cir. 2012) (secured creditor bears the ultimate burden of persuasion to demonstrate by a preponderance of the evidence both the extent of the lien and the value of the collateral securing its claim).

2. Disallowance of Claims in Excess of a Properly Valued Secured Claim

27. The Proposed Complaint requests that the Court undo the Subject Stipulations to the extent they would deem allowed any First Lien Claim against a Subsidiary Guarantor in excess of a properly valued secured claim. As discussed at length in the Claim Objections, the prepetition capital regime prevented the Subsidiary Guarantors from guaranteeing the First Lien Obligations. For this reason, the Subsidiary Guarantors only pledged assets in support of the First Lien Obligations, and the First Lien Parties agreed to waive any rights arising "under any law" to assert any recourse deficiency claim against any Subsidiary Guarantor. As a federal statute, the Bankruptcy Code suffices as "any law" for purposes of the Waiver, and thus the

[10] The 10.75% Notes Trustee understands that the Creditors' Committee is seeking standing to file a complaint challenging, among other things, the validity of the First Lien Parties' secured claims. In light of that challenge, the 10.75% Notes Trustee takes no position as to whether any of the secured claims asserted by the First Lien Parties are subject to disallowance in whole or in part.

[11] By precipitating a valuation, the 10.75% Notes Trustee does not intend to shift the burden of proving value, which burden rests with the First Lien Parties.

Waiver encompasses any general unsecured deficiency claims that would potentially arise under section 1111 of the Bankruptcy Code. Moreover, even to the extent section 1111(b) would apply, the First Lien Parties affirmatively restricted their right to seek payment from the assets of a Subsidiary Guarantor "other than Collateral." As a result, the First Lien Parties in effect agreed to cap their section 1111(b) "claim" against the Subsidiary Guarantors in an amount equal to the value of the Collateral.

3. Non-Final Allowance of Claims

28. Finally, absent challenge, the Subject Stipulations would allow the First Lien Claims against each Subsidiary Guarantor on a final basis, not subject to disallowance. See Final CCO ¶ E(iv). That relief is unwarranted. As noted, any unsecured claims at the Subsidiary Guarantors arise solely pursuant to section 1111(b) of the Bankruptcy Code. There are, however, multiple circumstances in which section 1111(b) would not apply, such as a conversion of any case to chapter 7, confirmation of a plan with a sale of Collateral, or the abandonment of Collateral to the First Lien Parties. See, e.g., Tampa Bay Assocs., Ltd. v. DRW Worthington, Ltd. (In re Tampa Bay Assocs., Ltd.), 864 F.2d 47, 49 (5th Cir. 1989) ("The bankruptcy court disallowed [creditors]'s deficiency claim in its entirety . . . on the grounds that a nonrecourse, undersecured creditor waives its right to recourse status under section 1111(b)(1)(A) by obtaining possession of its collateral pursuant to a motion for relief from stay or motion for abandonment."); In re Nat'l Pub. Serv. Corp., 88 F.2d 19, 22 (2d Cir. 1937) ("The right to surrender pledged property to a lienholder in extinguishment pro tanto of his claim has generally been recognized in bankruptcy and to our knowledge has never met with anything but judicial approval."). Thus, any claims allowance imposed by the Subject Stipulations must be expressly subject to later disallowance depending on future restructuring developments. To do otherwise would impermissibly curtail a Subsidiary Guarantor's ability to pursue valid, value-maximizing

restructuring options designed to provide its creditors recovery in full out of unencumbered assets.

C. The 10.75% Notes Trustee Seeks Prior Court Approval

29. The 10.75 Notes Trustee seeks authorization from this Court to pursue certain causes of action on behalf of the Subsidiary Guarantors. While the Creditors' Committee will be seeking standing for certain claims, it may be a less effective advocate for the Subsidiary Guarantors in challenging the Subject Stipulations because it serves as a fiduciary for general unsecured creditors of CEOC as well as the Subsidiary Guarantors. The interests of these two groups will diverge with respect to the issues raised in the Proposed Complaint, insofar as general unsecured creditors whose recovery derives primarily from CEOC would benefit from allowing First Lien Claims against the Subsidiary Guarantors and a corresponding reduction in First Lien Claims against CEOC. As a result, the 10.75% Notes Trustee is uniquely positioned to serve the interests of unsecured creditors of the Subsidiary Guarantors.

CONCLUSION

WHEREFORE, the 10.75% Notes Trustee respectfully requests that the Court enter an order, substantially in the form of the Proposed Order annexed hereto as Exhibit C, granting the Motion and such other and further relief as the Court may deem just and proper.

Dated: August 7, 2015
Chicago, Illinois

NOVACK AND MACEY LLP

By: /s/ Julie Johnston-Ahlen
Eric N. Macey (IL # 3122684)
Stephen J. Siegel (IL # 6209054)
Julie Johnston-Ahlen (IL # 6277736)
100 North Riverside Plaza
Chicago, IL 60606
Telephone: (312) 419-6900
Facsimile: (312) 419-6928

-and-

J. Christopher Shore (*admitted pro hac vice*)
Harrison L. Denman (*pro hac pending*)
White & Case LLP
1155 Avenue of the Americas
New York, NY 10036
Telephone: (212) 819-8200
Facsimile: (212) 354-8113

-and-

Thomas E Lauria (*admitted pro hac vice*)
Jason Zakia (IL # 6270866)
White & Case LLP
Southeast Financial Center, Suite 4900
200 South Biscayne Blvd.
Miami, FL 33131
Telephone: (305) 371-2700
Facsimile: (305) 358-5744

-and-

Seth H. Lieberman (*admitted pro hac vice*)
Patrick Sibley (*admitted pro hac vice*)
Pryor Cashman LLP
7 Times Square
New York, NY 10036
Telephone: (212) 421-4100
Facsimile: (212) 326-0806

Attorneys for Wilmington Trust, National Association, as successor Indenture Trustee

EXHIBIT A

(SUBJECT STIPULATIONS)

Final CCO ¶ E(i)(d): "As of the Petition Date, CEOC *and each of the Subsidiary Pledgors*, without defense, counterclaim, or offset of any kind, were indebted and liable to the First Lien Credit Parties under the First Lien Credit Documents in the aggregate principal amount of not less than $5,354,400,000, plus any amounts incurred, or accrued prior to the Petition Date in accordance with the First Lien Credit Documents, accrued and unpaid interest, premiums, interest-on-interest and default interest, any fees, costs, expenses, and disbursements (including, without limitation, attorneys' fees, related expenses, and disbursements reimbursable thereunder), any other amounts, indemnities, contingent obligations, reimbursement obligations, obligations with respect to any 'Loans' or 'Letter of Credit' (each as defined in the First Lien Credit Agreement), indemnification obligations, and other charges of whatever nature, whether or not contingent, whenever arising, due, or owing in respect thereof to the extent and as provided for in the First Lien Credit Documents, including, without limitation, all 'Obligations' as defined in the First Lien Credit Agreement, in each case to the extent and as provided for in the First Lien Credit Documents . . . ." (emphasis added).

Id. ¶ E(ii)(c): "As of the Petition Date, CEOC *and each of the Subsidiary Pledgors*, without defense, counterclaim, or offset of any kind, were indebted and liable to the First Lien Noteholders Parties, pursuant to the First Lien Notes, the First Lien Notes Indentures and the other First Lien Notes Documents in the aggregate principal amount of not less than $6,345,000,000 plus accrued and unpaid interest thereon and all other 'Notes Obligations' (including fees, costs, expenses reimbursable thereunder) as defined in each of the First Lien Notes Indentures, including, solely as applicable, interest-on-interest and default interest, in each case to the extent and as provided for in the First Lien Note Documents . . . ." (emphasis added).

Id. ¶ E(iv): "[E]ach of the Debtors (for itself and its estate), acknowledges and agrees that: . . . (c) the Prepetition First Lien Obligations constitute legal, valid, binding, enforceable, and non-avoidable *obligations of CEOC and each of the Subsidiary Pledgors, and allowed claims against each of CEOC and each of the Subsidiary Pledgors in the Chapter 11 Cases*; (d) no offsets, recoupments, challenges, objections, defenses, claims, or counterclaims of any kind or nature to any of the Prepetition First Priority Liens or Prepetition First Lien Obligations exist, and no portion of the Prepetition First Priority Liens or Prepetition First Lien Obligations is subject to any challenge, defense, setoff; objection, claim, or counterclaim of any kind, including, without limitation, avoidance, disallowance, disgorgement, recharacterization, reduction, recoupment, or subordination (whether equitable or otherwise) pursuant to the Bankruptcy Code or applicable nonbankruptcy law . . ." (emphasis added).

EXHIBIT B

(PROPOSED COMPLAINT)

**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. 14-01145 (ABG) (Jointly Administered)
WILMINGTON TRUST, NATIONAL ASSOCIATION, solely in its capacity as Successor Indenture Trustee for the 10.75% Notes due 2016, and on behalf of the SUBSIDIARY GUARANTOR ESTATES, Plaintiffs, v. CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, solely in its capacity as agent and on behalf of the First Lien Credit Parties and UMB BANK, N.A., solely in its capacity as indenture trustee and on behalf of the First Lien Noteholder Parties, Defendants.	)	Adversary Proceeding No. 15-_____________

[DRAFT] COMPLAINT FOR DECLARATORY JUDGMENT AND DISALLOWANCE OF CLAIMS

Wilmington Trust, National Association, as Successor Indenture Trustee (the "10.75% Notes Trustee") for the 10.75% Senior Unsecured Notes (the "10.75% Notes") issued by Caesars Entertainment Operating Company, Inc. ("CEOC," and, together with the other chapter 11 debtors, the "Debtors"), and guaranteed by certain wholly-owned domestic subsidiaries of CEOC

[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.

(the "Subsidiary Guarantors"),[2] under that certain indenture dated February 1, 2008, by and through its undersigned counsel, in its own capacity and on behalf of each of the Subsidiary Guarantor estates, and based upon knowledge, information, belief, and the results of its investigation to date, alleges as follows:[3]

NATURE OF THE ACTION

1. This action is brought by the 10.75% Notes Trustee, in its own capacity and on behalf of each of the Subsidiary Guarantor estates, to determine the amount and priority of the claims (the "First Lien Claims") asserted by the First Lien Bank Agent and the First Lien Notes Trustee (each as defined below and, collectively, the "Defendants") on behalf of the First Lien Credit Parties and the First Lien Noteholder Parties (collectively, the "First Lien Parties"), respectively, against each Subsidiary Guarantor. The Subsidiary Guarantors are not obligated by contract on any of the Prepetition First Lien Obligations, but rather each Subsidiary Guarantor simply pledged certain assets in support of those obligations on a non-recourse basis. In fact, the First Lien Parties affirmatively waived any right to seek to recover from the Subsidiary Guarantors in the First Lien Security Agreement (as defined below).

2. Despite express contractual provisions to the contrary, each Subsidiary Guarantor stipulated in the Final CCO to the allowance of First Lien Claims in the full amount of the outstanding Prepetition First Lien Obligations (the "Subject Stipulations").[4] The Subject Stipulations became binding on each Subsidiary Guarantor upon entry of the Final CCO.

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[2] The Subsidiary Guarantors are listed on Exhibit A attached hereto.

[3] Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the *Final Order (I) Authorizing Use Of Cash Collateral, (II) Granting Adequate Protection, (III) Modifying The Automatic Stay To Permit Implementation, And (IV) Granting Related Relief* [Dkt. No. 988] (the "Final CCO").

[4] The Subject Stipulations are listed on Exhibit B.

Consistent with that commitment, each Subsidiary Guarantor identified the First Lien Claims in the full amount of outstanding obligations on its respective schedule. See, e.g., *Schedules of Assets and Liabilities for Caesars Palace Corp.* [Dkt. No. 761], at Ex. D-1. The First Lien Parties likewise filed proofs of claim deemed to apply against each Subsidiary Guarantor. See Proof of Claim No. 2797; Proof of Claim No. 4822.

3. Through this Complaint, the 10.75% Notes Trustee seeks to object to the First Lien Claims and enforce the terms of the First Lien Security Agreement on behalf of the Subsidiary Guarantors. Count I of this Complaint objects to secured claims of the First Lien Parties asserted against any Subsidiary Guarantor in excess of the value of the Collateral (herein, as defined in the First Lien Security Agreement) pledged by such Subsidiary Guarantor. Count II of this Complaint objects to the allowance of any unsecured deficiency claims against a Subsidiary Guarantor. Count III of this Complaint requests a declaratory judgment that the Subject Stipulations are not binding on any Subsidiary Guarantor with respect to First Lien Claims in an amount in excess of the value of that Subsidiary Guarantor's collateral. Count IV of this Complaint requests that any allowance of any First Lien Claims at any Subsidiary Guarantor must be expressly subject to later disallowance depending on future restructuring developments.

JURISDICTION AND VENUE

4. This is an adversary proceeding pursuant to Rule 7001 of the Bankruptcy Rules.

5. This Court has jurisdiction over the matter pursuant to 28 U.S.C. §§ 157 and 1334. This adversary proceeding is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).

6. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

7. The statutory predicates for relief include sections 502 and 506 of the Bankruptcy Code, Bankruptcy Rules 3007 and 3012, sections 2201 and 2202 of title 28 of the United States Code, and Rule 3007-1 of the Local Rules.

8. The 10.75% Notes Trustee has authority to bring these claims on its own behalf.

9. The 10.75% Notes Trustee has authority to bring these claims on behalf of each of the Subsidiary Guarantor estates pursuant to the Standing Order entered by this Court.

THE PARTIES

10. The Debtors and certain non-Debtor affiliates provide casino entertainment services. CEOC is the largest, majority-owned operating subsidiary of Caesars Entertainment Corporation ("CEC"), a publicly traded company that is the world's most geographically diversified casino-entertainment provider.

11. Defendants are (i) Credit Suisse AG, Cayman Islands Branch, solely in its capacity as the administrative agent under the Third Amended and Restated Credit Agreement (as defined below) and the holder of liens conveyed pursuant thereto and as the collateral agent under the First Lien Security Agreement and the holder of liens conveyed pursuant thereto and (ii) UMB Bank, N.A., solely in its capacity as the indenture trustee under the First Lien Notes Indentures (as defined below).

12. The 10.75% Notes Trustee is the successor indenture trustee for the 10.75% Notes and brings this adversary proceeding on its own behalf and derivatively on behalf of each of the Subsidiary Guarantor estates.

13. On August 7, 2015, the 10.75% Notes Trustee filed a motion seeking authority to prosecute this action on behalf of each of the Subsidiary Guarantor estates pursuant to sections 105 and 1109 of the Bankruptcy Code [Dkt. No. __] (the "Standing Motion"). On ____ __, 2015

the Court entered an order granting the Standing Motion and permitted the 10.75% Notes Trustee to prosecute this action [Dkt. No. __] (the "Standing Order").

RELEVANT FACTUAL BACKGROUND

14. On January 28, 2008, CEC (formerly known as Harrah's Entertainment, Inc.) was acquired by affiliates of Apollo Global Management, LLC and TPG Capital, LP in a leveraged buyout ("LBO"), valued at approximately $30.7 billion.

15. In connection with financing the LBO, on January 28, 2008, CEOC (formerly known as Harrah's Operating Company, Inc.), as borrower, entered into that certain Credit Agreement, dated as of January 28, 2008 (the "Original Credit Agreement"), by and among CEOC, Hamlet Merger Inc., the lenders party thereto from time to time, and Bank of America, N.A., as administrative agent and collateral agent, and any successors in each such capacity (including Credit Suisse AG, Cayman Islands Branch, collectively the "First Lien Bank Agent").

16. In connection with the Original Credit Agreement, CEOC and the Subsidiary Guarantors entered into that certain Collateral Agreement, dated as of January 28, 2008 (the "Original First Lien Security Agreement"), by and among CEOC, the First Lien Bank Agent, and the subsidiary pledgors party thereto, pursuant to which CEOC and the Subsidiary Guarantors granted first priority liens or mortgages on, security interests in, and collateral assignments, charges, or pledges of the "Collateral" (as defined in the Original Credit Agreement) of CEOC and each of the Subsidiary Guarantors to the First Lien Collateral Agent, for the benefit of the First Lien Credit Parties as security for all "Obligations" (as defined in the Original Credit Agreement and Original First Lien Security Agreement). On June 10, 2009, the Original First Lien Security Agreement was amended and restated (the "Amended and Restated First Lien Security Agreement," and, with the Original First Lien Security Agreement, the "First Lien

Security Agreement") to, among other things, secure the holders of Prepetition First Lien Obligations under the 11.25% First Lien Notes Indenture (as defined and discussed below).

17. In the First Lien Security Agreement, the First Lien Parties affirmatively waived any right under any law to have recourse against the Subsidiary Guarantors or their assets, other than the Collateral (the "Waiver"):

> [n]otwithstanding anything to the contrary in this Agreement, no recourse shall be had, whether by levy or execution, or *under any law* . . . for the payment of any of the Obligations, against any Pledgor or any of the assets of any Pledgor, other than the Collateral, it being expressly understood that the sole remedies available to the Agent and the Secured Parties pursuant to this Agreement with respect to the Obligations shall be against the Collateral.

First Lien Security Agreement § 7.18 (emphasis added).

18. On June 3, 2009, the parties to the Original Credit Agreement entered into an amendment and waiver (the "Amendment and Waiver Agreement") to the Original Credit Agreement to, among other things, allow for one or more future issuances of additional secured notes or loans. See CEC Current Report (Form 8-K) (filed June 3, 2009).

19. On May 16, 2011, and again on March 1, 2012, the Original Credit Agreement was amended and restated to, among other things, extend the maturity of certain term loans. See CEC Current Report (Form 8-K) (filed Mar. 2, 2012). On February 6, 2013, the Original Credit Agreement was further amended to, among other things, provide for the repayment of a portion of the outstanding term loans at par. See CEC Current Report (Form 8-K) (filed Feb. 7, 2013). Neither the Amendment and Waiver Agreement nor the amendments to the Original Credit Agreement changed the terms of the Waiver, which remained in full force and effect.

20. On July 25, 2014, CEC announced that a new tranche of B-7 Term Loans was assumed by CEOC and became incremental term loans governed by and incorporated into the Original Credit Agreement (thereafter, the "Third Amended and Restated Credit Agreement"

and, together with the Original Credit Agreement as amended, amended and restated, modified, waived, and/or supplemented from time to time, the "First Lien Credit Agreements"). Again, the Third Amended and Restated Credit Agreement did not change the terms of the Waiver, which remained in full force and effect.

21. Pursuant to an Indenture, dated as of June 10, 2009 (as amended, modified, waived, and/or supplemented from time to time, the "11.25% First Lien Notes Indenture"), between Caesars Operating Escrow LLC ("Escrow LLC") (formerly known as Harrah's Operating Escrow LLC), Caesars Escrow Corporation ("Escrow Corporation") (formerly known as Harrah's Escrow Corporation and, together with Escrow LLC, the "Escrow Issuers"), CEC, and U.S. Bank, National Association, in its capacity as indenture trustee, and any successors in such capacity (including UMB Bank, N.A., collectively the "First Lien Notes Trustee"), notes due 2017 (the "11.25% First Lien Notes") were issued in an original principal amount of $1,375,000,000. Subsequently, pursuant to that certain Second Supplemental Indenture, dated as of September 11, 2009, additional 11.25% First Lien Notes due 2017 were issued in an original principal amount of $720,000,000.

22. Pursuant to an Indenture, dated as of February 14, 2012 (as amended, modified, waived, and/or supplemented from time to time, the "8.50% First Lien Notes Indenture"), between the Escrow Issuers, CEC, and the First Lien Notes Trustee, notes due 2020 (the "8.50% First Lien Notes") were issued in an original principal amount of $1,250,000,000.

23. Pursuant to an Indenture, dated as of August 22, 2012 (as amended, modified, waived, and/or supplemented from time to time, the "9.00% First Lien Notes Indenture"), between the Escrow Issuers, CEC, and the First Lien Notes Trustee, notes due 2020 (the "9.00% First Lien Notes") were issued in the original principal amount of $750,000,000. Subsequently,

pursuant to that certain Supplemental Indenture, dated as of December 13, 2012, additional 9.00% First Lien Notes due 2020 were issued in an original principal amount of $750,000,000. Additionally, pursuant to an Indenture, dated as of February 15, 2013 (as amended, modified, waived, and/or supplemented from time to time, the "9.00% 2013 First Lien Notes Indenture" and, together with the 11.25% First Lien Notes Indenture, the 8.50% First Lien Notes Indenture, and the 9.00% First Lien Notes Indenture, the "First Lien Notes Indentures"), between the Escrow Issuers, CEC, and the First Lien Notes Trustee, additional notes due 2020 were issued in the original principal amount of $1,500,000,000.

24. Pursuant to "Other First Lien Secured Party Consents" dated September 11, 2009, March 1, 2012, October 5, 2012, February 20, 2013, and March 27, 2013, the First Lien Noteholder Parties, through the First Lien Notes Trustee, as authorized representative, became "Secured Parties" under the Amended and Restated First Lien Security Agreement.[5] As "Secured Parties," the First Lien Noteholder Parties became subject to the Waiver in the First Lien Security Agreement.

25. On January 15, 2015 (the "Voluntary Petition Date"), the Debtors filed voluntary petitions for reorganization under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the Northern District of Illinois.

26. On March 26, 2015, the Court entered the Final CCO, approving the Cash Collateral Motion on a final basis. In the Final CCO, the Subsidiary Guarantors agreed to the Subject Stipulations set forth on Exhibit B.

27. The Subject Stipulations become binding on all other parties unless a party in

[5] The holders of Prepetition First Lien Obligations under the 11.25% First Lien Notes Indenture, through the First Lien Notes Trustee, as authorized representative, became "Secured Parties" pursuant to the terms of the First Lien Security Agreement.

interest objects to the Subject Stipulations on or before the Challenge Deadline. See Final CCO ¶ 12(b). The Challenge Deadline with respect to certain parties in interest (including the 10.75% Notes Trustee) was to be no later than the date seventy-five (75) days after entry of the Final CCO, subject to further extension by written agreement. See Final CCO ¶ 12(b). On May 1, 2015, June 4, 2015, and July 8, 2015, the 10.75% Notes Trustee, the Statutory Unsecured Claimholders' Committee, the Required Lenders, and the Requisite Consenting Creditors filed agreed stipulations, extending the 10.75% Notes Trustee's Challenge Deadline, ultimately to August 7, 2015. See *Third Stipulation Pursuant to Final Cash Collateral Order Extending Challenge Period* [Dkt. No. 1862].[6]

28. On May 20, 2015, the First Lien Bank Agent filed a proof of claim for a secured claim, asserted against CEOC and each of the Subsidiary Guarantors, in the amount of $5,354,400,000.00. See Proof of Claim No. 2797 (the "First Lien Bank Claim"). On May 22, 2015, the First Lien Notes Trustee filed a proof of claim for a secured claim, asserted against CEOC and each of the Subsidiary Guarantors, in the amount of $6,530,577,083.33. See Proof of Claim No. 4822 (the "First Lien Notes Claim" and, together with the First Lien Bank Claim, the "Proofs of Claim").

29. As of the Voluntary Petition Date, significant assets owned by the Subsidiary Guarantors were unencumbered, pursuant to certain carveouts for excluded assets in the First Lien Security Agreement. See First Lien Security Agreement § 4.01. These assets included, among other things, cage cash, certain gaming licenses, and proceeds thereof. Id.

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[6] On May 15, 2015, the parties also agreed that the filing of any motion by the 10.75% Notes Trustee seeking standing to challenge the Debtors' stipulations, including the Subject Stipulations, would toll the Challenge Deadline from the date of filing the motion until such time as standing is granted or denied pursuant to an order of the Court with regard to such motion. See *Amended Stipulation Pursuant to Final Cash Collateral Order Extending Challenge Period* [Dkt. No. 1577].

COUNT I
OBJECTION TO QUANTUM OF SECURED CLAIMS OF FIRST LIEN PARTIES
(11 U.S.C. §§ 105, 506, and Bankruptcy Rule 3012)

30. Plaintiff restates and realleges the allegations contained in paragraphs 1 through 29 above, as if fully set forth herein.

31. Section 506(a) of the Bankruptcy Code provides: "An allowed claim of a creditor secured by a lien on property in which the estate has an interest . . . is a secured claim to the extent of the value of such creditor's interest in the estate's interest in such property . . . and is an unsecured claim to the extent that the value of such creditor's interest or the amount so subject to setoff is less than the amount of such allowed claim." 11 U.S.C. § 506(a).

32. In the Final CCO, the Subsidiary Guarantors have made the Subject Stipulations.

33. The Subject Stipulations will be binding on all parties in interest, including the Plaintiff, unless a party in interest files a challenge before the Challenge Deadline.

34. In the Subject Stipulations, each Subsidiary Guarantor agreed that it was "indebted and liable to the First Lien Credit Parties under the First Lien Credit Documents in the aggregate principal amount of not less than $5,354,400,000" and "indebted and liable to the First Lien Noteholders Parties, pursuant to the First Lien Notes, the First Lien Notes Indentures and the other First Lien Notes Documents in the aggregate principal amount of not less than $6,345,000,000 . . . ." Final CCO ¶ E(i)(d), E(ii)(c). In the Proofs of Claim, the First Lien Bank Agent asserted a secured claim in "the aggregate amount of outstanding, unpaid principal owed to the Agent and the Lenders [of] not less than $5,354,400,000" and the First Lien Notes Trustee asserted that it "is entitled to a secured claim against CEOC in the aggregate amount of not less than $6,530,577,083.33." See First Lien Bank Claim, at 3; First Lien Notes Claim, at 10-11. No

Subsidiary Guarantor has Collateral of a value equal to these stipulated or asserted claim amounts.

35. Any First Lien Claim asserted against a Subsidiary Guarantor is a secured claim only to the extent of the value of Collateral pledged by that Subsidiary Guarantor to the First Lien Parties pursuant to the First Lien Security Agreement.

36. Plaintiff objects to any secured claim at any Subsidiary Guarantor in excess of the value of its Collateral as of the Petition Date.

COUNT II
OBJECTION TO ALLOWANCE OF ANY UNSECURED DEFICIENCY CLAIMS
(11 U.S.C. §§ 105, 502, 506, Bankruptcy Rules 3007 and 3012, and Rule 3007-1 of the Local Rules)

37. Plaintiff restates and realleges the allegations contained in paragraphs 1 through 36 above, as if fully set forth herein.

38. Section 502(b)(1) of the Bankruptcy Code provides, if an objection is made to a claim, "the court, after notice and a hearing, shall determine the amount of such claim . . . as of the date of the filing of the petition, and shall allow such claim in such amount, except to the extent that (1) such claim is unenforceable against the debtor and property of the debtor, under any agreement or applicable law for a reason other than because such claim is contingent or unmatured." 11 U.S.C. § 502(b)(1).

39. In the Final CCO, the Subsidiary Guarantors have made the Subject Stipulations.

40. The Subject Stipulations will be binding on all parties in interest, including the Plaintiff, unless a party in interest files a challenge before the Challenge Deadline.

41. Plaintiff objects, pursuant to sections 105 and 502 of the Bankruptcy Code, to the allowance of the Defendants' claims against the Subsidiary Guarantors in the full amount of the

outstanding Prepetition First Lien Obligations, as set forth in the Subject Stipulations.

42. Any First Lien Claim asserted against a Subsidiary Guarantor is a secured claim only to the extent of the value of Collateral pledged by that Subsidiary Guarantor to the First Lien Parties pursuant to the First Lien Security Agreement.

43. At all times relevant hereto, none of the Subsidiary Guarantors were party to, or obligors under, the First Lien Credit Agreements.

44. At all times relevant hereto, none of the Subsidiary Guarantors were party to, or obligors under, the First Lien Notes Indentures.

45. On the Voluntary Petition Date, the Subsidiary Guarantors were pledgors of assets under the First Lien Security Agreement to debt incurred under the First Lien Credit Agreements and the First Lien Notes Indentures.

46. At all relevant times, the First Lien Security Agreement contained the Waiver.

47. Any First Lien Claim asserted against each Subsidiary Guarantor should, therefore, be disallowed to the extent it seeks recovery in an amount in excess of the value of Collateral pledged by that Subsidiary Guarantor to the First Lien Parties pursuant to the First Lien Security Agreement.

48. The Defendants have asserted claims against the Subsidiary Guarantors for the full amount of the outstanding Prepetition First Lien Obligations, in the amounts set forth in the Proofs of Claim.

49. Under section 502 of the Bankruptcy Code, the Court should disallow any and all First Lien Claims against any Subsidiary Guarantor in excess of the value of its Collateral.

COUNT III
DECLARATORY JUDGMENT THAT THE SUBJECT STIPULATIONS ARE NOT BINDING ON ANY SUBSIDIARY GUARANTOR WITH

RESPECT TO FIRST LIEN CLAIMS IN AN AMOUNT IN EXCESS OF ITS COLLATERAL
(28 U.S.C. §§ 2201, 2202)

50. Plaintiff restates and realleges the allegations contained in paragraphs 1 through 49 above, as if fully set forth herein.

51. In the Final CCO, the Subsidiary Guarantors have made the Subject Stipulations.

52. The Subject Stipulations will be binding on all parties in interest, including the Plaintiff, unless a party in interest files a challenge before the Challenge Deadline.

53. Plaintiff seeks a declaratory judgment that the Subject Stipulations are erroneous to the extent the Subject Stipulations obligate a Subsidiary Guarantor to any amount of Prepetition First Lien Obligations in excess of the value of Collateral pledged by that Subsidiary Guarantor to the First Lien Parties pursuant to the First Lien Security Agreement.

54. At all times relevant hereto, none of the Subsidiary Guarantors were party to, or obligors under, the First Lien Credit Agreements.

55. At all times relevant hereto, none of the Subsidiary Guarantors were party to, or obligors under, the First Lien Notes Indentures.

56. On the Voluntary Petition Date, the Subsidiary Guarantors were pledgors of assets under the First Lien Security Agreement pursuant to debt incurred under the First Lien Credit Agreement and the First Lien Notes Indentures.

57. At all relevant times, the First Lien Security Agreement contained the Waiver.

58. Notwithstanding the Waiver, the Defendants have asserted claims against the Subsidiary Guarantors for the full amount of the outstanding Prepetition First Lien Obligations, in the amounts set forth in the Proofs of Claim.

59. Such an actual, substantial, and justiciable controversy is sufficient to warrant the

issuance of a declaratory judgment that the Subject Stipulations are erroneous to the extent the Subject Stipulations obligate a Subsidiary Guarantor to any amount of Prepetition First Lien Obligations in excess of the value of Collateral pledged by that Subsidiary Guarantor to the First Lien Parties pursuant to the First Lien Security Agreement.

COUNT IV
OBJECTION TO ANY FIRST LIEN CLAIMS ALLOWANCE ON A FINAL BASIS
(11 U.S.C. §§ 502, 1111(b)(1)(A))

60. Plaintiff restates and realleges the allegations contained in paragraphs 1 through 59 above, as if fully set forth herein.

61. Section 1111(b)(1)(A) of the Bankruptcy Code is not operative in all situations. Specifically, section 1111(b)(1)(A) provides that "[a] claim secured by a lien on property of the estate shall be allowed or disallowed under section 502 of this title the same as if the holder of such claim had recourse against the debtor on account of such claim, whether or not such holder has such recourse, unless—(i) the class of which such claim is a part elects, by at least two-thirds in amount and more than half in number of allowed claims of such class, application of paragraph (2) of this subsection; or (ii) such holder does not have such recourse and such property is sold under section 363 of this title or is to be sold under the plan." 11 U.S.C. § 1111(b)(1)(A). Section 1111(b)(1)(A) is also not operative in cases under chapter 7 of the Bankruptcy Code or where a debtor abandons or turns over collateral to a creditor.

62. In the Final CCO, the Subsidiary Guarantors have made the Subject Stipulations.

63. The Subject Stipulations will be binding on all parties in interest, including the Plaintiff, unless a party in interest files a challenge before the Challenge Deadline.

64. Pursuant to paragraph E(iv) of the Final CCO, once binding, the Prepetition First Lien Obligations will not be "subject to any challenge, defense, setoff, objection, claim, or

counterclaim, of any kind, including, without limitation, avoidance, disallowance, disgorgement, recharacterization, reduction, recoupment, or subordination (whether equitable or otherwise) pursuant to the Bankruptcy Code or applicable nonbankruptcy law . . . ." Final CCO ¶ E(iv).

65. Plaintiff objects, pursuant to sections 502 and 1111 of the Bankruptcy Code, to the allowance of the Defendants' claims against the Subsidiary Guarantors in the full amount of the outstanding Prepetition First Lien Obligations on a final basis, as set forth in the Subject Stipulations. Any First Lien Claim allowed against a Subsidiary Guarantor must be expressly subject to later disallowance depending on future restructuring developments.

66. The Defendants have asserted claims against the Subsidiary Guarantors for the full amount of the outstanding Prepetition First Lien Obligations on a final basis, as set forth in the Subject Stipulations.

67. Thus, an actual, substantial, and justiciable controversy exists between the Plaintiff and the Defendants concerning the allowance of deficiency claims against each Subsidiary Guarantor.

PRAYER FOR RELIEF

WHEREFORE, by reason of the foregoing, Plaintiff requests the Court enter an order:

a) Limiting the quantum of secured claims of the First Lien Parties against any Subsidiary Guarantor to an amount equal to the value of the Collateral pledged by that Subsidiary Guarantor;

b) Disallowing any unsecured deficiency claims asserted by the Defendants at any of the Subsidiary Guarantors;

c) Declaring that the Subject Stipulations are not binding on any Subsidiary Guarantor with respect to First Lien Claims in an amount in excess of the value of Collateral pledged by that Subsidiary Guarantor;

d) Allowing any First Lien Claims on a temporary basis only; and

e) Granting the Plaintiff such other and further relief as the Court deems just, proper, and equitable, including reimbursement to the Subsidiary Guarantors' estates for the costs and expenses of this adversary proceeding.

Dated: August 7, 2015
Chicago, Illinois

NOVACK AND MACEY LLP

By: /s/ Julie Johnston-Ahlen
Eric N. Macey (IL # 3122684)
Stephen J. Siegel (IL # 6209054)
Julie Johnston-Ahlen (IL # 6277736)
100 North Riverside Plaza
Chicago, IL 60606
Telephone: (312) 419-6900
Facsimile: (312) 419-6928

-and-

J. Christopher Shore (*admitted pro hac vice*)
Harrison L. Denman (*pro hac pending*)
White & Case LLP
1155 Avenue of the Americas
New York, NY 10036
Telephone: (212) 819-8200
Facsimile: (212) 354-8113

-and-

Thomas E Lauria (*admitted pro hac vice*)
Jason Zakia (IL # 6270866)
White & Case LLP
Southeast Financial Center, Suite 4900
200 South Biscayne Blvd.
Miami, FL 33131
Telephone: (305) 371-2700
Facsimile: (305) 358-5744

-and-

Seth H. Lieberman (*admitted pro hac vice*)
Patrick Sibley (*admitted pro hac vice*)
Pryor Cashman LLP
7 Times Square
New York, NY 10036
Telephone: (212) 421-4100
Facsimile: (212) 326-0806

Attorneys for Wilmington Trust, National Association, as successor Indenture Trustee

EXHIBIT A

(SUBSIDIARY GUARANTORS)

1. 190 Flamingo, LLC
2. 3535 LV Corp.
3. AJP Holdings, LLC
4. AJP Parent, LLC
5. B I Gaming Corporation
6. Bally's Midwest Casino, Inc.
7. Bally's Park Place, Inc.
8. Benco, Inc.
9. Biloxi Hammond, LLC
10. Biloxi Village Walk Development, LLC
11. BL Development Corp.
12. Boardwalk Regency Corporation
13. Caesars Entertainment Canada Holding, Inc.
14. Caesars Entertainment Finance Corp.
15. Caesars Entertainment Golf, Inc.
16. Caesars Entertainment Retail, Inc.
17. Caesars India Sponsor Company, LLC
18. Caesars License Company, LLC
19. Caesars Marketing Services Corporation
20. Caesars New Jersey, Inc.
21. Caesars Palace Corporation
22. Caesars Palace Realty Corp.
23. Caesars Palace Sports Promotions, Inc.
24. Caesars Riverboat Casino, LLC
25. Caesars Trex, Inc.
26. Caesars United Kingdom, Inc.
27. Caesars World Marketing Corporation
28. Caesars World Merchandising, Inc.
29. Caesars World, Inc.
30. California Clearing Corporation
31. Casino Computer Programming, Inc.
32. Chester Facility Holding Company, LLC
33. Consolidated Supplies, Services and Systems
34. DCH Exchange, LLC
35. DCH Lender, LLC
36. Desert Palace, Inc.
37. Durante Holdings, LLC
38. East Beach Development Corporation
39. FHR Corporation
40. Flamingo-Laughlin, Inc.
41. GCA Acquisition Subsidiary, Inc.
42. GNOC, Corp.
43. Grand Casinos of Biloxi, LLC
44. Grand Casinos of Mississippi, LLC
45. Grand Casinos, Inc.
46. Grand Media Buying, Inc.
47. Harrah South Shore Corporation
48. Harrah's Arizona Corporation
49. Harrah's Bossier City Investment Company, LLC
50. Harrah's Bossier City Management Company, LLC
51. Harrah's Chester Downs Investment Company, LLC
52. Harrah's Chester Downs Management Company, LLC
53. Harrah's Illinois Corporation
54. Harrah's Interactive Investment Company
55. Harrah's International Holding Company, Inc.
56. Harrah's Investments, Inc.
57. Harrah's Management Company
58. Harrah's Maryland Heights Operating Company
59. Harrah's MH Project, LLC
60. Harrah's NC Casino Company, LLC
61. Harrah's New Orleans Management Company
62. Harrah's North Kansas City, LLC
63. Harrah's Operating Company Memphis, LLC
64. Harrah's Pittsburgh Management Company
65. Harrah's Reno Holding Company, Inc.
66. Harrah's Shreveport Investment Company, LLC
67. Harrah's Shreveport Management Company, LLC
68. Harrah's Shreveport/Bossier City Holding Company, LLC
69. Harrah's Shreveport/Bossier City Investment Company, LLC
70. Harrah's Southwest Michigan Casino Corporation
71. Harrah's Travel, Inc.
72. Harrah's West Warwick Gaming Company, LLC
73. Harveys BR Management Company, Inc.
74. Harveys C.C. Management Company, Inc.
75. Harveys Iowa Management Company, Inc.
76. Harveys Tahoe Management Company, Inc.
77. H-BAY, LLC
78. HBR Realty Company, Inc.
79. HCAL, LLC
80. HCR Services Company, Inc.
81. HEI Holding Company One, Inc.
82. HEI Holding Company Two, Inc.

83. HHLV Management Company, LLC
84. Hole In The Wall, LLC
85. Horseshoe Entertainment
86. Horseshoe Gaming Holding, LLC87. Horseshoe GP, LLC
88. Horseshoe Hammond, LLC
89. Horseshoe Shreveport, LLC
90. HTM Holding, Inc.
91. Koval Holdings Company, LLC
92. Koval Investment Company, LLC
93. Las Vegas Golf Management, LLC
94. Las Vegas Resort Development, Inc.
95. LVH Corporation
96. Martial Development Corporation
97. Nevada Marketing, LLC
98. New Gaming Capital Partnership
99. Ocean Showboat, Inc.
100. Parball Corporation
101. Players Bluegrass Downs, Inc.
102. Players Development, Inc.
103. Players Holding, LLC
104. Players International, LLC
105. Players LC, LLC
106. Players Maryland Heights Nevada, LLC
107. Players Resources, Inc.
108. Players Riverboat II, LLC
109. Players Riverboat Management, LLC
110. Players Riverboat, LLC
111. Players Services, Inc.
112. Reno Crossroads, LLC
113. Reno Projects, Inc.
114. Rio Development Company, Inc.
115. Robinson Property Group Corp.
116. Roman Entertainment Corporation of Indiana
117. Roman Holding Corporation of Indiana
118. Showboat Atlantic City Mezz 1, LLC
119. Showboat Atlantic City Mezz 2, LLC
120. Showboat Atlantic City Mezz 3, LLC
121. Showboat Atlantic City Mezz 4, LLC
122. Showboat Atlantic City Mezz 5, LLC
123. Showboat Atlantic City Mezz 6, LLC
124. Showboat Atlantic City Mezz 7, LLC
125. Showboat Atlantic City Mezz 8, LLC
126. Showboat Atlantic City Mezz 9, LLC
127. Showboat Atlantic City Operating Company, LLC
128. Showboat Atlantic City Propco, LLC
129. Showboat Holding, Inc.
130. Southern Illinois Riverboat/Casino Cruises, Inc.
131. Tahoe Garage Propco, LLC
132. TRB Flamingo, LLC
133. Trigger Real Estate Corporation
134. Tunica Roadhouse Corporation
135. Village Walk Construction, LLC
136. Winnick Holdings, LLC
137. Winnick Parent, LLC

EXHIBIT B

(SUBJECT STIPULATIONS)

Final CCO ¶ E(i)(d): "As of the Petition Date, CEOC *and each of the Subsidiary Pledgors*, without defense, counterclaim, or offset of any kind, were indebted and liable to the First Lien Credit Parties under the First Lien Credit Documents in the aggregate principal amount of not less than $5,354,400,000, plus any amounts incurred, or accrued prior to the Petition Date in accordance with the First Lien Credit Documents, accrued and unpaid interest, premiums, interest-on-interest and default interest, any fees, costs, expenses, and disbursements (including, without limitation, attorneys' fees, related expenses, and disbursements reimbursable thereunder), any other amounts, indemnities, contingent obligations, reimbursement obligations, obligations with respect to any 'Loans' or 'Letter of Credit' (each as defined in the First Lien Credit Agreement), indemnification obligations, and other charges of whatever nature, whether or not contingent, whenever arising, due, or owing in respect thereof to the extent and as provided for in the First Lien Credit Documents, including, without limitation, all 'Obligations' as defined in the First Lien Credit Agreement, in each case to the extent and as provided for in the First Lien Credit Documents . . . ." (emphasis added).

Id. ¶ E(ii)(c): "As of the Petition Date, CEOC *and each of the Subsidiary Pledgors*, without defense, counterclaim, or offset of any kind, were indebted and liable to the First Lien Noteholders Parties, pursuant to the First Lien Notes, the First Lien Notes Indentures and the other First Lien Notes Documents in the aggregate principal amount of not less than $6,345,000,000 plus accrued and unpaid interest thereon and all other 'Notes Obligations' (including fees, costs, expenses reimbursable thereunder) as defined in each of the First Lien Notes Indentures, including, solely as applicable, interest-on-interest and default interest, in each case to the extent and as provided for in the First Lien Note Documents . . . ." (emphasis added).

Id. ¶ E(iv): "[E]ach of the Debtors (for itself and its estate), acknowledges and agrees that: . . . (c) the Prepetition First Lien Obligations constitute legal, valid, binding, enforceable, and non-avoidable *obligations of CEOC and each of the Subsidiary Pledgors, and allowed claims against each of CEOC and each of the Subsidiary Pledgors in the Chapter 11 Cases*; (d) no offsets, recoupments, challenges, objections, defenses, claims, or counterclaims of any kind or nature to any of the Prepetition First Priority Liens or Prepetition First Lien Obligations exist, and no portion of the Prepetition First Priority Liens or Prepetition First Lien Obligations is subject to any challenge, defense, setoff; objection, claim, or counterclaim of any kind, including, without limitation, avoidance, disallowance, disgorgement, recharacterization, reduction, recoupment, or subordination (whether equitable or otherwise) pursuant to the Bankruptcy Code or applicable nonbankruptcy law . . ." (emphasis added).

EXHIBIT C

(PROPOSED ORDER)

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

In re:	)	Chapter 11
	)	
CAESARS ENTERTAINMENT OPERATING COMPANY, INC., *et al.*,[1]	)	Case No. 15-01145 (ABG)
	)	
Debtors.	)	Hon. A. Benjamin Goldgar
	)	

[PROPOSED] ORDER GRANTING STANDING AND AUTHORITY TO COMMENCE, PROSECUTE, AND SETTLE CERTAIN CAUSES OF ACTION

Upon the motion of Wilmington Trust, National Association, as Successor Indenture Trustee (the "10.75% Notes Trustee") for the 10.75% Senior Unsecured Notes (the "10.75% Notes") issued by Caesars Entertainment Operating Company, Inc. ("CEOC," and, together with the other chapter 11 debtors, the "Debtors"), and guaranteed by certain wholly-owned domestic subsidiaries of CEOC (the "Subsidiary Guarantors"), under that certain indenture dated February 1, 2008, for the entry of an order granting standing and authority to commence, prosecute, and settle certain causes of action (the "Motion");[2] and it appearing that the Court has jurisdiction over this matter; and it appearing that notice of the Motion is sufficient, and that no other or further notice need be provided; and upon all the proceedings had before the Court; and after due deliberation and sufficient cause appearing therefor, it is hereby:

ORDERED that the Motion is **GRANTED**; and it is further

ORDERED that the 10.75% Notes Trustee is granted standing and authority to

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[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] Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Motion.

commence, prosecute to judgment, and settle certain causes of action to the same extent that a trustee appointed pursuant to section 1106 of the Bankruptcy Code would have authority to do as to each of the Subsidiary Guarantors, provided, however, that nothing herein shall impose upon the 10.75% Notes Trustee any duties of a trustee appointed pursuant to section 1106 of the Bankruptcy Code; and it is further

ORDERED that the 10.75% Notes Trustee shall commence any adversary proceeding or other action authorized pursuant to this Order on or before [____ __], 2015, provided, however, that nothing in this Order shall prejudice the rights of the 10.75% Notes Trustee to amend any complaint filed pursuant to this paragraph in accordance with applicable law.

Dated: ____ __, 2015
Chicago, Illinois

____
THE HONORABLE A. BENJAMIN GOLDGAR
UNITED STATES BANKRUPTCY JUDGE