

Caesars appeals court ruling that opens it up to \$364 mil. claim

By Kimberly Pierceall, AP

Casino giant Caesars Entertainment is appealing a bankruptcy court ruling that could put it on the hook for nearly \$364 million.

That's the amount a pension fund wants Caesars to pay in installments for 20 years after the company's largest subsidiary filed for bankruptcy protection in January.

The National Retirement Fund, which manages pensions for 400,000 unionized workers from a variety of employers, wants to oust Caesars, forcing it to cover the cost of promised pensions.

The fund has estimated Caesars would need to pay nearly \$6 million each quarter, or \$24 million a year for 20 years.

Caesars is the parent company of Harrah's Lake Tahoe and Harvey in Stateline.

Caesars has been the largest fund contributor, paying \$13 million annually, according to the court's ruling. The company has said in legal filings that it had no intention of stopping payments or leaving the fund on its own.

The fund's counsel, Ronald Richman, said it made the decision to expel Caesars to protect the fund's financial condition and employee benefits, fearing the fund could suffer depending on what might happen in the subsidiary's complicated and contentious bankruptcy case. "The fund has been hurt very badly by companies that have gone into bankruptcy," he said.

Pension funds are considered unsecured creditors, among the last groups and individuals owed in bankruptcy cases behind more senior creditors.

He said the amount the fund is seeking from Caesars isn't a penalty but a calculation based on Caesars' prior contributions compared to all employer contributions and the pension fund's total underfunded liabilities.

Lawyers for Caesars have also said the fund's demand could affect Caesars' ability to help its subsidiary emerge from bankruptcy by promising payments to senior creditors. Caesars Entertainment Operating Corp. is hoping to shed about \$10 billion of \$18.4 billion in debt.

The National Retirement Fund has been skeptical, though, noting in court filings that Caesars has \$2.1 billion in assets and has a market capitalization of \$1.4 billion, which wouldn't prevent the company from helping its subsidiary even with the additional fund payments.

Caesars had primarily argued in a Chicago bankruptcy court that the same protections that shield its subsidiary from claims while it's working on a restructuring plan should also protect the parent company from the fund's effort in this case.

Judge Benjamin Goldgar denied Caesars' motion to extend the automatic stay on Nov. 12, saying the fund efforts weren't directed at the bankrupt subsidiary. Caesars filed its appeal Monday.

The fund, which has \$2.5 billion in assets, has been in critical financial shape. Analysts forecast it to be underfunded for the next 10 years after the recession took a toll on invested funds and as employees live longer.

Caesars' legal tussle with the National Retirement Fund began in January when trustees of the fund voted to expel the

company's five businesses from the fund – Bally's, Caesars and Harrah's casino-hotels in Atlantic City, Harrah's Philadelphia and Parball Corp. – after creditors attempted to force the company into an involuntary bankruptcy case in Delaware, and before Caesars filed for bankruptcy protection in Chicago on its own.

The timing of the bankruptcy case is still being argued in court.