

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:)	
)	Chapter 11
)	
CAESARS ENTERTAINMENT OPERATING)	Case No. 15-01145 (ABG)
COMPANY, INC., <u>et al.</u> , ¹)	
)	
Debtors.)	(Joint Administration Requested)

**DEBTORS’ MOTION FOR ENTRY OF AN ORDER
(I) AUTHORIZING THE DEBTORS TO MAINTAIN AND ADMINISTER
THEIR EXISTING CUSTOMER PROGRAMS AND HONOR CERTAIN PREPETITION
OBLIGATIONS RELATED THERETO, AND (II) GRANTING RELATED RELIEF**

The above-captioned debtors and debtors in possession (collectively, the “Debtors”) file this motion (this “Motion”) for entry of an order, substantially in the form attached hereto as **Exhibit A**, (I) authorizing the Debtors to maintain and administer their existing Customer Programs (as defined herein) and honor certain prepetition obligations related thereto, and (II) 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 in this Motion are section 363 of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the “Bankruptcy Code”), rule 6003 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 order (a) authorizing, but not directing, the Debtors to maintain and administer their existing Customer Programs and honor certain prepetition obligations related thereto, and (b) granting related relief.

Background²

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.

² 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.

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.

The Customer Programs

8. The Debtors traditionally have maintained various customer-related programs in the ordinary course of business designed to enrich their customers' loyalty and goodwill and sustain the Debtors' positive reputation in the marketplace. Among others, these programs include: (a) Customer Reinvestment Programs; (b) Safekeeping, Front Money, and Non-U.S. Customer Bank Deposits; (c) Convention and Customer Deposits; (d) Outstanding Gaming Currency; (e) Gift Cards and Certificates; (f) Progressive Gaming Obligations and Accrued Customer Winnings; (g) Independent Sales Representatives and Third-Party Meeting Planners;

and (h) Property Damage Claims (each as defined herein, and together with all other similar customer claims, obligations, and offerings, the “Customer Programs”).³

9. The importance of maintaining the Customer Programs and honoring related prepetition obligations cannot be understated. As described in greater detail in the First Day Declaration, the Debtors operate in highly competitive markets where the quality of customer experience is a defining factor in differentiating the Debtors from their competitors. The Debtors rely heavily on the Customer Programs to ensure a customer experience that surpasses expectations. The goal is to drive repeat business, attract new customers, and ultimately (as a result) increase revenue and earnings.

10. If the Debtors fail to maintain and honor the Customer Programs, they will put at risk their most valuable intangible assets—customer loyalty and goodwill. The resulting loss of customers to their competitors would not only jeopardize the Debtors’ bottom line, it would threaten their ability to successfully reorganize. Moreover, failure to honor certain of the Customer Programs would trigger violations under various state gaming and other laws and regulations. As such, the continuation of the Customer Programs in the ordinary course (including the ability to pay related prepetition obligations) is necessary to the fair and responsible administration of these chapter 11 cases and essential to maximize the value of the Debtors’ estates.

I. Customer Reinvestment Programs.

11. In the ordinary course of business, the Debtors “reinvest” in their customers by engaging in numerous programs designed to enhance customer experience, reward continued

³ This Motion provides an overview of the Debtors’ most significant Customer Programs. The Debtors are seeking authority to honor all Customer Programs, even if not specifically identified herein. To the extent that there are any outstanding prepetition obligations related to Customer Programs not discussed in this Motion, the Debtors, out of an abundance of caution, seek authority to honor such obligations.

patronage, and drive new and repeat business (collectively, the “Customer Reinvestment Programs”). The Debtors’ Customer Reinvestment Programs generally fall into three categories: (a) Customer Loyalty Programs; (b) Customer Offers; and (c) Complimentary Goods and Services (each as defined herein).

A. Customer Loyalty Programs.

12. The Debtors offer various customer loyalty programs (the “Customer Loyalty Programs”). Pursuant to these programs, the Debtors incur obligations directly to their customers, as well as to various third parties that maintain and facilitate these programs (collectively, the “Customer Loyalty Program Obligations”). The Debtors’ most prevalent Customer Loyalty Program is the enterprise-wide Total Rewards[®] program. As of the Petition Date, the Total Rewards program included approximately 45 million members.⁴ Through the program, participating customers can accumulate Reward Credits[®] and Tier Credits[®] in various ways, including when they play, dine, shop, or stay at the Debtors’ resorts and casinos. Customers can also earn Reward Credits through additional methods, including a Total Rewards Visa credit card and partnerships with Starwood Hotels and Resorts Worldwide, Inc. and SkyMall Ventures, LLC.

13. The Total Rewards program places each participating customer into one of four tiers—Gold, Platinum, Diamond, and Seven Stars. Membership in a particular tier is based upon the number of Tier Credits a customer earns during a specified period of time. Higher tiers correspond with greater benefits and privileges (the “Tier Benefits”). For example, a customer in the Seven Stars tier is eligible to receive, among other things, guaranteed complimentary rooms at Caesars’ properties, a once-a-year retreat for the member and a guest (including airfare) to a

⁴ Customers of the Debtors’ non-Debtor affiliates, including Caesars Entertainment Resort Properties, LLC (“CERP”) and Caesars Growth Partners, LLC (“CGP”), also participate in the Total Rewards program.

Caesars' property, a free annual gift, a \$500 celebration dinner at any Caesars-owned restaurant of their choice, and a complimentary cruise. The estimated cost of honoring a customer's Tier Benefits is initially recorded as a liability of such customer's dominant property (i.e., the property where the majority of the customer's activities take place).

14. Participating customers can also redeem the Reward Credits they have earned for, among other things, free slot play, meals, hotel stays, and event tickets. Reward Credits remain outstanding until they are redeemed, unless forfeited—which generally results when a customer fails to earn or use a Reward Credit for a six-month period. The estimated cost of fulfilling the redemption of Reward Credits is initially recorded as a liability of the property⁵ where the Reward Credit was earned.⁶

15. Because the Total Rewards program is enterprise wide, customers can redeem their Reward Credits and use their Tier Benefits at a property other than where the liability is initially recorded, including at certain non-Debtor properties (e.g., a CERP or CGP property). Accordingly, during a monthly reconciliation, the Reward Credits and Tier Benefits liability of each property (including the non-Debtor properties) are transferred to Debtor Caesars Entertainment Operating Company, Inc. ("CEOC"). This transfer is done so through a cash payment by each property to CEOC in the amount of such liabilities recorded since the last monthly reconciliation. Similarly, during each monthly reconciliation, CEOC reimburses each

⁵ Reward Credits earned from the Total Rewards Visa credit card or the Debtors' partnerships—such as those with Starwood Hotels and Resorts Worldwide, Inc. and SkyMall Ventures, LLC—are initially recorded as a liability at a "virtual" property, where their treatment is substantially similar to Reward Credits earned at a physical property.

⁶ The amount of liability the Debtors book for each Reward Credit and the Tier Benefits takes into account, among other things, estimates and assumptions based upon historical data with respect to forfeiture rates and the mix of goods and services actually provided on account of the Reward Credits and Tier Benefits.

property in cash based on the number of Reward Credits and Tier Benefits redeemed at such property. These payments are netted against each other.

16. As of the Petition Date, the Debtors estimate approximately \$74 million in Customer Loyalty Program Obligations remains outstanding, substantially all of which relate to the Total Rewards program.

B. Customer Offers.

17. In the ordinary course of business, the Debtors present certain of their customers with various offers (the "Customer Offers"). Substantially all of these Customer Offers are individually tailored to the customer and are delivered through direct marketing campaigns. The offers include free slot play, free hotel nights, and free event tickets, among others. Generally, the offers are property-specific and expire within one to two months from the offer date. The Debtors generally only incur an obligation with respect to the Customer Offers when such offers are accepted and redeemed, and the Debtors estimate that they spend approximately \$40 million each month on account of the Customer Offers.

C. Complimentary Goods and Services.

18. In the ordinary course of their business and to encourage repeat business, the Debtors offer various complimentary goods and services ("Complimentary Goods and Services") to certain of their customers. Generally, these Complimentary Goods and Services are entirely discretionary and are offered in response to each individual customer's desires while visiting one of the Debtors' properties. Additionally, for high stakes customers, Complimentary Goods and Services may include discounts on losses during a visit. The amount of any such discount is highly discretionary and is only awarded to customers who meet certain financial credentials. The Debtors estimate that they spend approximately \$40 million each month on account of the Complimentary Goods and Services.

II. Safekeeping, Front Money, and Non-U.S. Customer Bank Deposits.

19. In the ordinary course of their businesses, the Debtors hold certain customer winnings (“Safekeeping”) until the customer claims those winnings. For example, when a customer lacks proper identification, any winnings of that customer are held by the Debtors until the customer is able to produce proper identification to claim the winnings. Additionally, the Debtors hold funds in Safekeeping where a customer does not wish to immediately claim its winnings or where such funds have been confiscated from “prohibited patrons” (i.e., patrons who are excluded under applicable state law that governs certain of the Debtors’ casinos). Depending on the circumstances and applicable legal requirements, such funds are subsequently remitted to either the customer or the applicable state upon demand.

20. In addition, the Debtors provide a service in the ordinary course of business whereby customers may deposit funds (“Front Money”) with the Debtors’ properties, including cash in the casino “cage”⁷ that can later be withdrawn while at a gaming table. Similarly, certain non-U.S. customers place funds in bank accounts owned by various non-Debtor, foreign subsidiaries (the “Non-U.S. Subsidiaries”) prior to traveling to the United States to visit one of the Debtors’ properties (the “Non-U.S. Customer Bank Deposits”). The Debtors then either transfer funds into or receive funds from these accounts based on each non-U.S. customer’s winnings or losses while visiting the Debtors’ properties.⁸ Accordingly, at any given time, the Debtors may have outstanding balances due to or due from their Non-U.S. Subsidiaries on account of such non-U.S. customer’s winnings at the Debtors’ properties. The Debtors’

⁷ The casino “cage” is the physical location in the casino where chips are exchanged for cash (and vice versa).

⁸ The Non-U.S. Customer Bank Deposits are discussed in further detail in the *Debtors’ Motion For Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Continue Using Their Cash Management System, (B) Maintain Their Existing Bank Accounts and Business Forms, and (C) Continue Intercompany Transactions, and (II) Granting Related Relief*, filed contemporaneously herewith.

obligations on account of Safekeeping, Front Money, and the Non-U.S. Customer Bank Deposits fluctuate at any given time; and it would be extremely costly and burdensome, if not impossible, for the Debtors to ascertain the exact amount of such obligations due and owing to customers as of the Petition Date. The Debtors do estimate, however, that as of December 31, 2014, approximately \$56 million in Safekeeping, Front Money, and Non-U.S. Customer Bank Deposits remained outstanding.

21. The Safekeeping, Front Money, and Non-U.S. Customer Bank Deposit programs are comparable to those offered by other casino companies, particularly those with significant Las Vegas gaming operations. The winnings held in Safekeeping and the Front Money deposited into the casino cage are not part of the Debtors' estate, and therefore the Debtors do not have a property interest in or ownership rights with respect to such funds. Additionally, the Non-U.S. Customer Bank Deposit service is a key driver in attracting wealthy, non-U.S. customers to the Debtors' casino properties.

III. Convention and Customer Deposits.

22. In the ordinary course of the Debtors' businesses, customers deposit money with the Debtors in connection with, among other things, hotel stays, events and conventions, banquet room rentals, and advance ticket sales for performances held at the Debtors' facilities (collectively, the "Customer Deposits"). Typically, Customer Deposits are utilized (as an offset) by the Debtors in connection with the anticipated future service or event. In some cases, however, customers cancel their reservation, in which case a customer may be entitled to a full or partial refund of the Customer Deposit. The Debtors believe that as of the Petition Date, approximately \$32 million in Customer Deposits liability has accrued.

23. The Customer Deposits are an important aspect of the Debtors' business, and the repercussions of failing to refund the Customer Deposits would likely be severe, disruptive to the

Debtors' business, and damaging to the Debtors' reorganization efforts. For example, if the Debtors were to develop a reputation in the gaming industry for not honoring refund policies related to Customer Deposits, customers may book future reservations with the Debtors' competitors, which could substantially reduce revenue and dissipate customer goodwill.

IV. Outstanding Gaming Currency.

24. As is customary in the casino business, the Debtors routinely issue gaming chips, slot vouchers, and the like to customers for use at gaming tables and slot machines (the "Gaming Currency"). Customers possess Gaming Currency while on the Debtors' property, and some customers, whether advertently or inadvertently, retain Gaming Currency after they leave the properties ("Outstanding Gaming Currency"). The Debtors generally account monthly for the amount of Outstanding Gaming Currency on a consolidated basis across their properties, and, although exceedingly difficult to ascertain the exact amount at any given moment, the Debtors estimate that, as of the Petition Date, customers are in possession of approximately \$42 million in Outstanding Gaming Currency.

V. Gift Cards and Certificates.

25. In the ordinary course of business, the Debtors provide customers with, among other things, gift certificates, gift cards, and various coupons (the "Promotional Gift Cards"). Additionally, the Debtors' customers may also purchase gift certificates, gift cards, and various coupons (the "Retail Gift Cards," and together with the Promotional Gift Certificates, the "Gift Cards"). Customers may then redeem the Gift Cards for, among other things, hotel stays, dining, entertainment, and retail merchandise at various locations throughout the Debtors' resorts and casinos, as well as at various approved third-party merchants.

26. The Debtors rely on a third-party financial services company, TransCard, LLC ("Transcard"), to manage obligations on account of outstanding Gift Cards. When a customer

uses a Promotional Gift Card, the merchant (whether it be the Debtors, a non-Debtor affiliate, or an approved third-party merchant) seeks reimbursement from TransCard, and TransCard, in turn, seeks reimbursement from the Debtors solely for the amount of the Promotional Gift Card used by the customer (a “Promotional Gift Card Obligation”). With respect to Retail Gift Cards, however, the Debtors have an obligation to turn over to TransCard the payment made to purchase the Retail Gift Card (the “Retail Gift Card Obligations”). As a result, when a customer actually uses a Retail Gift Card, the Debtors incur no further obligations. In addition, the Debtors also have prepetition obligations associated with outstanding “brand-wide” and “property-level” gift certificates that were issued before the Debtors’ recent switch to TransCard, which transition took place throughout 2014 (the “Legacy Gift Certificate Obligations,” and together with the Promotional and Retail Gift Card Obligations, the “Gift Card and Certificate Obligations”).

27. The Debtors estimate that as of the Petition Date approximately \$1.0 million in Gift Card and Certificate Obligations remain outstanding.

VI. Progressive Gaming Obligations, Accrued Customer Winnings.

A. Progressive Gaming Obligations.

28. The Debtors offer progressive and multi-link progressive gaming machines and table games to their customers in the ordinary course of business. Progressive gaming machines—electronic games that progressively accumulate funds wagered until the accumulated funds are won and paid out—and table games, including games such as poker, accrue value over a period of time based on amount of customer play. Multi-link progressive gaming machines accrue value in the same manner, but do so at a more rapid rate on account of the fact that multiple progressive machines are “linked” together across several casinos, referred to as a “pot.” When a customer wins on a progressive gaming machine, the winnings are paid either by

the Debtors or by the manufacturer, depending on the Debtors' contractual arrangement with the manufacturer. Additionally, where the winnings are paid by the manufacturer, the Debtors periodically pay the manufacturers either a flat amount or a percentage of the amount wagered on the gaming machines (depending on the Debtors' contractual arrangement with the manufacturer).

29. The Debtors accrue obligations related to the table games and the progressive and multi-link progressive gaming machines (collectively, the "Progressive Gaming Obligations"). The Debtors estimate that as of the Petition Date, approximately \$18 million in Progressive Gaming Obligations remains outstanding.

B. Accrued Customer Winnings.

30. In the ordinary course of business, when certain of the Debtors' customers win a jackpot, they may be offered the option of either a lump-sum payment or a stream of payments over a specified period of time. Where such customers decide to receive their jackpot over a period of time, the Debtors carry a liability to such customer (the "Accrued Customer Winnings"). Accrued Customer Winnings also include the Debtors' outstanding liabilities with respect to parimutuel betting (*i.e.*, where multiple bets are placed together in a pool, and payoff odds are derived by sharing the pool among all winning bets). As of the Petition Date, the Debtors estimate that approximately \$18.7 million in Accrued Customer Winnings remain outstanding. Failure to continue honoring these Accrued Customer Winnings will not only threaten the Debtor's reputation in the gaming industry, but may also be unlawful under various laws and regulations applicable to the Debtors.

VII. Independent Sales Representatives and Third-Party Meeting Planners.

31. In the ordinary course of business, the Debtors rely on a network of independent agents (the "Independent Sales Representatives") to encourage customers to visit the Debtors'

casino properties. The Independent Sales Representatives serve as a liaison between the Debtors and the Independent Sales Representatives' independent customer databases, organizing group and individual trips for their customers to the Debtors' properties. Because the Independent Sales Representatives know and understand their customers' preferences, they can plan these trips to ensure maximum customer satisfaction, taking into account each customer's preferences with respect to, for example, hotel rooms, special event tickets, and dinner reservations. In many instances, Independent Sales Representatives have connections to some of the Debtors' most valuable customers. In exchange, the Debtors pay the Independent Sales Representatives certain commissions based on the estimated amount of revenue that such customers would bring to the Debtors' properties, as well as reimburse certain of the Independent Sales Representatives' out-of-pocket expenses incurred at the direction of the Debtors. As of the Petition Date, the Debtors believe that approximately \$3 million in liabilities remain outstanding with respect to the Independent Sales Representatives.

32. Additionally, the Debtors rely in the ordinary course of business on a network of independent agents (the "Third-Party Meeting Planners") to arrange for various events and conventions to be held at their casino properties. Like Independent Sales Representatives, the Third-Party Meeting Planners have independent customer databases and serve as the Debtors' primary (if not only) connection to the entities seeking locations to hold their events and conventions. Annually, the Third-Party Meeting Planners are responsible for bringing hundreds of events and conventions to the Debtors' properties, ultimately resulting in substantial revenue. In exchange, the Debtors pay the Third-Party Meeting Planners commissions based on a percentage of hotel room revenue created as a result of the event or convention. As of the

Petition Date, the Debtors believe that approximately \$3 million in liabilities remain outstanding with respect to the Third-Party Meeting Planners.

33. Independent Sales Representatives and Third-Party Meeting Planners are an essential element of the Debtors' business, generating a substantial portion of the Debtors' revenue each year. Additionally, they provide the Debtors with more opportunities to interact with new customers, thereby providing the Debtors with the ability to grow their customer base and cultivate repeat business. If the Debtors fail to honor prepetition obligations of the Independent Sales Representatives and Third-Party Meeting Planners, they likely would seek to work more frequently with the Debtors' competitors and may even end all business relationships with the Debtors.

VIII. Property Damage Claims.

34. In the ordinary course of business, customers assert various property damage claims (the "Property Damage Claims") against the Debtors. Property Damage Claims may consist of, for example, damage to a customer's vehicle while in the care of the Debtors' employees and property lost during a customer's stay at one of the Debtors' properties. The Debtors estimate that they spend approximately \$500,000 each year on account of Property Damage Claims.

35. The Debtors seek authority to maintain each of the Customer Programs in the ordinary course of business and to satisfy any prepetition obligations related thereto. Continuing to honor Customer Programs during these chapter 11 cases is critical to protecting the Debtors' ordinary course operations and preserving value, ultimately to the benefit of the Debtors' stakeholders.

Basis for Relief

I. Continuing to Honor the Customer Programs in the Ordinary Course Represents a Sound Exercise of the Debtors' Business Judgment.

36. The Court has the authority to grant the relief requested herein pursuant to section 363(b) of the Bankruptcy Code. Section 363(b)(1) of the Bankruptcy Code provides that a debtor in possession, “after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” 11 U.S.C. § 363(b)(1). A debtor’s decision to enter into a transaction outside of the ordinary course of business is governed by the “business judgment” standard. See Fulton State Bank v. Schipper (In re Schipper), 933 F.2d 513, 515 (7th Cir. 1991) (noting that the criterion for approval of a transaction under section 363(b) is whether debtor has “an articulated business justification” (citing The Inst.’l Creditors of Cont’l Airlines v. Cont’l Air Lines, Inc. (In re Cont’l Air Lines, Inc.), 780 F.2d 1223, 1225 (5th Cir. 1986))); In re Efoora, Inc., 472 B.R. 481, 488 (Bankr. N.D. Ill. 2012) (same). When applying the business judgment standard, courts show great deference to the debtor’s decision making. See, e.g., Efoora, 472 B.R. at 488 (“A trustee has considerable discretion when it comes to the sale of estate assets, and that discretion is entitled to ‘great judicial deference’ as long as a sound business reason is given.” (collecting cases)); see also Comm. of Asbestos-Related Litigants and/or Creditors v. Johns-Manville Corp. (In re Johns-Manville Corp.), 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986) (“Where the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will generally not entertain objections to the debtor’s conduct.”).

37. The Debtors’ decision to continue the Customer Programs is based on clear business justifications and, therefore, is entitled to deference by the Court. Continuation of the Customer Programs is critical to the long-term success and reorganization of their business

because, absent the relief requested herein, the Debtors would risk alienating customers who rely on the Customer Programs. This alienation is all the more palpable in the highly competitive market in which the Debtors operate, where the quality of the customer experience is a critical distinguishing factor. Without the Customer Programs, the top-tier customer experience that the Debtors' customers have come to know and demand will necessarily wane, resulting in less repeat business and fewer new customers, and erosion of customer confidence at this critical juncture would not only affect the Debtors' bottom line, but would adversely affect the Debtors' prospects for a successful reorganization. Moreover, the Debtors' failure to honor certain of the Customer Programs would violate various state gaming and other laws and regulations—a nearly de facto business justification in and of itself.

38. Accordingly, the Debtors respectfully request that the Court enter the Order permitting the Debtors to continue the Customer Programs as set forth herein.⁹

39. Furthermore, courts in this and other districts routinely authorize the continuation of customer programs. See, e.g., In re ITR Concession Co., No. 14-34284 (PSH) (Bankr. N.D. Ill. Sept. 23, 2014); In re Hartford Computer Hardware, Inc., No. 11-49744 (PSH) (Bankr. N.D. Ill. Dec. 15, 2011); In re Gas City, Ltd., No. 10-47879 (ERW) (Bankr. N.D. Ill. Oct. 27, 2010); In re XMH Corp. 1 (f/k/a Hartmarx Corp.), No. 09-02046 (BWB) (Bankr. N.D. Ill. Jan. 26, 2009); In re Kimball Hill, Inc., No. 08-10095 (SPS) (Bankr. N.D. Ill. May 13, 2008); In re Select Snacks, Inc., No. 07-18769 (PSH) (Bankr. N.D. Ill. Oct. 23, 2007); In re UAL Corp., No. 02-48191 (ERW) (Bankr. N.D. Ill. Dec. 11, 2002); see also In re Cengage Learning, Inc.,

⁹ The Debtors believe that they do not need to request authority to maintain the Customer Programs on a going forward basis. Specifically, casino and resort operators like the Debtors regularly operate similar programs in the ordinary course of business. *See* 11 U.S.C. § 363(c) (permitting use, sale and lease of property of the estate in the ordinary course of business without bankruptcy court approval). Nonetheless, out of an abundance of caution, the Debtors request authority, but not direction, to continue the Customer Programs.

No. 13-44106 (ESS) (Bankr. E.D.N.Y. Aug. 2, 2013); In re Revel AC, Inc., No. 13-16253 (JHW) (Bankr. D.N.J. Apr. 18, 2013); In re Prommis Holdings, LLC, No. 13-10551 (BLS) (Bankr. D. Del. Mar. 19, 2013); In re Majestic Star Casino, LLC, No. 09-14136 (KG) (Bankr. D. Del. Nov. 23, 2009); In re Tropicana Entm't, LLC, No. 08-10856 (KJC) (Bankr. D. Del. May 6, 2008).¹⁰

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

40. The Debtors have sufficient funds to pay the amounts described herein in the ordinary course of business by virtue of cash flows from ongoing business operations. Furthermore, check requests can be readily identified as relating to an authorized payment in respect of the Customer Programs under the Debtors' existing cash management system. Accordingly, the Debtors believe that check requests, other than those relating to authorized payments, will not be honored inadvertently and that all applicable financial institutions should be authorized, when requested by the Debtors, to receive, process, honor, and pay any and all check requests in respect of the Customer Programs.

The Requirements of Bankruptcy Rule 6003 Are Satisfied

41. 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 Debtors to maintain and administer their existing Customer Programs, honor certain prepetition obligations related thereto, and granting the other relief requested herein is integral to the Debtors' ability to transition their operations into these chapter 11 cases.

¹⁰ 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.

42. Failure to receive such authorization and other relief 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

43. 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)

44. 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

45. 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; (k) counsel to CEC; and (l) 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

46. 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

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

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

Dated: January 15, 2015
Chicago, Illinois

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

James H.M. Sprayregen, P.C.

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- and -

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Exhibit A

Proposed 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. ___

**ORDER (I) AUTHORIZING THE DEBTORS
TO MAINTAIN AND ADMINISTER THEIR EXISTING CUSTOMER
PROGRAMS AND HONOR CERTAIN PREPETITION OBLIGATIONS
RELATED THERETO, AND (II) 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 “Order”) (I) authorizing the Debtors to maintain and administer their existing Customer Programs and honor certain prepetition obligations related thereto, and (II) 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 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 continue to administer Customer Programs currently in effect, honor any prepetition obligations related to the Customer Programs, and maintain their Customer Programs on a going-forward basis, including modifying existing programs and introducing new programs that are similar in scope and expense to existing programs.

3. The Debtors' credit card processors are authorized to process payments in the ordinary course of business and in connection with the Customer Programs, including the netting out of any fees and/or chargebacks whether arising before or after the Petition Date.

4. Notwithstanding the relief granted in this Order and any actions taken pursuant to such relief, nothing in this 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 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.

5. 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 Order.

6. 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 claims relating in any way to the Customer Programs.

7. Notwithstanding anything to the contrary contained herein, the relief granted in this 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.

8. The requirements set forth in Bankruptcy Rule 6003 are satisfied by the contents of the Motion.

9. 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.

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

11. 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.

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

13. 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