

CAESARS ENTERTAINMENT BANKRUPTCY

NATHAN MOONEY, ZICHONG PENG, CHAO WANG, AND JOANNA XU

SUBMITTED TO: PROF. EDWARD ALTMAN & PROF. STUART KOVENSKY

FOR: FINC-GB.3198.01 - CORPORATE BANKRUPTCY AND REORGANIZATION

DATE: DECEMBER 14TH, 2017

TABLE OF CONTENTS

Executive Summary	1
Part I – Pre-Leveraged Buyout History of Harrah’s Entertainment	1
Section 1.1 – From Humble Beginnings to Formidable Industry Player	1
Section 1.2 – Developing the Total Rewards Program	2
Section 1.4 Macroeconomic Environment Pre-LBO	3
Part II – The 2008 Leveraged Buyout by Apollo and TPG Capital	4
Section 2.1 Investment Thesis	4
Section 2.2 - Deal Structure	7
Part III – Could Bankruptcy Have Been Predicted?	8
Section 3.1 - External Factors for Decline	8
Section 3.2 - Internal Factor - Aggressive Capital Structure	9
Section 3.3 - Internal Factor - Missed Opportunity in Asian Markets	12
Part IV – Out-of-Court Restructuring Attempts	12
Section 4.1 – Capital Markets Transactions	13
Section 4.2 – Structural Reorganization and Related Asset Sales	14
Section 4.3 - Creditor’s Response and the Road to Bankruptcy	18
Part V – Major Pre-Bankruptcy Litigation	19
Part VI – The Bankruptcy Filing	21
Section 6.1 – Overview of the Bankruptcy	21
Section 6.2 – The Examiner’s Report	23
Part VII – Similar Cases	31
Section 7.1 – Case Study: Dynegy	32
Section 7.2 – Case Study: Sears Holdings	33
Part VII – Conclusion	34

CAESARS ENTERTAINMENT BANKRUPTCY

EXECUTIVE SUMMARY

In October 2006, Harrah's Entertainment Inc. ("Harrah's" or "HET"), later renamed Caesars Entertainment Corporation ("Caesars" or "CEC"), was the subject of a takeover offer from famous buyout firms Apollo Global Management ("Apollo") and Texas Pacific Group Capital ("TPG") (together, the "Sponsors") that changed the company's course forever. Less than eight years later, one of its major operating entities found itself filing a voluntary petition under Chapter 11 of the Bankruptcy Code ("Chapter 11") in the Bankruptcy Court for the Northern District of Illinois. At that time, it was not only fighting for its survival as a company but also major litigation throughout the United States from creditors alleging that Apollo, TPG, the board of directors, and management conspired to defraud creditors through a series of transactions taking place between 2009 to 2014.

What had originally appeared a promising investment in a company that had taken the gaming industry by storm since its 2003 appointment of former Harvard professor Gary Loveman as Chief Executive Officer ("CEO") was now hemorrhaging cash as a result of: (a) internal strategic missteps; (b) significant debt service requirements; (c) changing consumer preferences; and most importantly (d) the widespread impact of the Great Recession of 2008 (also referred to throughout as the "Financial Crisis") on key entertainment centers like the Las Vegas Strip and Atlantic City. The appointment of Richard J. Davis as examiner to review the contested transactions and the release of his report on March 15th, 2016 were critical to the ultimate resolution and emergence of Caesars from bankruptcy. Although the creditors and equityholders were eventually able to agree to a plan of reorganization which released the Sponsors of any liability for the transactions, there are many takeaways.

At a high level, the case demonstrates that there is no such thing as a riskless investment. Even though the American industry appeared to be "recession-proof", subtle changes over time changed the risk profile of the investment in ways that Apollo and TPG, along with millions of other investors in the industry at the time, failed to fully appreciate. Legally, the case provides a roadmap for the necessary corporate governance checks necessary when undertaking intercompany asset transfers and restructuring transactions more generally, applicable even outside the distressed context. Practically, we see the impact of the role of the examiner in a litigious bankruptcy case and its importance in pushing parties towards a mutually-acceptable plan of reorganization. Finally, from a strategic standpoint, the Caesars bankruptcy stands as a perfect demonstration of the legal and financial risks inherent in an LBO-style investment that may not be captured in an analyst's cash flow projections or discount rate.

PART I – PRE-LEVERAGED BUYOUT HISTORY OF HARRAH'S ENTERTAINMENT

Section 1.1 – From Humble Beginnings to Formidable Industry Player

Today's Caesars traces its roots back to a small bingo parlor opened on October 29th, 1937 in Reno, Nevada by Bill Harrah. Harrah spent the next 35 years turning Harrah's Inc. (later

renamed Harrah's Entertainment Inc.) into a regional powerhouse, leading it to become the first publically-listed casino company in 1973 following its initial public offering and posting on the New York Stock Exchange¹.

Following Bill Harrah's death in 1978, Harrah's quickly became a key acquisition target for real estate and lodging companies given its regional dominance and strong casino portfolio, resulting in a \$300 million transaction with Holiday Inns, Inc. ("Holiday Inn") in February 1980. The Harrah business provided it with both scale and diversification across geographies. Holiday Inn spent the next 10 years remodeling and building-out many of the acquired properties in Reno, Lake Tahoe, Atlantic City, and Las Vegas. In 1995, Holiday Inn spun-off its non-gaming hotel business; Promus Hotel Corp. was formed to hold the Embassy Suites, Hampton Inn, and Homewood Suites lodging assets while the 16 casinos remained in Harrah's.

Section 1.2 – Developing the Total Rewards Program

In 1998, Harrah's revolutionized the gaming industry through the introduction of its Total Gold loyalty program, renamed Total Rewards in 2000. The program was developed by a Harvard Business School professor at the time named Gary Loveman who, in 1994, co-authored an article in the *Harvard Business Review* entitled "Putting the Service-Profit Chain to Work". The article focused on how companies such as Taco Bell and Southwest Airlines had been successful by reorienting their management and key metrics to ensure that customers were always put first. He believed that deeper customer loyalty in service-oriented businesses was key to driving future profits because it built a lifetime relationship between the customer and the corporation resulting in astronomical value when compared to the typical one-off transaction.

Loveman was convinced that the gambling industry, which collected significant amounts of data on customers' habits, would be the perfect testing ground. He planned to reward the most valuable customers with perks—free meals, tickets to shows, room upgrades—in order to cement their loyalty. Following an unsolicited letter to Harrah's Chief Executive Officer ("CEO") Philip Satre outlining his thinking, Loveman was retained as a consultant and tasked with developing their rewards program at a cost of \$20 million.

Harrah's became the first gaming company to offer a system-wide rewards program which allowed points earned at one casino to be redeemed for goods or services at any other company location². Rewards programs have now become universal in the gaming industry but it was especially important to Harrah's development from formidable competitor to major industry player in the early 2000s without needing to spend beyond their means. Loveman knew that gamblers were attracted to the newest and plushiest casinos but also that Harrah's did not have the resources to compete with MGM Mirage and Las Vegas Sands. The solution was to reward customers with perks based on their profitability to the casino and just as Loveman had predicted, the program would become a major revenue driver for Harrah's over the coming years. At the time of the bankruptcy filing had grown to over 45 million members globally.³

¹ UNLV Center for Gaming Research.

² Ibid.

³ *Disclosure Statement for the Debtors' Second Amended Joint Plan of Reorganization*, pg. 16.

Section 1.3 – Forming Modern-Day Harrah’s Entertainment

In 2000 Loveman was made Chief Operating Officer and he took over as CEO following Satre’s retirement in 2003. Under Loveman, Harrah’s transformed from a second-tier casino company that operated 26 casinos across the United States into an industry leader. Loveman fueled growth through acquisition sprees, purchasing key gaming assets and quickly integrated them within the Total Rewards program. For example, in 2004 he bought three casinos for \$1.5 billion. The next year he bought the Imperial Palace in Las Vegas for another \$370 million.

Most significantly, in 2005 Harrah’s purchased Caesars Entertainment for \$10.4 billion, retaining its name going forward. Among its key assets were Caesars Palace (Las Vegas), Bally’s Las Vegas, and Paris Las Vegas. The acquisition was strategically important to Harrah’s because it increased its portfolio to 40 casinos, giving it the scale to compete against its major competitors, provided it with a much larger presence on the Las Vegas Strip, and the premium properties improved its ability to market to high rollers. Caesars’s revenues and operating income grew from \$4.1 billion and \$780 million in 2002 to \$10.8 billion and \$1.7 billion respectively pre-LBO in 2007.⁴ The markets reacted accordingly; when Loveman started at Harrah’s in 1998 the stock traded at around \$22 per share and by 2006 it was trading in the 70s.

Section 1.4 Macroeconomic Environment Pre-LBO

Caesars’s success under Loveman made it an attractive investment by the middle of the decade but so too did the macroeconomic situation surrounding the gaming industry.

Prior to 2004, only 15 states legalized commercial gambling, and all states had lengthy regulatory processes for companies to own and operate casinos. Thus, the industry had low expansion potential and very high barriers to entry for new entrants. In addition, this \$30 billion dollar industry was highly concentrated between two states, Nevada and New Jersey, had a 51% market share of the total industry.⁵ By the end of 2007, months before the LBO closed, the number of states with legalized commercial gambling had increased to 20 and total industry revenues increased to \$37 billion, but Nevada and New Jersey still maintained a strong position, with a 47% market share of the industry.⁶ Moreover, for these two markets, the historical growth trends suggested that the industry would continue to grow.

Following the 2005 combination of Harrah’s and Caesars Entertainment, the company became dependent on the Las Vegas Strip economy much more than any time in its history given its ownership of many of the premier properties and management seeing it as a key avenue for continued growth. Over a 15-year period, visitors to the Las Vegas Strip grew approximately 33% from 28.2 million to 37.5 million [**Appendix A**].⁷ The lodging industry responded to the influx of visitors by building 50,000 new rooms, keeping the average occupancy across the strip around 90%. During this entire time though, the number of actual casinos stayed essentially flat

⁴ Company filings; Capital IQ.

⁵ UNLV Center for Gaming Research.

⁶ Ibid.

⁷ Las Vegas Convention and Visitors Authority; UNLV Center for Gaming Research.

while lodging, gaming, and total Las Vegas Strip revenues quadrupled, doubled, and tripled respectively. More importantly, revenue per visitor Strip-wide grew approximately 5% annually with the only down year being 2002 before a quick rebound.⁸

Atlantic City, the second-largest legalized gambling city in the United States saw similar success over the same 15-year time period. At its height in 2006, Atlantic City generated \$5.2 billion in revenues, and had a 3.7% compound annual growth rate (“CAGR”) over the past 15 years.⁹ As the East Coast’s largest commercial gambling hub, Atlantic City saw 30 million visitors annually, and the casino industry helped create 43,000 jobs.¹⁰

Caesars had a strong foothold in both these markets, generating 61% of their total 2007 revenues from these two states. Moreover, Caesars operations account for 33% and 42% of the total casino revenues for Nevada and New Jersey, respectively.¹¹

PART II – THE 2008 LEVERAGED BUYOUT BY APOLLO AND TPG CAPITAL

The 2008 LBO by Apollo and TPG was an attempt to acquire what they believed to be a valuable asset with significant upside potential in a booming industry. The fourth-largest LBO of its time, the \$31 billion transaction made headlines globally¹². The group originally bid \$81 per share in October 2006 but revised their offer up to \$90 per share in December. The final bid, when accepted, represented a 36% premium over Harrah’s September 29th, 2006 trading price and an 11.3x EV/EBITDA multiple. The transaction ultimately closed over one year later in January 2008 once it cleared all of the necessary regulatory hurdles.

Section 2.1 Investment Thesis

There were three primary factors that made Harrah’s an especially attractive target to Apollo and TPG:

- A. Harrah’s strong operational strategy and financial profile;
- B. The casino industry, despite being unsaturated and highly regulated, was trading at EV/EBITDA multiples significantly lower than the hotel industry, even if many casinos operated hotels; and
- C. The casino industry as a “recession proof” investment.

Part A - Strong Operational Strategy & Financial Profile

Prior to the LBO, Harrah’s was the largest gaming company in the world. As mentioned above, it operated 40 casino hotels in nine commercial gaming states, had four Native American management contracts, and had two operations outside the U.S.. Crucially, it also owned the

⁸ Ibid.

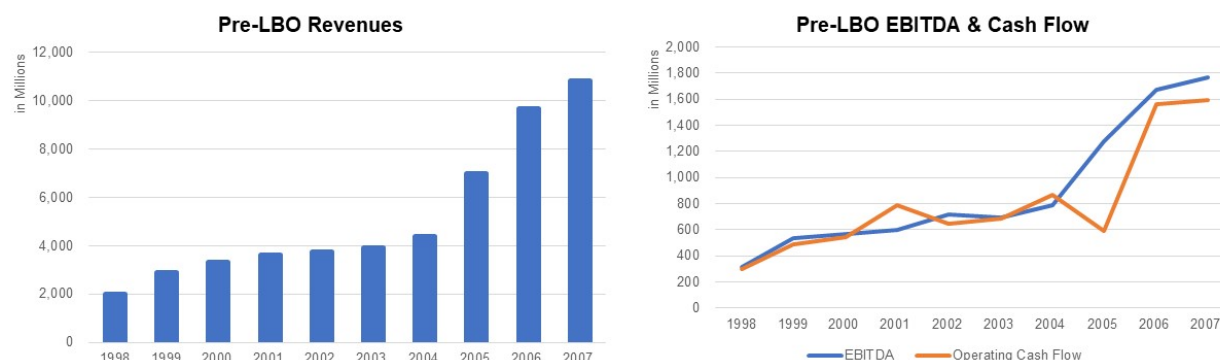
⁹ UNLV Center for Gaming Research.

¹⁰ Ibid.

¹¹ Company filings; Capital IQ.

¹² William D. Cohen, *A Private Equity Gamble in Vegas Gone Wrong*.

Total Rewards loyalty program which had developed into an essential marketing tool, customer relationship management vehicle, and way to create synergies between the 40 otherwise separate casino properties. From 1998, when Loveman was first introduced as COO, to 2006, when TPG and Apollo first submitted a bid for Harrah's, the company had a compound annual growth rate ("CAGR") of 19.1%, 20.3%, and 20.2% for revenues, EBITDA, and operating free cash flows, respectively [**Exhibits 1 & 2**].¹³ The belief was that the Las Vegas Strip would continue to expand and that there was a lot of room for Harrah's to continue on the same trajectory.



Source: Company Filings, Capital IQ

Exhibits 1 & 2 - Harrah's Pre-LBO Revenues, EBITDA, and Cash Flow

Part B - The Company was being Undervalued by the Capital Markets

Due to high regulatory standards, the casino industry had high barriers to entry, making it a defensible investment able to consistently earn above-average returns. Prior to 2006, only 18 states had legalized commercial gaming, and the states where Harrah's had operations accounted for 86.2% of all casino revenues.¹⁴ Moreover, even in legalized gambling states, new entrance is difficult, as owners and operators of casinos require extensive background checks and licensing. Yet despite these high barriers to entry, the casino industry was being undervalued relative to the hotel industry, even though many casinos have hotel operations. **Exhibit 3** shows that public hotel companies traded at a 16x EV/EBITDA multiple, while the casino industry trades at an 11x multiple. Apollo and TPG explained it as the result of market mispricing and an inefficient corporate structure, and we believe this phenomenon could be explained through a combination of factors, including growth, business risk, and tax effects. On one hand, gaming companies could trade down because of the limited investor base in "sin" industries and the limited expected future growth potential given uncertainty around the legalization of gaming in other states. On the other hand, tax effect of REIT structure provides additional incremental value holding other risks and cost of capital constant. **Appendix B** gives a detailed breakdown of the drivers of difference in multiple.

¹³ Ibid.

¹⁴ UNLV Center for Gaming Research.

EV / EBITDA as of 9/29/06			
Hotels		Casinos	
Marriott International	16.6x	Gaming Partners International	13.8x
Choice Hotels International	17.3x	Penn National Gaming	11.1x
Wyndham Worldwide	10.0x	Pinnacle Entertainment	8.7x
Belmond	20.9x	MGM Resorts	10.5x
InterContinental Hotels	13.3x	Ladbrokes Coral Group	12.5x
Median	16.6x		11.1x
Average	15.6x		11.3x
Harrah's Entertainment pre-LBO announcement			9.5x
Harrah's Entertainment at \$90/share offer price			11.3x

Source: Capital IQ

Exhibit 3 - EV/EBITDA Ratios of Major Competitors

The original idea for the LBO actually arose from a conversation between David Bonderman of TPG Capital and Gary Loveman¹⁵. Bonderman believed that the mispricing could be arbitrated, and significant value could be unlocked by separating both the gambling business and the lodging business, putting the latter into a tax-efficient real estate investment trust (“REIT”). This would help unlock value for Apollo and TPG through: (1) increased demand by allowing investors to better choose the risk profile of their investment (they could now choose to invest only in the gaming or the lodging business, rather than both); (2) simplifying the business and thus allowing Wall Street analysts to more easily value it; and (3) eliminating the inefficient allocation of capital among the two businesses. All of these are typical issues present in conglomerate-type businesses and what has made spin-offs popular over the last 25 years.

Part C - The Gaming Industry as a “Recession-Proof” Investment

The National Bureau of Economic Research defines a “recession” as a decline in both economic activity and Gross Domestic Product (“GDP”) lasting for more than a few months.¹⁶ Within the past 20 years, we have had two significant periods that would qualify: February 2001 to November 2001 and December 2007 to January 2010. In a recession, GDP declines as a result of decreases in production brought on by both lags in consumer spending and shifting consumer preferences. Although all industries are generally impacted, those which consumers deem more ‘discretionary’ are typically hit the hardest.

The gaming industry was long believed to be a great investment because it was “recession-proof”. Proponents of this view pointed to evidence such as the fact that even during the recession year of 2001, commercial gaming revenues in the United States rose by 3.1%.¹⁷ Beyond the numbers, the proposition that the gaming industry would be less sensitive to market downturns made intuitive sense. Factors contributing to this would include the heavy addition of many gamblers, a lack of competition from heavy regulation fueling large profits, or individuals seeking relief from the personal hardships brought on by these economic downturns. This was also born out statistically. From 1990 to 2006, Nevada, the largest commercial gaming state, had a CAGR of 6.1% of only saw a decline in annual revenues in two years, 2001 and 2002, with

¹⁵ William D. Cohen, *A Private Equity Gamble in Vegas Gone Wrong*

¹⁶ Mark P. Legg and Hugo Tang, *Why Casinos Are Not Recession Proof*, pg. 2.

¹⁷ Ibid, pg. 3.

neither decline greater than 1.5%¹⁸. Over the same time period, New Jersey, the second largest gaming state, had a 3.3% CAGR and no annual revenue decline¹⁹.

As the gaming industry begun to change, companies became increasingly reliant on the revenues from their lodging and convention industries to both supplement as well as drive gaming revenues by getting customers into the casinos in the first place. Lodging was important because the hotels are where gamblers stay on their visits while hosting conventions helped increase foot traffic into the casinos themselves, even if guests are not staying there. Studies have found that beyond that, hotels and conventions are also a critical determinant of gamblers making repeat visits. As a result, casinos have invested significantly in lodging operations and gone to great lengths to upgrade their conventions facilities in order to attract higher profile events ranging from sporting to music events. The result has been a change in the character of the investment in a typical gaming company because both the lodging and convention industries are much more sensitive to changes in consumer (and their employers') disposable income.

Another key market consideration has been the significant expansion of the gaming industry over the last 10 to 15 years as a result of states legalizing lotteries, a casino gambling substitute. All of these factors came to the fore when combined with the significant market downturn brought on by the Great Recession of 2008. At the time though, Apollo and TPG, like everyone else, believed that the industry would be adequately insulated.

Section 2.2 - Deal Structure

Prior to the LBO, Caesars had a debt to equity ratio of 1.8x and an interest coverage ratio of 3.5x²⁰. Harrah's was a strong company in an attractive industry with a high debt capacity, making it the perfect LBO target. The Sponsors, known at the time for their headlining, aggressive deals such as AMC Entertainment, Alltel, First Data, and General Nutrition Centers, took no liberties with Harrah's. Maximizing their multiple of money return ("MoM"), the Sponsors only contributed \$6.1 billion of their own capital, financing the remainder of the transaction with debt. This meant adding \$11.2 billion of debt to Harrah's existing \$11.7 billion of debt. Moreover, the Sponsors made structural changes to Harrah's. Whereas the old Harrah's had one parent company and one major operating subsidiary, post-LBO, the holding company, Caesars Entertainment Company ("CEC") had two major subsidiaries: Caesars Entertainment Operating Company ("CEOC"), which owned or managed 42 properties and had \$17.4 billion of debt, and Caesars Entertainment Resort Properties ("CERP"), which owned 8 properties and had \$6.5 billion of secured mortgage debt (collateralized mortgage-backed security or "CMBS").²¹

¹⁸ UNLV Center for Gaming Research.

¹⁹ Ibid.

²⁰ Company Filings, Capital IQ

²¹ Ibid.

Harrah's Entertainment Inc (As of 12/31/07)		Caesars Entertainment Corporation (As of 1/28/08)	
Harrah's Entertainment Operating Company		Caesars Entertainment Operating Company	
Secured Debt	5,895.7	Secured Debt	7,289.1
Unsecured Debt	5,357.2	Unsecured Debt	9,456.2
Unsecured Subordinated	1,184.8	Unsecured Subordinated Debt	662.8
Capital Lease Obligations	2.7	Capital Leases	2.5
Total Debt	12,440.4	Total Debt	23,910.6
Cash	(710.0)	CEOC Cash	(953.0)
Net Debt	11,730.4	CERP Cash	(10.0)
		Net Debt	22,947.6

Exhibit 4 -

Pre- & Post-LBO Capital Structure

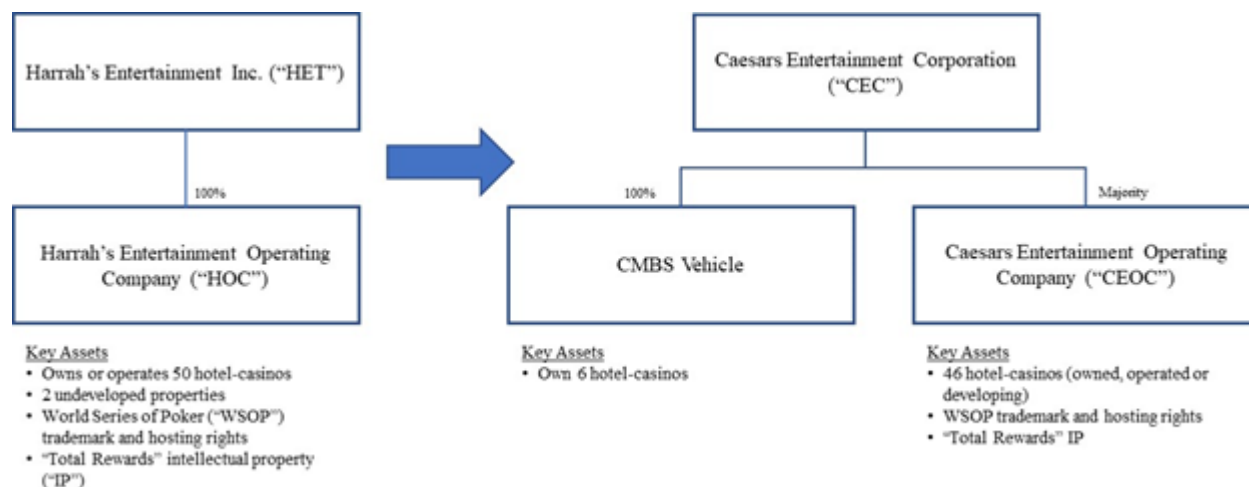


Exhibit 5 - Pre- & Post-LBO Corporate Structure

PART III – COULD BANKRUPTCY HAVE BEEN PREDICTED?

Beginning with the LBO in 2008, a variety of factors culminated over the following six years that ultimately forced Caesars into bankruptcy in search of a fresh start. Although external factors such as the Financial Crisis cannot be overstated, there were also some key internal strategic missteps that similarly impacted the company's fate.

Section 3.1 - External Factors for Decline

As discussed above, the gambling industry was thought to have been "recession-proof" although the 2008 Financial Crisis proved quite the opposite. After a long and steady revenue increase between 1998 and 2007, the industry began to experience significant decline in casino gambling activities as a result of the downturn. The recession resulted in 20% declines in both CEC's net revenues and adjusted EBITDA from 2007 to 2009.²² Given the conventional wisdom surrounding the industry, few saw this as a major risk factor when considering the LBO.

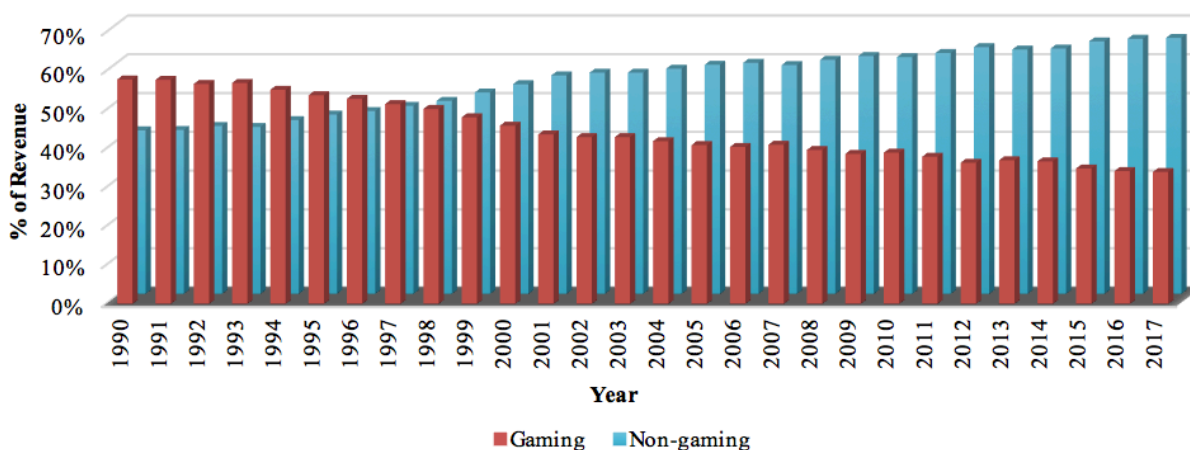
²² Company filings; Capital IQ.

The industry has also been facing market shrinkage as a result of a reduction in gambling among millennials (those born between 1980 to 2000).²³ This is partly the result of the rise of gaming alternatives including online poker, daily fantasy sports, competitive video gaming, etc. Resorts in Las Vegas approached this issue by investing more in nightlife, restaurants, and other entertainment facilities, but the lower margins of the other businesses were not enough to recoup the loss of gambling customers.

Revenue and visitor flow to Las Vegas Strip, which accounts for roughly one third of Caesars' revenue stream, took a significant hit during the financial crisis (see [Appendix B](#)). The roughly 6% revenue decline sharply decreased the company's top line projections, which could be estimated to be around 5%~6% based on historical projections and expected growth in the area, consequently lowering the actual EBITDA and free cash flow versus the projections.

Exhibit 6 - Las Vegas Strip Revenue Breakdown 1990-2017

Las Vegas Strip: Gaming and Other Departmental Percentages of Total Revenue



Source: Nevada Gaming Control Board, HVS

Section 3.2 - Internal Factor - Aggressive Capital Structure

Although Caesars faced significant industry headwinds, its financial distress was also the result of some of its own strategic decisions. Based on both fundamental financial and z''-score analyses, Caesars already seemed to be in an insolvent state shortly after the LBO. Its low cash flow and its large debt to enterprise value ("EV") ratio implied that not only could it not pay the

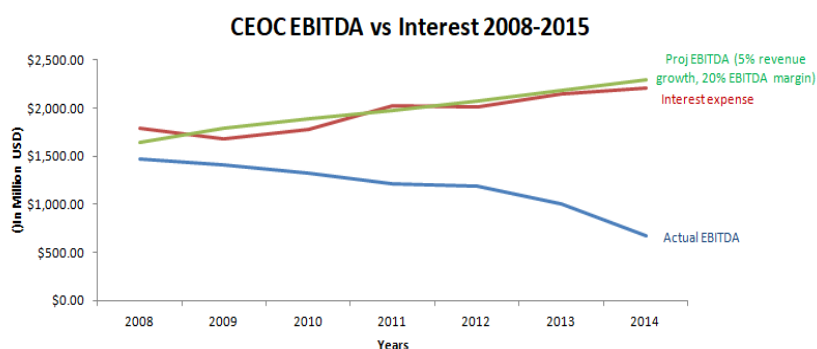
²³ Kent Mullins, *Millennials vs. Baby Boomers – The Changing Gambling Landscape*.

interest on a regular basis using its current operation, liquidating the whole company could only pay off as much as one-third of the debt outstanding based on the examiner's estimate.

Part A - Debt Service

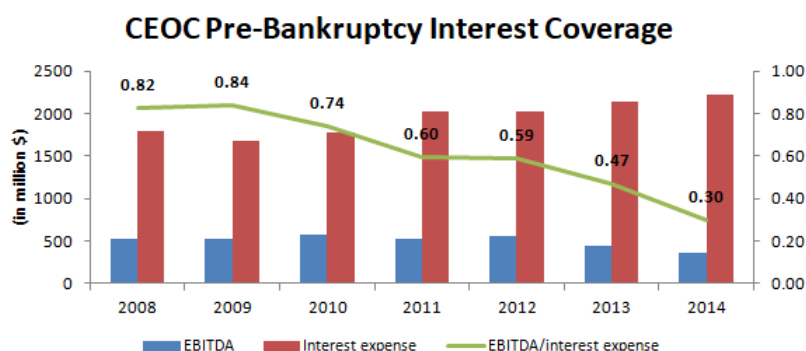
As the Financial Crisis hit and Caesars top line shrunk, it started to fail both its liquidity and balance sheet solvency tests. Its free cash flow at both the parent and the subsidiary level were consistently negative while the company's debt's rate of growth far surpassed that of its enterprises value.

After Harrah's merger with Caesars, the new entity had EBITDA of around \$2 billion annually with an EBITDA margin of approximately 20% to 25%. Given that the average interest expense post-LBO was also about \$2 billion, if Caesars' growth prospects were approximately 5-6%, it still would have barely been able service its debt payments. Unfortunately, as mentioned above, revenues dropped significantly after the Financial Crisis and were slow to rebound, significantly hindering its payment ability (see Exhibit 7.1 & 7.2).



Source: Capital IQ

Exhibit 7.1 - CEOC EBITDA vs Interest 2008-2015



Source: Capital IQ

Exhibit 7.2 - CEOC Interest Coverage Ratio

FCF	2009	2010	2011	2012	2013	2014
CEC	\$ (244.30)	\$ 19.50	\$ (149.40)	\$ (497.00)	\$ (845.00)	\$ (1,786.00)
CEOC	\$ (536.10)	\$ (343.30)	\$ (473.90)	\$ (803.40)	\$ (1,402.80)	\$ (1,196.40)

Source: Capital IQ

Exhibit 7.3 - CEOC Free Cash Flow

Additionally, as Caesars invested heavily in its Las Vegas properties immediately after LBO (\$1.2 billion in capital expenditure in 2008 for land, buildings, riverboats and equipment additions), it further strained company's ability to pay down debt. From 2008 up to the bankruptcy, free cash flow for both CEC and CEOC was consistently negative (see **Exhibit 7.3**). A lack of cash also made it difficult for the company to meet upcoming maturities without needing to refinance the debt in the capital markets with a declining credit rating. From an overall liquidity standpoint, it appears that the company was insolvent for significant period of time prior to filing.

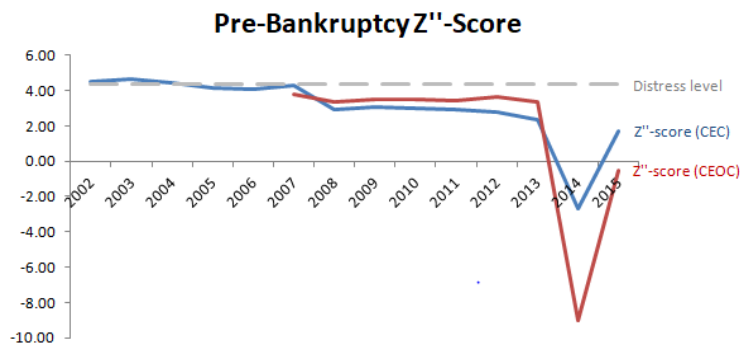
From a balance sheet perspective (see **Exhibit 8**), the value of the interest-bearing debt was constantly greater than the enterprise value of CEOC post-LBO. This gap grew from \$3.3 billion in 2008 to over \$12.3 billion in 2014, a rate that far outpaced the company's asset growth. By 2014, the interest-bearing debt had increased to over three times EV.

<i>amounts in millions</i>	2008	2009	2010	2011	2012	2013	2014
Enterprise Value of CEOC	\$14,629	\$14,480	\$14,072	\$11,994	\$12,179	\$11,980	\$6,059
Face Value of Interest-Bearing Debt (a) (b)	17,885	17,354	17,795	18,766	20,529	19,288	18,371
Solvent / (Insolvent)	(\$3,256)	(\$2,874)	(\$3,722)	(\$6,772)	(\$8,350)	(\$7,308)	(\$12,312)

Source: Examiner's Report (3/15/2016)

Exhibit 8 - CEOC Free Cash Flow**Part B – Z''-Score Analysis**

In addition to liquidity and solvency tests, we also performed the Z''-score analysis, which was developed by Professor Edward Altman, a distinguished professor at the NYU Stern School of Business, to predict the likelihood of bankruptcy in non-manufacturing companies based on four factors. When we calculated the Z''-score prior to the announcement of the transaction (see **Exhibit 9**), we see that for the parent company CEC, the score was on the edge of the "safe zone" but immediately afterwards, factor 1 [(current assets - current liabilities)/total assets] became increasingly negative. Consistent with our analysis above, this lack of liquidity from the widened gap between current assets and liabilities was a key driver in dropping the z''-score level below the distress level.

**Exhibit 9 - Z"-Score**

Section 3.3 - Internal Factor - Missed Opportunity in Asian Markets

Another significant misstep on the part of management during the post-LBO period was their inability to enter the Asian-Pacific Market. Although the Las Vegas Strip and other domestic market had a significant decline in growth prospect during the Financial Crisis, the overall gaming industry revenue actually grew sharply globally because of the growth overseas.

Although Caesars described itself on its website as the world's most geographically diversified casino-entertainment company, it missed its chance in the early 2000's to establish major casinos in Asia, where gambling revenue grew explosively for the past decade, making it one of the world's major casino markets. Caesars lost a hard-fought bidding war for a casino license in Singapore to Las Vegas Sands in 2006 due to its unwillingness to adapt its bid to the country's specifications and exited its investments in Macau in 2007 at the same time its competitors made the region an area of focus. As of 2014, Macau became the world's largest casino hub generating \$44 billion in gambling revenue. Singapore matched Las Vegas in generating approximately \$6 billion in gambling revenues in 2013. While its three largest competitors Las Vegas Sands, MGM Resorts, and Wynn Resorts generated 64%, 34%, and 72% of their total 2013 revenues from Macau, Caesars generated none.²⁴ Caesars's fortunes during this period were closely linked with those of Las Vegas Sands which had taken the opposite bet on Asian growth and although had warned of bankruptcy during the Financial Crisis, rode growth in the market to become the world's largest gambling company in terms of both revenue and market capitalization in the subsequent years.

In summary, it is clear that Caesars could not perform to the lofty standards it had established over the previous eight years under Loveman given the external and internal factors conspiring against it. If Caesars was going to continue to exist as a company and have any chance of realizing the potential Apollo and TPG believed they were investing in, significant action was necessary to extent the company's impending debt maturities and hope that the markets would recover in the company's favor, a play on the Sponsors' optionality.

PART IV – OUT-OF-COURT RESTRUCTURING ATTEMPTS

²⁴ Wall Street Journal, *Caesars Hobbled by Absence in Asia*.

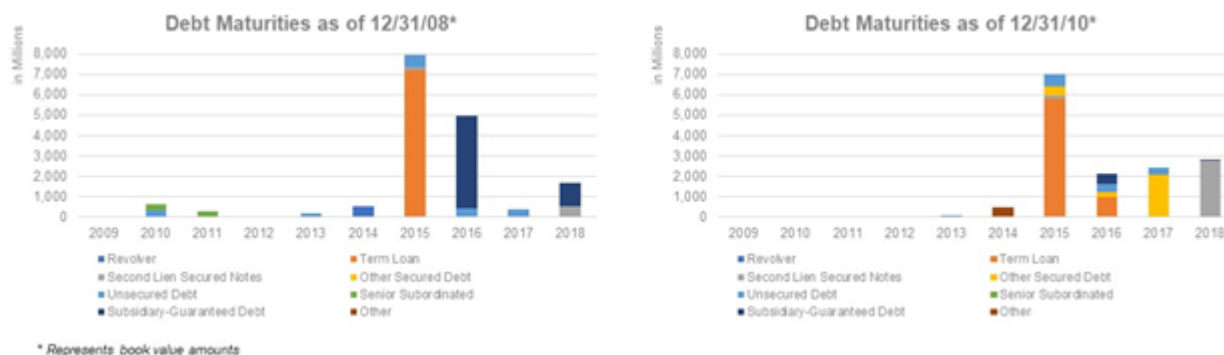
As discussed in Part III, Caesars Entertainment with its incredibly levered post-LBO capital structure, was poorly positioned to deal with the Financial Crisis, especially when compounded by internal missteps. The result was significant cash burn, tightening liquidity, and near-term debt maturities with minimal likelihood of being refinanced, necessitating extension of runway. The transactions undertaken between 2009 and 2014 can largely be grouped into three categories: (1) capital markets transactions; (2) structural changes; and (3) asset sales.

Although these attempts did indeed extend the runway, the perceived unfair treatment of the creditors relative to the equityholders ultimately led to the bankruptcy court fight between the Sponsors and the creditors. Many of these transactions were later challenged on more nefarious grounds that they were really done to transfer value to equityholders TPG and Apollo.

Section 4.1 – Capital Markets Transactions

Part A – Debt Swaps

In April 2009, \$5 billion face value of 2010 to 2017 Senior Notes were exchanged for \$3.4 billion face value of 2018 Second-Lien Notes paying a 10% coupon. The primary goal of this transaction was to extend out maturities and reduce the outstanding principal balance by exchanging the outstanding notes at a discount. Approximately one year later in June 2010, the company underwent another deleveraging transaction. Equityholders Paulson & Co. and TPG purchased \$865 million face value of 2015 to 2017 notes in the market and entered into an exchange offer with the company to exchange \$1.1 billion in principal amount of debt for 15.6% of the outstanding equity of CEC. Interestingly, this valued the equity in the company at approximately \$7.0 billion less than two years after the original LBO.



Source: Company Filings

Exhibit 10 - Debt Maturity Evolution

Part B – Amending Credit Facilities

As part of the LBO transaction, Caesars raised \$6.5 billion in CMBS debt secured by 6 properties within the CERP entity. In order to push out maturities, in September 2010 CEC negotiated an extension of its CMBS debt from 2013 through to 2015 in exchange for an agreement for CEC to purchase certain amounts of the debt in the future using excess cash flow at pre-negotiated prices that protected the lenders from further downside but also protection in

case the financial situation improved. In addition, the CMBS lenders were given contingent rights to valuable CEOC intellectual property in the event of a default.

Part C – Equity Offerings

In November 2010, CEC attempted to raise \$531 million through an IPO of 10% of its equity. In an interesting twist, Paulson & Co. would have the first priority to sell its current equity to the new investors, if it was to materialize. In the end, the IPO fell through and the company was unable to raise more cash to help alleviate its present liquidity issues. It would have been unlikely that CEC could have issued more debt at this point. Despite this failed attempt, between 2012 and 2014, the combined company was able to raise \$1.2 billion through IPOs and secondary offerings of CEOC and CACQ equity.

Part D – Cash Tender Offers

In June 2014, CEC repurchased 99% of its 2015 first and second lien notes through an \$830 million cash tender offer, approximately at par. Two months later the company underwent another cash tender offer to repurchase 2016 and 2017 notes and were able to cancel \$582 million in principal amount for only \$155 million. Combined, these transactions had a significant deleveraging impact on the company's balance sheet, reducing future principal payments as well as annual interest.

Section 4.2 – Structural Reorganization and Related Asset Sales

Part A – Creation of Caesars Interactive Entertainment and WSOP Transactions

In May 2009, CEC created a new subsidiary, Caesars Interactive Entertainment (“CIE”) for the purpose of transferring the intellectual property (“IP”) rights to the World Series of Poker (“WSOP”) from CEOC. Immediately after the creation of CIE, CEOC, acting through the directors of CEC, transferred the IP to the World Series of Poker (“WSOP”) from CEOC to CIE. This included its sponsorship, media, and licensing business, in addition to all WSOP IP in exchange for a license to the IP and \$15M of preferred shares in a holding company. In a secondary transaction in September 2011, CEOC sold the hosting rights to the WSOP to CIE for a \$20.5 million reducing the outstanding revolving loan owed to CEC by CEOC.

The stated reasons for CIE to operate as a subsidiary of CEC instead of CEOC were as follows: (i) the ongoing costs and expected operating losses of WSOP would place pressure on CEOC's covenants, and (ii) to remove the online gambling business, which was not yet legalized, away from the highly regulated CEOC business unit. However, at the time, CEOC's balance sheet could have managed the negative costs, and covenants would have allowed CIE to be an unrestricted subsidiary of CEOC, making it free of credit agreement restrictions.

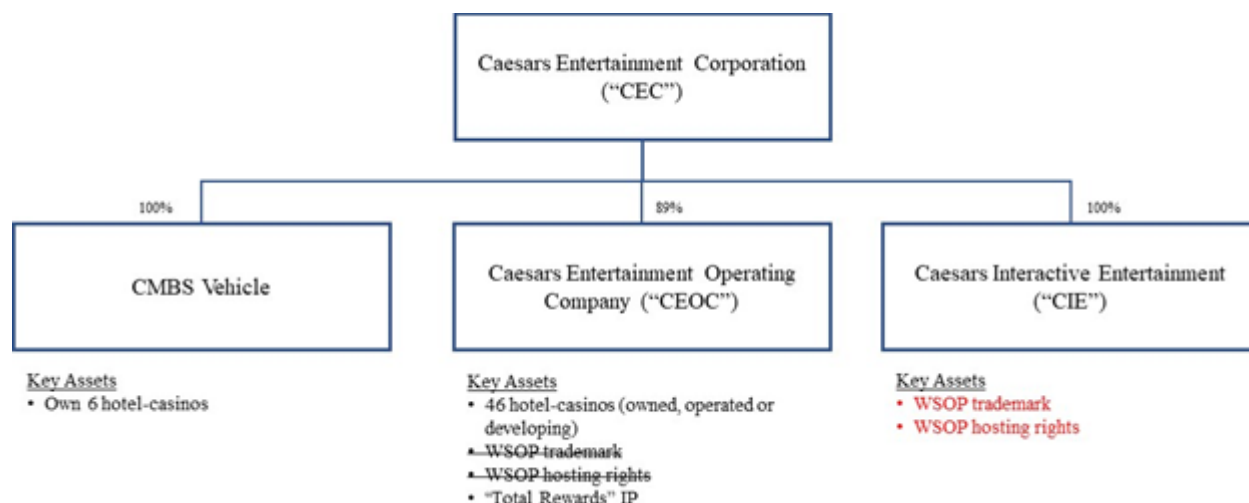


Exhibit 11 - Creation of CIE & WSOP Transactions

Part B – Creation of Caesars Acquisition Corp. and Caesars Growth Partners

In October 2012, Apollo, TPG, and Paulson & Co. invested approximately \$450 million of new capital into a newly-formed entity called Caesars Acquisition Corporation ("CAC") with the remainder of the entity's capital coming from an initial public offering (approximately \$650 million). CAC was created as a new entity with a fresh balance sheet, which would use its newly-raised capital purchase those assets of CEOC in the greatest need of investment that CEOC was currently unable to provide given its dire financial health. In return, CEOC would continue to own less capital-intensive properties and be provided with a cash injection critical to helping it resolve its current liquidity problems. The assets would be deposited within a newly-formed entity called Caesars Growth Partners ("CGP") which would be jointly-owned between CEC and CAC, although CAC would retain 100% of the voting interest. In exchange for transferring CIE to CGP and \$1.1 billion face value of senior unsecured notes, CEC received 58% of the economic interest in CGP, allowing it to continue to have an economic interest in both the assets transferred from CEOC to CGP and in CIE.

Immediately following the creation of the new entity, the Planet Hollywood Resort & Casino in Las Vegas, the rights to the Horseshoe Baltimore joint venture project, and 50% of the management fees associated with these properties were transferred from CEOC to CGP. Consideration paid to CEOC was \$360 million in cash and the assumption by CGP of \$513 million in debt secured against the two properties. Evercore issued a fairness opinion supporting the transaction.

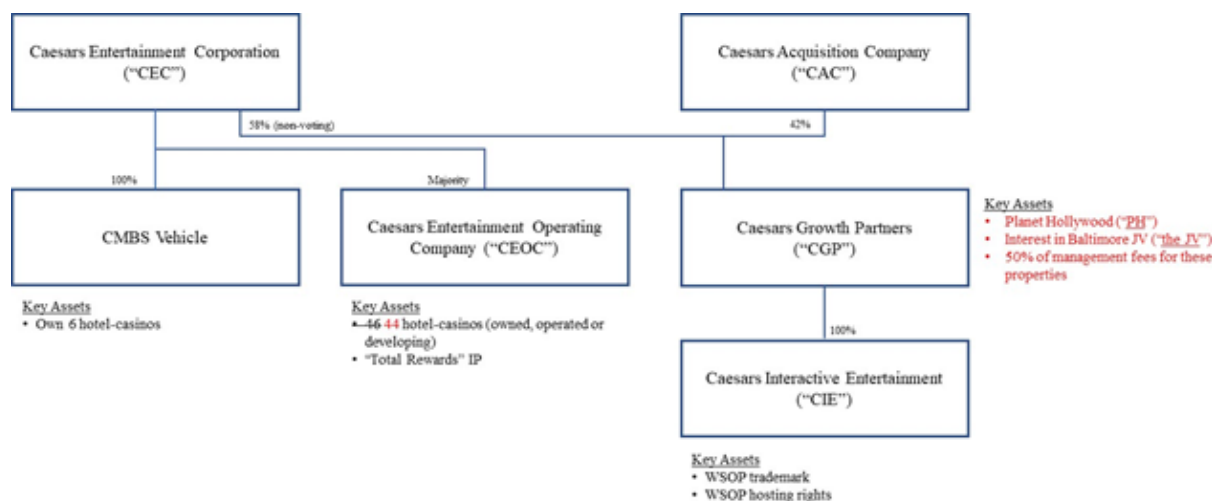


Exhibit 12 - Creation of CAC and CGP

Part C – Release of CEC Guarantee on CEOC Debt

The various debt modifications and agreements made surrounding what became known as the B-7 loan are difficult to justify as critical to staving off bankruptcy for CEOC and buying the entity time to turn things around. The series of transactions taking place in May 2014 provided, among other things, a \$1.75 billion of first lien 9.8% coupon term loan under CEOC, modification of the senior secured leverage ratio, conversion of the CEC guarantee of the term loan from a payment guarantee to a guarantee of collection, and the sale by CEC of 5% of the equity in CEOC in order to release CEC's guarantee of \$14.75 billion in bond debt. The money raised through the equity sale was used to prepay senior unsecured notes due in 2016 and 2017 which had different covenants that would have prevented the release of the guaranties. The proceeds of the term loan were primarily used to repay outstanding CGP debt due to mature prior to 2015, despite the fact that the entity was no longer owned by CEOC. Another interesting fact is that the 5% equity sold implied approximately a \$125 million equity value for CEOC.

Part D – The CERP Transaction

Even after the various extensions and buy-backs discussed above, Caesars needed to refinance the CMBS debt to avoid default in 2015. The debt was secured at the time by 6 properties but had an equity gap of \$840 million based on the assets securing it as of June 2013. Apollo and TPG resolved to fill that gap in October 2013 by creating a new CEC entity named Caesars Entertainment Resort Properties ("CERP"), transferring the 6 secured properties and selling CEOC's Octavius Tower and LINQ project to CERP. These were not just ordinary properties. As argued in the Wilmington Trust complaint, both the Octavius Tower and Project Linq were valuable to the CEOC portfolio because of their importance in targeting highly-valuable VIP customers and ultra-high net worth guests from Asia as well as their prime real estate locations in the center of the Las Vegas Strip.

CEOC also transferred \$450 million in debt and \$200 million in cash, receiving only \$80.7 million in cash and \$69.5 million in face value of notes. No negotiations took place over

the price and suspiciously, the price was over the Asset Sale covenant requirements but below the \$200 million threshold for required paydowns under the indentures. Perella Weinberg Partners was retained by Caesars and performed a fairness opinion which unsurprisingly deemed the transaction fair to CEOC. All of this was done despite the fact that CEOC was neither an obligor nor guarantor under any of the CMBS debt in question.

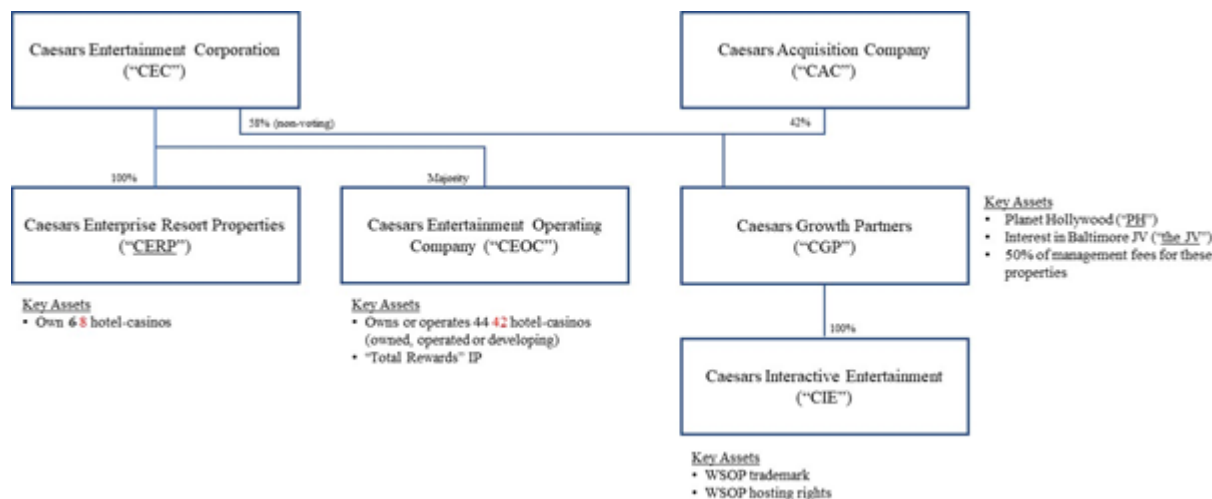


Exhibit 13 - Creation of CERP

Part E – Restructuring of the Ownership of the Total Rewards Program

Caesars Entertainment Services ("CES") was formed as a joint venture in May 2014 to centralize the Total Rewards Program, allowing CEC to use the intellectual property ("IP") across the various Caesars entities, regardless of where they fell in the corporate structure. Doing so was integral to the Four Properties transaction. Prior to the creation of CES, all intellectual property was owned by CEOC and thus would have to be licensed to CERP or CGP.

CEOC transferred its management resources to CES and granted it a "non-exclusive, irrevocable, world-wide, royalty-free license" in all IP comprising the Total Rewards program in exchange for a 69% interest in CES. CES then granted CERP and CGP sublicenses to use the IP. CERP received a 20% stake for a \$42.5 million cash contribution and CGP received 11% for \$22.5 million. This roughly valued the resources and IP at \$210 million. The costs of providing the services would be distributed among the three entities in proportion to their ownership, as would the management fees they would charge the individual properties. The voting rights were evenly among the three entities.

Part F – The Four Properties Transaction

In an effort to raise additional cash for CEOC, Apollo orchestrated the sale of four additional properties: (1) Bally's Las Vegas; (2) Bill's (now the Cromwell); (3) the Quad (now the LINQ); and (4) Harrah's New Orleans. In May 2014, the four properties were sold to CGP along with 50% of the management fees that CEOC would otherwise charge to manage these

properties for \$1.8 billion in cash and assumption of \$185 million of debt. These properties were all considering to be high-growth and some of CEOC's most valuable remaining assets. Included in the transaction was the transfer of 31 acres of undeveloped land. The creation of CES described above was an integral part of the closing of the Four Properties Transaction as the license to the IP allowed these four properties to be run effectively. A fairness opinion was performed by Lazard and stated that under its assumptions (which were not disclosed in the 8-K) that the transaction was fair to CEOC.

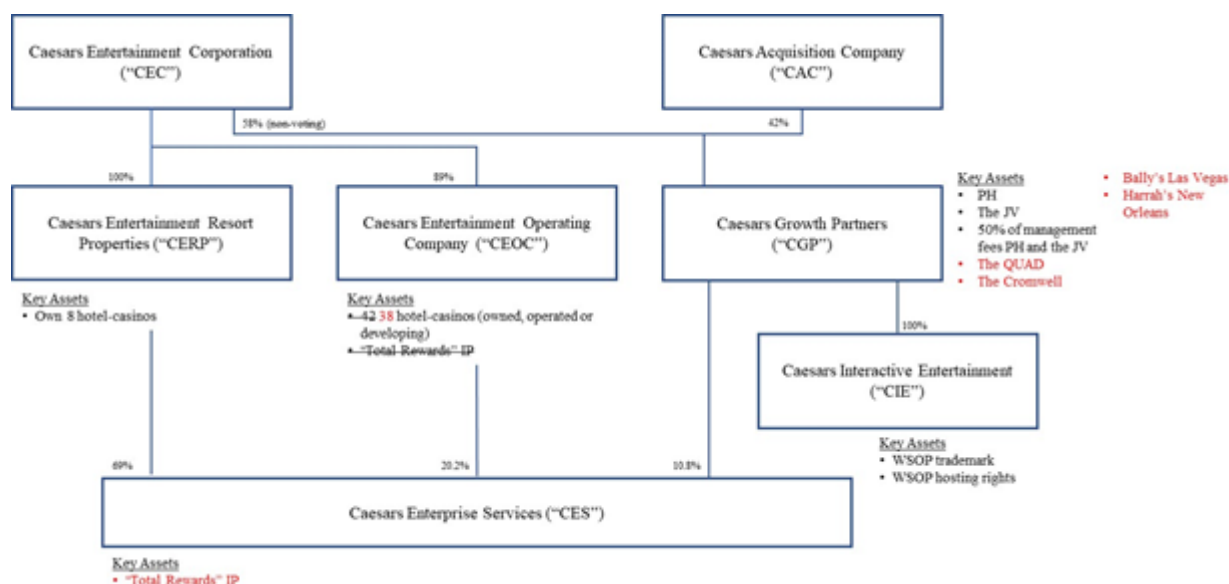


Exhibit 14 - Creation of CES and the Four Properties Transaction

Section 4.3 - Creditor's Response and the Road to Bankruptcy

Prior to the bankruptcy filing, the most widely traded subordinated debt was the 2018 10% second lien notes which were trading at 10 cents on the dollar.²⁵ Second lien notes were purchased by various distressed investors with histories of taking positions and litigating to increase recoveries. These investors included funds such as Appaloosa Management ("Appaloosa"), Avenue Capital, Canyon Capital Advisors, Caspian Capital, Centerbridge Partners ("Centerbridge"), Contrarian Capital Management, Elliott Management ("Elliott"), Oaktree Capital ("Oaktree"), and Tennenbaum Capital Partners ("Tennenbaum").²⁶

Investors believed they could extract significant value from the directors and officers of CEOC, CEC, and the Sponsors as a result of the pre-bankruptcy transactions that they believed had stripped value away from CEOC and would amount to fraudulent transfers under either state or federal bankruptcy law. Whether assets were returned to the estate through avoidance actions by the debtor or contributed by insurance policies and/or the Sponsors in exchange for liability releases, these notes were expected to trade up. Beginning in 2014 you beginning to see

²⁵HIGHYIELDBOND.COM, *Bankruptcy: Caesars 2nd-Lien Debtholders, Upping Ante, Seek to File Fraudulent Conveyance Suit*.

²⁶Cara Salvatore, *Caesars Brawls With Stakeholders in Pair of New Lawsuits*.

litigation filed in both New York and Delaware, setting the stage for a legal battle between many well-funded adversaries, one side with a lot to lose and the other with a lot to gain.

In the end, Loveman, TPG, and Apollo were incredibly involved in a variety of capital markets, structural, and asset transactions which they contend were necessary in order to ensure CEOC's survival going forward and maximize the value of the company amid a challenging external environment and the significant LBO debt burden. Creditors agreed that something had to be done, they just did not agree with the way that the company was going about creating that runway at what they believed was their expense.

PART V – MAJOR PRE-BANKRUPTCY LITIGATION

A key component of the Caesars bankruptcy were the major litigation matters filed in courts throughout the United States by creditors alleging breaches of fiduciary duties and state fraudulent transfer laws. We provide a quick overview of the relevant legal concepts before highlighting the most prominent matters that raised key issues that would later be addressed as part of the bankruptcy filing and subsequent appointment of the Examiner.

Part A - Overview of the Duties of Officers and Directors of Insolvent Corporations

Under Delaware law, directors and officers serve as agents to the shareholders of the corporation. As agents tasked with management of the firm in the shareholders' absence, they owe their principals fiduciary duties of care, loyalty and good faith in the exercise of their authority. For more detail, please refer to Appendix C. Creditors of a solvent corporation are generally not owed duties by directors and officers beyond adherence to the contractual terms of the various debt instruments although this begins to change as a company approaches insolvency.

Historically, courts have found that once a corporation becomes insolvent, directors and officers then owe fiduciary duties to the creditors because they essentially now 'own' the corporation by virtue of their seniority over equity. In recent years, the Delaware courts have clarified the law. In *North American Catholic Educ. Programming Found., Inc. v. Gheewalla*, 930 A.2d 92 (Del. 2007), the Delaware Supreme Court held that while fiduciary duties are always owed to the corporation and its shareholders, and creditors are owed no special duties when the company is financially distressed. Once the company actually is insolvent though, creditors take the place of shareholders as the principal constituency to which the directors' and officers' fiduciary duties are owed. Consistent with when the a company is performing well, during insolvency directors officers may in good faith, with the protection of the business judgment rule, may undertake decisions with a view to turning around the company, however, these decisions may be subject to challenge by creditors in the future.

Part B - Fraudulent Transfers under State Law and the Bankruptcy Code

A fraudulent transfer is a concept codified in Section 548 of the Bankruptcy Code which involves the transfer of a debtor's property made within two years prior to a bankruptcy filing. Each state will also have its own fraudulent transfer legislation which often has a longer lookback period, although all but 5 have adopted *Uniform Fraudulent Transfer Act* ("UFTA"),

with New York being the key exception. A finding by a court that there has been a fraudulent transfer allows the trustee to claw back value into the estate.

There are two types of fraudulent transfers: (1) actual and (2) constructive. An actual fraudulent transfer is one that is made “with actual intent to hinder, delay or defraud a creditor of the debtor”. This is difficult to show and typically the majority of actions are brought as constructive fraudulent transfers. Here, the argument is that the debtor received less than reasonably equivalent value in the transaction and (a) the debtor was insolvent when the transfer was made (or the obligation incurred) or was rendered insolvent as a result or (b) the debtor was left with unreasonably small capital. More specifically, the court needs to consider the following tests in order to make that determination:

1. Balance Sheet Test – did the fair value of the liabilities exceed the fair value of the assets at the time of transfer?
2. Cash Flow Test – at the time of the transaction, did CEOC have the ability to pay BOTH its short-term debts (subjective) and long-term debts (objective) as they came due?
3. Capital Adequacy – did CEOC have adequate capital to engage in its primary business?

The plaintiff has the burden of making a prima facie case. Insolvency must be proven by the plaintiff and the standard of proof is a preponderance of the evidence. Proving intent to defraud though is subject to a higher clear and convincing evidence standard.

Part C - Adversary Proceedings

Many legal actions were brought by CEOC’s creditors challenging the legitimacy of the CIE, CERP, Growth, and Four Properties Transactions, as well as the Shared Services Joint Venture. The second lien creditors behind many of these suits were primarily alleging two causes of action. First, the creditors claimed that the aforementioned transactions were consummated at below-market prices as an attempt to transfer valuable assets to CEC.²⁷ The transfers were aimed at enriching CEC and the Sponsors at the expense of CEOC and its creditors. Consequently, these transactions violated the 2009 Indenture, which prohibits asset sales for less than fair market value, and constituted constructive fraudulent transfers as CEOC was insolvent throughout the period when the transactions were contemplated and consummated.

Second, creditors alleged that CEOC’s directors breached their fiduciary duties in approving the above transactions.²⁸ Since CEC controlled CEOC and was under the Sponsor’s common control along with Growth Partners, the challenged transactions constituted self-dealing. The transactions were not approved by an independent board that served only CEOC’s interests. As a result, the board of directors was required to demonstrate fair dealing and price to meet the entire fairness standard. Even though there were uncertainties revolving around the fair price due to valuation controversies, fair dealing was, as a matter of fact, tarnished by CEOC not even having its own legal and financial advisor in any of the transactions. The major litigations, their venue, and the causes of action have been summarized in the table in **Appendix D**. On October 17, 2016, the Illinois Bankruptcy Court granted the 105 injunction staying the above

²⁷ SEC Filings, i.e. Apollo Global Management LLC, Annual Filing (Form 10-K), pp. 190-93 (Feb. 13, 2017).

²⁸ Ibid.

actions through the first omnibus hearing through the effective date of the future plan of reorganization.²⁹

PART VI – THE BANKRUPTCY FILING

Section 6.1 – Overview of the Bankruptcy

While all of this litigation was making its way through the court, as of 2014, CEOC began negotiating a prearranged agreement with creditors in anticipation of a future bankruptcy filing. The agreement had five key components:

1. the reduction of CEOC's total debt obligations and annual interest expense;
2. the reorganization of CEOC's business as a tax-efficient REIT;
3. securing significant contributions from CEC;
4. providing "significant" creditor recoveries (i.e., 100% to the first lien lenders, 92% to first lien noteholders, approximately 50% of the equity to other creditors); and
5. the release of claims against CEC and its affiliates subject to the completion of a governance committee investigation.

CEOC was planning to file a its prearranged plan with support of over 80% in aggregate principal amount of its first lien bonds and approximately 15% of the first lien bank debt in early January. The plan would continue to be negotiated throughout the bankruptcy and become a starting point for the negotiation of the final plan of reorganization.³⁰

On January 12th, 2015, second lien creditors surprised CEOC and its advisors by filing an involuntary Chapter 11 petition for the entity in the Bankruptcy Court of the District of Delaware. The involuntary filing alleged Caesars moved assets worth billions of dollars beyond the reach of junior creditors under suspicious circumstances.

CEOC responded by filing a voluntary petition in the Bankruptcy Court of the Northern District of Illinois on January 15th, 2015, along with a motion to change venue which was ultimately granted. The belief was that Chicago was a preferable venue from a legal perspective because of its laws that would immunize CEC and the company's directors and officers from lawsuits. Upon the filing, the automatic stay took effect staying all prepetition litigation against CEOC discussed above but no other entity of Caesars, Apollo, or TPG. Judge Gross in the Bankruptcy Court for the District of Delaware ultimately approved the venue transfer to Illinois following a hearing on the basis that the debtor's decision on where to file was entitled to substantial deference, to avoid causing future races to the courthouse, and because overall, it was "in the interest of justice" to do so. Following the transfer, the proceedings were all consolidated

²⁹ Debtors' Third Amended Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code, *In re Caesars Entertainment Operating Company, Inc. et al.*, No. 15-01145 (ABG), pg. 84 (N.D. Ill.) (Jan. 13, 2016).

³⁰ Pet.'s Mem. in support of Chapter 11 Petition, Case No. 15-01145 (ABG).

under the purview of Judge Benjamin Goldgar. At the time of the filing, CEOC had a total debt of \$18.0 billion, while CEC had a total debt of 25.3 billion [**Exhibit 15**].

In an interesting decision, Judge Goldgar approved the appointed two official committees, a general unsecured creditors committee as well as a separate junior creditors committee. The junior creditors committee consisted of key members of the second lien notes such as Centerbridge, Appaloosa Management, Tennenbaum Capital Partners, and bond trustee Wilmington Fund Savings Society. This gave the group spearheading the charge to unwind the intercompany asset transfers that they argued looted value from CEOC creditors significant influence over the case. Perhaps more importantly, it provided them with resources to litigate their claims to the full extent given that all of their legal and financial advisors' fees would be paid for by the debtor. Although their status as an official committee was challenged by CEOC in February 2015 on the basis that they provided no tangible benefit, their status was upheld.

What made this bankruptcy even more complex was the fact that many of the hedge funds that bought into the second lien debt had differing objectives. For example, funds such as Elliott and Oaktree held positions in both the first lien and second lien debt. This made it difficult for the debtor to form coalitions with certain creditors and attempt to force through a plan of reorganization through the cramdown provisions of the Bankruptcy Code, as is typical in many other litigious bankruptcy cases. This left the case at a standstill barring some decision on the breach of fiduciary duty and fraudulent transfer claims, ultimately leading to the appointment of an independent Examiner in March 2015. Parties knew that the Examiner's investigation would be useful in forming consensus around what actually happened and be very influential on any decisions rendered by Judge Goldgar moving forward.

Caesars Entertainment Corporation (As of 1/15/15)			
CEOC Debt (\$ in millions)	Maturity	Int. Rate	Amount Outstanding
Term Loan B4	2016	10.50%	376.7
Term Loan B5	2017	5.95%	937.6
Term Loan B6	2017	6.95%	2,298.8
Term Loan B7	2017	9.75%	1,741.3
First Lien Bank Debt			5,354.4
11.25% First Lien Notes	2017	11.25%	2,095.0
8.50% First Lien Notes	2020	8.50%	1,250.0
9.00 First Lien Notes	2020	9.00%	3,000.0
First Lien Notes			6,345.0
12.75% Second Lien Notes	2018	12.75%	750.0
10.00% Second Lien Notes due 2018	2018	10.00%	4,484.6
10.00% Second Lien Notes due 2015	2015	10.00%	3.7
Second Lien Notes			5,238.3
10.75% Senior Subsidiary-Guaranteed Notes	2016	10.75%	478.6
Subsidiary-Guaranteed Notes			478.6
6.50% Senior Unsecured Notes	2016	6.50%	296.7
5.75% Senior Unsecured Notes	2017	5.75%	233.3
Senior Unsecured Notes			530.0
Capitalized Lease Obligations	to 2017	Various	15.4
Special Improvement District Bonds	2037	5.30%	46.9
Other Unsecured Funded Debt	2016-2021	0-6.00%	24.7
Other Borrowings			87.0
Total CEOC Debt			18,033.3
CERP Debt			4,832.0
CGP Debt			2,386.0
CEC Debt			13.0
Total Debt			25,264.3

Source: Disclosure Statement, Memorandum in Support of Chapter 11 Petitions

Exhibit 15 - Pre-Bankruptcy Capital Structure
Section 6.2 – The Examiner’s Report

The court, authorized by Section 1104(c) of the Bankruptcy Code, approved the uncontested appointment of Richard J. Davis as Examiner in March 2015. Davis was a former bankruptcy partner at law firm Weil, Gotshal and Manges LLP with experience in both the Enron and Lehman Brothers bankruptcies. He was tasked with investigating over fifteen transactions (including the key transactions mentioned above) between different levels within Caesars and the LBO Sponsors, which took place over a four-year period. The report, released March 15th, 2016, mainly analyzed whether assets were removed from CEOC to the detriment of CEOC and its creditor in the course of the various transactions.

At a high level, Davis concluded that CEOC’s actions resulted in potential damage ranging from \$3.6 billion to \$5.1 billion from certain claims considered “reasonable” or “strong”. This did not include value from “potentially significant” claims, including what could be recovered from the social gaming business of CIE. The basis for the majority of the value calculated by Davis was fraudulent transfer claims against both the Sponsors and CEOC directors. Although it would be hard to provide either criminal or common law fraud, Davis believed that there were also viable claims of aiding and abetting a breach of fiduciary duty on

the part of both CEC directors and the Sponsors. In Davis’s words, “central to these claims is the fact that throughout this period CEC and the Sponsors treated CEOC as if it was a solvent 100% owned subsidiary when the reality, confirmed in much of the contemporaneous analyses they themselves created, was very different”.³¹

The damage calculations could also be even higher. Davis mentioned that the range excluded “(i) lost profits or other appreciation in the value of properties transferred, and related potential liens or offsets to which good faith transferees may be entitled in connection with such increases in value, and (ii) interest.”³²

Part A – Key Findings

Solvency

The first part of the examiner’s report addressed CEOC’s solvency over time, a concept relevant for two reasons: (1) as a requirement for a constructive fraudulent transfer claim and (2) to demonstrate that fiduciary duties were owed by CEOC’s directors and officers not only to equity-holders but to creditors. The report noted that the directors and officers should not have been caught by surprise. It pointed to both an April 2009 CEC board meeting and August 2014 CEOC independent director’s meeting as times were company’s counsel specifically explained these concepts. Until June 2014, there were directors serving on the boards of both CEC and CEOC, resulting in conflicts of interest. Diving into the numbers, Davis found that when applying the three solvency tests from 2008 through 2014, CEOC was insolvent under the balance sheet test and likely under the capital adequacy test as well, as shown in **Exhibit 16**. Given the information examined, Davis stated that “while as a result of the transactions during this period, debt maturities were extended and runway was created, there was never any realistic chance that CEOC would ever pay all of its creditors at par through a refinancing of CEOC’s debt or otherwise, and CEC and the Sponsors, in light of their own analyses, could not reasonably have thought differently.”³³

	LBO	YE2008	YE2009	YE2010	YE2011	YE2012	YE2013	YE2014
Balance Sheet	Remote	Insolvent	Insolvent	Insolvent	Insolvent	Insolvent	Insolvent	Insolvent
Cash Flow	Remote	Probable	Probable	Probable	Probable	Insolvent	Insolvent	Insolvent
Adequate Capital	Remote	Insolvent	Insolvent	Insolvent	Insolvent	Insolvent	Insolvent	Insolvent

Source: Examiner’s Report (03/15/2016)

Exhibit 16 - CEOC Solvency Post-Bankruptcy

Fairness Opinions

³¹ Final Report of Richard J. Davis, *In re Caesars Entertainment Operating Company, Inc. et al.*, pg. 2.

³² Ibid.

³³ Ibid, pg. 5.

As noted above, CEOC did get a variety of fairness opinions from reputable financial institutions as part of the challenged transactions. Although Davis disagreed with their accuracy of effectiveness in shielding the transactions from potential liability, he did state his opinion that there was no basis for claims against the financial advisors. Some of the noted flaws included heavy reliance on management's speculative projections and a potential lack of independence from the fact that the advisors' fees were tied to closing the deals.

Challenged Transactions

Critical of the Sponsors, Davis wrote that it "appears that the Sponsors' past success in successfully negotiating resolutions involving financially troubled companies was a factor in their assuming they could do so here without the need to pay adequate attention to the requirements associated with being fiduciaries of an insolvent entity".³⁴ Specifically, the report found that "CEC and Sponsor witnesses uniformly took the position that they did not believe CEOC was insolvent because it was paying its debts, had not defaulted and had created 'runway' by extending maturities on its debt".³⁵ Of course, this view ignored everything but the objective aspect of the cash flow test and bears no relationship to the actual solvency test as demonstrated earlier in this paper. Also, in many cases, CEC and the Sponsors either indicated ignorance of the relevant legal tests or simply seemed to ignore them based on their view that they believed CEOC's long-term debt could be addressed over time.

The report took the view that the CEOC board had a fiduciary duty to consider the best interest of the creditors once bankruptcy seemed inevitable. The asset transfers and financial transactions that the CEOC board executed (largely directed by the Sponsors without fully understanding their implications and motivations) provided downside protection for the Sponsors' investment rather than to turn around Caesars, to the detriment of its creditors.

As previously alluded to, the examiner found total fraudulent transfer claims of \$3.6 billion to \$5.1 billion. At a high-level, Davis found the following:

- 2009 WSOP Transaction: CEOC transferred WSOP trademarks and IP, which the examiner valued at \$66.2 million and \$76.2 million (not considering any upside potential) for \$15 million of preferred stock, which the examiner valued at \$9.9 million to \$12 million. The resulting fraudulent transfer claim was \$54.2 million to \$66.2 million. Davis added that there were also a reasonable breach of fiduciary duty claim against CEOC's Board members and CEC, and reasonable aiding and abetting claims against the Sponsors.
- 2011 WSOP Transaction: CEOC transferred WSOP hosting rights valued between \$50.3 million and \$55.9 million for a \$20.5 million reduction of debt. The resulting claim was between \$50.3 million and \$55.9 million.
- CGP Transaction: The Examiner found that the directors and Sponsors knew CEC and CEOC were in "dire financial condition" and documents revealed discussion that the "Sponsors' and CEC's positions would be enhanced by having gaming assets and funds at

³⁴ Ibid, pg. 3.

³⁵ Ibid, pg. 9.

Growth and by giving them a significant equity interest in Growth”.³⁶ The total deficiency in consideration for the two properties transferred to CGP amounted to between \$437 million and \$593 million and there are a strong constructive and actual fraudulent transfer claims, in addition to claims for breaches of fiduciary duty.

- CERP Transaction: Apollo took the lead on negotiating this transaction and “no serious consideration” was given to using non-CEOC assets.³⁷ In the fairness opinion for the CERP Transaction, Perella Weinberg Partners (“PWP”) opined that the transaction gave CEOC a net value of \$230 million. It arrived at this number by valuing the cost of a default if the CERP Transaction was not completed at \$378 million and the value of the contribution of cash and bonds at \$144 million, giving CEOC a value of \$522 million for assets worth \$292 million. The examiner disagreed with PWP attributing value to the cost of default and with the valuation of the two assets, asserting that instead of a net gain, there is a fraudulent transfer claim between \$329 million and \$427 million. All claims here were also considered strong.
- Four Properties Transaction: Apollo, with minimal input from Caesars’s management, selected the following properties and arranged the transaction. Inconsistent with the theory behind CGP, none of these parties appeared to have special capital expenditure needs. A special committee was appointed at CEC but it failed to protect CEOC’s interests. The examiner added that by permanently removing the four properties from CEOC’s asset pool without materially reducing its debt, it made CEOC less able to service that debt in the future. The examiner argued that the sale price for the Four Properties undervalued the assets by between \$592 million and \$968 million. In addition, the examiner valued 31 acres of undeveloped land, which the fairness opinion for this transaction did not consider, at between \$109 million and \$140 million, for a total claim of \$701 million - \$1.1 billion.
- CES / Total Rewards: CEOC should have been compensated in connection with the Four Properties transaction for the licensing of Total Rewards and the loss of the management services revenue it should have continued to receive from CERP after the creation of CES. In considering the claim for the Total Rewards IP transferred to CES, the examiner determined, based on the value of the IP and loss of the management fees that CEOC would have charged for managing the properties, a total claim between \$133 million and \$592 million. The examiner concluded that these transactions, considered together with those for the Four Properties Transaction, all provide the basis for strong fraudulent transfer and fiduciary breach claims given the lack of either a fair process or fair price.

Exhibit 17 below shows the complete list of transactions giving rise to claims, Davis’s estimated recoveries, and the probability of successful challenge in court.

³⁶ Ibid, pg. 36.

³⁷ Ibid, pg. 42.

(amounts in millions)							Value Range	
#	Transaction	Constructive Fraudulent Transfer ⁽¹⁾	Actual Fraudulent Transfer ⁽¹⁾	Breach of Fiduciary Duty ⁽¹⁾	Aiding and Abetting ⁽¹⁾	Other ⁽¹⁾	Low	High
A Asset Transfers								
1	2009 WSOP Transaction	S (CIE)	W	R (but for SOL) ⁽²⁾	R (but for SOL)	None	\$ 66.20	\$ 76.10
2	2011 WSOP Transaction	S (CIE)	W	R (but for SOL)	R (but for SOL)	None	50.30	55.90
3	2010 CMBIS Loan Amendments & Trademarks Transfer	P (due to SOL)	W	SOL	SOL	None	0	0
4	Growth Transaction	S (CGP)	S	S	R	None	437.00	593.00
5	CERP Transaction	S (CERP)	S	S	S	None	328.50	426.90
6	Four Properties Transaction	S (CGP)	S	S	R	None	592.00	968.00
	(a) Undeveloped Land	S (CGP)	S	S	R	None	109.00	140.00
	(b) CES/Management/Total Rewards	S (CERP)	S	S	R	None	132.90	592.10
7	CEOC Multiple Degradation	NV	NV	R	W	None	516.00	516.00
8	Easements	P	W	NV	NV	None	0	0
9	CMBIS/CERP/Total Rewards Management Fees	S (CERP)	W	R	NV	None	237.30	237.30
10	CES Excess Cost Allocation	S (CEC, CERP)	W	R	N/A	None	14.50	14.50
11	Atlantic City Transactions	S (CERP)	NV	NV	NV	None	3.00	7.00
	Asset Transfers Subtotal						\$ 2,486.70	\$ 3,626.80
B Financial Transactions								
1	B-7 and Tender Offers Transactions	NV	NV	R	R	None	\$ 315.00	\$ 315.00
	(a) CGP	NV	R	R	R	None	452.00	452.00
	(b) Clutham	NV	P	NV	NV	None	0	0
2	5% Stock Sale and Guarantee Release	NV	NV	NV	NV	None	0	0
3	6% PIP	NV	NV	NV	NV	None	0	0
4	Declaratory Judgment Action	NV	NV	NV	NV	None	0	0
5	Senior Unsecured Notes Transaction	NV	NV to W	NV to W	NV to W	None	0	0
6	PIK Notes Transaction	NV	W	W	W	Preference (NV)	0	0
7	Intercompany Transactions	P to W	R	R	R to P	Preference (S) ⁽³⁾	289.00	662.50
	Financial Transactions Subtotal						\$ 1,056.00	\$ 1,429.50
C Tax Issues		R	W	NV	NV	Unjust Enrichment (S), Turnover (S)	\$ 55.80	\$ 55.80
D LBO		NV	NV	NV	NV	NV	0	0
GRAND TOTAL							\$ 3,598.50	\$ 5,112.10

Source: Examiner's Report (3/15/2016)

Exhibit 17 - Potential Causes of Action and Estimated Recoveries

Part B – Our View of the Examiner's Report

Davis's report was a highly-comprehensive review of all aspects related to the 15 challenged transactions over a four-year stretch leading up to the bankruptcy. The final report spanned over 1000 pages and was the amalgamation of a thorough investigation undertaken over close to a year. Davis clearly highlighted the potential claims that could be brought against the directors and officers of both CEOC and CEC, as well as Apollo and TPG as sponsors, and providing his opinion as to the likelihood of success on the merits. Consequently, the report

reads as a largely unbiased analysis of what actually happened between 2009 and 2014 and where parties might have crossed the line.

It is certain that the implicated parties would contest that the events did not happen as described or that there are important facts missing that should limit their liability. It is important for any reader to remember that the Examiner's report is not a binding decision—it merely summarizes the neutral fact-finder's views for the bankruptcy court. Many parts of the report are redacted and without having Davis available to question as to how he decided that these were 'the facts', it is difficult to form strong views either for or against the findings.

In reviewing the Examiner's report in detail though, one area that we did take issue with was our belief that Davis was very conservative in his valuations and that the potential liability on the part of the officers, directors, and the Sponsors was in excess of the \$5.1 billion figure mentioned. This would be consistent with what creditors had been claiming throughout the bankruptcy, arguing that the Sponsors could be on the hook for upwards of \$12 billion.

One such example would be with the valuation of the potential fraudulent transfer liability with respect to the WSOP transaction. According to the report, Duff & Phelps originally issued fairness opinion for the WSOP Trademark and IP transaction using a discounted cash flow approach ("DCF") that priced the deal at \$15 million. In the DCF, the projected EBITDA did not consider future upside and topped off at \$3.3 million; they also used a WACC of 16.5%, which was even higher than the 13.3% WACC used by Caesars for impairment testing purposes, which vastly undervalues the asset in question.³⁸ The report also noted that various valuation of WSOP Brand and IP had a present value ranging from \$100 million to over \$600 million. By correcting for these conditions, among others, Davis arrived at a conservative estimate of \$66 million to \$76 million for the asset. Based on the growth of online gambling abroad (*supra* Section 4.3), if we were valuing it based on how high the comps were trading at the time of the transaction, we would estimate the value to be over \$1B. In fact, about a year after the report was published, a Chinese consortium of online platform operators agreed to buy the online gaming unit of Caesars for \$4.4 billion.³⁹ The fact that the Chinese buyers was willing to pay so much despite Caesar's still being in a state of bankruptcy really spoke of the strength of their conviction for the value of an asset that is similar to WSOP. Effectively, we could deduce that the transaction for the WSOP likely happened for an even smaller fraction of its actual value.

Section 6.3 – Plan of Reorganization

Part A – Key Features of the Plan of Reorganization

Pre-filing, Caesars had negotiated a prearranged deal with a significant number of creditors and had hoped that it would be able to speed through the bankruptcy process, if it ultimately had to file at all. However, the dissenting creditors (consisting mostly of the distressed investing hedge funds holding second lien debt) objected to the proposed distribution of value for the different key stakeholders (see points ³/₄ below) which resulted in a tug-of-war

³⁸ Final Report of Richard J. Davis, *In re Caesars Entertainment Operating Company, Inc. et al.* Appendix 7, part 1, pg. 20

³⁹ Fortune, *Chinese Consortium Agrees to \$4.4 billion Deal for Caesars Online Gaming.*

for value between the sponsors and hedge funds. Even small differences in recovery made a big difference for many of the funds that had purchased their debt at extremely distressed prices.

Other than the allocation of value, the final agreed-upon plan of reorganization was largely consistent with what had been proposed from the start. The two publically-traded entities, Caesars Entertainment Corporation (CEC) and Caesars Acquisition Corporation (CAC), would be merged and trade under the new CZR symbol. CAC shares were converted to CEC shares in the merger of the two companies, at a ratio of 1.65 CEC shares for every CAC share. As a second step, CEOC contributed substantially all of its real property assets and the assets and liabilities of Caesars Entertainment Outdoor to a newly formed REIT entity, VICI, as part of a sale-leaseback transaction. In return, it received VICI common and preferred stock which, as of the effective date, it would distribute to CEOC first lien creditors.⁴⁰

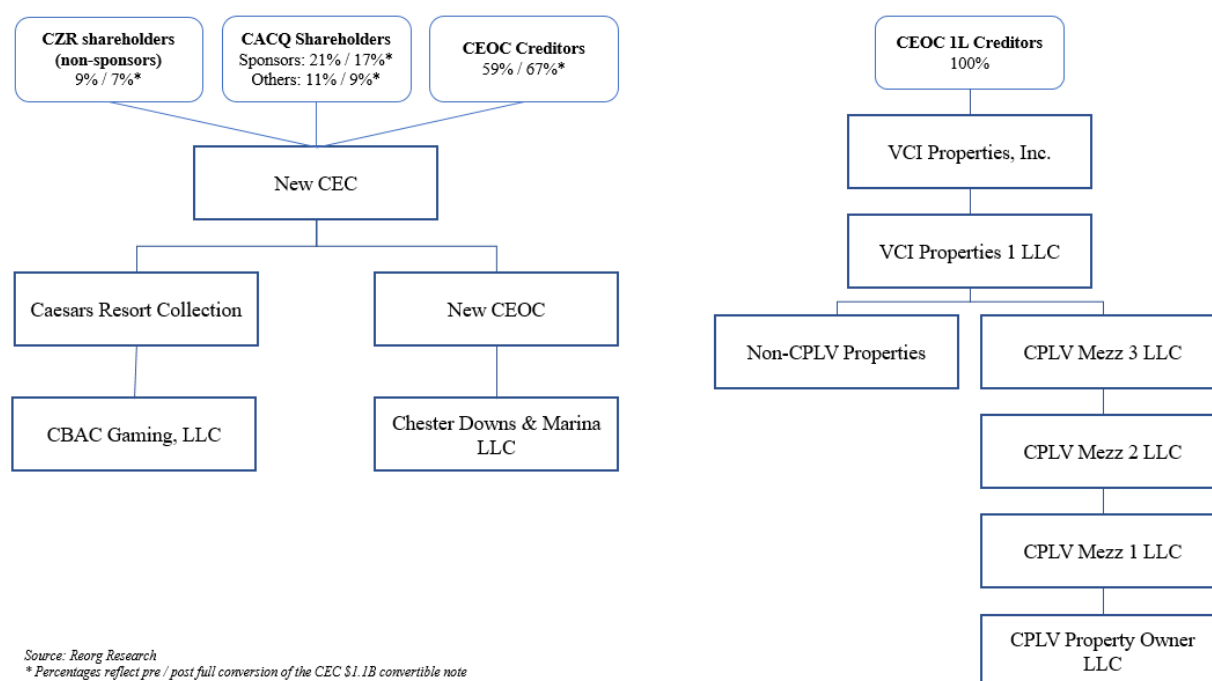


Exhibit 18 - Reorganized Caesars Corporate Structure

⁴⁰ Reorg Research, *POSTMORTEM / A Look Ahead: Caesars Sets Up New Organizational, Capital Structure; Apollo, TPG Maintain Significant CZR Ownership Alongside Creditors*, pg 7.

Reorganized Caesars			
Caesars Entertainment (OpCo)	Maturity	Int. Rate	Amount Outstanding
<u>New CEC</u>			
CEC 5% Convertible Senior Notes	2024	5.00%	1,119.1
Total			1,119.1
<u>New CEOC</u>			
Opco \$200M First Lien Revolver	2022	L+250 bps	-
Opco First Lien Term Loan	2024	L+250 bps	1,235.0
Total OpCo Secured			1,235.0
Chester Downs 9.25% Senior Secured Notes	2020	9.25%	330.0
Other Debt	Various	Various	45.0
Total			1,610.0
<u>Caesars Resort Collection</u>			
CRC \$1B First Lien Revolver	2022	L+225 bps	-
CRC First Lien Term Loan	2024	L+275 bps	4,700.0
Total Secured			4,700.0
CRC 5.25% Senior Notes due 2025	2025	5.25%	1,700.0
Total CRC			6,400.0
Horseshoe Baltimore \$15 M First Lien Revolver	2022	L+375-400 bps	-
Horseshoe Baltimore First Lien Term Loan	2024	L+375-400 bps	300.0
Capital Leases	Various	Various	1.0
Other Secured Debt (former CGP)	2018	8.00%	5.0
Special Improvement District Bonds	2037	5.30%	13.0
Total			6,719.0
Total Caesars Entertainment			9,448.1
VICI Properties, Inc. (PropCo)	Maturity	Int. Rate	Amount Outstanding
<u>VICI Properties L.P.</u>			
PropCo First Lien Term Loan B	2022	L+350 bps	1,638.0
PropCo First Lien Floating Rate Notes	2022	L+350 bps	312.0
Total First Lien			1,950.0
PropCo Second Lien Notes	2023	8.00%	767.0
Total			2,717.0
<u>Caesars Palace Las Vegas</u>			
CPLV Mortgage Loan	2022	4.36%	1,550.0
Total Mortgage Loans			1,550.0
CPLV Senior Mezzanine Loan	2022	6.75%	200.0
CPLV Intermediate Mezzanine Loan	2022	7.45%	200.0
CPLV Junior Mezzanine Loan	2022	8.07%	250.0
Total			2,200.0
Total VICI Properties, Inc.			4,917.0
Total Reorganized Caesars			14,365.1

Source: Reorg Research, Disclosure Statement

Exhibit 19 - Reorganized Caesars Debt Breakdown

Part B – Recoveries to Key Stakeholders

Exhibit 20 summarizes the ultimate recoveries under the confirmed September 2016 plan of reorganization. CEOC creditors received the majority of the equity in the newly-formed CZR entity. Although private-equity sponsors Apollo and TPG contributed all of their CEC equity holdings to fund creditor payments and the emergence from chapter 11, they maintained approximately a 16% ownership in CZR given the significant value of their ownership stake in CAC. They will not own any equity in the real estate investment trust that now houses the property assets. The Sponsors' recoveries changed dramatically over the course of the bankruptcy, largely turning on whether or not they would be liable for the claims discussed above. They ultimately relinquished their entire CEC ownership stake in order to obtain liability releases from the creditors, an amount estimated to have been worth approximately \$950 million.⁴¹

Junior bondholders came out to be the biggest winners as a result. Second Lien Noteholders, who were owed about \$5.5 billion, recovered about \$3.6 billion in cash, new debt and equity at the conclusion of the restructuring, providing them with approximately 66 cents on the dollar, up from about 27 centers under the prior restructuring plan and nine cents under CEOC's original proposal. The significant rise in their recovery between the June 2016 and September 2016 plans is the result of that additional \$950 million of value. The recoveries of general unsecured claims also rose to approximately 66 cents.⁴²

	September 2016 plan	Change from June 2016 plan
First Lien Bank Lenders	115 cents on the dollar	Decline of 1 cent on the dollar due to a \$66 million reduction
First Lien Noteholders	109 cents on the dollar	No change in recovery on the dollar. But in exchange for, among other things, a fixed cash payment of \$142 million, the First Lien Noteholders will waive their right to certain excess cash to be paid pursuant to a separate court order, resulting in a \$79 million net reduction.
Second Lien Noteholders	66 cents on the dollar	Increase of approximately 27 cents on the dollar due to \$345 million of cash, a 14.6% increase in fully diluted equity in "New CEC" (combined entity of Caesars Entertainment and Caesars Acquisition merger), and a \$108 million increase in convertible notes in "New CEC" (a total increase of \$1.6 billion)
Subsidiary-Guaranteed Noteholders	83 cents on the dollar	Decline of approximately 1 cent on the dollar due to a less than 0.1% reduction in fully diluted equity in "New CEC" to be distributed under the plan
Unsecured Creditors	66 cents on the dollar	Varied increase based on creditor type, consisting of cash, increased allocation of equity in "New CEC", and increased allocation of notes in "New CEC"

Source: Caesar's press release 10/8/2015 "Caesars Entertainment Operating Co. Announces Steps in Restructuring"
Exhibit 20 - Reorganized Caesars Recovery Breakdown

PART VII – SIMILAR CASES

Although the facts surrounding the Caesars bankruptcy are extreme and (hopefully) unlikely to be repeated in the near future, the Dynegy and potential Sears bankruptcies present interesting case studies to compare Caesars against. In both cases you have financial engineering

⁴¹ Ibid.

⁴² Ibid.

that appear to transfer value from one group of constituents to another and questions over whether what was done is acceptable to a court, regardless of if it may technically be legal.

Section 7.1 – Case Study: Dynegy

Dynegy is a wholesale power generator based in Houston, Texas. Leading up to 2010, the company struggled from low commodity prices combined with high fixed costs, significant debt, and necessary continuous capital investment. It had \$5 billion of debt to service with merely \$500 of projected annual operating income. Dynegy Inc. was the publicly-traded holding company for the group of entities and the vast majority of the debt was issued at the Dynegy Holdings entity. Below that entity, there were a variety of operating companies that held the combination of coal and natural gas assets, as well as any shared services across the platforms.

By early 2010, the company's stock was trading down to approximately \$2 per share and the bonds were trading at stressed levels. The company was aware that it needed to find a way to restructure its debt ahead of significant upcoming maturities and planned to make use of the light covenant restrictions to do so. Influenced by Carl Icahn, its most vocal shareholder, management undertook a variety of transactions to provide runway for the company in order to allow it to ride out what it believed was the bottoming of commodity prices. These transactions would be subject to challenge once the company eventually filed for bankruptcy in November 2011.

The transactions can largely be grouped into two major categories. Firstly, the coal and natural gas assets were siloed into both coal and gas holding companies (the “Coal Co.” and “GasCo.” respectively) which allowed the company to refinance the significant maturities by offering the banks first-lien debt in the new subsidiaries ahead of the publicly-traded notes. None of the assets were moved beyond the reach of Dynegy Holdings creditors though, they simply lost out in priority. The second set of transactions involved the sale of the CoalCo. from Dynegy Holdings to Dynegy Inc. in exchange for a \$1.25 billion ‘undertaking’.

When Dynegy Holdings was eventually filed in November 2011, the court appointed bankruptcy litigation partner Susheel Kirpalani from Quinn Emanuel Urquhart & Sullivan, LLP as examiner to review the pre-filing transactions and give his opinion as to whether there was potential liability on the part of Dynegy officers and directors for fraudulent transfer and breach of fiduciary duty claims. In issuing his report, Kirpalani found that although the ring-fencing transactions transferred value between creditor groups, this was legal and the result of the bargained-for covenant-lite indentures. On the other hand, he found that there was a substantial likelihood that Dynegy Holdings was insolvent at the time of the transfer of CoalCo. and reason to believe that it did not receive equivalent value for the sale. Following the release of the examiner's report, creditors and equityholders came to an agreement in April 2012 where the unsecured creditors would hold 99% of the equity going forward.

An interesting way to look at the potential transfer of value between equityholders and creditors throughout the case is by tracking the share price compared to the bond price over time

(see **Exhibit 21**). As you can see, the inverse relationship throughout can approximate the transfer of value.

<u>Date</u>	<u>Event</u>	<u>Stock Price</u>	<u>Bond Price</u>
12/2010	Icahn bids	\$5.50	\$75.0
8/2011	Credit facility refinanced; holdcos created	\$4.25	\$65.75
9/2011	Coalco transferred to Dynegy, Inc.	\$5.56	\$62.75
11/2011	Dynegy Holdings files	\$2.95	\$74.0
1/2012	Examiner appointed	\$2.53	\$65.0
3/2012	Examiner's report	\$0.76	\$67.4

Source: Professor Kovensky's Dynegy Presentation (10/17/2017)

Exhibit 21 - Dynegy Timeline and Security Prices

This case, much like Caesars, provides an important guidepost for companies navigating financial distress and attempting to extend runway through financial engineering and corporate restructurings. The examiner's report makes it clear that taking advantage of gaps in credit agreements and indentures is acceptable so long as it is done in good faith. There are limits though and once transactions are done for the purpose of, or even the effect of, transferring value from one constituency to another, such transactions will be subject to scrutiny for both breaches of fiduciary duty, as well as general fraudulent transfer claims.

Section 7.2 – Case Study: Sears Holdings

A potential Sears Holdings bankruptcy in the coming years could also raise some interesting questions post-Caesars. In 2015 Sears sold 235 real estate properties and a stake in 31 joint-venture properties to Seritage, a newly-formed REIT in a \$2.7 billion sale-leaseback transaction. Similar to many of the asset sales in Caesars, the rationale was that Sears needed the liquidity injection. Chief Executive Officer and 45% shareholder of Sears Eddie Lampert also owned a majority stake of Seritage and serves as their chairman, raising interesting questions around potential constructive fraudulent transfer claims if Sears continues to struggle and is eventually forced to file for bankruptcy.

Given Sears's significant debt and compounding losses, it is not unreasonable to assume that a court could find that Sears was insolvent at the time of the transfer. This would mean that it would then have to determine if Sears received reasonably equivalent value in exchange for the properties. Sears did obtain a fairness opinion at the time of the transaction from a third-party advisor which valued the consideration received as within the reasonable range for properties. As we saw in Caesars though, fairness opinions may not be definitive in offering complete protection to a debtor in these types of transactions, although we do not really know given that the parties settled prior to the transactions actually being ruled on by the bankruptcy court.

It appears as though the lengths to which Sears went to in order to ensure that the transaction was "fair" were greater than those taken in Caesars. In addition to the third-party

fairness opinion, the parties separately retained a specialized commercial real estate appraiser that evaluated each property in the transaction and estimated the value of the properties to be \$2.7 billion.

What one must remember when thinking about these transactions is not that the board of directors of the selling company must obtain the highest possible price, on that the price received was of reasonably equivalent value. Even though small changes in assumptions can change a valuation, sometimes substantially, so long as the assumptions are defensible it appears as though it will be very hard for any court to overturn this transaction.

One interesting wrinkle to this though is that if one looks at the post-transaction performance of the Sears and Seritage stocks, one sees that immediately following the transaction, SRG's enterprise value goes up \$400 million while Sears's enterprise value declined by more than \$1 billion.⁴³ This would appear to imply that Sears should have received more value in the transactions but there are also many other possible explanations.

PART VII – CONCLUSION

Section 7.1 - Caesars Today

Given that the vocal second lien creditors recovered primarily in CEOC equity, it is interesting to consider the current status of Caesars and the American gambling industry. Las Vegas has rebounded post-crisis with record visitors of 42.3 million in 2015 and Nevada having the 11th greatest job growth from 2009-2015 of any state. What has changed though is how visitors are choosing to spend their money. In 2014, gambling accounted for 37% of the total revenue of major Las Vegas casino resorts and hotels, down from 58% in 1990.⁴⁴ At the same time, we have also seen a change in demographics with the majority of visitors to Las Vegas being under the age of 50; this stands in stark contrast to the typical 50-plus slot player. These younger visitors have less interest in gambling and instead choose to spend their money on pool bars and nightclubs. Overall, millennials are gambling less with only 63% of visitors choosing to try their luck. Companies like Caesars have responded by introducing skills-based games, hoping to attract them with the “arcade-like” feel.⁴⁵

Atlantic City on the other hand has continued to suffer. The effects of major hurricanes Irene and Sandy on the infrastructure and already-fragile local economy have combined with an oversaturated market and increased competition from other east coast casinos to create significant financial trouble for casino operators in the region. A study from late 2016 found that less than half of millennials held a “positive or very positive” image of the city as an entertainment destination and a “negative reputation” of Atlantic City was the third most-cited reason for not visiting. To make matters worse, similar to Las Vegas, visitors are also spending

⁴³ Christopher M. Colorado, Edi M. Grgeta, and Konstantin A. Danilov, *Sears, SRG, and the Economics of Fraudulent Conveyance*.

⁴⁴ The Motley Fool, *Las Vegas Gets Record Visitors, But Gambling Less Important Than Ever*.

⁴⁵ New York Times, *Casinos Look to Video Games as a Draw For Millennials*; The Economist, *Viva Again*; Gothamist, *Millennial Are Not Big Gamblers, Wonder Why*.

less money on gambling with a late 2016 study showing that visitors aged 21 to 35 spent on average only 8.5% of their total trip budget on gambling activities.⁴⁶

The continued decline of the gaming industry has made it imperative for companies like Caesars to focus on building out their lodging accommodations as renovations have been key to profits. In 2016, CEC renovated 20% of rooms in Las Vegas and 15% of rooms across the entire portfolio. These efforts were part of the reason that 20 Caesars resorts earned TripAdvisor's Certificate of Excellence in 2016. The issue for Caesars though is that lodging, nightlife, restaurants, and other entertainment options are still not as profitable from a bottom-line perspective as gaming revenues.⁴⁷ Despite this fact, since emergence, the stock price has nearly doubled and currently trades around \$12 per share. On November 1st, 2017 the company announced strong results for the third quarter. Highlights included a 3.8% increase in net revenues driven by "strong gaming volume, hotel performance, and incremental revenues from operational initiatives". The company is also operating more efficiently, announcing that this resulted in a 18% increase in EBITDA and a 4% increase in its EBITDA margin.⁴⁸

Section 7.2 - Key Takeaways

Caesars's emergence from bankruptcy in October 2017 ended one of the most legally-charged cases in modern history. Although much can be learned, three significant takeaways stand out when also considered in the context of the events in both Dynegy and Sears: (1) the need for proper corporate governance even in private companies; (2) the impact of bankruptcy examiners on a given case; and (3) the unique legal and financial risks that private equity firms ("PE firms") face by virtue of their investment model.

Firstly, as a private company post-LBO, Caesars, its directors, and its Sponsors overlooked many core corporate governance issues for what they will argue was administrability of a highly complex financial and legal restructuring. While it is true that it would have been both inefficient and costly for a PE firm to set up independent boards for each entity in the evolving corporate structure both from an agency cost and communication perspective, one of the major issues raised by Davis in his report though was the way in which many of the restructuring transactions were both reviewed and ultimately approved. Delaware law typically requires that an independent committee be set up to review such a transaction and that it be fully empowered to come to a decision that was in the best interest of the entity's stakeholders. Not only was this not done, but it wasn't until June 2014 that CEOC even had its own separate board of directors or advisors. This meant that the same directors, lawyers, and investment bankers stood on both sides of the transaction, clearly raising doubt as to whether they were completely fair to CEOC. Furthermore, it is clear from Davis's report that the Sponsors themselves exerted significant influence over the board of directors (they held 3 of 6 seats) and would often be the primary decision makers. As Davis highlights, just because the board received fairness opinions from reputable investment banks did not mean that it would completely cleanse a questionable process. Had the Sponsors been more careful in complying with Delaware corporate governance

⁴⁶ Calvin Ayre, *Atlantic City's Millennial Visitors Spend Two Thirds Less on Gambling Than Over-35's*.

⁴⁷ *Disclosure Statement for the Debtors' Second Amended Joint Plan of Reorganization*.

⁴⁸ SEC Filings, i.e. Caesars Entertainment Corp, Quarterly Filing (Form 10-Q) (Nov. 1, 2017).

standards, creditors would have had significantly less leverage in the bankruptcy negotiations. Thus, while it is important to keep in mind that governance issues in this case could create future legal and financial complications, this case has extreme facts that may not be transferable to the majority of future bankruptcy cases, especially in light of the publicity of this case.

Secondly, as was the case in Dynegy, the appointment of the independent Examiner by the bankruptcy court was significant in moving the case towards resolution. Both cases involved significant potential liability that would have a material impact on the ultimate recoveries of creditors and equityholders but also dealt with unique circumstances where the law was uncertain. Although not binding on the court, parties knew that the comprehensive analysis undertaken by the respective Examiners would be highly influential on the bankruptcy judge if he was ultimately forced to resolve the issues in favor of one of the parties. The impact is evident both qualitatively as well as quantitatively. Much like in Dynegy where we saw that the value of the equity and the price of the debt moved in inversely based on the Examiner's findings, shortly after Davis's report came out, the price of the second lien notes due in 2018 went from about 20 cents on the dollar to above 32 cents and continued to rise in anticipation of higher recoveries under a subsequent proposed plan.

Thirdly, the Caesars case demonstrates the interesting financial and legal challenges for private equity firms inherent in their investing strategies. There are several factors that usually result in poor investment decisions by general partners in a PE business including deal fever, insufficient due diligence, and investing in a brand/business for vanity reasons. In hindsight, the investment in Caesars' may have had elements of all of these factors. Both TPG Capital Fund V and Apollo Investment Fund VI were looking to start a new fund (TPG fund VI and AIF VII respectively) around the time of this deal. Funds need to have invested 75% of their committed capital before raising another, so it made sense that at the time both were looking for a landmark deal. Investing in a soaring casino company had all the elements of a glamorous deal, as well as many other hallmarks of a classic private equity target including potential multiple expansion, a solid defensible company positioning, significant assets to borrow against, and a strong management team. The sobering decrease in financial performance post-financial crisis exposed the Sponsors' underwriting case. For example, the projected interest payments would have required approximately 5% annual revenue growth and a 20% EBITDA margin, numbers that should have been achievable but did not allow for much downside in the event of a recession. Given that Apollo and TPG were trying to maximize equity returns though, it would make sense for them to lever up the company as much as possible.

From the legal perspective, leveraged buyouts also raise interesting inherent issues in bankruptcy. Sponsors take companies private so that they can comprehensively restructure them outside of the many restrictions present with publicly-traded companies. For example, you do not need to consider how a specific strategic decision will impact other shareholders. As Apollo and TPG did throughout the case, the Sponsors expect to be very "hands on" and to use their experience in financial engineering to create value. What they do have to contend with though are potential duties to their creditors beyond merely their contractual rights. The deals, employing significant leverage to boost returns, are risky by their very nature and many end up in bankruptcy proceedings where duties owed to creditors become relevant.

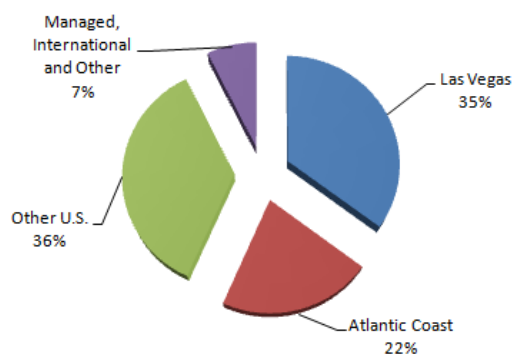
APPENDIX A

LAS VEGAS MACROECONOMIC ENVIRONMENT 1999 - 2008



FINANCIAL ANALYSIS

Geographic Breakdown of Caesar's Revenue Pre-Bankruptcy



Operating Metrics	2007	2008	2009	2010	2011	2012	2013
Las Vegas							
Revenue	\$ 3,626.7	\$ 3,254.2	\$ 2,698.0	\$ 2,834.8	\$ 3,013.1	\$ 3,029.9	\$ 3,070.4
Property EBITDA					\$ 823.6	\$ 806.3	\$ 866.1
EBIT before impairment	\$ 886.4	\$ 643.3	\$ 449.9	\$ 349.9	\$ 495.5	\$ 428.7	\$ 527.2
EBIT	\$ 886.4	\$ (1,936.1)	\$ (681.0)	\$ 349.9	\$ 495.5	\$ 428.7	\$ 547.2
EBITDA Margin	-	-	-	-	27.33%	26.61%	28.21%
EBIT before imp. margin	24.44%	19.77%	16.68%	12.34%	16.44%	14.15%	17.17%

Note: Property EBITDA only reported in the latter years for comparability purposes, in support of the proposed reorganization in prop-co and op-co.

Operating Metrics	2007	2008	2009	2010	2011	2012	2013
Atlantic City							
Revenue	\$ 2,372.0	\$ 2,316.8	\$ 2,025.9	\$ 1,899.9	\$ 1,839.1	\$ 1,681.3	\$ 1,520.9
Property EBITDA					\$ 278.1	\$ 265.6	\$ 203.4
EBIT before impairment	\$ 351.4	\$ 303.2	\$ 207.0	\$ 83.7	\$ 79.6	\$ 55.4	\$ 39.2
EBIT	\$ 351.0	\$ (396.7)	\$ 28.3	\$ 83.7	\$ 79.6	\$ (394.6)	\$ (2,405.3)
EBITDA Margin	-	-	-	-	15.12%	15.80%	13.37%
EBIT before imp. margin	14.81%	13.09%	10.22%	4.41%	4.33%	3.30%	2.58%

Operating Metrics	2007	2008	2009	2010	2011	2012	2013
Other US							
Revenue	\$ 4,268.3	\$ 3,986.8	\$ 3,646.7	\$ 3,536.4	\$ 3,080.6	\$ 3,048.8	\$ 2,924.0
Property EBITDA					\$ 682.7	\$ 729.4	\$ 658.0
EBIT before impairment	\$ 784.4	\$ 715.2	\$ 571.5	\$ 513.0	\$ 423.0	\$ 441.9	\$ 445.8
EBIT	\$ 724.0	\$ (598.3)	\$ 380.8	\$ 346.0	\$ 420.0	\$ 33.2	\$ 56.6
EBITDA Margin	-	-	-	-	22.16%	23.92%	22.50%
EBIT before imp. margin	18.38%	17.94%	15.67%	14.51%	13.73%	14.49%	15.25%

APPENDIX B

WHY REITs CREATE SHAREHOLDER VALUE: BREAKDOWN OF EV/EBITDA MULTIPLE

From a corporate finance framework, for EV/EBITDA multiple, since EV can be written as a function of expected cash flow going forward, it could be calculated with a DCF framework by the following formula:

$$EV = \frac{E(CF)}{r - g} = \frac{(1 - T) \times EBITDA + Dep + (1 - T) \times Dep + \Delta NWC - CapEX}{r - g}$$

where E(CF) is the expected cash flow, r is the cost of capital, g is the growth rate, T is the tax rate, Dep is the depreciation and amortization, and ΔNWC is the change in working capital.

Thus, the EV/EBITDA multiple could be broken down into the following components:

$$\begin{aligned} \frac{EV}{EBITDA} &= \frac{(1 - T)}{r - g} + \frac{(1 - T) \times Dep}{EBITDA \times (r - g)} - \left(\frac{CapEx}{EBITDA \times (r - g)} - \frac{Dep}{EBITDA \times (r - g)} \right. \\ &\quad \left. + \frac{\Delta NWC}{EBITDA \times (r - g)} \right) \\ &= \frac{(1 - T)}{r - g} + \frac{\text{Tax Shield of Dep}}{EBITDA \times (r - g)} - \left(\frac{\text{Net CapEx}}{EBITDA \times (r - g)} + \frac{\Delta NWC}{EBITDA \times (r - g)} \right) \\ &= \frac{1}{r - g} \left((1 - Tax) + \frac{\text{tax shield of Dep}}{EBITDA} + \frac{\text{Invested Capital}}{EBITDA} \right) \end{aligned}$$

And we could identify the drivers of the EV/EBITDA multiple as the cost of capital (smaller r means higher multiple *ceteris paribus*, C.P.), growth rate (the bigger the better C.P.), tax effects (the lower the better C.P.), and invested capital (the higher the better C.P.). These differences drove the perceived difference in EV/EBITDA multiple between the gaming and the hotel operations.

APPENDIX C

OVERVIEW OF FIDUCIARY DUTIES OF OFFICERS AND DIRECTORS

Duty of care

The duty of care is the duty to make informed decision by taking active role throughout the entire decision-making process. The following is a non-exhaustive list of actions directors should take before making a decision:

- Availing themselves of all required information to take actions;
- Taking due consideration of all alternatives;
- Going through deliberate procedure to carefully review available actions; and
- Obtaining advice of experts.

Duty of loyalty and good faith

The duty of loyalty is the duty to act in the best interest of the corporation and its shareholders. In other words, officers, directors, and controlling shareholders cannot exercise their discretion over corporate policy to enrich themselves at the expense of other shareholders.

Among other things, the duty of loyalty can be implicated in the following situations:

- Self-dealing transactions where one or more controlling shareholders are on both sides of the transactions;
- Conflicts over allocation of corporate opportunities between fiduciaries and the corporation;
- Corporate control transactions including but not limited to friendly mergers, hostile tender offers, management buyouts, freeze-outs, and sales of control by one or more controlling shareholders;
- Executive compensation; and
- Transactions involving material conflicts of interest.

STANDARDS OF REVIEW

Business Judgment Rule

The business judgment rule is a principle of corporate governance that has traditionally operated as a shield to protect directors from liability for their decisions. If the directors are entitled to the protection of the rule, then the courts should not second-guess their decisions. The rule is a rebuttable presumption that directors acted without self-dealing or personal interest and exercised reasonable diligence and acted with good faith. Any party challenging a board of directors' decision bears the burden of rebutting the presumption.

Entire Fairness Standard

In a challenged transaction involving self-dealing by a controlling shareholder the substantive legal standard is that of entire fairness, with the burden of persuasion resting upon

the defendants. The burden may shift from the defendants to the plaintiff through the use a well functioning committee of independent directors. The committee must function in a manner which indicates that the controlling shareholder did not dictate the terms of the transaction and that the committee exercised real bargaining power at an arms-length.

The test of fairness involves examination of fair dealing and fair price. Fair dealing focuses on the conduct of the corporate fiduciaries in effectuating the transactions. Factors to consider include how the purchase was initiated, negotiated and structured and the manner in which the director approval was obtained. A controlling shareholder has the duty of candor to disclose all material facts about the transaction. Fair price concerns the financial considerations relied upon when valuing the proposed purchase including but not limited to assets, market values, future prospects, and earnings.

APPENDIX D

<u>Litigation</u>	<u>Date</u>	<u>Venue</u>	<u>Causes of Action</u>
Wilmington Savings Fund Society, FSB v. Caesars Entertainment Corp. et al., No. 10004-DVG (Del.Ch.) (the “ <u>WSFS Action</u> ”)	August 4, 2014	Delaware Court of Chancery	<ul style="list-style-type: none"> • Fraudulent Conveyance • Breach of Fiduciary Duty, Breach of Contract • Corporate Waste • Aiding and abetting related to certain transactions among CEOE and its subsidiaries and CEC and its affiliates
Trilogy Portfolio Company, L.L.C., et al. v. Caesars Entertainment Corp., et al., No. 14-cv-7091 (S.D.N.Y.) (the “Trilogy Action”); Danner v. Caesars Entertainment Corp., et al., No. 14-cv-7973 (S.D.N.Y.) (the “Danner Action”).	September 3, 2014 (Trilogy); October 2, 2014 (Danner)	Southern District of New York	<ul style="list-style-type: none"> • Breach of contract • Breach of implied covenant of good faith • Trust Indenture Act violations • A declaratory judgment challenging the August 2014 private financing transaction
UMB Bank v. Caesars Entertainment Corporation, et al., No. 10393 (Del. Ch.) (the “ <u>UMB Action</u> ”)	November 25, 2014	Delaware Court of Chancery	<ul style="list-style-type: none"> • Actual and constructive fraudulent conveyance and transfer • Insider preferences • Illegal dividends • Breach of contract • Intentional Interference with contractual relations • Breach of fiduciary duty • Aiding and abetting breach of fiduciary
BOKF, N.A. v. Caesars Entertainment Corporation, No. 15-156 (S.D.N.Y.) (the “BOKF Action”)	March 3, 2015	Southern District of New York	<ul style="list-style-type: none"> • Breach of contract • Intentional interference with contractual relations and a declaratory judgment • Enforcement of CEC’s guarantee of certain CEOC notes
Wilmington Trust, National Association v. Caesars Entertainment Corporation, No. 15-cv-08280 (S.D.N.Y.) (the “ <u>Wilmington Trust Action</u> ”)	October 20, 2015	Southern District of New York	<ul style="list-style-type: none"> • Breach of Indenture • Declaratory judgment affirming parent guarantee • Breach of implied duty of good faith and fair dealing

SOURCES

Ayer, John D et al. *The Trustee's power to Avoid Fraudulent Transfers*, 23-4 AMERICAN BANKRUPTCY INS TITUTE JOURNAL (2004), available at https://www.kirkland.com/siteFiles/kirkexp/publications/2402/Document1/Friedland_Trustees_Power.pdf.

Beaudette, *From Harrah's to Caesars: A Timeline*, WSJ, Jan. 15, 2015, <https://blogs.wsj.com/moneybeat/2015/01/15/from-harrahs-to-caesars-a-timeline/>.

Caesars Entertainment, *Caesars Entertainment Operating Co. Announce Confirmation of CEO's Plan of Reorganization*, PR NEWswire, Jan. 17, 2017, <https://www.prnewswire.com/news-releases/caesars-entertainment-caesars-entertainment-operating-co-announce-confirmation-of-ceos-plan-of-reorganization-300392018.html>.

Caesars Entertainment, Inc., *4Q & FY 2016 Earnings Presentation* (Feb. 14, 2017).

Caesars Entertainment, Inc., *Caesars Entertainment Operating Co. Announces Steps in Restructuring*, Oct. 8, 2015, <http://investor.caesars.com/releasedetail.cfm?releaseid=935713>.

Caesars Entertainment, Inc., *Caesars Entertainment Operating Co. Announces Steps in Restructuring*, Sep. 27, 2016, <http://investor.caesars.com/releasedetail.cfm?releaseid=990994>.

Caesars Entertainment, Inc., *Caesars Entertainment Reports Strong Financial Results for the Third Quarter of 2017*, Nov. 1, 2017,

Cara Salvatore, *Caesars Brawls With Stakeholders in Pair of New Lawsuits*, LAW360, Aug. 5, 2014, <https://www.law360.com/articles/564190>.

Castro, Karen. 2016 Economy Future Looks Bright for Nevada, LAS VEGAS NOW.COM, <http://www.lasvegasnow.com/news/2016-economy-future-looks-bright-for-nevada/296986519>.

Center for Gaming Research, *Atlantic City Gaming Revenue*, ANNUAL STATISTICS FOR TOTAL SLOT, TALBE, & INTERNET WIN, 1978-2016, Jan. 2017, http://gaming.unlv.edu/reports/ac_hist.pdf.

Center for Gaming Research, *Caesars Entertainment Corporation Company Profile*, http://gaming.unlv.edu/abstract/fin_het.html.

Center for Gaming Research, *Nevada Casinos: Departmental Revenues, 1984-2016*, http://gaming.unlv.edu/reports/NV_departments_historic.pdf.

Center for Gaming Research, *Nevada Gaming Revenues, 1984-2016*, Jan. 2017, http://gaming.unlv.edu/reports/NV_1984_present.pdf.

Center for Gaming Research, *United States Commercial Casino Revenues*, June 2016, http://gaming.unlv.edu/reports/national_annual_revenues.pdf.

Checkler, Joseph. *Caesars' Junior creditors Can Keep Voice in Case*, WSJ, Mar. 4, 2015, <https://www.wsj.com/articles/caesars-junior-creditors-can-keep-voice-in-case-1425510784>.

Chinese Consortium Agrees \$4.4 Billion Deal for Caesars Online Games, FORTUNE, July 31, 2016, <http://fortune.com/2016/07/31/chinese-consortium-caesars-games/>.

Cohen, William D. *A Private Equity Gamble in Vegas Gone Wrong*, FORTUNE, June 5, 2015, <http://fortune.com/2015/06/05/caesars-losing-las-vegas/>.

Colorado, Christopher M. et al. *Sears, SRG, and the Economics of Fraudulent Conveyance*, FRIEDMAN KAPLAN SEILER & ADELMAN LLP, https://www.fklaw.com/media/publication/24_Colorado,%202012.2017%20-%20JCR%20Article%20Re%20Sears%20-%20WorkSite%20Acrobat%20Integration.pdf.

Complaint, *Wilmington Sav. Fund Soc'y, FSB v. Caesars Entm't Corp.*, No. 10004-VCG (Ch. Mar. 18, 2015).

Debtors' Third Amended Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code, *In re Caesars Entertainment Operating Company, Inc. et al.*, No. 15-01145 (ABG) (N.D. Ill.) (Jan. 13, 2016).

De la Merced, Michael J. *Caesars Entertainment to Emerge From Chapter 11 Bankruptcy*, THE NEW YORK TIMES, Sep. 27, 2016, <https://www.nytimes.com/2016/09/28/business/dealbook/caesars-entertainment-to-emerge-from-chapter-11-bankruptcy.html?mcubz=1>.

Final Report of Richard J. Davis, *In re Caesars Entertainment Operating Company, Inc. et al.*, No. 15-01145 (ABG) (N.D. Ill.) (Mar. 15, 2016).

Gara, Antonine. *Billionaire David Tepper Wins in Caesars Bankruptcy Deal as TPG, Apollo Avoid New Legal Battles*, FORTUNE, Sep. 27, 2016, <https://www.forbes.com/sites/antoinegara/2016/09/27/billionaire-david-tepper-wins-in-caesars-bankruptcy-deal-as-tpg-apollo-avoid-new-legal-battles/#5493736d1dd4>.

Glazer, Glazer & Wirz, Matt. *Apollo Uses Wedge Maneuver to Save Caesars*, WSJ, May 29, 2014, <https://www.wsj.com/articles/apollo-uses-wedge-maneuver-to-save-caesars-1401311292>.

In re Caesars Entertainment Operating Company, Inc. et al., No. 15-01145 (ABG), Docket 4 (N.D. Ill.).

In re Caesars Entertainment Operating Company, Inc. et al., No. 15-01145 (ABG), Docket 4420 (N.D. Ill.).

Jones Day LLP, *Caesars Second Lien Noteholders Confirm Support For Economic Terms of Consensual Chapter 11 Plan*, Sep. 2016, <http://www.jonesday.com/caesars-second-lien-noteholders-confirm-support-for-economic-terms-of-consensual-chapter-11-plan-09-27-2016/>.

Las Vegas Convention and Visitors Authority, *Historical Las Vegas Visitor Statistics (1970-2016)*, <http://www.lvcva.com/includes/content/images/media/docs/Historical-1970-to-2016.pdf>.

Legg, Mark P. & Tang, Hugo. *Why Casinos Are Not Recession Proof: An Business Cycle Econometric Case Study of the Las Vegas Region*, http://scholarworks.umass.edu/cgi/viewcontent.cgi?article=1202&context=gradconf_hospitality.

McNew, Bradley S. *Las Vegas Gets Record Visitors, But Gambling Is Less Important Than Ever*, Feb. 7, 2016, THE MOTLEY FOOL, <https://www.fool.com/investing/general/2016/02/07/las-vegas-gets-record-visitors-but-gambling-is-less.aspx>.

Mikle, Jean. *Millions Spent on Casinos Didn't Help Atlantic City*, USA TODAY, June 11, 2013, <https://www.usatoday.com/story/news/nation/2013/06/11/atlantic-city-casinos-money-squandered/2412791/>.

Monzo, Eric J. Reviewing 'Caesars' and Bankruptcy Venue in the Ides of March, MORRIS JAMES LLP, Mar. 26, 2015, <https://www.morrisjames.com/blogs-Delaware-Business-Bankruptcy-Report,reviewing-caesars-and-bankruptcy-venue-in-the-ides-of-march>.

Mullins, Kent. *Millennials v. Baby Boomers—The Changing Gambling Landscape*, GAMBLINGSITES.COM, Oct. 07, 2017, <https://www.gamblingsites.com/blog/millennials-vs-baby-boomers-changing-gambling-landscape-44937/>.

O'Keeffe, Kate. *Caesars CEO Loveman Leaves Divided Legacy*, WSJ, June 29, 2015, <https://www.wsj.com/articles/caesars-loveman-leaves-divided-legacy-1435634297>.

O'Keeffe, Kate. *Caesars Hobbled by Absence in Asia*, Jan. 14, 2015, <https://www.wsj.com/articles/caesars-hobbled-by-absence-in-asia-1421226050>.

Parker, Laura. *Casinos Look to Video games as a Draw for Millennials*, THE NEW YORK TIMES, July 6, 2016, https://www.nytimes.com/2016/07/07/technology/personaltech/casinos-look-to-video-games-as-a-draw-for-millennials.html?_r=0.

North American Catholic Educ. Programming Found., Inc. v. Gheewalla, 930 A.2d 92 (Del. 2007).

Practical Law Company, *Fraudulent Conveyance*.

Petitioner's Memorandum in Support of Chapter 11 Petition, *In re Caesars Entertainment Operating Company, Inc. et al.*, No. 15-01145 (ABG) (N.D. Ill.).

POSTMORTEM / A Look Ahead: Caesars Sets Up New Organizational, Capital Structure; Apollo, TPG Maintain Significant CZR Ownership Alongside Creditors, REORG RESEARCH, Oct. 25, 2017.

Fishbein, Rebecca. *Millennials Are Not Big Gamblers, Wonder Why...*, GOTHAMIT, Sep. 14, 2016, http://gothamist.com/2016/09/14/millennials_dont_gamble.php.

Scurria, Andrew. *Caesars Calls For End to Noteholders' Ch. 11 Committee*, LAW360, Feb. 19, 2015, <https://www.law360.com/articles/623045/caesars-calls-for-end-to-noteholders-ch-11-committee>.

SEC Filings, i.e. Apollo Global Management LLC, Annual Filing (Form 10-K) (Feb. 13, 2017).

SEC Filings, i.e. Caesars Entertainment Corp, Annual Filings (Form 10-K) (Feb. 15, 2017).

SEC Filings, i.e. Caesars Entertainment Corp, Disclosures Regarding Harrah's Entertainment, Inc. (Form 8-K) (Apr. 9, 2009, June 3, 2010, Dec. 1, 2017).

SEC Filings, i.e. Caesars Entertainment Corp, Quarterly Filing (Form 10-Q) (Nov. 1, 2017).

Stradbroke, Steven. *Atlantic City's Millennial Visitors Spend Two-Thirds Less on Gambling Than Over-35's*, CALVINAYRE.COM, <https://calvinayre.com/2016/09/14/casino/millennials-spend-two-thirds-less-gambling/>.

Stradbroke, Steven. *Caesars Entertainment and Gary Loveman's Fateful Decision to Not Build in Macau, China, the Most Lucrative Gaming Market in the World*, GAMBOOL, <https://gamboool.com/caesars-entertainment-and-gary-lovemans-fateful-decision-to-not-build-in-macau-china-the-most-lucrative-gaming-market-in-the-world>.

The Millennial Problem: The Problem with the Casino, THE MOTLEY FOOL, Sep. 20, 2016, <https://www.fool.com/investing/2016/09/20/the-millennial-problem-the-problem-with-the-casino.aspx>.

Update: Caesars Examiner Details 'Reasonable' or 'Strong' Claims Held by CEO Valued at \$3.6B-\$5.1B, REORG RESEARCH, Mar. 16, 2016.

VICI Properties Inc., Completes Spin-off From Caesars Entertainment Operating Company, BUSINESS WIRE, Oct. 6, 2017, <https://www.businesswire.com/news/home/20171006005640/en/VICI-Properties-Completes-Spin-off-Caesars-Entertainment-Operating>.

Viva Again, THE ECONOMIST, July 18, 2015, <https://www.economist.com/news/united-states/21657799-recovering-las-vegas-colourful-microcosm-america-viva-again>.

Zimmerman, Alan. *Ahead of Caesars Hearing, Warring Creditors Agree to Bury Proposed Reorg Plan, Not to Praise It*, HIGHYIELDBOND.COM, June 3, 2016,

<http://www.highyieldbond.com/ahead-of-caesars-hearing-warring-creditors-agree-to-bury-proposed-reorg-plan-not-to-praise-it/>.

Zimmerman, Alan. *Bankruptcy: Caesars 2nd-Lien Debtholders, Upping Ante, Seek to File Fraudulent Conveyance Suit*, HIGHYIELDBOND.COM, May 18, 2016, <http://www.highyieldbond.com/bankruptcy-caesars-2nd-lien-debtholders-upping-ante-seek-to-file-fraudulent-conveyance-suit/>.