

**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.	)	(Joint Administration Requested)

**DEBTORS' MOTION FOR ENTRY OF INTERIM AND
FINAL ORDERS (I) AUTHORIZING PAYMENT OF PREPETITION
CLAIMS OF CERTAIN VENDORS, (II) APPROVING AND AUTHORIZING
PROCEDURES RELATED THERETO, AND (III) GRANTING RELATED RELIEF**

The above-captioned debtors and debtors in possession (collectively, the “Debtors”) file this motion (this “Motion”) for entry of interim and final orders (the “Interim Order” and the “Final Order,” respectively), substantially in the forms attached hereto as **Exhibit A** and **Exhibit B**, respectively, (I) authorizing the Debtors to pay prepetition claims held by Critical Vendors (as defined herein), (II) approving and authorizing procedures to address any vendors that repudiate or otherwise refuse to honor contractual obligations to the Debtors, and (III) granting related relief. In support of this Motion, the Debtors respectfully state as follows.

Jurisdiction

1. The United States Bankruptcy Court for the Northern District of Illinois (the “Court”) has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).

¹ The last four digits of Caesars Entertainment Operating Company, Inc.’s tax identification number are 1623. Due to the large number of Debtors in these chapter 11 cases, for which the Debtors have requested joint administration, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors’ proposed claims and noticing agent at <https://cases.primeclerk.com/CEOC>.

2. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

3. The statutory bases for the relief requested herein are sections 363(b), 1107(a), and 1108 of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the “Bankruptcy Code”), rules 6003 and 6004 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and rule 5005-3(D) of the Local Rules for the United States Bankruptcy Court for the Northern District of Illinois (the “Local Rules”).

Relief Requested

4. The Debtors seek entry of an Interim Order and a Final Order (a) authorizing, but not directing, the Debtors to pay the prepetition claims of certain vendors and service providers (the “Critical Vendor Claims” and the “Critical Vendors,” respectively) in an amount not to exceed \$10,700,000 on an interim basis and \$16,300,000 on a final basis (with respect to both interim and final periods, the “Critical Vendor Cap”),² on the terms described herein, (b) approving and authorizing procedures to address any vendors that repudiate or otherwise refuse to honor contractual obligations to the Debtors, and (c) granting related relief.³ In addition, the Debtors request that the Court schedule a final hearing within approximately 25 days of the Petition Date to consider approval of this Motion on a final basis.

² These amounts are based on prepetition balances in the Debtors’ accounts payable system for the period ending January 13, 2015. Certain adjustments and reconciliations will be necessary to account for those invoices which had been issued by certain vendors but not yet received by the Debtors at the time of the filing of this Motion. Accordingly, the Debtors reserve the right to request increases to these amounts prior to the final hearing on such motions. Contemporaneously with the filing of this Motion, the Debtors have filed the *Debtors’ Motion for Entry of Interim and Final Orders (I) Authorizing Payment of (A) Prepetition Claims of Certain Lien Claimants, (B) Section 503(B)(9) Claims, and (C) Foreign Vendor Claims, (II) Approving Procedures Related Thereto, and (III) Granting Related Relief* (the “Other Vendors Motion”), requesting the authority to pay certain other vendor claims and granting related relief.

³ Nothing in this Motion should be construed as a waiver by any of the Debtors of their rights to contest any invoices submitted by a Critical Vendor under applicable law.

Background

5. Caesars Entertainment Operating Company, Inc. (“CEOC”), together with its Debtor and non-Debtor subsidiaries, provides casino entertainment services and owns, operates, or manages 38 gaming and resort properties in 14 states and five countries, operating primarily under the Caesars[®], Harrahs[®], and Horseshoe[®] brand names. The Debtors represent the largest, majority-owned operating subsidiary of Caesars Entertainment Corporation (“CEC”), a publicly traded company that is the world’s most diversified casino-entertainment provider. CEC, through its ownership and economic interests in CEOC, Caesars Entertainment Resort Properties (“CERP”), and Caesars Growth Partners (“CGP”), owns, operates, or manages 50 casinos in 14 U.S. states and 5 countries, covering 3 million square feet of gaming space, 42,000 hotel rooms, 45 million customer loyalty program participants, and 68,000 employees.

6. The Debtors employ approximately 32,000 people through geographically diverse operations throughout the United States, including seven regional casino properties located in the Midwest (across Illinois, Indiana, Iowa, and Missouri); six regional casino properties located in the Southeast (throughout Louisiana, Mississippi, and North Carolina); four casinos located in Arizona, California, Maryland, and Pennsylvania; four casinos located in Nevada, including the world famous Caesars Palace at the heart of the Las Vegas Strip; and two casinos located in Atlantic City, New Jersey. On a consolidated basis, CEOC and its subsidiaries reported approximately \$993 million of Adjusted EBITDA on net revenues of approximately \$5.4 billion for the twelve months ending September 30, 2014.

7. On the date hereof (the “Petition Date”), each of the Debtors filed a petition with this Court under chapter 11 of the Bankruptcy Code. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. Concurrently with the filing of this Motion, the Debtors

requested procedural consolidation and joint administration of these chapter 11 cases pursuant to Bankruptcy Rule 1015(b). No party has requested the appointment of a trustee or examiner in these chapter 11 cases, and no committees have been appointed or designated.

I. Overview of the Critical Vendors.⁴

8. The Debtors seek authority, but not direction, to pay the prepetition claims of certain vendors and service providers that provide essential goods and services critical to the operation of their businesses—i.e., the Critical Vendors—in an interim amount not to exceed \$10.7 million, and an aggregate amount not to exceed \$16.3 million, on the terms described herein. The Critical Vendors are integral to the Debtors’ multi-faceted supply chain that services the Debtors’ casino properties throughout the United States and globally to ensure uninterrupted customer service. The Debtors’ businesses are dependent on customer satisfaction. Their ability to retain and grow that customer base depends, in part, on leveraging key third-party suppliers, vendors, and service providers such as the Critical Vendors. Performance by the Debtors’ supply chain directly impacts achieving the Debtors’ underlying business plan, preserving the benefits of the restructuring support agreement for all creditors. In addition, the Debtors’ seek authority to implement procedures that will assist them in securing favorable terms and to deal with any vendors that repudiate or otherwise refuse to honor contractual obligations to the Debtors.

A. The Identification Process.

9. The Debtors are mindful of their duties to preserve and maximize the value of their estates for the benefit of all stakeholders in these chapter 11 cases. To that end, the Debtors have carefully estimated all vendor claims as of the Petition Date, including the Critical Vendor

⁴ The facts and circumstances supporting this Motion are set forth in the *Declaration of Randall S. Eisenberg, Chief Restructuring Officer of Caesars Entertainment Operating Company, Inc., in Support of First Day Pleadings* (the “First Day Declaration”), filed contemporaneously herewith.

Claims, and have determined that the ability to use estate funds to satisfy Critical Vendor Claims is absolutely necessary to maximize enterprise value and avoid immediate and irreparable harm to the Debtors. And the Debtors have been mindful of the need to seek relief only for truly critical vendors. Indeed, the Critical Vendor Claims represent approximately 13 percent of the Debtors' accrued trade payables of approximately \$125,000,000.

10. With the assistance of their advisors, the Debtors have spent significant time reviewing and analyzing their books and records, consulting operations management and purchasing personnel, reviewing contracts and supply agreements, and analyzing applicable laws, regulations, and historical practice to identify truly critical business relationships and/or suppliers of goods and services—the loss of which could materially harm their businesses, shrink their market share, reduce their enterprise value, implicate compliance risks, impair going-concern viability, or any combination of the foregoing.

11. The Debtors began the process by identifying 13,000 vendors that had received a payment from the Debtors in fiscal year 2014. Of these 13,000 vendors, the Debtors identified approximately 2,000 vendors that comprised 99 percent of the Debtors' total vendor spend for the same period. With respect to this population of approximately 2,000 vendors, the Debtors then considered a variety of factors, including:

- whether a vendor is a sole- or limited-source or high-volume supplier for goods or services critical to the Debtors' business operations;
- whether alternative vendors are available that can provide requisite volumes of similar goods or services on equal (or better) terms and, if so, whether the Debtors would be able to continue operating while transitioning business to them;
- whether a vendor is subject to certification, licensing, registration, or any other regulatory requirements;
- the degree to which replacement costs (including pricing, transition expenses, professional fees, and lost sales or future revenue) exceed the

amount of a vendor's prepetition claim;

- whether an agreement exists by which the Debtors could compel a vendor to continue performing on prepetition terms;
- whether certain specifications or contract requirements prevent, directly or indirectly, the Debtors from obtaining goods or services from alternative sources;
- whether failure to pay all or part of a particular vendor's claim could cause the vendor to hold goods owned by the Debtors, or refuse to ship inventory or to provide critical services on a postpetition basis;
- whether the Debtors' inability to pay all or part of the vendor's prepetition claim could trigger financial distress for the applicable vendor; and
- whether failure to pay a particular vendor could result in contraction of trade terms as a matter of applicable non-bankruptcy law or regulation.

Except with respect to a select few Casino Games Leases (as defined herein) and gaming support and other operationally indispensable vendors described below, the Debtors are not seeking to honor prepetition obligations arising under enforceable, long-term contractual relationships.⁵ This analysis and screening process, which included follow-up interviews with procurement and marketing teams responsible for and closest to the applicable vendors, ultimately resulted in the exclusion of the vast majority of the Debtors' vendors (and related vendor claims) from consideration for Critical Vendor status.

12. Following this analysis, the Debtors identified a select group of vendors representing approximately two percent of the Debtors' top 2,000 vendor pool as Critical Vendor candidates for purposes of the relief requested herein.⁶ In many instances, a Critical Vendor

⁵ The Debtors do, however, reserve the right to make payments to Critical Vendors, in an amount not to exceed the applicable Critical Vendor Cap, under any long-term contracts that may exist if the Debtors determine, in their business judgment, that such party asserts or could reasonably assert the right to terminate such contract on account of the Debtors' bankruptcy filing, notwithstanding the imposition of the automatic stay, or where such payment is in the best interests of their estates.

⁶ The Debtors have supplied information to the United States Trustee regarding the identity of such vendors, the type of product or service they supply, their claim amounts, whether they are party to contracts with the

must satisfy rigorous registration, certification, and licensing protocols before they are even eligible to provide essential goods and services necessary to operate the Debtors' businesses, and such vendors are single- or limited-source vendors in the markets they serve for that reason, thus making timely resourcing impractical. In other instances, the failure to maintain certain services creates compliance risks that may implicate adverse regulatory consequences that could jeopardize going-forward operations. Throughout this process, the Debtors considered the risk that a vendor would not perform postpetition without payment of prepetition claims to ensure that the Critical Vendors only included those where the Debtors deemed that risk was too great. As of the Petition Date, the Debtors believe they owe Critical Vendors approximately \$16,300,000.⁷ The Debtors are seeking relief to pay up to \$10,700,000 in Critical Vendor Claims during the first 21 days of these chapter 11 cases.

13. As described in the First Day Declaration, the Debtors' ability to continue their operations without interruption in the aftermath of the commencement of these chapter 11 cases largely will depend upon the continued provision of goods and services by the Critical Vendors. Accordingly, the relief requested herein is narrowly tailored to facilitate the Debtors' restructuring efforts. By contrast, the harm suffered by the Debtors' estates if essential goods and services provided by the Critical Vendors are withheld could be irreparable to the Debtors' reorganization efforts and their successful emergence from these chapter 11 cases.

Debtors, and whether the Debtors are seeking relief to pay non-Critical Vendor Claims of such vendors under the Other Vendors Motion.

⁷ This figure does not include claims held by Critical Vendors that may be entitled to administrative priority under section 503(b)(9) of the Bankruptcy Code (the "503(b)(9) Claims"). The Debtors have requested separate relief to pay 503(b)(9) Claims pursuant to the Other Vendors Motion.

B. The Critical Vendors.

14. The Critical Vendors are comprised of, among others, Service Vendors, Operating and Retail Providers, Marketing Support Vendors, Casino Games Vendors, Gaming Support Vendors, and Alcoholic Beverage Vendors. The Debtors seek authority to pay all or part of the Critical Vendor Claims to ensure that the Critical Vendors provide essential goods and services to the Debtors on a postpetition basis. The Critical Vendors generally fall into the categories discussed below.

1. Service Vendors.

15. The Debtors rely on a variety of vendors to provide necessary services that allow the Debtors to run their facilities on a day-to-day basis. These services include lodging management software (which allows customers to check in and out of Debtors' hotels), data security (which protects Debtors' customers' data and allows them to process credit card transactions) and other information technology and compliance support. In many instances, these vendors are either sole-source providers or the only ones able to provide the required services to meet the Debtors' operational needs. Even where an alternative provider theoretically exists, the replacement costs—including the risk of irreparable business disruption in some cases—would substantially exceed the amount of such vendors' respective prepetition claims. For example, if certain technical service providers ceased supporting the Debtors' integrated network systems related to lodging logistics or data management, the Debtors' ability to operate their businesses, process credit card transactions, and take in revenue in the ordinary course would be substantially and irreparably impaired. Moreover, many of these vendors provide services to the Debtors on the basis of informal arrangements, relying on past practice, course of dealing with the Debtors, and industry standards to set the trade terms of these transactions. Any loss of these vendors during the critical time following the commencement of these chapter 11

cases dramatically risks impacting the customer experience and thereby adversely impact future revenues and enterprise value.

2. Operating and Retail Vendors.

16. The Debtors do business with certain suppliers of hospitality-related goods, in-room amenities, and other retail suppliers. Essential goods provided by such vendors include linen supply for hotel bed sheets and towels, audio visual and other materials necessary for conventions at Debtors' facilities, hotel room keys, cleaning and HVAC equipment, custom uniforms for Debtors' personnel, and customized retail items. In many instances, these vendors are the only vendors able to produce or deliver (from a logistics standpoint or otherwise) the volume or quality of certain materials or products sufficient to meet the Debtors' operational needs. Critical Vendors in this category include sole-source providers of essential parts for the Debtors' cleaning and HVAC equipment, respectively, and sole-source providers of the linens for the Debtors' hotel properties. Without cleaning or HVAC equipment to use at Debtors' facilities or sheets and towels to provide to their guests, the Debtors cannot run the type of hotel and casino that their customers expect.

3. Marketing Support Vendors.

17. The Debtors use certain vendors that provide critical marketing support products and services for their hotel and casino facilities. These vendors provide essential advertising, including regulated direct mail services, that the Debtors utilize to attract customers and drive sales. Many of these vendors provide products and services to the Debtors on the basis of informal arrangements. Additionally, because certain jurisdictions in which the Debtors operate heavily regulate the vendors providing these goods and services, many such vendors must satisfy rigorous registration and certification protocols before they are eligible to provide such goods and services. For example, the Debtors rely upon certain direct mail providers to distribute

approximately 9 million pieces of mail each month. Due to the magnitude of the Debtors' customer base, there are very few direct mail providers that can support the Debtors' marketing needs. These mailings are essential to promote upcoming events and programs, build customer loyalty, and ultimately drive revenue that is necessary to achieve the financial metrics under the Debtors' restructuring support agreement. In addition, many of the Debtors' direct mail vendors must be registered or certified to distribute such marketing materials under applicable gaming regulations. For these reasons, many such vendors are single- or limited-source suppliers in the markets they serve.

18. If certain marketing support vendors refuse to provide goods and services to the Debtors after the Petition Date on account of unpaid prepetition claims, the Debtors' would be forced to convince third-party vendors, to the extent they even exist, to obtain the requisite licensing or certification. This process can take as long as several months in certain jurisdictions for direct mail providers, and there is no guarantee that any such replacement vendors would in fact become certified or otherwise be able to provide the required support in a timely and cost-efficient manner. At this critical time following the commencement of these chapter 11 cases, there is a risk that the loss of marketing support vendors would have a significant negative impact on the Debtors' operations and revenues to the detriment of all parties in interest.

4. Casino Games Vendors.

19. The Debtors' North American casinos feature more than 3,000 table games and 54,000 slot machines and similar games (collectively, the "Casino Games"). Casino Games generate approximately \$3.7 billion of revenue annually and are a core segment of the Debtors' business. Although the Debtors own some of the gaming equipment, certain Casino Games and their related gaming systems are leased on a "cost-per-day" or "percentage of handle" basis

(the “Casino Games Leases”) from third-party vendors.⁸ Importantly, several Casino Games Leases and other Casino Games are predicated on revenue sharing arrangements where the Debtors receive a direct share of the revenue generated and share an allocated portion thereof with the applicable Casino Games vendor.⁹

20. The distribution, sales, and use of Casino Games are closely regulated. While licensing requirements vary by locality, state gaming laws, together with substantial research and development costs, create a high barrier to entry, requiring manufacturers or distributors of Casino Games to procure and maintain a manufacturer and distributor’s license (which licensing process includes a detailed investigation of a licensee’s business activities and financial status) to sell, use, or distribute Casino Games. Accordingly, the Casino Games industry is concentrated in the hands of a few, well-established vendors, which limits significantly the Debtors’ ability to source alternate providers in a time- and cost-efficient manner. Moreover, as discussed below, maintenance services and replacement parts and supplies are also only available from specific Casino Games vendors.

21. Customers expect and demand that the Debtors provide the most entertaining and modern Casino Games. The Casino Games industry is fluid, and manufacturers’ technology is ever-changing to develop more sophisticated, innovative Casino Games while also upgrading existing games specifically to attract frequent play and increase profitability. For example, many

⁸ Although the Debtors believe that certain Casino Games Leases may constitute enforceable, long-term contracts within the purview of section 365 of the Bankruptcy Code, the Debtors also believe that there are other Casino Games Leases that do not. Given the difficulty in determining whether certain claims arise under an enforceable, long-term contract that may be subject to sections 362 and/or 365 of the Bankruptcy Code and the operational and financial import of Casino Games, the Debtors seek authority, but not direction, to honor the prepetition claims of Critical Vendors under any Casino Games Lease, subject to the Critical Vendor Cap, in the exercise of their sound business judgment.

⁹ As discussed below, the Debtors believe that they likely hold the cash payable to such Casino Games vendors in trust for their benefit, thus excluding such funds from the scope of estate property. Nonetheless, out of an abundance of caution, to the extent the Court disagrees, the Debtors seek authority to pay such amounts as Critical Vendor Claims.

slot machines experience significant declines in customer popularity and play after 12 months, and such Casino Games must be replaced with a new slot machine for the Debtors to remain competitive in the marketplace. As a result, casinos are forced to vie for the best Casino Games to appeal to and bring in new players in order to maintain market share. While the Debtors have positive relationships with their gaming vendors under the Casino Games Leases, certain of these vendors have no obligation to make new games or enhancements available or extend favorable trade terms to the Debtors on a going-forward basis. Any delay or missed payment to Casino Games providers, whether under the Casino Games Leases or otherwise, jeopardizes critical relationships. A damaged reputation among key Casino Games providers could increase the cost of accessing the Casino Games in the future. And there is a risk that losing access to the latest Casino Games would result in significant and irreparable harm to the Debtors' revenues and brand equity. Likewise, customer trust and loyalty could be compromised as players of Casino Games invariably will turn to the Debtors' competitors for the most innovative games. The occurrence of any of the foregoing could materially and adversely affect one of the Debtors' most valuable sources of revenue to the detriment of all parties in interest.

5. Gaming Support Vendors.

22. The Debtors rely on several vendors to supply essential goods and services that are ancillary to the operation of the Casino Games and other wagering activity that drive revenues. Such vendors provide the tables, cards, dice, chips, shuffling machines, currency counters, tiles and ticket-tape for, as well as software, data, closed-circuit, simulcast, information, and accounting systems that support, the Casino Games and other wagering activity. In many instances, these vendors are either sole-source providers or the only ones able to provide the required goods and services to meet the Debtors' operational needs. One example of a Critical Vendor in this category is the only vendor that can provide NFL football games for

broadcast at the Debtors' sportsbooks. The failure to broadcast NFL football games at the Debtors' casinos will cause customers to take their business elsewhere and materially damage the Debtors' brand equity. Similarly, Critical Vendors also provide software that is essential to running casino gaming equipment across the Debtors' enterprise—the "heart beat" of the Debtors' casinos. In certain states, a shutdown of this software requires immediate cessation of operations at the casino. Even where an alternative provider theoretically exists, the replacement costs would substantially exceed the amount of such vendors' respective prepetition claims. Additionally, because certain jurisdictions in which the Debtors operate casinos heavily regulate the vendors providing these goods and services in connection with gaming, many such vendors must satisfy rigorous screening and licensing protocols before they are eligible to provide such goods and services. For this reason, many of the gaming support vendors are single-source suppliers in the markets. If certain gaming support vendors refuse to provide goods and services to the Debtors after the Petition Date on account of unpaid prepetition claims, the Debtors would be forced to convince third-party vendors, to the extent they even exist, to obtain the requisite licensing. This process can take as long as 12 months in certain jurisdictions, and there is no guarantee that any such replacement vendors would in fact obtain a license or otherwise be able to provide the required support in a timely and cost-efficient manner. In other instances, the failure to maintain, and in some cases fund, certain support services related to information security and other gaming and racing requirements represent compliance risks that may implicate adverse regulatory consequences that jeopardize going-forward operations.¹⁰ For example, the

¹⁰ The Debtors estimate that there are approximately 10 sole- or limited-source vendors, certain of which may be subject to long-term, enforceable contracts, holding approximately \$1 million of prepetition claims, that provide such goods and services. Should any of such vendors elect not to perform on a postpetition basis notwithstanding a potential violation of the automatic stay and/or their contractual obligations, there is a material risk that the Debtors could be forced to cease operating certain business segments effective immediately.

Debtors cannot operate dog races in the State of Iowa without certain closed-circuit, simulcast, and calibrated timing systems. If the Critical Vendors providing such services refuse to perform, the Debtors will be forced to shut-down racing or risk regulatory enforcement actions from the state. And given that the Debtors hold relatively low inventory levels of certain gaming support goods and services, there is a risk that any delay or disruption to the provision of such goods and services would substantially harm the Debtors' casino operations and cause irreparable damage to their estates.

6. Alcoholic Beverage Vendors.

23. As noted above, the Debtors own, operate, and manage 38 major, full-service casinos in 14 U.S. states and five countries, which include numerous restaurants, bars, and catering and in-room dining services. The Debtors purchase a variety of alcoholic beverages that are served daily and continuously at their gaming and hotel facilities. The sale of alcoholic beverages generates more than \$110 million of revenue on an annual basis. It is also standard industry practice to serve alcoholic beverages, especially providing complementary drinks in the casinos.

24. Because of the nature of the services business and the size and complexity of the Debtors' operations, there are only a limited number of suppliers that can meet the Debtors' substantial volume requirements with respect to certain specialty products and/or are the sole source provider of such beverages in the markets in which the Debtors operate. For example, certain alcohol vendors are the exclusive suppliers of various higher-end brands of beer, wine, and spirits in the States of Illinois, Nevada, and New Jersey, among others. The failure to pay such sole-source suppliers can literally dry-up the availability of products like Jack Daniels, Grey Goose, Bud Light, or Crown Royale overnight. Due to this controlled supply chain, delayed or missed payments to such vendors could disrupt the Debtors' operations and limit the variety of

alcohol available. And because many of the specialty beverages delivered to the Debtors are dispensed on a high-volume basis, the Debtors maintain a limited inventory of such items, placing many of their orders with vendors on a weekly (and often daily) basis.

25. As a result, the Debtors rely significantly on certain alcoholic beverage vendors that understand, without the delivery of these items, the Debtors lack the requisite products to meet their operational needs. The Debtors' dining establishments, bars, and in-room services offered at their gaming and hotel facilities generate substantial revenue and are an important element of the Debtors' brand as a full-service gaming and hospitality establishment. The Debtors submit that delayed or missed payments to certain alcoholic beverage vendors may jeopardize the Debtors' access to essential beverages. And there is a risk that any disruption to the Debtors' alcoholic beverage services would cause substantial financial and reputational harm to the Debtors' businesses. For these reasons, payment of certain of the Debtors' alcoholic beverage vendors to ensure that the Debtors continue to receive such beverage items of the same quality, quantity, consistency, and price as those received in the prepetition period is critical to the success of these chapter 11 cases and to the benefit of the Debtors' estates, creditors, and all parties in interest.

C. Narrowly Tailored Relief.

26. The relief requested herein is narrowly tailored to facilitate the Debtors' restructuring efforts. By contrast, the Debtors will suffer irreparable harm if essential goods and services are not provided by the Critical Vendors. The Debtors cannot take the material risk that the Critical Vendors will refuse to perform postpetition if their prepetition claims are not paid. Many of these vendors supply goods and services to the Debtors on the basis of informal arrangements, relying on past practice, course of dealing with the Debtors, and industry standards to set the trade terms of these transactions. While the Debtors typically enjoy good

working relationships with these vendors, the limited number of vendors who can supply the Debtors with a quantity and quality of goods and services that meet their operational needs provides such vendors with considerable bargaining power in the event of non-payment by the Debtors. At this critical time following the filing of these chapter 11 cases, the loss of such vendors will impair significantly the Debtors' ability to maximize value for the benefit of all stakeholders.

27. The Debtors intend to use the flexibility afforded by this Motion to limit amounts paid on prepetition amounts while ensuring the uninterrupted supply of critical goods and services on the best available terms. Although the Debtors recognize that they provide significant volume of business to these vendors based on the size and scale of the Debtors' operations, the Debtors have a well-deserved reputation in the industry for effectively negotiating favorable terms with vendors. There is very real risk that certain Critical Vendors will not continue to work with the Debtors in the absence of being made whole on some or all of their outstanding prepetition balances. And importantly, the Debtors cannot afford to take that risk.

28. In addition, the Debtors, with the assistance of their advisors, have a protocol in place for senior members of the procurement team, with legal oversight as necessary, to make decisions about what vendors to pay, in what amounts, and on what terms. Among other things, these individuals will ensure that only those vendors that will not perform postpetition without the Debtors first satisfying all or part of their prepetition claims receive any payments. The Debtors have every intention of using the relief requested herein to recoup working capital, prevent disruption in the supply chain, and maximize earnings earnings, which will benefit all creditors.

II. Proposed Treatment of Critical Vendors.

29. The Debtors seek authority to pay Critical Vendor Claims in an aggregate amount not to exceed the Critical Vendor Cap, which represents approximately 16 percent of the Debtors' accrued trade payables. Payment of the amounts specified herein would allow the Debtors to obtain those essential goods and services necessary to the Debtors' postpetition operations.

30. To ensure that the Critical Vendors deal with the Debtors on Customary Trade Terms (as defined herein), the Debtors propose that the Interim Order and Final Order each provide authorization for the Debtors to condition payment of all or a portion of the Critical Vendor Claims upon each Critical Vendor's agreement to continue supplying goods and/or services in accordance with certain procedures, generally as follows:¹¹

- a. The Debtors are authorized to make payment to the Critical Vendors on the condition that the Critical Vendor agree to continue supplying goods and/or services to the Debtors on the terms that were most favorable to the Debtors and in effect within 12 months before the Petition Date (the "Customary Trade Terms") during these chapter 11 cases.
- b. The Debtors reserve the right to negotiate trade terms with any Critical Vendor, as a condition to payment of any Critical Vendor Claim, that vary from the Customary Trade Terms (the "Negotiated Trade Terms") to the extent the Debtors determine that such terms are necessary to procure essential goods or services or are otherwise in the best interests of the Debtors' estates.
- c. The Debtors are authorized to obtain written verification of the Customary Trade Terms or the Negotiated Trade Terms, to be supplied by the Critical Vendors, before issuing payment hereunder.

31. If a Critical Vendor refuses to supply goods and/or services to the Debtors on Customary Trade Terms or Negotiated Trade Terms following receipt of payment of its Critical Vendor Claim, the Debtors seek authority, without further order of the Court, to declare that

¹¹ The Debtors intend to implement the terms of a critical trade program with the Critical Vendors by letter agreement, a form of which is attached hereto as Exhibit C.

provisional payments made to the Critical Vendor on account of the Critical Vendor Claim may be deemed to have been in payment of then-outstanding postpetition claims of such vendors without further action. In such cases, the Critical Vendor against which such right is exercised shall be required to immediately return to the Debtors any payments made to it on account of its Critical Vendor Claim to the extent that any such payments exceed the postpetition claims of such vendor then outstanding without giving effect to any further rights of setoff, claims, provision for payment of reclamation or trust fund claims, or otherwise. In short, the Debtors seek to return the parties to their respective positions with respect to all Critical Vendor Claims in the event a Critical Vendor refuses to supply goods and/or services to the Debtors on Customary Trade Terms or Negotiated Trade Terms following receipt of payment on account of its Critical Vendor Claim.

32. The Debtors also request flexibility to deal with emergency situations. As discussed herein, it is possible that a vendor not meeting the Debtors' conditions set forth in this Motion may attempt to exert leverage against the Debtors by threatening (notwithstanding its existing legal obligations) either to withhold performance or modify substantially the terms of their existing contractual arrangements unless its prepetition claim is paid. The Debtors believe that such actions violate section 362 of the Bankruptcy Code.¹² Nevertheless, the Debtors anticipate that certain vendors will make such threats and that such threats may be credible.

¹² Indeed, the Bankruptcy Code generally prohibits vendors under executory contracts from ceasing performance or altering the terms of their obligations. See 11 U.S.C. § 362; see also NLRB v. Bildisco & Bildisco, 465 U.S. 513, 531–32 (1984) (holding contracts are enforceable against the nondebtor, but not debtor); In re FBI Distrib. Corp., 330 F.3d 36, 43 (1st Cir. 2003) (“[A] prepetition executory contract remains in effect and enforceable against the nondebtor party to the contract.”); United States Postal Serv. v. Dewey Freight Sys., Inc., 31 F.3d 620, 624 (8th Cir. 1994) (“[B]efore executory contracts are assumed or rejected under § 365(a), those contracts remain in existence, enforceable by the debtor but not against the debtor.”); In re Whitcomb & Keller Mortg. Co., Inc., 715 F.2d 375, 378 (7th Cir. 1983) (holding that data service provider with outstanding prepetition claim could not refuse to perform under terms of enforceable service contract pending assumption or rejection); In re Nat’l Steel Corp., 316 B.R. 287, 305 (Bankr. N.D. Ill. 2004) (“The non-debtor party must continue to perform under the contact prior to assumption or rejection.”); In re Pittsburgh-Canfield Corp., 283 B.R. 231,

33. To respond to these threats on an expedited and provisional basis and to avoid any disruptions in their operations, the Debtors respectfully request that they be granted the authority to elect to waive the conditions set forth in this Motion for payment of a claim under the Critical Vendor Cap (such action, the “Waiver”) and to conditionally pay the claim of such threatening or non-conforming vendor (the “Non-Conforming Vendor”). In the event that the Debtors elect to grant a Waiver to a Non-Conforming Vendor, the Debtors seek the authority to file with the Court a notice, in substantially the form attached hereto as **Exhibit D** (the “Notice of Waiver”), and a proposed Order to Show Cause, in substantially the form attached hereto as **Exhibit E** (the “Order to Show Cause”), within three (3) business days of payment pursuant to the Waiver. The Debtors further propose to serve any such Notice of Waiver and Order to Show Cause on: (a) the Non-Conforming Vendor; (b) the Office of the United States Trustee for the Northern District of Illinois; (c) counsel for any official committee of unsecured creditors appointed in these cases pursuant to section 1102 of the Bankruptcy Code (the “Creditors’ Committee”); (d) counsel for the First Lien Note Group, Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, New York, New York 10036, Attn: Kenneth H. Eckstein, Esq. and Daniel M. Eggermann, Esq.; and (e) those persons who have formally appeared and requested service in this proceeding pursuant to Bankruptcy Rule 2002.

34. At the first regularly scheduled hearing occurring at least five (5) business days following entry of the Order to Show Cause by the Court, the Debtors propose that the Non-Conforming Vendor be required to appear before the Court and demonstrate why it should not be held in violation of sections 362 and/or 365 of the Bankruptcy Code and required to return

238 (Bankr. N.D. Ohio 2002) (holding that non-debtor party cannot unilaterally elect to withhold performance and must continue to perform upon executory contract prior to its assumption or rejection by debtor); In re El Paso Refinery, L.P., 196 B.R. 58, 71–72 (Bankr. W.D. Tex. 1996) (holding that non-debtor is bound by contract’s terms, and thus, until court has affirmatively authorized rejection, non-debtor party is not free to ignore terms of contract and must continue to perform pursuant to those terms).

payments made by the Debtors pursuant to any order approving this Motion. Should the Court determine that, by its conduct, the Non-Conforming Vendor has violated sections 362 and/or 365 of the Bankruptcy Code, the Debtors respectfully request that the Court require the Non-Conforming Vendor to disgorge the payments made by the Debtors pursuant to the Waiver, plus attorneys' fees and costs, within three (3) business days of entry of the order holding such Non-Conforming Vendor in violation. Furthermore, the Debtors expressly reserve their right to file any motions, adversary complaints or other pleadings that they determine in their sole and absolute discretion are necessary or appropriate to pursue other remedies including, without limitation, injunctive relief.

35. Additionally, the Debtors propose to file an Order to Show Cause for any Critical Vendor who, despite receiving payment for its respective Critical Vendor Claim, threatens to withhold performance of its obligations or refuses to perform under one or more executory contracts with the Debtors. As with Non-Conforming Vendors, the Debtors request that any such Critical Vendor be required to appear before the Court and demonstrate why such Critical Vendor should not be held in violation of sections 362 and/or 365 of the Bankruptcy Code and required to return payments made by the Debtors pursuant to any order approving this Motion, plus attorneys' fees and costs.

Basis for Relief

I. Sections 363(b), 1107(a), and 1108 of the Bankruptcy Code Justify the Payment of Critical Vendor Claims.

36. Pursuant to sections 1107(a) and 1108 of the Bankruptcy Code, debtors in possession are fiduciaries "holding the bankruptcy estate[s] and operating the business[es] for the benefit of [their] creditors and (if the value justifies) equity owners." In re CoServ, L.L.C., 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002). Consistent with a debtor's fiduciary duties, courts have

authorized payment of prepetition obligations under section 363(b) of the Bankruptcy Code where a sound business purpose exists for doing so. Section 363(b)(1) provides that, after notice and a hearing, the trustee “may use, sell, or lease, other than in the ordinary course of business, property of the estate.” Accordingly, bankruptcy courts have approved the payment of critical vendor claims in circumstances where the payments are necessary to protect a debtor’s business operations from substantial disruption. See In re Tropical Sportswear Int’l Corp., 320 B.R. 15, 20–21 (Bankr. M.D. Fla. 2005) (authorizing critical vendor payments where interruption in flow of goods would “substantially jeopardize the debtors’ ability to conduct business”). Along those lines, the Supreme Court has stated that “the fundamental purpose of reorganization is to prevent a debtor from going into liquidation, with an attendant loss of jobs and possible misuse of economic resources.” NLRB v. Bildisco & Bildisco, 465 U.S. 513, 528 (1984). If the fundamental purpose of chapter 11 is the rehabilitation of the debtor, then the equal distribution of the bankruptcy estate to the creditors, while also a tenet of bankruptcy law, must sometimes yield to such purpose. See In re Adams Apple, Inc., 829 F.2d 1484, 1490 (9th Cir. 1987) (noting that “cases have permitted unequal treatment of pre-petition debts when necessary for rehabilitation” and that such considerations “may supersede the policy of equal treatment”).

37. In In re Kmart Corp., 359 F.3d 866 (7th Cir. 2004), the Seventh Circuit stated that a debtor may be able to use section 363(b)(1) of the Bankruptcy Code to pay prepetition claims “in order to keep ‘critical’ supplies flowing.” Id. at 872. The Seventh Circuit held, however, that such prepetition payments were not proper there because the debtor had not shown that “but for immediate full payment, vendors *would* cease dealing; and that the business will gain enough from continued transactions with the favored vendors to provide some residual benefit to the remaining disfavored creditors, or at least leave them no worse off.” Id. at 868. In analogizing

to “cram down” analysis, the Seventh Circuit looked to the benefit or enhancement of the estate that will result from the payment of a prepetition claim, stating that “if the impaired class does at least as well as it would have under a Chapter 7 liquidation, then it has no legitimate objection and cannot block the reorganization.” Id. at 872–73.

38. Additionally, changes made to the Bankruptcy Rules following the Kmart decision confirm that the Court may authorize the postpetition satisfaction of prepetition claims by reference to these standards. The power is specifically provided for in the exception contained in Bankruptcy Rule 6003(b) which provides, in relevant part, that “[e]xcept to the extent that relief is necessary to avoid immediate and irreparable harm, the court shall not, within 20 days after the filing of the petition, grant relief regarding . . . a motion to pay all or part of a claim that arose before the filing of the petition.” Thus, where the failure to grant any such requested relief would result in immediate and irreparable harm to the Debtor’s estate, the Court may allow the Debtor to pay (prior to the twenty-first day following the Petition Date) all or part of a prepetition claim. See In re Frontier Airlines Holdings, Inc., No. 08-11298 (RDD) (Bankr. S.D.N.Y. Apr. 14, 2008) (finding that the debtor had satisfied the standard of Bankruptcy Rule 6003(b) where “immediate relief [was] necessary to avoid irreparable harm” and ordering that the debtor could make expenditures related to certain prepetition customer obligations). Accordingly, Bankruptcy Rule 6003(b), in addition to providing independent grounds for the authorization of payment of prepetition claims, serves to complement this line of reasoning.

39. Thus, following the Kmart decision, courts in the Seventh Circuit have authorized the payment (or other special treatment) of prepetition obligations to critical vendors in appropriate circumstances. See, e.g., In re Edison Mission Energy, No. 12-49219 (JPC) (Bankr. N.D. Ill. Jan. 17, 2013) (authorizing payments to critical vendors); In re Ryan Int’l Airlines, Inc.,

No. 12-80802 (TML) (Bankr. N.D. Ill. Mar. 7, 2012) (same); In re Grede Foundries, Inc., No. 09-14337 (RDM) (Bankr. W.D. Wis. Aug. 31, 2009) (same); see also In re Trump Entm't Resorts, Inc., No. 14-12103 (KG) (Bankr. D. Del. Oct. 6, 2014) (authorizing payments to critical vendors in chapter 11 casino cases); In re Revel AC, Inc., No. 14-22654 (GMB) (Bankr. D. N.J. July 14, 2014) (same, including those arising under casino games leases); In re Station Casinos, Inc., No. 09-52477 (GWZ) (Bankr. D. Nev. Apr. 15, 2011) (same, including those arising under casino games leases).¹³ In authorizing such payments, those courts generally relied on the legal theories rooted in sections 363(b) and 105(a) of the Bankruptcy Code. The Court should follow that precedent and authorize the Debtors to pay the Critical Vendors Claims up to the Critical Vendor Cap.

40. The authorization of payment of prepetition obligations under section 363(b) of the Bankruptcy Code should be granted where a sound business purpose exists for doing so. See, e.g., Kmart, 359 F.3d at 872 (recognizing that payment of prepetition claims may be permitted under section 363, but holding that the debtor's evidentiary record did not support paying the prepetition claims of vendors); In re UAL Corp., No. 02-48191 (ERW) (Bankr. N.D. Ill. Dec. 11, 2002) (essential trade motion relying upon section 363 is "completely consistent with the Bankruptcy Code" and payments to critical trade vendors have further support when debtor seeks "the extension of credit under section 364 on different than usual terms, terms that might include the payment of a prepetition obligation"); see also In re Tropical Sportswear Int'l Corp., 320 B.R. 15, 20 (Bankr. M.D. Fla. 2005) ("Bankruptcy courts recognize that section 363 is a source of authority to make critical vendor payments, and section 105 is used to fill in the blanks."); In re Ionosphere Clubs, Inc., 98 B.R. 174, 175 (Bankr. S.D.N.Y. 1989) (finding that a sound

¹³ Because of the voluminous nature of the orders cited herein, such orders have not been attached to this Motion. Copies of these orders are available upon request to the Debtors' proposed counsel.

business justification existed to justify payment of prepetition wages); Armstrong World Indus., Inc. v. James A. Phillips, Inc. (In re James A. Phillips, Inc.), 29 B.R. 391, 397–98 (S.D.N.Y. 1983) (allowing contractor to pay prepetition claims of suppliers who were potential lien claimants under section 363 because the payments were necessary for general contractors to release funds owed to debtors).

41. The Debtors have sound business reasons for seeking authority to pay the Critical Vendors. As set forth in the First Day Declaration and above, the goods and services provided by Critical Vendors are essential to the Debtors' operations. In many cases, the Critical Vendor is the exclusive provider—oftentimes on account of regulatory, licensing, or other compliance considerations—of an essential good or service, without which the Debtors cannot operate core segments of their businesses. In others, the foreseeable replacement costs—e.g., operational disruptions, management's distraction, time, and revenue losses—are staggering, especially when compared to the amount of the Critical Vendor Claims, at a time when profit margins in the industry are already extremely thin.

42. Moreover, one of the factors that the Debtors considered in identifying vendors that are truly Critical Vendors was the risk that a vendor would refuse to perform postpetition without payment of all or part of its prepetition claims. Additionally, the Debtors and their advisors from AlixPartners have developed a rigorous process that will ensure that payments are only made to vendors that are truly critical and pose a material risk of nonperformance postpetition. Further, the relief requested provides a material benefit to creditors that are not Critical Vendors as it will enhance the value of these estates by ensuring that critical goods and services continue to be supplied without interruption on a postpetition basis on terms that will help improve the Debtors' working capital. It also will help the Debtors achieve the projections

upon which the restructuring support agreement is based, which provides enhanced recoveries for creditors. If this Motion is not granted and certain Critical Vendors refuse to perform postpetition, Debtors will not be able to obtain essential goods and services that are essential to successful operations and, in some instances, may trigger compliance risks that jeopardize certain essential operations on a going-forward basis. All of which would be extremely damaging, if not devastating, to the Debtors, their estates, and their creditors. The authority to pay Critical Vendor Claims as set forth herein is therefore necessary to maximize the value of the estates by ensuring that the Debtors continue to receive essential goods and services that are actually or practically unavailable from other sources while preserving critical relationships with the Debtors' key vendors and customers.

43. Further, continued availability of trade credit in amounts and on terms consistent with those the Debtors enjoyed during the year leading to the Petition Date is vital to the Debtors' businesses because it allows the Debtors to maintain liquidity and working capital for operational levels consistent with operating profitability. Preserving working capital through the retention or reinstatement of traditional credit terms will enable the Debtors to maintain their competitiveness and to maximize the value of their businesses. Conversely, a deterioration of trade credit and a disruption or cancellation of deliveries of goods or provision of services—many of which are not replaceable—would cripple the Debtors' business operations and ultimately jeopardize their ability to operate and manage hotels and casinos.

44. The Debtors believe that the uninterrupted supply of goods and services on Customary Trade Terms is imperative to the ongoing operations and viability of the Debtors. The Debtors seek authority to pay only the Critical Vendor Claims where nonpayment of such claims would lead to the interruption of the delivery of goods and services or would seriously

disrupt the Debtors' operations. Moreover, the sums involved are insignificant in relation to the potential disruption that would occur if relationships with these vendors were to be terminated. The \$16,300,000 aggregate cap on the Critical Vendor Claims is approximately 13 percent of the Debtors' accrued trade payables. Thus, the Debtors submit that the requested relief is narrowly tailored to facilitate the Debtors' chapter 11 reorganization process. The Court should authorize the payment of Critical Vendor Claims to prevent enormous disruptions to the Debtors' businesses and resulting losses in value of the Debtors' estates.

II. Funds Held in Trust for Casino Games Vendors Should Not Be Considered Property of the Estate under Section 541 of the Bankruptcy Code.

45. The Debtors believe that after deducting their portion of the earnings, the cash earned from certain Casino Games belongs to the applicable Casino Games vendor and is not property of the Debtors' estates. Section 541 of the Bankruptcy Code provides that "property of the estate" includes all legal or equitable interests of the debtor in property as of the commencement of the case. Section 541(d) of the Bankruptcy Code further provides:

[p]roperty in which the debtor holds, as of the commencement of the case, only legal title and not an equitable interest . . . becomes property of the estate . . . only to the extent of the debtor's legal title to such property, but not to the extent of any equitable interest in such property the debtor does not hold.

The Supreme Court has interpreted this statute to exclude from the debtor's estate property that would not have been transferred before the commencement of the bankruptcy proceedings. See, e.g., Begier v. IRS, 496 U.S. 53, 58 (1990) (tax funds held in trust are not property of the estate). The Supreme Court further explained that "[b]ecause the debtor does not own an equitable interest in property he holds in trust for another, that interest is not property of the estate." Id. at 59; see also In re Marrs-Winn Co., Inc., 103 F.3d 584, 589 (7th Cir. 1996). Thus, courts have concluded that property that a debtor holds in trust (express or constructive) for

another does not become property of the estate when the debtor files for bankruptcy. See In re Columbia Gas Sys. Inc., 997 F.2d 1039, 1059 (3d Cir. 1993) (“Congress clearly intended the exclusion created by section 541(d) to include not only funds held in express trust, but also funds held in constructive trust.”).

46. Situations often arise where a debtor will hold property in trust for someone else before it is transferred to the true owner. Congress intended that such property be excluded from a debtor’s estate and be unavailable for distributions to creditors. In the legislative history for section 541(d) of the Bankruptcy Code, Congress included an example where a debtor had incurred medical bills that were covered by insurance. Because the insurance company sent the payment for such bills to the debtor before the petition date, the payment would actually be held in constructive trust for the medical provider to whom the bill was owed. See H.R. Rep. No. 95-595, 95th Cong., 1st Sess. 368 (1977), reprinted in 1978 U.S.C.C.A.N. 5963, 6324; see also In re United Milk Prods. Co., 261 F.Supp. 766, 768 (N.D. Ill. 1966) (holding that monies held in a general revenue account by a debtor milk product manufacturer were not property of the estate where the federal government had mandated that such monies be passed through to milk suppliers).

47. The Debtors submit that the portion of cash earned from Casino Games that is due and payable to a Casino Games vendor pursuant to a revenue sharing arrangement under a Casino Games Lease or otherwise is not property of the Debtors’ estates. The Debtors hold no equitable interest in such funds which are properly excluded from the scope of estate property. Accordingly, the Debtors do not believe that court approval is necessary to pay such amounts to applicable Casino Games vendors in respect of prepetition claims they hold related thereto. See id. at 768 (unsecured creditors are not permitted to share in the money in which a debtor has no

direct financial interest). Alternatively, to the extent the Court disagrees with such characterization of applicable Casino Games revenues, the Court should permit payment of these amounts as Critical Vendor Claims for the reasons discussed above.¹⁴

III. Cause Exists to Authorize the Debtors' Financial Institutions to Honor Checks and Electronic Fund Transfers.

48. The Debtors have sufficient funds to pay the amounts described herein in the ordinary course of business by virtue of expected cash flows from ongoing business operations and anticipated access to cash collateral. In addition, under the Debtors' existing cash management system, the Debtors can readily identify checks or wire transfer requests as relating to an authorized payment in respect of the relief requested hereunder. Accordingly, the Debtors believe that checks or wire transfer requests, other than those relating to authorized payments, will not be honored inadvertently. Therefore, the Debtors respectfully request that the Court authorize and direct all applicable financial institutions, when requested by the Debtors, to receive, process, honor, and pay any and all checks or wire transfer requests in respect of the relief requested in this Motion.

The Requirements of Bankruptcy Rule 6003 Are Satisfied

49. Bankruptcy Rule 6003 empowers a court to grant relief within the first 21 days after the Petition Date "to the extent that relief is necessary to avoid immediate and irreparable harm." For reasons discussed above, authorizing the payment of certain Critical Vendor Claims and granting the other relief requested herein is integral to the Debtors' ability to transition their operations into these chapter 11 cases. Failure to receive such authorization and other relief

¹⁴ In addition to the arguments set forth above, the Debtors believe that certain providers of Casino Games may seek to reclaim their property (e.g., slot machines), which actions would not only disrupt the Debtors' operations but also constitute a wasteful and unnecessary distraction at the outset of these chapter 11 cases to the detriment of all parties in interest. The Casino Games are essential to the Debtors' operations and preservation of estate value, and the Court should authorize payment of Critical Vendor Claims related thereto.

during the first 21 days of these chapter 11 cases would severely disrupt the Debtors' operations at this critical juncture. For the reasons discussed herein, the relief requested is necessary in order for the Debtors to operate their business in the ordinary course and preserve the ongoing value of the Debtors' operations and maximize the value of their estates for the benefit of all stakeholders. Accordingly, the Debtors submit that they have satisfied the "immediate and irreparable harm" standard of Bankruptcy Rule 6003 to support granting the relief requested herein.

Reservation of Rights

50. Nothing contained herein is intended or should be construed as an admission as to the validity of any claim against the Debtors, a waiver of the Debtors' rights to dispute any claim, or an approval or assumption of any agreement, contract, or lease under section 365 of the Bankruptcy Code. The Debtors expressly reserve their right to contest any claim related to the relief sought herein. Likewise, if the Court grants the relief sought herein, any payment made pursuant to an order of the Court is not intended to be nor should it be construed as an admission as to the validity of any claim or a waiver of the Debtors' rights to subsequently dispute such claim.

Waiver of Bankruptcy Rule 6004(a) and 6004(h)

51. To implement the foregoing successfully, the Debtors request that the Court enter an order providing that notice of the relief requested herein satisfies Bankruptcy Rule 6004(a) and that the Debtors have established cause to exclude such relief from the 14-day stay period under Bankruptcy Rule 6004(h).

Notice

52. The Debtors have provided notice of this Motion to: (a) the Office of the United States Trustee for the Northern District of Illinois; (b) the entities listed on the Consolidated List of Creditors Holding the 50 Largest Unsecured Claims; (c) the administrative agent for the Debtors' credit facility; (d) the indenture trustees for each of the Debtors' secured and unsecured notes; (e) counsel to certain holders of claims against the Debtors regarding each of the foregoing referenced in clauses (c) and (d); (f) the state attorneys general for states in which the Debtors conduct business; (g) the Office of the United States Attorney for the Northern District of Illinois; (h) the Internal Revenue Service; (i) the Securities and Exchange Commission; (j) the gaming commissions for each of the states in which the Debtors operate or manage a casino; and (k) any party that has requested notice pursuant to Bankruptcy Rule 2002. The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be given.

Waiver of Page Limit Restrictions

53. Given the complexity of issues addressed herein, the Debtors respectfully requests that the fifteen page limit established by Local Rule 5005-3(D) be waived for this Motion.

No Prior Request

54. No prior request for the relief sought in this Motion has been made to this or any other court.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

WHEREFORE, the Debtors respectfully request entry of interim and final orders, substantially in the forms attached hereto as **Exhibit A** and **Exhibit B**, respectively, granting the relief requested herein and granting such other relief as is just and proper.

Dated: January 15, 2015
Chicago, Illinois

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

James H.M. Sprayregen, P.C.

David R. Seligman, P.C.

KIRKLAND & ELLIS LLP

KIRKLAND & ELLIS INTERNATIONAL LLP

300 North LaSalle

Chicago, Illinois 60654

Telephone: (312) 862-2000

Facsimile: (312) 862-2200

- and -

Paul M. Basta, P.C.

Nicole L. Greenblatt

KIRKLAND & ELLIS LLP

KIRKLAND & ELLIS INTERNATIONAL LLP

601 Lexington Avenue

New York, New York 10022-4611

Telephone: (212) 446-4800

Facsimile: (212) 446-4900

*Proposed Counsel to the Debtors
and Debtors in Possession*

EXHIBIT A

Proposed Interim Order

**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.	)	(Joint Administration Requested)
)	
	)	Re: Docket No. ___

**INTERIM ORDER (I) AUTHORIZING PAYMENT OF PREPETITION
CLAIMS OF CERTAIN VENDORS, (II) APPROVING AND AUTHORIZING
PROCEDURES RELATED THERETO, AND (III) GRANTING RELATED RELIEF**

Upon the motion (the "Motion") of the above-captioned debtors and debtors in possession (collectively, the "Debtors") for entry of an order (this "Interim Order") (I) authorizing the Debtors to pay certain prepetition claims of the Critical Vendors, (II) approving and authorizing procedures to address any vendors that repudiate or otherwise refuse to honor contractual obligations to the Debtors, (III) granting related relief, and (IV) scheduling a hearing to consider approval of the Motion on a final basis, all as more fully set forth in the Motion; and upon the First Day Declaration; and the Court having found that the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and the Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and the Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and the Court having found that the relief requested in the Motion

¹ The last four digits of Caesars Entertainment Operating Company, Inc.'s tax identification number are 1623. Due to the large number of Debtors in these chapter 11 cases, for which the Debtors have requested joint administration, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors' proposed claims and noticing agent at <https://cases.primeclerk.com/CEOC>.

is in the best interests of the Debtors' estates, their creditors, and other parties in interest; and the Court having found that the Debtors provided appropriate notice of the Motion and the opportunity for a hearing on the Motion under the circumstances; and the Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before the Court (the "Hearing"); and the Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before the Court; and after due deliberation and sufficient cause appearing therefor, it is HEREBY ORDERED THAT:

1. The Motion is granted on an interim basis as set forth herein. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion.

2. The final hearing (the "Final Hearing") on the Motion shall be held on _____, 2015, at ___:___ [a/p].m., prevailing Central Time. Any objections or responses to entry of the final order must be filed on or before _____, 2015, at 4:00 p.m., prevailing Central Time, and served on the following parties: (a) the Debtors, One Caesars Palace Drive, Las Vegas, Nevada 89109, Attn: Timothy J. Lambert; (b) proposed counsel for the Debtors, Kirkland & Ellis LLP, 300 North LaSalle, Chicago, Illinois 60654, Attn: David R. Seligman, P.C. and Jeffrey D. Pawlitz, Esq.; and Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York 10022, Attn: Nicole L. Greenblatt, Esq.; (c) counsel to Caesars Entertainment Corp., Inc., Paul, Weiss, Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, New York 10019, Attn: Jeffrey D. Saferstein, Esq. and Samuel E. Lovett, Esq.; (d) counsel for the First Lien Note Group, Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, New York, New York 10036, Attn: Kenneth H. Eckstein, Esq. and Daniel M. Eggermann, Esq.; (e) counsel for certain of the First Lien Lenders, Stroock & Stroock & Lavan

LLP, 180 Maiden Lane, New York, New York 10038, Attn: Kristopher M. Hansen, Esq. and Jonathan D. Canfield, Esq.; (f) counsel for the indenture trustee under the First Lien Notes Indenture, Katten Muchin Rosenman LLP, 575 Madison Avenue, New York, New York 10022, Attn: Craig A. Barbarosh, Esq. and Karen B. Dine, Esq.; (g) the Office of the United States Trustee for the Northern District of Illinois, 219 South Dearborn Street, Suite 873, Chicago, Illinois 60604; (h) counsel to any statutory committee appointed in these chapter 11 cases; and (i) any party that has requested notice pursuant to Bankruptcy Rule 2002. In the event no objections to entry of a final order on the Motion are timely received, this Court may enter such final order without need for the Final Hearing.

3. The Debtors are authorized, but not directed, to pay Critical Vendor Claims (or to reimburse Caesars Enterprise Services, LLC for such payments) in an amount not exceed \$10,700,000 in the aggregate during the period from the date of this Interim Order until the date that a final order is entered in this matter, unless otherwise ordered by the Court, as set forth herein.

4. The Debtors are authorized to negotiate trade terms with any Critical Vendor, as a condition to payment of any Critical Vendor Claim, that vary from the Customary Trade Terms (the "Negotiated Trade Terms") to the extent the Debtors determine that such terms are necessary to procure essential goods or services or are otherwise in the best interests of the Debtors' estates.

5. A Critical Vendor's acceptance of payment is deemed to be acceptance of the terms of this Interim Order, and if the Critical Vendor thereafter does not provide the Debtors with Customary Trade Terms or Negotiated Trade Terms during these cases, then any payments

of prepetition claims made after the Petition Date may be deemed to be unauthorized postpetition transfers and therefore recoverable by the Debtors in these chapter 11 cases.

6. The Debtors are authorized to obtain written verification of Customary Trade Terms or Negotiated Trade Terms to be supplied by the Critical Vendors before issuing payment hereunder.

7. If a Critical Vendor refuses to supply goods and/or services to the Debtors on Customary Trade Terms or Negotiated Trade Terms following receipt of payment of its Critical Vendor Claim, the Debtors may, in their discretion and without further order of the Court, declare that provisional payments made to the Critical Vendor on account of the Critical Vendor Claim be deemed to have been in payment of then-outstanding postpetition claims of such vendors without further order of the Court or action by any person or entity. In the event the Debtors exercise the right set forth in the preceding sentence, the Critical Vendor against which such right is exercised shall immediately return to the Debtors any payments made to it on account of its Critical Vendor Claim to the extent that any such payments exceed the postpetition claims of such vendor then outstanding without giving effect to any further rights of setoff, claims, provision for payment of reclamation or trust fund claims, or otherwise

8. The Debtors are hereby authorized to waive the conditions of this Interim Order for payment of a claim (the "Waiver") and to conditionally pay the claim of a threatening or Non-Conforming Vendor, including any Critical Vendor who, despite receiving payment for its respective Critical Vendor Claim, threatens to withhold performance of its obligations or refuses to perform under one or more executory contracts with the Debtors. If the Debtors grant a Waiver, the Debtors may file a Notice of Waiver and a proposed Order to Show Cause with the Court within three (3) business days of payment pursuant to the Waiver. The Debtors will serve

any Notice of Waiver and Order to Show Cause on: (a) the Non-Conforming Vendor; (b) the Office of the United States Trustee for the Northern District of Illinois; (c) counsel for any official committee of unsecured creditors appointed in these cases pursuant to section 1102 of the Bankruptcy Code; (d) counsel for the First Lien Note Group, Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, New York, New York 10036, Attn: Kenneth H. Eckstein, Esq. and Daniel M. Eggermann, Esq.; and (e) those persons who have formally appeared and requested service in this proceeding pursuant to Bankruptcy Rule 2002. At the first regularly scheduled hearing occurring at least five (5) business days following entry of the Order to Show Cause by the Court, the Non-Conforming Vendor is required to appear before the Court and should the Court determine that the Non-Conforming Vendor has violated sections 362 and/or 365 of the Bankruptcy Code, the Court will require the Non-Conforming Vendor to disgorge the payments made by the Debtors pursuant to the Waiver, plus attorneys' fees and costs, within three (3) business days of entry of the order holding such Non-Conforming Vendor in violation.

9. The form of Notice of Waiver attached to the Motion as **Exhibit D** and the form of Order to Show Cause attached to the Motion as **Exhibit E** are hereby approved by the Court in all respects for use in accordance with the provisions of the foregoing paragraph.

10. If a Critical Vendor that has received a payment pursuant to this Interim Order refuses to perform its postpetition obligations pursuant to an executory contract with one or more of the Debtors in violation of the Bankruptcy Code, the Debtors may file an Order to Show Cause, substantially in the form attached to the Motion as **Exhibit E**, setting forth the Debtors' belief that the Critical Vendor is in violation of the Bankruptcy Code through its failure to perform under a prepetition agreement, identifying the name of the Critical Vendor, the identity of the agreement in question and seeking entry of such Order to Show Cause, which shall require

the Critical Vendor to appear before the Court to show why it should not be (a) found to have willfully violated sections 362 and/or 365 of the Bankruptcy Code and (b) required to return any payment made by the Debtors to the Critical Vendor pursuant to this Interim Order, plus attorneys' fees and costs.

11. Notwithstanding the relief granted in this Interim Order and any actions taken pursuant to such relief, nothing in this Interim Order shall be deemed: (a) an admission as to the validity of any prepetition claim against a Debtor entity; (b) a waiver of the Debtors' right to dispute any prepetition claim on any grounds; (c) a promise or requirement to pay any prepetition claim; (d) an implication or admission that any particular claim is of a type specified or defined in this Interim Order or the Motion; (e) a request or authorization to assume any prepetition agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; or (f) a waiver of the Debtors' rights under the Bankruptcy Code or any other applicable law.

12. The banks and financial institutions on which checks were drawn or electronic payment requests made in payment of the prepetition obligations approved herein are authorized and directed to receive, process, honor, and pay all such checks and electronic payment requests when presented for payment, and all such banks and financial institutions are authorized to rely on the Debtors' designation of any particular check or electronic payment request as approved by this Interim Order.

13. The Debtors are authorized to issue postpetition checks, or to effect postpetition fund transfer requests, in replacement of any checks or fund transfer requests that are dishonored as a consequence of these chapter 11 cases with respect to prepetition amounts owed in connection with any Critical Vendor Claims.

14. Notwithstanding anything to the contrary contained herein, the relief granted in this Interim Order and any payment to be made hereunder shall be subject to the terms of any orders granting the use of cash collateral approved by this Court in these chapter 11 cases (including with respect to any budgets governing or relating to such use), and to the extent there is any inconsistency between the terms of such cash collateral orders and any action taken or proposed to be taken hereunder, the terms of such cash collateral orders shall control.

15. The contents of the Motion satisfy the requirements of Bankruptcy Rule 6003(b).

16. Notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion and the requirements of Bankruptcy Rule 6004(a) and the Local Rules are satisfied by such notice.

17. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Interim Order are immediately effective and enforceable upon its entry.

18. All time periods set forth in this Interim Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

19. Notwithstanding Local Rule 5005-3(D), the Debtors are authorized to file the Motion in an amount exceeding 15 pages without filing a separate motion for relief.

20. The Debtors are authorized to take all actions necessary to effectuate the relief granted in this Interim Order in accordance with the Motion.

21. This Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Interim Order.

Dated: _____, 2015
Chicago, Illinois

United States Bankruptcy Judge

EXHIBIT B

Proposed Final Order

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.	)	(Joint Administration Requested)
)	
	)	Re: Docket No. ___

**FINAL ORDER (I) AUTHORIZING PAYMENT OF PREPETITION
CLAIMS OF CERTAIN VENDORS, (II) APPROVING AND AUTHORIZING
PROCEDURES RELATED THERETO, AND (III) GRANTING RELATED RELIEF**

Upon the motion (the "Motion") of the above-captioned debtors and debtors in possession (collectively, the "Debtors") for entry of an order (this "Final Order") (I) authorizing the Debtors to pay certain prepetition claims of the Critical Vendors, (II) approving and authorizing procedures to address any vendors that repudiate or otherwise refuse to honor contractual obligations to the Debtors, and (III) granting related relief, all as more fully set forth in the Motion; and upon the First Day Declaration; and the Court having found that the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and the Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and the Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and the Court having found that the relief requested in the Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest; and the Court having found that the Debtors provided appropriate notice of the Motion and the opportunity for a

¹ The last four digits of Caesars Entertainment Operating Company, Inc.'s tax identification number are 1623. Due to the large number of Debtors in these chapter 11 cases, for which the Debtors have requested joint administration, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors' proposed claims and noticing agent at <https://cases.primeclerk.com/CEOC>.

hearing on the Motion under the circumstances; and the Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before the Court (the "Hearing"); and the Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before the Court; and after due deliberation and sufficient cause appearing therefor, it is HEREBY ORDERED THAT:

1. The Motion is granted on a final basis as set forth herein. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion.

2. The Debtors are authorized, but not directed, to pay the Critical Vendor Claims (or to reimburse Caesars Enterprise Services, LLC for such payments) in an amount not to exceed \$16,300,000 in the aggregate, unless otherwise ordered by the Court, as set forth herein.

3. The Debtors are authorized to negotiate trade terms with any Critical Vendor, as a condition to payment of any Critical Vendor Claim, that vary from the Customary Trade Terms (the "Negotiated Trade Terms") to the extent the Debtors determine that such terms are necessary to procure essential goods or services or are otherwise in the best interests of the Debtors' estates.

4. A Critical Vendor's acceptance of payment is deemed to be acceptance of the terms of this Final Order, and if the Critical Vendor thereafter does not provide the Debtors with Customary Trade Terms or Negotiated Trade Terms during these cases, then any payments of prepetition claims made after the Petition Date may be deemed to be unauthorized postpetition transfers and therefore recoverable by the Debtors in these chapter 11 cases.

5. The Debtors are authorized to obtain written verification of Customary Trade Terms or Negotiated Trade Terms to be supplied by the Critical Vendors before issuing payment hereunder.

6. If a Critical Vendor refuses to supply goods and/or services to the Debtors on Customary Trade Terms or Negotiated Trade Terms following receipt of payment of its Critical Vendor Claim, the Debtors may, in their discretion and without further order of the Court, declare that provisional payments made to the Critical Vendor on account of the Critical Vendor Claim be deemed to have been in payment of then-outstanding postpetition claims of such vendors without further order of the Court or action by any person or entity. In the event the Debtors exercise the right set forth in the preceding sentence, the Critical Vendor against which such right is exercised shall immediately return to the Debtors any payments made to it on account of its Critical Vendor Claim to the extent that any such payments exceed the postpetition claims of such vendor then outstanding without giving effect to any further rights of setoff, claims, provision for payment of reclamation or trust fund claims, or otherwise

7. The Debtors are hereby authorized to waive the conditions of this Final Order for payment of a claim (the "Waiver") and to conditionally pay the claim of a threatening or Non-Conforming Vendor, including any Critical Vendor who, despite receiving payment for its respective Critical Vendor Claim, threatens to withhold performance of its obligations or refuses to perform under one or more executory contracts with the Debtors. If the Debtors grant a Waiver, the Debtors may file a Notice of Waiver and a proposed Order to Show Cause with the Court within three (3) business days of payment pursuant to the Waiver. The Debtors will serve any Notice of Waiver and Order to Show Cause on: (a) the Non-Conforming Vendor; (b) the Office of the United States Trustee for the Northern District of Illinois; (c) counsel for any official committee of unsecured creditors appointed in these cases pursuant to section 1102 of the Bankruptcy Code; (d) counsel for the First Lien Note Group, Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, New York, New York 10036, Attn: Kenneth H. Eckstein, Esq. and Daniel M. Eggermann, Esq.; and (e) those persons who have formally appeared and

requested service in this proceeding pursuant to Bankruptcy Rule 2002. At the first regularly scheduled hearing occurring at least five (5) business days following entry of the Order to Show Cause by the Court, the Non-Conforming Vendor is required to appear before the Court and should the Court determine that the Non-Conforming Vendor has violated sections 362 and/or 365 of the Bankruptcy Code, the Court will require the Non-Conforming Vendor to disgorge the payments made by the Debtors pursuant to the Waiver, plus attorneys' fees and costs, within three (3) business days of entry of the order holding such Non-Conforming Vendor in violation.

8. The form of Notice of Waiver attached to the Motion as **Exhibit D** and the form of Order to Show Cause attached to the Motion as **Exhibit E** are hereby approved by the Court in all respects for use in accordance with the provisions of the foregoing paragraph.

9. If a Critical Vendor that has received a payment pursuant to this Final Order refuses to perform its postpetition obligations pursuant to an executory contract with one or more of the Debtors in violation of the Bankruptcy Code, the Debtors may file an Order to Show Cause, substantially in the form attached to the Motion as **Exhibit E**, setting forth the Debtors' belief that the Critical Vendor is in violation of the Bankruptcy Code through its failure to perform under a prepetition agreement, identifying the name of the Critical Vendor, the identity of the agreement in question and seeking entry of such Order to Show Cause, which shall require the Critical Vendor to appear before the Court to show why it should not be (a) found to have willfully violated sections 362 and/or 365 of the Bankruptcy Code and (b) required to return any payment made by the Debtors to the Critical Vendor pursuant to this Final Order, plus attorneys' fees and costs.

10. Notwithstanding the relief granted in this Interim Order and any actions taken pursuant to such relief, nothing in this Interim Order shall be deemed: (a) an admission as to the validity of any prepetition claim against a Debtor entity; (b) a waiver of the Debtors' right to

dispute any prepetition claim on any grounds; (c) a promise or requirement to pay any prepetition claim; (d) an implication or admission that any particular claim is of a type specified or defined in this Interim Order or the Motion; (e) a request or authorization to assume any prepetition agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; or (f) a waiver of the Debtors' rights under the Bankruptcy Code or any other applicable law.

11. The banks and financial institutions on which checks were drawn or electronic payment requests made in payment of the prepetition obligations approved herein are authorized and directed to receive, process, honor, and pay all such checks and electronic payment requests when presented for payment, and all such banks and financial institutions are authorized to rely on the Debtors' designation of any particular check or electronic payment request as approved by this Final Order.

12. The Debtors are authorized to issue postpetition checks, or to effect postpetition fund transfer requests, in replacement of any checks or fund transfer requests that are dishonored as a consequence of these chapter 11 cases with respect to prepetition amounts owed in connection with any Critical Vendor Claims.

13. Notwithstanding anything to the contrary contained herein, the relief granted in this Final Order and any payment to be made hereunder shall be subject to the terms of any orders granting the use of cash collateral approved by this Court in these chapter 11 cases (including with respect to any budgets governing or relating to such use), and to the extent there is any inconsistency between the terms of such cash collateral orders and any action taken or proposed to be taken hereunder, the terms of such cash collateral orders shall control.

14. Notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion and the requirements of Bankruptcy Rule 6004(a) and the Local Rules are satisfied by such notice.

15. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Final Order are immediately effective and enforceable upon its entry.

16. All time periods set forth in this Final Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

17. The Debtors are authorized to take all actions necessary to effectuate the relief granted in this Final Order in accordance with the Motion.

18. This Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Final Order.

Dated: _____, 2015
Chicago, Illinois

United States Bankruptcy Judge

EXHIBIT C

Form of Critical Vendor Letter

_____, 2015

TO: [Vendor]

Dear Valued Vendor:

As you are aware, Caesars Entertainment Operating Company, Inc. and certain of its affiliates (collectively, the “Company” or the “Debtors”) filed voluntary petitions for relief under chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the [_____] District of [_____] (the “Bankruptcy Court”) on [•] (the “Petition Date”). On the Petition Date, the Company requested the Bankruptcy Court’s authority to pay certain critical vendors in recognition of the importance of such vendors to the Company’s reorganization. On [•], the Bankruptcy Court entered an order (the “Order”) authorizing the Company, under certain conditions, to pay certain pre-bankruptcy claims of critical vendors that agree (a) to the terms set forth below and (b) to be bound by the terms of the Order. A copy of the Order is enclosed.

In order to receive payment on its pre-bankruptcy claims, each selected critical vendor must agree to continue to supply goods and/or services to the Company based on “Customary Trade Terms.” In the Order, Customary Trade Terms are defined as normal and customary trade terms, practices, and programs that were most favorable to the Debtors and that were in effect within 12 months before the Petition Date, or such other trade terms that are acceptable to the Debtors.

Any payment of your pre-bankruptcy claim in the manner set forth in the Order may only occur upon execution of this letter by a duly authorized representative of your company and the return of this letter to the Company. For the purposes of administration of this vendor program, as authorized by the Bankruptcy Court, the Company and you agree as follows (this “Trade Agreement”):

- a. the estimated balance of your pre-bankruptcy trade claim (net of any setoffs, other credits, or discounts) (the “Prepetition Trade Claim”) is \$[•];
- b. the Company will provisionally pay you \$[•] of your Prepetition Trade Claim and this payment will be applied to your most recent invoices;
- c. for a period of no less than one year from the Debtors’ emergence from chapter 11, you will supply goods and services to the Company on credit terms as follows (the “Customary Trade Terms”):

_____.

(if more space is required, attach continuation pages)

- d. the open trade balance or credit line that you will extend to the Company for shipment of goods after the Petition Date is \$[•] (which shall not be less than the greater of the open trade balance outstanding (i) on the

Petition Date or (ii) on normal and customary terms on a historical basis for the period 12 months before and up to the Petition Date). You agree to use commercially reasonable steps to fully service the Company as requested pursuant to the terms set forth herein;

- e. the Company's standard terms and conditions govern your commercial trade relationship;
- f. in consideration for payment of your Prepetition Trade Claim (or a portion thereof), you will not file or otherwise assert against the Company, their assets or any other person or entity or any of their respective assets or property (real or personal) any lien, regardless of the statute or other legal authority upon which such lien is asserted, related in any way to any remaining pre-bankruptcy amounts allegedly owed to you by the Company arising from agreements entered into before the Petition Date. Furthermore, if you have taken steps to file or assert such a lien prior to entering into this Trade Agreement, you will take all necessary actions to remove such lien as promptly as possible;
- g. you will release to the Company upon request any goods or other assets of the Company in your possession, and you agree that you have no lien on any assets of the Company based upon the Company's failure to pay any amounts owed to you before the Petition Date by the Company;
- h. you will not separately assert or otherwise seek payment for reclamation claims or claims pursuant to section 503(b)(9) of the Bankruptcy Code outside the terms of the Order (unless your participation in the Trade Agreement is terminated);
- i. if you later refuse to continue to supply goods and/or services to the Company on Customary Trade Terms during these chapter 11 cases, this Trade Agreement will be deemed terminated in the Company's sole discretion; any payments received by you on account of your Prepetition Trade Claim will be deemed to have been in payment of then outstanding postpetition obligations owed to you; and (i) you will immediately repay to the Company any payments made to you on account of your Prepetition Trade Claim to the extent that the aggregate amount of such payments exceeds the postpetition obligations then outstanding, without the right of any setoffs, claims, provision for payment of reclamation or trust fund claims, or otherwise or (ii) at the Company's option, the Company will apply such payments against any outstanding administrative claim owed to you;
- j. if you later refuse to continue to supply goods and/or services to the Company on Customary Trade Terms within the one year period after the Company's emergence from chapter 11, the Company reserves all rights

and remedies it has under this Trade Agreement or otherwise in law or equity; and

- k. you have reviewed the terms and provisions of the Order and you consent to be bound by such terms, including that any dispute with respect to this Trade Agreement or the Order shall be determined by the Bankruptcy Court.

Your execution of this letter and return of the same to the Company constitutes a binding agreement by you and the Company to the above terms. If you have any questions about this agreement or our financial restructuring, do not hesitate to call [_____] at [_____].

Sincerely,

[Applicable Debtor]

By:_____

Title:_____

Date:_____

Agreed and Accepted by:

[Name of Vendor]

By:_____

Title:_____

Dated:_____

EXHIBIT D

Form of Notice of Waiver

**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.	)	(Joint Administration Requested)
)	
	)	Re: Docket No. ___

NOTICE OF WAIVER

PLEASE TAKE NOTICE that on [•], the above-captioned debtors and debtors in possession (collectively, the “Debtors”) filed the *Debtors’ Motion for Entry of Interim and Final Orders (I) Authorizing Payment of Prepetition Claims of Certain Vendors, (II) Approving and Authorizing Procedures Related Thereto, and (III) Granting Related Relief* (the “Motion”).²

PLEASE TAKE FURTHER NOTICE that on [•], the United States Bankruptcy Court for the Northern District of Illinois (the “Bankruptcy Court”) entered an order granting the relief requested in the Motion (the “Order”).

PLEASE TAKE FURTHER NOTICE that, pursuant to the authority granted to the Debtors pursuant to paragraph [•] of the Order, the Debtors have determined to waive the conditions for payment of a prepetition claim (as defined in the Motion) with respect to [•]

¹ The last four digits of Caesars Entertainment Operating Company, Inc.’s tax identification number are 1623. Due to the large number of Debtors in these chapter 11 cases, for which the Debtors have requested joint administration, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors’ proposed claims and noticing agent at <https://cases.primeclerk.com/CEOC>.

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

(“Non-Conforming Vendor”) and conditionally paid prepetition claims of Non-Conforming Vendor in the amount of \$[•] on [•].

PLEASE TAKE FURTHER NOTICE that contemporaneously herewith, the Debtors are filing a proposed Order to Show Cause requesting that the Bankruptcy Court order Non-Conforming Vendor to appear before the Bankruptcy Court at a hearing to be held at __:__ .m., prevailing Central Time, on [•], before the Honorable [•], United States Bankruptcy Judge, in the Bankruptcy Court, Courtroom [•],[_____] [_____]],[_____]],[_____] (the “Hearing”) and demonstrate why Non-Conforming Vendor should not be held in violation of the automatic stay provisions of 11 U.S.C. § 362.

Dated: _____, 2015
Chicago, Illinois

/s/

James H.M. Sprayregen, P.C.
David R. Seligman, P.C.
KIRKLAND & ELLIS LLP
KIRKLAND & ELLIS INTERNATIONAL LLP
300 North LaSalle
Chicago, Illinois 60654
Telephone: (312) 862-2000
Facsimile: (312) 862-2200

- and -

Paul M. Basta, P.C.
Nicole L. Greenblatt
KIRKLAND & ELLIS LLP
KIRKLAND & ELLIS INTERNATIONAL LLP
601 Lexington Avenue
New York, New York 10022-4611
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

*Proposed Counsel to the Debtors
and Debtors in Possession*

EXHIBIT E

Form of Order to Show Cause

**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.	)	(Joint Administration Requested)
)	
	)	Re: Docket No. ___

ORDER TO SHOW CAUSE

Upon the motion (the “Motion”)² of the above-captioned debtors (collectively, the “Debtors”) for the entry of an order (the “Order”) (I) authorizing the Debtors to pay certain prepetition claims of the Critical Vendors, (II) approving and authorizing procedures to address any vendors that repudiate or otherwise refuse to honor contractual obligations to the Debtors, and (III) granting related relief [Docket No. [•]]; and upon the Debtors’ notice of waiver, dated [•], with respect to [•] (“Vendor”); and it appearing that proper and adequate notice of the Debtors’ request for entry of this Order to Show Cause (the “Order to Show Cause”) has been given; and upon the First Day Declaration; it appearing that the relief requested is in the best interests of the Debtors’ estates, their creditors and other parties in interest; the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; consideration of the Motion and the relief requested therein being a core proceeding

¹ The last four digits of Caesars Entertainment Operating Company, Inc.’s tax identification number are 1623. Due to the large number of Debtors in these chapter 11 cases, for which the Debtors have requested joint administration, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors’ proposed claims and noticing agent at <https://cases.primeclerk.com/CEOC>.

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

pursuant to 28 U.S.C. § 157(b); venue being proper before the Court pursuant to 28 U.S.C. §§ 1408 and 1409; notice of the Motion having been adequate and appropriate under the circumstances; and after due deliberation and sufficient cause appearing therefor, it is hereby ORDERED that:

1. The Debtors have complied with the procedures provided in paragraph [•] of the Order in determining to waive the conditions for payment of a prepetition claim (as defined in the Motion) with respect to Vendor and conditionally paying prepetition claims of Vendor in the amount of \$[•] on [•].

2. Vendor is hereby ordered to show cause before the Court at a hearing to be held at ___:___ .m., prevailing Central Time, on [•], before the Honorable [•], United States Bankruptcy Judge, in the Bankruptcy Court, Courtroom [•],[_____] [_____] [_____] [_____] (the "Hearing") why the Vendor should not be (a) held in violation of sections 362 and/or 365 of the Bankruptcy Code for willfully threatening to withhold essential goods or services from the Debtors or refusing to perform under one or more contracts between the Debtors and Vendor and (b) required to return any payment made by the Debtors to Vendor pursuant to the Order, plus attorneys' fees and costs.

3. Service of this Order to Show Cause is to be made upon: (a) Vendor; (b) counsel to the Debtors; (c) the Office of the United States Trustee for the Northern District of Illinois; (d) counsel for any official committee of unsecured creditors appointed in these cases pursuant to section 1102 of the Bankruptcy Code; (e) counsel to [•]; and (f) those persons who have formally appeared and requested service in this proceeding pursuant to Bankruptcy Rule 2002. No further notice of the Hearing or of the entry of this Order to Show Cause need be served by the Debtors.

4. This Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Order.

Dated: _____, 2015
Chicago, Illinois

United States Bankruptcy Judge