

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

In re:)	
)	Chapter 11
)	
CAESARS ENTERTAINMENT OPERATING COMPANY, INC., <u>et al.</u> , ¹)	Case No. 15-01145 (ABG)
)	
Debtors.)	(Jointly Administered)
)	
)	Hr'g Date: Feb. 17, 2016, at 1:30 p.m. (CT)
)	

NOTICE OF DEBTORS' MOTION TO FURTHER EXTEND THEIR EXCLUSIVE PERIODS TO FILE A CHAPTER 11 PLAN AND SOLICIT ACCEPTANCES THEREOF

PLEASE TAKE NOTICE that on the **17th day of February 2016, at 1:30 p.m. (prevailing Central Time)** or as soon thereafter as counsel may be heard, the Debtors will appear before the Honorable A. Benjamin Goldgar or any other judge who may be sitting in his place and stead, in the Ceremonial Courtroom (Room No. 2525) in the Everett McKinley Dirksen United States Courthouse, 219 South Dearborn Street, Chicago, Illinois, 60604, and present the attached *Debtors' Motion to Further Extend Their Exclusive Periods to File a Chapter 11 Plan and Solicit Acceptances Thereof* (the "Motion").

PLEASE TAKE FURTHER NOTICE that any objection to the Motion must be filed with the Court by **February 10, 2016, at 4:00 p.m. (prevailing Central Time)** and served so as to be actually received by such time by: (a) counsel to the Debtors; (b) the Office of the United States Trustee for the Northern District of Illinois; and (c) any party that has requested notice pursuant to Rule 2002 of the Federal Rules of Bankruptcy Procedure (a schedule of such parties may be found at <https://cases.primeclerk.com/CEOC>).

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

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

Dated: February 3, 2016
Chicago, Illinois

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

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UNITED STATES BANKRUPTCY COURT
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In re:)	Chapter 11
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CAESARS ENTERTAINMENT OPERATING COMPANY, INC., <u>et al.</u> , ¹)	Case No. 15-01145 (ABG)
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**DEBTORS’ MOTION TO FURTHER EXTEND THEIR EXCLUSIVE PERIODS
TO FILE A CHAPTER 11 PLAN AND SOLICIT ACCEPTANCES THEREOF**

The above-captioned debtors (collectively, the “Debtors”) file this motion (this “Motion”) for entry of an order further extending the Debtors’ exclusive right to file a chapter 11 plan through and including July 15, 2016 (the “Filing Exclusivity Period”), and to solicit votes thereon through and including September 15, 2016 (the “Solicitation Exclusivity Period,” and together with the Filing Exclusivity Period, the “Exclusivity Periods”).

Introduction

1. In granting the Debtors’ second motion to extend the Exclusivity Periods, the Court found that an extension at that time was warranted because “the cases are large, complex, and contentious,” “the Debtors are making progress towards a consensual plan,” and several “outstanding contingencies need to be resolved.” Hr’g Tr. 4:14–15, 5:6–7, 21–22, Oct. 21, 2015. As outlined more fully herein, these same three reasons continue to justify a further extension of the Exclusivity Periods at this time. But now is also the time to move these chapter 11 cases

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

forward and an extension of the Exclusivity Periods will provide stability as the Debtors move these cases towards a successful resolution.

2. The Debtors believe that the chapter 11 plan confirmation process should begin soon after the chapter 11 examiner (the "Examiner"), originally requested by the Debtors, issues his final report, which is expected around the end of February. This report will provide the Debtors' stakeholders with a neutral, third party's view on the Debtors' litigation assets, which is necessary for parties to analyze the Debtors' proposed chapter 11 plan [Docket No. 2402] (the "Plan"). Having waited nearly a year for this important report, the Debtors should now be permitted to prosecute their proposed Plan (as amended to account for the Examiner's conclusions, as well as the updated analysis and conclusions reached by the Debtors' Special Governance Committee ("SGC") in connection with their own continued analysis of estate claims), without the threat of competing plans that could derail these cases.

3. The Debtors believe that the Examiner's report will encourage parties to negotiate a global resolution of these cases, including all issues related to the Debtors' important litigation assets. To that end, the Debtors continue to seek a section 105 injunction to temporarily enjoin imminent trials of the guaranty litigation against CEC in order to provide the parties with time to negotiate after the issuance of the Examiner's report. Moreover, earlier today the Debtors filed a motion seeking appointment of a sitting bankruptcy judge (in the event key stakeholders are unable to agree on their own mediator) to mediate all issues related to a plan of reorganization in these chapter 11 cases [Docket No. 3195], to the extent that there is no global resolution by the time of the issuance of the Examiner's report. This mediation process should occur once parties have had an adequate opportunity to review and analyze the Examiner's report, but the mediation process is not meant to and should not delay the disclosure statement approval, plan solicitation,

and confirmation process. In fact, that confirmation process likely may benefit from the assistance of a mediator. See, e.g., In re Quiksilver, Inc., Case No. 15-11880 (BLS) (Bankr. D. Del.) (successful mediation of plan valuation dispute resolved on eve of confirmation hearing, resulting in a largely uncontested plan confirmation hearing); In re Cengage Learning, Inc., Case No. 13-44106 (ESS) (Bankr. E.D.N.Y.) (successful mediation of key confirmation issues during the solicitation period, including issues regarding the secured parties' liens on their collateral, facilitating confirmation of the debtors' plan of reorganization).

4. The Debtors expect to commence the plan process by amending their plan and disclosure statement soon after the Examiner's report is filed, which is anticipated around the end of February, and then seeking a disclosure statement hearing in April, with confirmation to occur in late summer, depending on this Court's calendar. The Debtors believe that the plan process can be moved forward with the updated chapter 11 plan and disclosure statement that will be filed at some point after the issuance of the Examiner's report, and that plan can then be amended as necessary to reflect additional consensus reached with the Debtors' other constituents. Although the Debtors recognize that full consensus may not be achievable—if at all—until the parties are on the courthouse steps at the confirmation hearing, the Debtors believe that the right time to commence in parallel both a mediation process as well as the confirmation process (with relevant schedules and deadlines that are often the vehicles that drive people to consensus) is after parties have had a reasonable opportunity to study the Examiner's report.

5. Accordingly, the Debtors request that the Court extend the Exclusivity Periods to the maximum time provided under the Bankruptcy Code to give the Debtors the time and stability necessary to move these cases forward, hopefully bringing all of their stakeholders on board with a consensual chapter 11 plan that maximizes value for all stakeholders.

Relief Requested

6. The Debtors respectfully seek entry of an order extending: (a) the Filing Exclusivity Period through and including July 15, 2016; and (b) the Solicitation Exclusivity Period through and including September 15, 2016.

Jurisdiction

7. The Court has jurisdiction pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory basis for the requested relief is section 1121 of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the “Bankruptcy Code”).

Basis for Relief

8. This Court has ample authority to extend the Exclusivity Periods. The purpose of the Exclusivity Periods is “to promote an environment in which the debtor’s business may be rehabilitated and a consensual plan may be negotiated.” In re Burns and Roe Enters., Inc., No. 05-2529 (KSH), 2005 WL 6289213, at *4 (D.N.J. Nov. 2, 2005). Section 1121(d) provides courts with discretion, “for cause,” to extend a debtor’s exclusivity period to, among other things, provide a debtor the necessary protections to drive consensus around an orderly, consensual, and successful reorganization of a debtor’s affairs. See, e.g., 203 N. LaSalle St. P’ship v. Bank of Am. Nat’l Ass’n, No. 99-7110 (PEP), 1999 WL 1206619, at *4 (N.D. Ill. Dec. 13, 1999). Courts often use the following factors in determining whether “cause” exists to extend (or to terminate) a debtor’s exclusive periods:

- (a) the size and complexity of the case;
- (b) the necessity of sufficient time to permit the debtor to negotiate a plan of reorganization and prepare adequate information to allow a creditor to determine whether to accept such plan;
- (c) the existence of good faith progress towards reorganization;
- (d) the fact that the debtor is paying its bills as they become due;
- (e) whether the debtor has demonstrated reasonable prospects for filing a viable plan;
- (f) whether the debtor has made progress in negotiations with

its creditors; (g) the amount of time which has elapsed in the case; (h) whether the debtor is seeking an extension of exclusivity in order to pressure creditors to submit to the debtor's reorganization demands; and (i) whether an unresolved contingency exists.

In re Adelphia Comm'cns Corp., 336 B.R. 610, 674 (Bankr. S.D.N.Y. 2006) (denying motion to terminate exclusivity based on factors for cause).

9. Moreover, as the Court noted at the hearing on the Debtors' first request to extend the Exclusivity Periods, "this list of factors is by no means exclusive. Cause can include a 'huge debtor with a complex financial structure'" and "a recalcitrant creditor body." Hr'g Tr. 16:7–15, May 27, 2015 (citing and quoting Burns & Roe Enters., 2005 WL 6289213 at *3). Further, not all factors are relevant to every case, and the existence of even one of these factors may be sufficient to extend a debtor's exclusive periods. See, e.g., In re Hoffinger Indus., Inc., 292 B.R. 639, 644 (B.A.P. 8th Cir. 2003) (noting that "[i]t is within the discretion of the bankruptcy court to decide which factors are relevant and give the appropriate weight to each").

10. Here, the Filing Exclusivity Period will expire on March 15, 2016, and the Solicitation Exclusivity Period will expire on May 15, 2016, absent further order of the Court. The Debtors submit that sufficient cause exists under each of the relevant factors to further extend the Exclusivity Periods to provide the Debtors sufficient runway to continue their efforts to pursue a consensual plan of reorganization with all stakeholders.

I. The Debtors' Chapter 11 Cases are Large and Complex.

11. As has been stated before, the immense size, complexity, and contentiousness of the Debtors' chapter 11 cases is self-evident, and no party can seriously dispute this. This Court recognized early on in these cases that they were complex and highly litigious. See Hr'g Tr. 16:24–17:1; 17:13–14; 18:24–19:1, May 27, 2015. In ruling on the Debtors' second request to extend the Exclusivity Periods, this Court opined that these cases "are arguably more

complex and contentious” than they initially appeared. Hr’g Tr. 4:15-16, Oct. 21, 2015. Not only do these chapter 11 cases involve the restructuring of more than \$18 billion of funded and unsecured debt obligations held by sophisticated constituents (and represented by, among others, two official committees and multiple ad hoc committees and indenture trustees), but these cases also involve several significant adversary proceedings, appeals, and investigations—as well as significant litigation in other fora that could materially impact the Debtors’ ongoing restructuring efforts—that make negotiating a consensual plan of reorganization more challenging.

12. Indeed, this Court has noted that just one aspect of this case, the Examiner’s investigation of the so-called “Challenged Transactions,” has been a “monumental” undertaking. Hr’g Tr. 36:14, Nov. 18, 2015. As of the filing of the Examiner’s last interim report [Docket No. 2758], the Examiner has issued approximately 46 document subpoenas resulting in the production of over 960,000 documents totaling more than 7.4 million pages, and conducted more than 60 transcribed interviews of employees, directors, professionals, and others (in addition to countless other informal interviews) during the course of his investigation. And as of the date hereof, the Examiner’s investigation remains ongoing, though it is expected to be complete around the end of the month.

13. Moreover, as noted in the Debtors’ previous request to extend the Exclusivity Periods, these cases feature approximately 14,500 scheduled claims and 5,600 filed proofs of claim that must be reviewed and analyzed as part of a claims reconciliation process, which process is currently ongoing. The Debtors are party to approximately 6,000 contracts and more than 150 unexpired leases that also have been or must be analyzed to confirm that they are executory and also for assumption, rejection, and/or assignment. Fifty-two motions to lift the automatic stay already have been filed, forty of which have been resolved consensually. Since

the Debtors' last request to extend the Exclusivity Periods alone there has been another appeal related to the National Retirement Fund matters and another evidentiary trial has just concluded related to the Debtors' first lien secured creditors' claims at 137 of the subsidiary Debtors. Further, as of the date hereof, the chapter 11 case has already reached docket entry number 3196, reflecting 723 additional docket entries in the approximately three months since the Court granted the Debtors' second request to extend the Exclusivity Periods.

14. Both Congress and courts have acknowledged that the size and complexity of a debtor's case alone may provide cause for extending a debtor's exclusive periods. See, e.g., In re Energy Future Holdings Corp., No. 14-10979 (CSS) (Bankr. D. Del.), Hr'g Tr. 54:14–16, 20, Feb. 10, 2015 (granting debtors' second request for extension in a “very busy, very complicated” case, noting that “even the most competent of professionals can only deal with so many things at a time and the Court only has so many resources”); see also H.R. Rep. 95-595, at 232 (1977), as reprinted in 1978 U.S.C.C.A.N. 5963, 6191 (“[I]f an unusually large company were to seek reorganization under chapter 11, the court would probably need to extend the time in order to allow the debtor to reach an agreement.”). And such is the case here. As this Court has stated, the “sheer mass, weight, volume, and complication” of these chapter 11 cases is “extraordinary.” Hr'g Tr. 18:11–13, May 27, 2015.

II. The Debtors Have Made Substantial, Good-Faith Progress in the Chapter 11 Cases.

15. The Debtors have used the Exclusivity Periods productively to continue working with their major stakeholders to forge consensus for a global resolution of these chapter 11 cases while also dealing with the myriad operational and other issues necessary to smoothly run their businesses.

16. *Negotiating with Stakeholders Regarding the Plan.* Since the Court granted the Debtors' second request to extend the Exclusivity Periods, the Debtors have continued to engage

with stakeholders at each level of their capital structure around the framework for a consensual restructuring. The Debtors continue to consensually work with their first lien creditors with regard to modifications to the proposed Plan and deal terms as new facts influence the negotiation process and chapter 11 timeline. Similarly, the Debtors continue to negotiate with CEC regarding modifying the terms of the current restructuring deal and the settlement encompassed therein to gain broader creditor support and in light of the SGC's ongoing investigation into the Challenged Transactions.

17. The Debtors have also advanced negotiations with their non-first lien creditors. Since the last hearing on the Exclusivity Periods, the Debtors have been engaged in ongoing discussions with the Statutory Committee of Unsecured Claimholders (the "UCC") and the Official Committee of Second Priority Noteholders (the "Noteholders Committee") over potential terms to obtain their support for the Plan. Further, the Debtors' financial advisors and both the UCC's and the Noteholders Committee's financial advisors have had multiple discussions regarding the business assumptions and valuations that underpin the current Plan terms in order to bring the parties closer to a resolution. And at this time, neither official committee (nor any other significant stakeholder) has rejected the Plan's central transaction structure: the separation of the Debtors' businesses into an operating company and a real estate investment trust ("REIT"). Instead, the parties to date have focused on improving their respective recoveries rather than changing that structure. Thus, although the discussions have not yet resulted in an agreement with the UCC or the Noteholders Committee, the Debtors will continue working with both official committees towards a negotiated agreement structured around the current Plan, and, as noted, the Debtors also have requested the appointment of a mediator to aid all parties in these efforts.

18. *Addressing Operational and Chapter 11 Compliance Matters.* In the midst of one of the most complex chapter 11 cases in history, the Debtors also have been successfully operating a multi-billion dollar business. The Debtors and their consolidated subsidiaries have shown improving profitability as operational initiatives have been implemented. Indeed, the Debtors concluded the 2015 fiscal year by exceeding their adjusted EBITDA projections by more than 10 percent—a remarkable feat for a company operating with the overhang of chapter 11. The Debtors’ major stakeholders have been kept apprised of the performance of the business on a regular basis, and the Debtors have demonstrated these earnings to the public at large through the monthly operating reports filed in these cases over the last several months. See [Docket Nos. 2517, 2670, 2849, and 3159].

19. In addition, over the course of the past several months the Debtors continued to make progress on the following business and operational matters, among others:

- continuing their review and analysis of approximately 6,000 contracts and approximately 150 leases, including filing motions to (a) reject and enter into new license agreements with Gordon Ramsay and Gordon Ramsay Holdings Limited [Docket No. 3000] and (b) reject a burdensome lease with the Board of Levee Commissioners for the Yazoo-Mississippi Delta related to the former Harrah’s Tunica Casino property [Docket No. 3153];
- commencing the claims objections process, including analyzing proofs of claims for potential objection and preparing and prosecuting objections to approximately 300 claimants asserting claims totaling more than \$6.6 billion in the aggregate;
- commencing a claim settlement process with various trade creditors, including reaching out to approximately 300 trade creditors with filed and scheduled claims totaling \$24.2 million in the aggregate, resulting in settlements with approximately 90 of those trade creditors to date;
- continuing to develop and preserve valuable relationships with various trade creditors, including negotiating improved vendor contracts and implementing a comprehensive vendor management program that has resulted in the reconciliation of prepetition invoices for more than 1,000 vendors to date;

- concluding the marketing and sale process for the former Harrah's Tunica casino property, including negotiating and drafting closing paperwork and coordinating the orderly liquidation of its remaining assets, which sale closed on January 20, 2016;
- developing and implementing an extensive capital expenditure plan for 2015 that has resulted in the commencement of numerous capital improvement projects, including projects at Caesars Palace Las Vegas and Caesars Atlantic City;
- establishing the groundwork for emergence from bankruptcy by developing and beginning to implement REIT formation work streams with their first lien creditors and participating in numerous discussions with federal, state, and local regulatory bodies regarding the status of the chapter 11 cases and the proposed REIT formation;
- conducting extensive diligence with their major stakeholders, including creating and releasing over 5,000 documents and analyses specifically prepared for creditor constituents and reviewing and responding to 1,283 out of 1,288 outstanding diligence requests from their constituents as of December 2015; and
- organizing and conducting countless in-person and telephonic meetings with stakeholders and their advisors.

20. ***The Marketing Process.*** The Debtors initiated the marketing process in early November 2015 and significant progress has been made since that time. The Debtors and their advisors actively solicited strategic and financial buyers to bid for the Debtors' assets, including contacting approximately 90 strategic parties, large investment companies, hedge funds, sovereign wealth funds, and other investors regularly for nearly three months in an effort to generate interest. Twenty-seven parties expressed interest in receiving a teaser and form non-disclosure agreement, with several parties executing non-disclosure agreements to gain access to a confidential data room for due diligence. Multiple parties subsequently chose to submit non-binding proposals, which were due on January 29, 2016, in order to continue their diligence process and potentially submit a formal bid. The Debtors are currently reviewing and analyzing these proposals to determine which, if any, parties will be invited to participate in Round 2 of the marketing process. The Debtors are in the process of sharing and discussing these results with their key creditor stakeholders before moving forward with Round 2.

21. Thus, although more work remains, the Debtors' substantial progress thus far in negotiating with their creditors, administering these cases with minimal disruption to the Debtors' operations, and conducting the ongoing marketing process supports a further extension of the Exclusivity Periods. See, e.g., In re Visteon Corporation, No. 09-11786-CEE (Bankr. D. Del.), Hr'g Tr. 80:6–7, May 12, 2010 (granting debtors' third exclusivity extension despite the fact that some parties didn't agree with the plan, because the debtors were making good progress even if "it's going to take longer to bring another . . . party under the tent").²

III. Extending the Exclusivity Periods is Necessary to Resolve Outstanding Contingencies.

22. Although the Debtors continue to make progress, much work remains to be done, and a fully consensual plan of reorganization may ultimately be dependent on a number of open contingencies. Courts—including this Court—similarly have recognized that the need to resolve important contingencies justifies extending the exclusive periods. See, e.g., Hr'g Tr. 5:21–6:4, Oct. 21, 2015 (extending exclusivity in part because several important contingencies remained outstanding); In re Corus Bankshares, Inc., No. 10-26881 (PSH) (Bankr. N.D. Ill.), Hr'g Tr. 34:7–24, Sept. 23, 2010 (extending exclusivity to resolve ambiguities in tax law that could substantially affect the restructuring). The need to resolve the important issues that remain open in these cases continues to merit the requested relief.

23. ***The Examiner Investigation.*** The Examiner is still in the process of completing his investigation and report. As this Court noted, the "centerpiece of this case" is the Examiner's report regarding the Challenged Transactions. Hr'g Tr. 10:9–10, Jan. 20, 2016. At the hearing

² The Debtors have also been paying their bills as they come due as a result of their access to their secured lenders' collateral through the Cash Collateral Order. See also *Debtors' Monthly Operating Report for the Period from December 1, 2015 to December 31, 2015* [Docket No. 3159].

on the Debtors' motion to schedule a disclosure statement hearing, this Court was clear that "[t]he kind of information that this report is going to supply is necessary to evaluate any disclosure statement." Hr'g Tr. 36:18–20, Nov. 18, 2015. And, as the Examiner's counsel noted at the January omnibus hearing in these cases, the Examiner's final report should "be ready probably around the end of February." Hr'g Tr. 12:25–13:1, Jan. 20, 2016. That report is an important predicate to move these cases forward both in court and at the negotiating table. To the extent that they are unable to reach a resolution with parties before the issuance of the Examiner's report, the Debtors intend to use the report to move these cases forward on parallel paths by commencing the confirmation process at the same time they are participating in a separate mediation regarding plan issues.

24. ***The SGC Investigation.*** The SGC's investigation into the Challenged Transactions also remains ongoing. The Debtors have worked tirelessly to procure documents from CEC, including seeking discovery, filing a motion to compel production [Docket No. 2683], and working with CEC to resolve the motion to compel so as to allow the investigation to be brought to its conclusion [Docket No. 2993]. The Debtors' investment banker is also conducting an analysis of CEC's contribution to the Plan in light of updated financial performance and projections. The investigation and analyses are progressing and the SGC is close to reaching its final conclusions, but additional time is still needed, as tens of thousands of documents continue to roll in from producing parties in response to discovery requests.

25. ***Mediation.*** As discussed above, earlier today the Debtors filed a motion seeking the appointment of a sitting bankruptcy judge (to the extent the key stakeholders cannot agree on their own mediator) to mediate issues related to confirmation of a chapter 11 plan of reorganization in these cases. The proposed mediation deserves the breathing room provided by

the Exclusivity Periods without the additional complication of competing plan proposals, but also without slowing down any other aspect of these cases, including the confirmation process.

26. ***Marketing Process.*** The Debtors also should be allowed sufficient time to continue the marketing process to test the value provided by CEC under the Plan and determine whether the process can yield any higher or better alternatives to the Plan that will maximize the value of the Debtors' estates. The Debtors are only in the middle of this process. Preserving exclusivity will maintain case stability and provide sufficient time to complete the marketing process and give potential bidders the comfort they need to submit formal bids. The Debtors should not be forced to conduct this process in an environment of competing chapter 11 plans.

27. ***Ongoing Litigation.*** The Debtors also continue to litigate, or await the resolution of, disputes with their creditors on several fronts. For example, the Debtors await a decision from this Court regarding the propriety of the involuntary petition, which may influence available recoveries under a plan of reorganization, and, given the current posture of these cases, may be the subject of an appeal or lead to further litigation. Additionally, on December 23, 2015, the United States Court of Appeals for the Seventh Circuit reversed and remanded this Court's ruling in the Debtors' section 105 injunction adversary proceeding with respect to certain guaranty litigation against CEC. The Seventh Circuit issued its mandate on February 2, 2016, and this Court now has jurisdiction to determine whether to issue the requested section 105 injunction. Earlier today, this Court stated that it expects to issue a ruling on the requested section 105 injunction at a hearing scheduled for March 2, 2016.

28. Further, the UCC's motion for derivative standing to prosecute lien challenges on behalf of the Debtors' estates is fully briefed and awaiting ruling by the Court, a decision that could potentially create additional litigation that could impact the recoveries that currently have

been negotiated as part of the Debtors' proposed Plan. Similarly, the evidentiary trial on the 10.75% Notes Trustee's objections to certain of the proofs of claim filed by the Debtors' first lien lenders and bondholders has just concluded, and raises issues about the secured parties' ability to be treated as recourse creditors under section 1111(b) of the Bankruptcy Code, which could have repercussions on the currently proposed Plan. And the Debtors expect that parties may bring additional litigation depending on the contents of the Examiner's final report or the outcome of the involuntary trial.

29. Finally, the Debtors continue to make progress with major litigation counterparties, including the National Retirement Fund and Hilton Worldwide, Inc., on potential resolutions that would avoid further litigation and would resolve potentially substantial claims. The outcomes of these significant litigation matters (including any settlements) are important to parties in interest in analyzing a plan of reorganization in these chapter 11 cases. Extending the Exclusivity Periods therefore will give the Debtors and other parties the necessary time to see these and other matters to their conclusion and evaluate the consequences, if any, on the terms of a plan of reorganization and as part of any mediation.

IV. The Requested Extensions Will Not Prejudice Creditors.

30. Finally, the breathing room afforded by a further extension of the Exclusivity Periods will facilitate the Debtors' ongoing negotiations with their major constituents and provide parties with the benefit of reviewing the Examiner's report and knowing the outcome of several important litigation issues without competing plan proposals. In fact, the proposed mediation is meant to facilitate these discussions around a global resolution of these chapter 11 cases with the benefit of the Examiner's report. The Debtors therefore respectfully submit that the requested extension of the Exclusivity Periods by an additional four months—the statutory maximum—will not pressure and prejudice creditors but will instead allow all parties to gain

necessary information to move these cases closer to plan confirmation. Indeed, with the Examiner's report expected shortly and several open issues likely to be resolved in the near term, it would be counterproductive to terminate exclusivity at this point and further increase the complexity of these cases.

31. Moreover, parties in these cases have continued to support the Debtors' restructuring based on creating a value-maximizing REIT structure. While non-first lien creditors may desire greater contributions from CEC or a different allocation of consideration among creditors, none have yet proposed any broad-based alternative restructuring strategy or sought to terminate exclusivity to implement any such alternative. And the Debtors, consistent with their fiduciary duties to maximize value for all stakeholders, are open to exploring and considering alternative proposals with their various constituencies. But no such alternative has presented itself at this time.

32. Accordingly, the Debtors respectfully request that the Court enter an order extending the Exclusivity Periods to the statutory maximum to allow the Debtors to continue their efforts to obtain as much support as possible while moving these chapter 11 cases forward.

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WHEREFORE, the Debtors respectfully request entry of an order, substantially in the form attached hereto as **Exhibit A**, granting the relief requested herein and granting such other relief as is just and proper.

Dated: February 3, 2016
Chicago, Illinois

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

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Counsel to the Debtors and Debtors in Possession

Exhibit A

Proposed Order

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

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

**ORDER FURTHER EXTENDING DEBTORS' EXCLUSIVE PERIODS
TO FILE A CHAPTER 11 PLAN AND SOLICIT ACCEPTANCES THEREOF**

Upon the motion (the "Motion")² of the above-captioned debtors and debtors in possession (collectively, the "Debtors") for entry of an order (this "Order"): (a) extending the Debtors' exclusive right to file a chapter 11 plan and to solicit votes for the plan; and (b) granting related relief, all as more fully set forth in the Motion; and after due deliberation, it is HEREBY ORDERED THAT:

1. The Motion is granted as set forth herein.
2. The Debtors' exclusive period to file a chapter 11 plan for each Debtor is extended through and including July 15, 2016.
3. The Debtors' exclusive period to solicit acceptances of a chapter 11 plan for each Debtor is extended through and including September 15, 2016.

Dated: _____, 2016
Chicago, Illinois

The Honorable A. Benjamin Goldgar
United States Bankruptcy Judge

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

² Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Motion.