

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:)	
)	Chapter 11
)	
CAESARS ENTERTAINMENT OPERATING COMPANY, INC., et al., ¹)	Case No. 15-01145 (ABG)
)	
Debtors.)	(Jointly Administered)
)	

**DEBTORS’ REPLY IN SUPPORT OF THE DEBTORS’ MOTION FOR THE ENTRY
OF AN ORDER APPROVING APPOINTMENT OF A MEDIATOR TO MEDIATE
ISSUES RELATED TO A CHAPTER 11 PLAN OF REORGANIZATION**

The above-captioned debtors and debtors in possession (collectively, the “Debtors”) file this reply in support of the *Debtors’ Motion for the Entry of an Order Approving Appointment of a Mediator to Mediate Issues Related to a Chapter 11 Plan of Reorganization* [Docket No. 3195] (the “Motion”)² and in response to the responses and limited objections thereto (the “Responses”).³ In reply to the Responses, and in further support of the Motion, the Debtors respectfully state as follows.

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

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

³ See *Response of the Ad Hoc Group of 5.75% and 6.50% Notes to Debtors’ Motion for the Entry of an Order Approving Appointment of a Mediator to Mediate Issues Related to a Chapter 11 Plan of Reorganization* [Docket No. 3212]; *Response of Statutory Unsecured Claimholders’ Committee to Debtors’ Motion for Entry of Order Approving Appointment of Mediator to Mediate Consensual Chapter 11 Plan* [Docket No. 3214]; *First Lien Notes Parties’ Joint Response to Debtors’ Motion for the Entry of an Order Approving Appointment of a Mediator to Mediate Issues Related to a Chapter 11 Plan of Reorganization* [Docket No. 3216]; *Caesars Entertainment Corporation’s Preliminary Response to the Debtors’ Motion for the Entry of an Order Approving Appointment of a Mediator to Mediate Issues Relating to a Chapter 11 Plan of Reorganization* [Docket No. 3218]; *Noteholder Committee’s Response to Debtors’ Motion for the Entry of an Order Approving Appointment of a Mediator to Mediate Issues Related to a Chapter 11 Plan of*

1. In the Responses, each significant party in interest (or representatives of those parties in interest) made clear that they support a mediation process to facilitate discussions and negotiations among the key stakeholders on the resolution of plan issues. Although each party used its Response as an opportunity to lay out its respective negotiation and litigation positions, the unanimous recognition that a mediator could be useful to reaching a settlement of plan issues is a rare instance of consensus in these contentious cases. The parties also raised logistical issues, and took positions on issues such as timing, confidentiality, and participation in any mediation. The Debtors submit that many of these issues can be resolved by the parties and the mediator as part of implementing mediation procedures to guide the mediation process. For their part, the Debtors have no objection to the participation of the Ad Hoc Group of 5.75% and 6.50% Notes and/or BOKF, N.A. in the mediation process, and would welcome both to participate. Similarly, the Debtors would invite the participation of other CEOC funded debt creditors currently pursuing litigation against CEC that the Debtors are seeking to enjoin in the section 105 adversary proceeding (Adv. Pro. No. 15-00149 (ABG)).

2. But the timing of the mediation is critical to its success. The mediation must occur in parallel with disclosure statement approval, solicitation, and the confirmation process. Chapter 11 plans ultimately are settlements of claims against and interests in a debtor.

Reorganization [Docket No. 3219]; Preliminary Response of Ad Hoc Committee of First Lien Bank Lenders to Debtors' Motion for the Entry of an Order Approving Appointment of a Mediator to Mediate Issues Related to a Chapter 11 Plan of Reorganization [Docket No. 3220]; Senior Unsecured Notes Trustee's Response to Mediation Motion [Docket No. 3222]; Initial Response of Second Priority Notes Trustee BOKF, N.A. to Debtors' Motion for the Entry of an Order Approving Appointment of a Mediator to Mediate Issues Related to a Chapter 11 Plan of Reorganization [Docket No. 3224]; Limited Objection of the 10.75% Notes Trustee to (A) Debtors' Motion for the Entry of an Order Approving Appointment of a Mediator to Mediate Issues Related to a Chapter 11 Plan of Reorganization and (B) Debtors' Motion to Further Extend Their Exclusive Periods to File a Chapter 11 Plan and Solicit Acceptances Thereof [Docket No. 3225].

Settlements benefit from unknown contingencies, and many matters settle on the eve of trial for this very reason. Thus, mediation and settlement discussions must occur while significant litigation and confirmation issues remain ongoing—each with concrete dates and deadlines—because mediation will benefit from the legal and factual uncertainty surrounding the outcomes of these matters. See, e.g., In re City of Detroit, No. 13-53846 (SR) (Bankr. E.D. Mich.) (mediation throughout chapter 9 cases, ultimately leading to settlements with major stakeholders both before and during confirmation trial); In re Residential Capital, LLC, No. 12-12020 (MG) (Bankr. S.D.N.Y.) (mediation before and during plan confirmation process, including after confirmation trial and before ruling when remaining holdout stakeholders reached settlements with the debtors). As the Debtors made clear in the Motion, mediation done in a vacuum will be ineffective.

3. Finally, the Debtors are in the process of discussing potential mediators with their stakeholders. The Debtors look forward to providing the Court with an update on the mediator selection process at the hearing on the Motion.

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Dated: February 15, 2016
Chicago, Illinois

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