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AHEAD IN BANKRUPTCY

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29-Jan	Denver: Cline Mining Chapter 15 hearing
29-Jan	Richmond: James River Coal omnibus hearing
29-Jan	White Plains: Binder & Binder final DIP loan hearing
29-Jan	Wilmington: Education Training exclusivity hearing
29-Jan	Wilmington: FCC Holdings disclosure statement hearing
30-Jan	Des Moines: Dahl's sale hearing
30-Jan	Milwaukee: Milwaukee YMCA confirmation hearing
30-Jan	White Plains: Nautilus Holdings confirmation hearing
02-Feb	Wilmington: MacKeyser Holdings confirmation hearing
03-Feb	Manhattan: Lehman contract assumption hearing

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Caesars Bankruptcy Is in Chicago Despite Harsh Words From Judge

By Peg Brickley

A Delaware judge Wednesday agreed to let Caesars Entertainment Corp. proceed with the restructuring of \$18.4 billion of debt in Chicago, but he had some harsh words for its private-equity owners about series of financial maneuvers designed to salvage their investment in the casino giant.

Caesars, its owners, and their "suspect" dealings will be "under a magnifying glass" in Chicago, said Judge Kevin Gross of the U.S. Bankruptcy Court in Wilmington Del., marking the second time this month that a judge has called into question moves the company and its owners Apollo Global Management LLC and TPG made before putting its largest unit into bankruptcy protection Jan. 15.

The judge's remarks came as he dispatched the Chapter 11 case of Caesars Entertainment Operating Co. to Chicago, the venue chosen by the beleaguered company. He cited "serious allegations that the debtors' controlling equity holders engaged in a series of self-dealing transactions" that transferred substantial assets out of the reach of Caesars' creditors.

Caesars and others sued by creditors have denied allegations of wrongdoing connected to deals that shifted valuable properties away from the troubled unit.

Apollo and TPG declined to comment Wednesday on the judge's statements.

However, an Apollo spokesman told *The Wall Street Journal* earlier this month private equity firm would "aggressively protect our investments and defend our companies using all the tools available to us." TPG has supported Apollo's moves, but it hasn't been as actively involved in the restructuring, the *Journal* reported.

The bankruptcy judge's comments echo a ruling earlier this month by a federal judge in New York who said Caesars may have violated federal law when it stripped guarantees from debt in a transaction where three key stakeholders were allegedly paid off, while other investor were left out. That case is pending.

Caesars' "ultimate plan is to push CEOC into bankruptcy while protecting Apollo and TPG from CEOC's creditors," said Judge Shira Scheindlin.

In trying to keep the bankruptcy in Delaware, creditors cited the allegations of fraud and looting that surfaced in multiple lawsuits before the company's Jan. 15 bankruptcy filing.

"Don't act unfairly and inequitably prepetition and then seek the bankruptcy court's help to get away with it," said James Millar, lawyer for some of the creditors in the New York case, during arguments over venue.

Judge Gross said Caesars is entitled to "just enough deference" to keep its case in Chicago, a court where the law makes it easier for the company to try to force creditors to abandon the lawsuits against the company leaders and members of the Caesars corporate family that are not in Chapter 11.

But the judge said the Chicago bankruptcy court is no less able to spot signs of fraud and insider deals than the Delaware court.

Bankruptcy experts say he's right.

"The move favors the owners, but probably not enough to change the final outcome," said Erik Gordon, assistant professor at the University of Michigan Ross School of Business.

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"Judge Gross believes allegations of fraud will be scrutinized by his colleagues in any bankruptcy court, whether in Delaware or Chicago," said Christopher Simon, a Delaware bankruptcy lawyer not involved in the proceeding.

Creditors campaigned to keep the Chapter 11 case in Delaware, where junior bondholders had filed a forced bankruptcy petition against Caesars days before the company voluntarily placed the unit under bankruptcy protection.

While senior bondholders support Caesars plan to revamp the unit, top-ranking banks and junior bondholders have refused to sign off. Caesars' restructuring is a complicated feat of financial engineering designed to benefit Apollo at the expense of creditors, they contend.

The involuntary bankruptcy filing and the two-day venue fight were signs that Caesars' efforts to achieve a soft landing with a plan that has broad creditor support have failed.

"Apollo has shown that it is willing to fight to get more than it would in a typical reorganization, and the creditors have shown that they are willing to fight for what they think they are entitled to under the law," Prof. Gordon said.

Anthony Casey, a law professor at the University of Chicago, admitted the law in Chicago "is just more favorable to Apollo and the various entities because it has more wiggle room" when it comes to immunizing Caesars' parent and the company's leaders from lawsuits.

Still, he said, creditors might find it easier to persuade a Chicago judge to appoint an examiner to conduct a detailed probe of Caesars' pre-bankruptcy deals. If an examiner finds supporting evidence, Caesars isn't "going to get away with settling a lot of fraud allegations on the cheap," Mr. Casey said.

One lawsuit puts the alleged fraud damage estimate at \$4 billion. Caesars lawyers say the parent is willing to contribute \$1.5 billion worth of value to the reorganization of the unit, which would be reshaped into a real estate investment trust and a management company.

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