Caesars Entertainment wants Delaware lawsuit tossed

By Randall Chase, AP

GEORGETOWN, Del. — A Delaware judge is weighing whether to grant a motion by Caesars Entertainment Corp. to dismiss a lawsuit by bondholders accusing the company of fraudulently transferring assets of its debt-laden operating unit in order to shield them from creditors.

Lawyers for Caesar's argued Friday that the second-lien bondholders are bound by an intercreditor agreement with first-lien noteholders to bring such claims in New York, where the company is involved in related litigation, including a suit that the company filed against certain investors just hours after the Delaware action was filed in August.

"They have a contractual obligation to bring this case in New York," said Caesar's attorney Eric Seiler.

But attorneys for the bondholders, who are represented by Delaware-based Wilmington Saving Funds Society as successor trustee, contend that Caesars is not a party to the intercreditor agreement, and that its provisions do not apply to their lawsuit against the company. They also argue that the asset transfers in dispute involved entities that were formed in Delaware and are controlled by Caesars officials in Nevada.

Caesars is the parent company of Harrah's Lake Tahoe and Harveys

"The important and central witnesses are going to be the business people who signed off on these transfers," said Bruce Bennett, an attorney for the bondholders.

Vice Chancellor Sam Glasscock said he had expected to rule at the conclusion of Friday’s hearing but told attorneys that they have raised complex issues that he needs time to consider. He said he would rule promptly but gave no timeline

The lawsuit is one of two filed in Delaware against Caesar’s, which was saddled with debt since a 2008 highly leveraged $30 billion buyout of Harrah’s Entertainment Inc., as the company formerly was known, by private equity investors led by TPG Capital and Apollo Global Management.

Last week, UMB Bank, a trustee for first-lien noteholders owed more than $1 billion, sued Caesars in Delaware, with allegations of misconduct similar to those made by the junior bondholders. The plaintiffs allege that Caesar’s officials have stripped Caesar’s Entertainment Operating Co., or CEOC, of assets including trademarks, real estate and interactive gambling operations, transferring them to affiliates that are not liable for CEOC’s debt. UMB, on behalf of the first-lien noteholders, is asking the court to impose a receiver for CEOC.

Meanwhile, Caesars is working to restructure its debt and has sued certain institutional investors in New York court, claiming they are trying to push CEOC into default and thwart its restructuring efforts. The complaint names certain investors holding CEOC second-lien notes, as well as Elliott Management Corp. which holds first-lien notes.

Caesars CEO and chairman Gary Loveman said in August that the company refuses to be “held hostage” by speculators who seem to be betting against its long-term health.