Defending an empire with public relations: A case study of Caesars World Incorporated's strategies against corporate raiders

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DEFENDING AN EMPIRE WITH PUBLIC RELATIONS: A CASE STUDY
OF CAESARS WORLD INCORPORATED'S STRATEGIES AGAINST
CORPORATE RAIDER

by

Mercedes Warrick

A thesis submitted in partial fulfillment of the
requirements for the degree of

Master of Arts

in

Communication Studies

Greenspun School of Communication Studies
University of Nevada, Las Vegas
December 1995
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ABSTRACT

This thesis is a case study of the public relations aspects of the 1987 and 1995 acquisition attempts of Caesars World Incorporated, a gaming and hotel company whose most prominent subsidiary is Caesars Palace in Las Vegas, Nevada. The purpose of the study was to explore what scholars and professionals had postulated about the role of public relations and determine whether these practical applications melded with their concepts. The study indicates that during these episodes public relations was an important component of the takeover process in that it helped align communication strategies with financial objectives. However, the functions performed were of a supportive nature and are not, as some scholars suggest, critical to the overall defensive scheme of the targeted company.
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ACKNOWLEDGMENTS

Love is patient, love is kind. 
It does not envy, it does not boast, it is not proud. 
It is not rude, it is not self-seeking, it is not easily angered, it keeps no record of wrongs. 
Love does not delight in evil but rejoices with the truth. 
It always protects, always trusts, always hopes, always perseveres. 
Love never fails. 

1 Corinthians 13: 4 - 8

To: 

Debbie, Mark, Carl Wayne, Sandra, Marla, Charles, Tom, Bill, Kathi ....

And especially, Gage, Jack and Thurban

Thank you.

I'll wear my halo proudly.

Love,

Mercedes
CHAPTER 1

INTRODUCTION

This thesis is a case study of the public relations efforts waged during two attempts to acquire Caesars World Incorporated. During a hostile takeover attempt in 1987, Caesars World Incorporated spent $27 million to defend itself against a corporate raider. That year’s annual report states that these monies were spent on legal fees, financial advice, and costs associated with the company’s recapitalization defense strategy (Caesars World Incorporated, 1987a). No mention is made of public relations expenses or its contributions. The purpose of this study is to:

1. Examine Caesars World Incorporated’s takeover situations and assess how public relations was used.

2. Examine whether the company could transmit its desired messages, via press releases, through newspapers, to its targeted audiences. Was the company able to set a strategic public relations agenda?

3. Examine the extent to which research predicts, accounts for, and explains this case study.

4. Support or refute basic public relations axioms presented in articles and research, then suggest areas for future research.

This area of study is important because corporate restructuring through acquisition and raiding a phenomenon which is pertinent and relevant to today’s business climate. As you can see from the Caesars World Incorporated example, acquisition transactions, whether hostile or friendly, involve millions of dollars. While the financial aspects of takeovers have been studied, the role public relations plays has not been thoroughly
explored. Most research found dealt with the role of semantics and rhetoric in communicating with audiences during a takeover. The general role public relations has within a business and its agenda setting function and relevance to media has also been explored. Research regarding the functional role of public relations in a takeover environment is extremely limited.

**Methodology**

The case study method is effective when an in-depth examination is required because it helps toward understanding an entire process (Adams, Schvaneveldt, 1991). This method attempts to thoroughly examine the unit of exploration, then assesses the subject against a cluster of factors. Bias can occur and because the sample size is limited, generalization is difficult using this method. However, it is a good approach for a researcher who wishes to establish criteria for future study (Adams, Schvaneveldt, 1991).

The use of artifacts, like press releases, also expands understanding of the process which occurred, may provide insight into possible alternatives, and evaluates the effectiveness of past actions or theories (Tucker, Weaver, & Berryman-Fink, 1981).

The case study method, using press releases and newspaper articles for historical reference, is prudent for this thesis because the main purpose of the study is to examine whether academic principles have practical applications.

Executives at Caesars World Incorporated allowed a search of the company’s archives in the corporate headquarters in Los Angeles, California, and in their main subsidiary, Caesars Palace in Las Vegas, Nevada. This search produced newspaper articles and press releases for the 1987 and 1995 events. Any articles that were missing
from the Caesars World Incorporated files were retrieved from the University of Nevada, Las Vegas library. Newspapers, two local (Las Vegas) the *Las Vegas SUN* and the *Las Vegas Review Journal*, one regional, the *Los Angeles Times*, and one national, the *Wall Street Journal*, were used in the study. The press releases combined with the newspaper reports give an accurate chronology of the events. These materials were supplemented with an interview with Jack Leone, Caesars World Incorporated Vice President of Corporate Communications. An interview is a form of verbal questionnaire that is best used when an in-depth recounting of details are required (Tucker, Weaver, & Berryman-Fink, 1981). Through Leone, the company's primary information goals, audiences, and strategies were ascertained. Leone was actively involved in both takeovers and was a member of the executive coalition which developed and executed the defensive strategies.

It should be noted that the researcher was employed by Caesars Palace in Las Vegas, Nevada for six years. The first two years of this tenure were in the public relations department. Access to the materials used in this examination was a result of the relationships enjoyed during this employment. This familiarity with the corporate culture and the people who planned and implemented Caesars' tactics presented a unique opportunity to examine, from the inside-out, the information and communication strategies executed during these transactions.
Scope of Limitations

Caesars World Incorporated was the parent company to a hotel and casino gaming operation which included Caesars Palace and Caesars Tahoe, in Las Vegas and Lake Tahoe Nevada; Caesars Atlantic City in New Jersey, and Caesars Poconos in Pennsylvania. By 1995, Caesars World Incorporated was also a partner in a casino in Windsor, Ontario, Canada and operated Caesars Palace at Sea on board a luxury cruise ship. Each Caesars World Incorporated property has on-site public relations executives. These people were responsible for the local public affairs and entertainment management of their site. Government, regulatory, employee, and community relations were also handled by each property’s chief executive officer in conjunction with the public relations department. Leone handled investor relations, national media and issues that affected stock or company value. Local sites were not involved in the strategic posture of Caesars World Incorporated during the transactions under review. This, therefore, limits the scope of the presentation to the public relations activities generated from the corporate offices. Finally, because Caesars World Incorporated was the target and not the aggressor, this case study is also limited to defensive postures.

Review of Literature

Primary data included interviews, press releases, and newspaper articles. Secondary data included articles concerning takeovers and the role of public relations in takeovers. Empirical research related to public relations functions during takeovers is limited.
Public Relations' Role

Public Relations is the management function that identifies, establishes, and maintains mutually beneficial relationships, between an organization and the various publics on whom its success or failure depends (Cutlip, Center & Broom, 1985).

In a corporate takeover, public relations have many functions. From a defensive posture, organizations use public relations to avoid possible confrontation by enhancing the image and value of corporate assets. Some professionals and scholars feel that public relations is vital, crucial, and significant (Ohl et al. 1995, Chartrand, 1990, Seely, 1993, Mahoney, 1991, Johnson, 1990). Advice on strategy, timing, and key audience feedback are important contributions (Sauerhaft, 1992, Lowengard, 1989, Koten, 1992). Chartrand (1990) in his article, "Waging the PR campaign in takeover situations" stated that the takeover battle is waged on two fronts, the legal field and the public relations field. Public Relations, "is sometimes fatally overlooked, but requires top management attention, advance planning, a major commitment of resources, and top-flight communications professionals" (Chartrand, 1990). To do an effective job of conveying the corporate posture, public relations executives must understand the company’s management philosophies and practices (Seely, 1993), comprehend mission statements and goals, extrapolate benefits (Mahoney, 1991), develop and strengthen necessary contacts (Rappaport, 1992, Sauerhaft, 1992), interpret the marketplace, and communicate to stakeholder audiences (Chartrand, 1990, Koten, 1992, Mahoney, 1991).

The merit of public relations also may be weighed to the extent that the functions provide ethical and moral support to the organization’s maximization of stock value and...
the conveyance of the company’s worth. Other academicians recognize the bottom-line
mentality of the corporate world and postulate theory based on whether share value was
maximized and facilities are operating efficiently (Hanly, 1992, Jensen, 1984).

Value information that is well communicated and reflects a maximization of
corporate assets is the first line of defense against takeovers. Once a takeover is engaged,
complicated merger and acquisition transactions must be translated into language that can
be understood by the stakeholders. The community at large, business partners of the
targeted firm, company employees, government, suppliers, customers, industry
associations and interest groups as well as the individual and institutional shareholders
comprise the stakeholder communities (Clemens, 1989, Hanly, 1992 Hopkins, 1987,
Koten, 1992). Groups have either a financial or philosophical “stake” in what happens to
both the acquiring and target companies (Hanly, 1992), and often get their information
about takeover activity through media reports (Mahoney, 1991).

The value of the stock is really a reflection of the company’s assets as well as the
perceived integrity of the company’s management philosophies and practices. The
company which engages the takeover usually feels that the price of the target’s stock is
undervalued and that through either better management practices or better utilization of
assets, value can be increased. How do you communicate value? The less distance
between the conceptual worth of the company and the actual share price can determine
whether the organization is attractive to raiders (Rappaport, 1992). This is call
communicating the “value gap.” Communication specialists wrap management
experience, capital growth, and market position in a package which enhances the value of
an organization. Also, there must be confidence in management developed through long
term associations with stakeholder audiences. If a company announces a takeover
intention, or that it is going “private” through a leveraged buyout, then the “Market” or
Wall Street will have an opinion. This opinion is indicated by the direction the company’s
stock price takes. A downward turn in price means that the Market feels the transaction is
not beneficial. It is voting “no” to the deal. The deal represents less value to the
shareholders than the current arrangement. An upward turn sends the opposite message.
The Market is voting “yes” and the deal is viewed as having increased value for the

Investor, media, and community relations are components which, during a
takeover action (both aggressive and defensive), become intertwined into the dynamic
public relations process. Specialists are responsible for ensuring a cohesive message
structure from their organization to influential internal and external groups (Cheney,
Dionisopoulos, 1989). Key company officials like corporate CEOs, financial officers,
lawyers, and bankers, must understand the business concerns and deliver the messages in a
manner that both persuade and allow others to persuade (Cheney, Dionisopoulos, 1989).
Messages must be concise, timely, consistent, and targeted. If long term relationships have
been developed with the primary constituencies then company information will be judged
to be more credible (Evans, 1984, Mahoney, 1991, Koten, 1992, Lowengard, 1989,
Seely, 1993). Communications planning and execution can be the difference between
keeping and losing the company (Chartrand, 1990, Mahoney, 1991).
Community Relations

Community Relations encompasses many facets. Philanthropic and social contributions graze the surface of this specialty. Lowengard (1989) says there are no sweeping generalizations that can be made about community relations and the way it is practiced. “It varies from industry to industry. For some it is a critical part of a public relations program. For others, it is but a ‘poor stepchild’ of the public relations program. In the takeover arena, support from the community can make a difference. Cynically, some companies participate in Community Relations to provide a form of ‘public relations insurance’” (Lowengard, 1989). Community Relations activities provide a way for the people to become familiar with the company’s goals and its employees. In a difficult business environment, stakeholders know what the company stands for and are more likely to be at a minimum, neutral, and at best, supportive of the actions necessary to defend the organization. With the possibility of less tax revenue, job loss, and the uncertainty the acquirer brings as a new corporate citizen, communities can bear public and legislative pressure (Stocker, 1992).

Investor Relations

Investor Relations specialists know how to reach the decision makers. These professionals evaluate how major blocks of stocks are positioned. Big industrial or institutional shareholders are contacted through arbitragers (stock traders) and brokers. The arbitragers and brokers are vital because they calculate the company's value and make buy/sell recommendations. They also become sources for the press, commenting on the viability of the competitor, and the strengths and weaknesses of current management. The
decision not to sell can be seen as support of the current company structure. Seely (1993) states that it is the responsibility of the investor relations specialist to understand the company's value and how it relates to the worth perceived by investors. Threatened companies will be the ones that do not close this information gap.

What public investors know sets a stock's price; what management knows drives the intrinsic or warranted value of the company? Stocks are mispriced when management (the insiders) and the market (the outsiders) have different (asymmetric) information 'sets' and/or interpret shared information differently (Seely, 1993).

Reducing this asymmetry decreases the takeover threat. The investor relations specialist should assess the value of the stock. "Are we under-, over-, or fairly valued? And why?" If there is a value gap, is it due to a business strategy or due to a communications gap? (Seely, 1993).

Smaller individual shareholders are reached through letters from the CEO, background briefs, and again, media reports (Mahoney, 1991). As with the community relations specialist, associations are extremely important. While strategies are preplanned, to implement them the investor relations specialist must have "connections" based on trust in order for their information to be considered fair.

Media Relations

Effective media relationships can lead to accurate publicity that raises awareness of the company (Seely, 1993). Media specialists also develop long term relationships. Their principal audience is the press. Studies (Evans, 1984, Stocking, 1985, Theus, 1988) indicate that executive level public relations personnel have more integrity with the media than external sources do. This leads to an information transfer from press releases which is

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largely intact and a view that the internal source is more credible than an outsider would be.

The key to impeding the pursuit of a company is the quality of the company's associations with investors, analysts, and the press. Strong relationships show in numerous ways (Mahoney, 1991):

■ Easy access and an open mind among institutional holders.
■ Ability of the company to gather enough feedback to assess the outcome of a proxy vote or tender offer.
■ Analysts making comments favorable to the company in press stories.
■ Reporters giving the company fair treatment as well as pursuing follow-up coverage.

Strategists in the 1990s can be proactive if they understand the vital role information dissemination has in protecting their company. There are four actions that should be undertaken as part of the corporate communication management. First, develop a takeover management plan. Second, understand the takeover process. Third, develop relationships with key constituents. Fourth, understand the external agendas.

1. Develop a Takeover Management Plan

As previously mentioned, a tender offer remains active for 20 business days. To be effective within this time frame, preplanning is crucial. The public relations specialists should have prepared the following:

■ Identify Team Players

In a crisis, the company will still want to be able to conduct its daily business functions. Therefore, a takeover management team will focus on protecting/defending the company.
This team will consist of legal and financial experts as well as the chief operating officer of the company and the chief executive officer (Clemens, 1989, Mahoney, 1991).

- **Identify a Corporate Spokesperson.**

  The messages must be unified. One voice should become the "personality" of the company. Often this is the chief operating officer or the chief executive officer (Chartrand, 1990, Mahoney, 1991, Sauerhaft, 1992).

- **Identify Significant Channels for Communication and Maintenance Control**

  If information must be released quickly what media outlet can the company trust to give accurate and fair reporting of the important issues? Media sources should be courted long before the company is in an emergency or crisis (Haas, 1991, Mahoney, 1991).

- **Provide a Communication Channel for Media Access to the Company**

  What internal source can the media contact? This is the opposite of the above point. If a reporter is on a deadline, who can he count on to return a phone call? This person should be identified and accessible (Sauerhaft, 1992).

- **Prepare Media Materials for Distribution with Minor Edits for Situation Specific Issues**

  This includes biographies on senior executives, speeches, a corporate mission statement, description of how company stock value is determined, and scenario statements. Use the available technology. Media lists should be prepared and programmed into fax machines. Cellular phones give portable accessibility and, where appropriate, satellites provide a more widespread communication link (Mahoney, 1991).
1. Identify the Corporate Mission

This is a long term strategy. The public relations specialist should understand the corporate mission and know what actions are undertaken to accomplish the objectives. The short term goals should also be translated into understandable terms that address the concerns and benefits as it relates to various stakeholder constituents (Lowengard, 1989).

2. Understand the Takeover Process

Acquisitions have a pattern that has definite beginning and ending points. The public relations process is more fluid because it has to deal with information management prior to and post acquisition. Responses are regulated by legal constraints, especially in the beginning. The practitioner must balance the financial communities, “need to know” with the legal requirements. Public relations specialists (community, media and investor relations personnel) work closely with the legal and financial officers in the company. The communication responsibilities should be well mapped out. (Mahoney, 1991, Sauerhaft, 1992).

Public Relations Specialist Should Develop Relationships with Key Corporate Executives.

Public Relations specialists have a unique perspective on the company’s positions; therefore, these professionals can often provide creative rather than "bottom-line" suggestions. This perspective will be sought by key executives who may be looking for fresh ideas. The Public Relations specialist can also be the “what if” person making sure that all sides of an issue are examined to forestall negative ramifications and project positive reactions to company positions or actions (Chartrand, 1990, Seitel, 1993).
3. Develop Relationships with Key Constituents

To be a credible source of information to both media and stakeholders, public relations specialists must be able to understand the "lingo" of their industry, and forecast what information will be needed by these audiences. To do this, these professionals must have current information on the technical, social, and economic issues of their industry. They must establish relationships with those gatekeepers that can favorably affect opinions of the company, its management, and its objectives. Two questions are crucial: how are the company's actions affecting key constituents? And, how are these actions and effects communicated in a moral and ethical manner? (Lowengard, 1989 Seely, 1993, Seitel, 1993).

4. Understand the External Agenda

Building relationships has important business ramifications. Contacts with investors and media will enable the public relations executive to gauge public opinion and forecast support and shareholder's votes. The public relations executive should understand shareholder objectives and target messages to address concerns and garner support. While maximizing shareholder value may be a primary goal for some, other shareholders may be seeking long term investment and will consider management practices, and whether the company will remain intact continuing to operate its current businesses. The long term value ramifications may out weigh the immediate gain that usually accompanies takeover activity. (Lowengard, 1992, Mahoney, 1991, Seitel, 1993).
Does academic theory have practical applications? The following “cluster of factors” will be coalesce with the Caesars World Incorporated experiences to determine whether the principles in the research and articles presented are pertinent.

1. The first line of defense against takeovers is company value information that is well communicated and reflects a maximization of corporate assets (Rappaport, 1992, Seely, 1993).

2. Once a takeover is engaged, the transaction must be communicated into language that is easily understood by the stakeholders (Clemens, 1989, Hirsch, 1986 Koten, 1992, Stocker, 1992, Schneider & Dunbar, 1992).

3. There must be confidence in management developed through long term associations with stakeholder audiences (Seely, 1993). Stakeholder opinions are indicated by the direction the company’s stock price takes (Haspeslagh, Jemison, 1991).

4. Key company officials must understand business concerns and deliver messages in a manner that both persuade and allows others to be persuaded (Cheney, Dionisopoulos, 1989). Messages must be concise, timely, consistent, and targeted (Evans, 1984, Johnson, 1990, Mahoney, 1991, Seitel, 1984).

5. Communications planning and execution can be the difference between keeping and losing the company (Chartrand, 1990, Mahoney, 1991).

6. In a crisis, like a takeover, if stakeholders know what the company stands for and they are more likely to be supportive of the necessary actions (Stocker, 1992). Communities can bear public and legislative pressure (Lowengard, 1989).
7. The arbitragers, brokers, and financial analysts are vital publics because they calculate the company's value and make buy/sell recommendations. They also become sources for the press, commenting on the viability of the competitor, and the strengths and weaknesses of current management (Seely, 1993).

8. Effective media relationships can lead to accurate publicity that raises awareness of the company. Strong relationships show in numerous ways: easy access and open mind among institutional holders; ability of the company to gather enough feedback to assess the outcome of a proxy vote or tender offer; analysts making comments favorable to the company in press stories; and, reporters giving the company fair treatment as well as pursuing follow-up coverage (Mahoney, 1991).
CHAPTER TWO

HISTORICAL CONTEXT & TERMINOLOGY OF CORPORATE TAKEOVERS

The first takeovers were reported in the American Southwest in the 1950s. Corporate raiders were called "ranchers" and were usually outsiders, not accepted by the mainstream because of their ethnicity, lack of formal education, or regional location (Hirsch, 1986). Takeovers, for these entrepreneurs, were tools for business expansion. Most of the acquiring and target corporations were small and attracted little attention on the United States stock exchanges (Hirsch, 1986). By the 1960s larger firms used mergers and acquisitions for development and growth. During this time, financing was not always secured prior to the takeover attempt putting both individual investors and targeted companies at risk. The Williams Act, a 1968 amendment to the Securities Exchange Act of 1934, required public companies to disclose all aspects of the transactions including (but not limited to) the identity and background of the acquirer, terms of the transaction, description of the contracts, financial statements, purpose of the offer, plans and proposals of the acquirer, class and the exact amount of stock being sought, sources of payment funds and loan arrangement if funding was borrowed. The Williams Act also requires the targeted company to file a “Solicitation/Recommendation” statement that outlines similar
information detailing the defensive strategies (Halperin, Bell, 1992). This legislation was
developed to allow stockholders to make informed decisions regarding the buying and
selling of their shares during a takeover fight (Halperin, Bell, 1992). The Williams Act
legitimized the takeover process.

The junk bond was introduced during the 1970s and infrastructure was developed
(Flom, 1992, Rappaport, 1992). Investment banks, law, and public relations firms
developed departments with specialization in mergers and acquisitions. Companies created
executive positions and committees to propose strategies and targets for corporate
development (Hirsch, 1986). Stock prices were depressed and companies had an
abundance of cash. Suddenly companies which had not thought of engaging in hostile
takeovers were in the fray (Flom, 1992).

Takeovers underwent explosive growth in the 1980s. Between 1981 and 1983,
the number of corporate mergers almost doubled the 1970s’ rate (Jensen, 1984). More
than 100 of the Fortune 500 firms were either acquired, merged or taken private between
1983 and 1988 (Rappaport, 1992). These actions were due to deregulation. Deregulation
meant less government restriction. Antitrust laws were relaxed resulting in more
horizontal mergers (Rappaport, 1992). Twenty-one percent of all tender offers in 1988
were hostile. At the time, this was the highest percent of hostile takeovers ever recorded
(Halperin, Bell, 1992).

The popular ‘90s euphemism is “restructuring.” Mergers and acquisitions in the
1990s are more sensitive to profitability and are moving away from the debt laden deals of
the previous two decades. Key motivations for restructuring are to raise stock prices
(create value), and control corporate assets (Haspeslagh, Jemison, 1991, Rappaport, 1992).

**Reasons for Corporate Restructuring**


1. **Capability Transfer**

   A firm has a set of core capabilities which brings value to the company through its organizational framework (Haspeslagh, Jemison, 1991). Acquisitions can create value by enhancing the competitive advantage of the companies involved. The acquiring organization is improved through the transfer of strategic capabilities. Core (heading) and strategic (listed below) capabilities are:

   - **Managerial**
      - Research sharing
      - General management skill transfer
      - Systems and/or analytical skills that can only be acquired over time
      - Skills and information are broadly applied
      - Competitive advantage is gained through reputation enhancement

   - **Operational/Technical**
      - Functional skill transfer
      - Improved or increased knowledge of distribution channels
      - Manufacturing knowledge gained
      - "How to" knowledge on new product development
■ **Economical**
Combined companies have improved market share and power
Provides leverage with consumers, customers, suppliers and distribution channel members.

2. **Corporate Renewal**
Value is also created through Corporate Renewal. This process allows a company to:

■ Deepen its presence within an existing industry
■ Increase its market share
■ Broaden its product assortments or capabilities
■ Bring a company into a new and unrelated area.

**Domain Strengthening, Domain Extension, and Domain Exploration** are subcategories of corporate renewal.

*Domain Strengthening*

The goal of a company seeking to strengthen its domain is to augment or renew capabilities in an existing industry or field. A company seeks acquisition targets to either fortify or defend its market position. This can be done horizontally, vertically or geographically. Horizontal acquisition involves buying the competition. The target has a competing product line. This gives the acquiring company two advantages: first, better cost breakdowns. The economy of scale is greatly improved; second, the company’s products have a more solid standing in the marketplace.

In a vertical acquisition strategy the acquiring company purchases a company that sells products to the same market however, these products differ from those of the
acquiring company. Geographical acquisition gives the acquiring operation the
topportunity to gain entry into a new region, or on a more widespread global marketplace.
The advantages are that the cost of entering the new region is greatly reduced, and the
acquiring organization purchased knowledge of the new market, its channels of
distribution, and regional idiosyncrasies.

**Domain Extension**

Acquisitions for the purpose of Domain Extension happen for one of two reasons. First, the acquiring company wants to combine its existing capabilities to a new business. Or, second, the target company has capabilities that the acquirer needs.

**Domain Exploration**

When a company has concerns about its core business, it seeks long term resolution. Strategically, Domain Exploration allows the company to enter a business that is totally distinct from its current business. The advantage, quick access to managerial and technical knowledge about the industry it has bought into. The acquirer utilizes the target firm's expertise.

3. Business Strategy

Business strategies overlap Corporate Renewal and Capability Transfer. Three points are highlighted by Hapeslagh and Jemison (1991). First, the firm wants to acquire one capability. This more single minded approach often happens in the computer industry. For example, a small company has developed materials that are technically superior or is a completely new innovation. This company will become a takeover target. In this instance,
the acquiring company wants that particular technology and may not be interested in the rest of the target. This approach is described as, “acquiring a capability.”

Companies buy entities that will require a significant investment before the target is viable. Often, this happens to gain entry into a component of the acquirer’s industry at a lower cost than starting from scratch. “Platform Acquisition” is the second business strategy acquisition described by Haspeslag and Jemison (1991).

Finally, there are instances where the purchase is the strategy. For example, a car manufacturer may purchase a financial company or bank so that it is able to offer customers financing and credit incentives.

The Takeover Process

White Knights, Golden Parachutes, Greenmail, and Poison Pills sound like words from a fairy tale. These terms are actually oversimplified descriptives for complicated business strategies. Because takeovers are as much a battle for public opinion as for corporate control, the allusions are required to provide a common understanding for non-expert stakeholder audiences and allows “story lines” based on what Schneider and Dunbar (1992) call the rules of narrative: how well a story hangs together (narrative probability) and how fully it rings true (narrative fidelity). Takeovers usually follow a predictable order of events: The Offer, The Action/Defense, and The Takeover Outcome (Jensen, 1984, Hirsch, 1986).

p The Offer

Most takeovers begin with an offer to merge “friendly” (Jensen, 1984). The defending target company usually responds by issuing a press release decrying the attempt
(Jensen, 1984). A tender offer is then made directly to the stockholders. This announcement is made via a newspaper advertisement, usually in the *Wall Street Journal* (Halperin, Bell, 1992). This advertisement is important because among the Williams Act mandates is a provision requiring that tender offers remain in place for at least 20 business days. The advertisement marks the beginning date of the offer. Twenty days is little time to plan and implement defensive strategies, therefore, most companies have takeover response strategies ready for implementation upon the raider’s announcement.

The first few days of the takeover can be crucial from a communications standpoint. Mahoney (1991) states that the whole event can be won or lost if executives do not understand the potential destruction caused by what he calls the “communications gap.” This gap is defined by the period of time between the raider’s announced intent and the target company’s media response. The aggressor has the media attention advantage because it initiated the action. The raider’s communication is often well planned and orchestrated with targeted messages in specifically selected media outlets. If caught off guard, the defending company can take several days to respond. This announcement period is crucial because base opinions are formed. When launched in this manner, even possible responses from the defender are anticipated (Mahoney, 1991). The initial response from the targeted firm should provide some reassuring information for the shareholders, analysts, and institutional investors. The second response is the one which will be fully covered by the press. The defending company should take advantage of this exposure and take an aggressive approach outlining its positions and value justifications.
Three types of offers pertinent to this study are defined here: Tender Offer, Proxy and Merger.

**Tender Offer** - the raider’s offer is made directly to the stockholders to acquire a majority holding in the company. The acquirer must make disclosure on what they plan to do with company assets, how the deal will be financed, key executives/partners, and current financial status.

**Proxy** - the raider attempts to takeover the board of directors by masterminding a coup. The raider may actually hold small amounts of shares but urges stockholders to vote out the current board and have them replaced with a roster of directors who are loyal to the raider. Williams Act mandates include listing the sources of funding for the transaction, purpose of the transaction - a future tender offer, seeking representation on the board, and outlining the current relationship between the target and the acquirer (Halperin, Bell, 1992).

**Merger** - is the combining of two or more entities through the direct acquisition by one of the net assets of the other. Stock is exchanged between the companies or the raider acquires at least 80% of the target company (Halperin, Bell, 1992).

### The Action/Defense

Takeover defenses include all actions a firm initiates to resist acquisition (Ruback, 1988). The defenses presented here are not exhaustive. There are pre-takeover defenses (Poison Pills, Super-Majority Provisions and Staggered Board Elections are examples). Post-takeover defenses (Target Repurchases, Litigation, Divestitures and Liability Restructuring) are not listed here because these are not relevant to the study (Ruback,
1988). Actions and policies can be put in place to make a company less attractive to raiders. Defenses should not be considered mutually exclusive. Several forms will be used over the course of a takeover. Four types of takeover defenses that are relevant to this study are outlined.

**White Knight** - the target seeks a “friendly” partner to make a counter bid for the Company (Jensen, 1984). White Knights are acceptable because the stakeholder communities generally remain intact and stock prices usually rise as a result of the transaction.

**Greenmail** - benefits only the raider and not the other stockholders. The target offers to buy back the raider’s shares at a premium price that is higher than the current market value. Sometimes just the announcement is enough to facilitate a greenmail agreement (Ruback, 1988). Hanly (1992) suggested that greenmail is not justified because only the raider benefits while the overall effect of allowing the takeover would be a more positive upward turn in stock price which would benefit all stockholders.

**Standstill Agreement** - A standstill agreement puts legal handcuffs on the raider. In exchange for seats on the board of directors the raider agrees to cooperate with management (Ruback, 1988). The agreement remains effective for a temporary period of time.

**Golden Parachute** - Golden Parachutes allow the exit of executive staff by paying them a severance-like amount to leave peacefully if fired and/or positions are eliminated. Jensen (1984) states studies have shown that Golden Parachutes have had little effect on stock prices. Hanly (1992) states that the issue may not be solely financial. Hanly is
concerned that Golden Parachutes may be unethical because executives would receive compensation for being terminated while other stakeholders, the lower line employees, may be without employment as a result of the takeover and would not receive compensation. Another issue is that executives appoint the board of directors and it is the same board that is responsible for negotiating contracts. Explaining this situation to a cynical and uninformed public can be a tough assignment for public relations professionals.

**Leverage Buyout** - Leveraged buyouts essentially take the company "private." The company buys back any outstanding shares to either gain majority or total control. The only winner, according to Jensen (1984) is the stockholder. Leveraged buyouts can increase stock prices as much as 56% over the market price. This usually leaves the company with a big debt and high interest payments. As a takeover defense, however, leveraged buyouts are effective because the buy out eliminates takeover threats, present and future. The company often restructures itself after a leveraged buyout by selling off some of its components. Researchers have different opinions about the effectiveness of leveraged buyouts. Jensen (1984) argued that this would make American companies more competitive and leaner. Hanly (1992) was concerned that the economy suffers because stakeholders lose -- employees lose jobs, towns lose industries, and communities lose tax dollars.

**The Outcome**

**Takeover Success or Failure** - Success or failure of a takeover is defined in terms of shareholder's evaluation of the stock price before, during, and after the action. For example, Jensen (1984) used the share price as an indicator to determine the effect of a
defense on the stockholder. Greenmail, was an ineffective technique because it gains for only the raider while other shareholders experience a loss. If the takeover action had been allowed to occur, stock prices would increase and benefit would be gained by all. White Knight and leveraged buyout cause share prices to increase, therefore, shareholders gain. These defenses would be evaluated as effective.
CHAPTER 3

DISCUSSION

Analysis of the 1987 Takeover

On March 9, 1987, the news broke. The Wall Street Journal reported that New York investor and billionaire Martin T. Sosnoff was making a bid to acquire Caesars World Incorporated. Sosnoff, Caesars World Incorporated’s largest shareholder, owned approximately 14 percent of the company’s stock. His offer of $28 per share for 30 million shares made the deal worth approximately $840 million (Wall Street Journal, Cohen, 1987a).

“You have to picture this,” says Debbie Munch, Public Relations Director at Caesars Palace. “Mr. Gluck, our Chairman, who is a very stately and refined gentleman, is on his hands and knees crawling across the floor of the Circus Maximus showroom to avoid the sight lines of the television cameras. He was doing this to accept a phone call telling him that the takeover was officially ‘on.’” It was Sunday, March 8, 1987 and Gluck was hosting Caesars Palace’s 20th anniversary gala celebration which was being broadcast on national television (D. Munch, personal communication, July, 20, 1995).

“There had been some rumblings that Caesars was a good target” said Jack Leone, Caesars World Incorporated’s Vice President of Corporate Communications. “The timing
was unexpected. Sosnoff had some private conversations with Henry (Gluck) so when he took action it was not totally unexpected” (Jack Leone, personal communication. August 12, 1995).

In preparation for a raid Caesars World Incorporated had consulted with Kekst and Company, a public relations agency and Drexel Burnham Lambert Incorporated, a financial firm that specialized in takeovers. When Sosnoff made his move these advisors were already in place.

“Henry always wanted business to continue at the properties” said Leone. “A takeover is a disruptive event so when ours occurred the corporate team, (consisting of the Chairman of the Board/CEO, President/Chief Operating Officer, the General Counsel, and the Senior Vice President of Finance) took care of the takeover, and the properties made sure that business continued as usual. My role was to make sure that the messages were clear. I made the legal language understandable and fielded phone calls.” Leone said he would receive between 60 and 70 phone calls a day from the press, security analysts, financial brokers, and advisors. “You don’t want to telegraph your position,” Leone continued, “one face to the outside world and keep the message consistent.”

Caesars World Incorporated’s public message had three points. First, Caesars World Incorporated had responsible, experienced, operators with a long range plan for the company. Second, Sosnoff had no experience in the gaming industry, was opportunistic, and was seeking to “cash in.” Third, Caesars World Incorporated’s management was acting in the best interest of all shareholders. Leone underscored one point. If the shareholders and the key institutional investors are not supporting management during a
takeover there, "is no company." He said the most critical audiences during a takeover are your shareholders, the financial community, and the opposition (J. Leone, personal communication, August, 12, 1995).

National media was used to reach the financial community and the shareholders. "Publications like the Wall Street Journal and New York Times would be more likely to have reporters with expertise in business and takeovers. Remember, these issues are complicated. Most reporters want to do a good job. If a reporter wrote inaccurate information usually, it was attributed to false information planted by a source or ignorance about the circumstances. Sosnoff had his own platform, at the time he was writing a column for the New York Post. Some interesting opinions were floating around" Leone said (J. Leone, personal communication, August 12, 1987).

The Nevada newspapers were important to Caesars World Incorporated as well. The Las Vegas SUN and Las Vegas Review Journal, were vital because each reached employees at the flag ship Caesars Palace property. "Morale had to be affected" Leone said. "We wanted to get the message out that it was business as usual. How your employees work is very important. The local papers kept them informed" (J. Leone, personal communication, August 12, 1987).

Examination of Caesars World Incorporated Press Releases

This portion of the examination studies Caesars World Incorporated press releases and juxtaposes company arguments and statements against information presented in articles in the Wall Street Journal, Los Angeles Times, Las Vegas SUN and Las Vegas...
Review Journal newspapers. The purpose is to determine if information transfer occurred. Was Caesars World Incorporated’s message consistent? Did Caesars World Incorporated’s goals get transmitted? Was there any interference? What external sources were reported? What was the position of the external sources? And, how did Caesars World Incorporated respond?

Caesars World Incorporated 1987 Takeover - The Offer/Announcement Stage

In a sparsely worded, two paragraph, press release issued on March 9, 1987, Caesars World Incorporated acknowledged the tender offer. Chief Executive Officer, Henry Gluck, “urged that shareholders not take any action with respect to the offer,” and said that, “the company’s board of directors would study the offer with its legal and financial advisors prior to making any recommendations to Caesars World shareholders” (Caesars World Incorporated, 1987b).

Gluck’s appeal was reported in the Wall Street Journal, the Las Vegas SUN, the Los Angeles Times, and the Las Vegas Review Journal on March 10, 1987. Because of the brevity of this statement and because Sosnoff released the initial announcement, media were left to use either Sosnoff or external sources to cover the basic who, what, where, how and why tenants.


In reviewing newspaper articles two Sosnoff messages became apparent. First, he was the victim. The company had left him no alternatives but to undertake the tender offer. Second, Caesars World Incorporated’s shares were undervalued and had to be
maximized. Clearly Sosnoff sought to position himself as a champion of the shareholders and an outsider that deserved to be an "insider."

Who was Marvin T. Sosnoff? Each publication described Sosnoff differently. To the national Wall Street Journal, Sosnoff was an individual investor. The newspaper described him as, "Martin T. Sosnoff, a New York investor and money manager" (Wall Street Journal, Cohen, 1987a). The Los Angeles Times seemed to cast Sosnoff as the outsider with its description of him as, "New York money manager" and "The New Yorker" (Los Angeles Times, Delugach, 1987a). One Las Vegas newspaper went a step further. Embracing the outsider characterization, the Las Vegas Review Journal described Sosnoff as a "spurned suitor" and continued by pointing out that while Sosnoff owned almost 14 percent of Caesars World Incorporated’s shares, CEO Gluck owned only 1 percent and was in control of the company (Las Vegas Review Journal, Lalli, 1987). The Las Vegas SUN’s "financier" description is bland in comparison (Bruny, Hevener, Las Vegas SUN, 1987).

Why raid Caesars World Incorporated? This issue was handled differently by each publication. The Wall Street Journal quoted industry analysts.

While industry analysts generally have praised Mr. Gluck and Caesars World’s financial performance, some have said recently that the stock market long has undervalued the company’s stock (Wall Street Journal, Cohen, 1987a).

The Los Angeles Times did not give a definitive reason for the takeover attempt. The newspaper made references to, as quoted by Sosnoff, "Caesars lack of
responsiveness by management that included two rebuffs of his requests for board representation" (Los Angeles Times, Delugach, 1987a).

The Las Vegas Review Journal continued to evoke images of a confrontation by reporting, "The New Yorker (Sosnoff) has been at odds with Caesars World management for some time, contending it was doing too little to enhance stockholder value" (Las Vegas Review Journal, Lalli, 1987). Las Vegas Review Journal reporter Sergio Lalli continued by quoting Sosnoff's letter to Gluck,

"On two occasions you have refused my request to be on the board of directors. Consequently, my advisers felt that, had I given you advance notice you would have used the time to throw up obstacles to my offer rather than giving it serious consideration (Las Vegas Review Journal, Lalli, 1987).

The Las Vegas SUN reported that Sosnoff had no other course but to take the action directly to the shareholders because of management's past failure to respond to "numerous efforts to express my views regarding various means to maximize shareholder value" (Las Vegas SUN, Bruny, Hevener, 1987).

How would this action affect Caesars World Incorporated's financial performance? The Wall Street Journal did something interesting that the other newspapers under study did not. It outlined Gluck's fiscal performance since 1983, the year he started with Caesars.

When Gluck took the helm at Caesars World in 1983, the company posted a loss of more than $21 million. For the fiscal year ended July 31, 1986, the company posted net income of $41 million, or $1.36 a share on revenue of $694.4 million (Wall Street Journal, Cohen, 1987a)."
The newspaper did not detail any possible financial effects the action may have on Caesars World Incorporated holdings.

Rather than reporting on how the deal would affect Caesars’ holdings, the Los Angeles Times dealt with the “financing” how. Stating that Sosnoff would borrow up to $500 million to pay for the deal, Paine Webber was quoted as being “highly confident” that it would be able to arrange the necessary monies. Sosnoff did not have any operation experience and the Los Angeles Times was the only paper to address this issue as well. Sosnoff had offered to negotiate a friendly transaction. In this context, he was willing to give “equity interest” or stock to those executives remaining with the company. In a follow-up article on March 13, 1987 the Los Angeles Times reported that Sosnoff was prepared to use “either (the) carrot or the (stick). “Negotiate a definitive acquisition” and receive stock options or fight and get fired (Los Angeles Times, Delugach, 1987b).

The Las Vegas newspapers were concerned with post-takeover effects. Both reported that credit agencies were watching the transaction, implying that the takeover would negatively affect the firm’s financial standing. “If successful, the debt-financed acquisition of Caesars World would greatly increase the firm’s financial risk and cause a marked drop in earnings and cash flow” (Las Vegas SUN, Bruny, Hevener, 1987, Las Vegas Review Journal, Lalli, 1987).

Analysis of the Offer/Announcement Stage

Caesars World Incorporated’s Offer/Announcement stage was a textbook example. As Jensen (1984) suggested, Sosnoff tried to merge “friendly” before
undertaking the raid. In a *Los Angeles Times* article he authored, Sosnoff stated that, "a friendly deal would have saved us both tens of millions of dollars in interest payments annually. Unfortunately, in the real world, it's power, not money, that governs many decisions" (*Los Angeles Times*, Sosnoff, 1987). Sosnoff then made his tender offer directly to the shareholders.

"Takeovers generally follow a pattern," Leone said. "The entire team had experience in raids before. We just waited and reacted to whatever moves he (Sosnoff) made" (J. Leone, personal communication, August 12, 1995).

According to Mahoney (1991) the raider has determined the timing of the raid, targeted its messages, and therefore has an advantage. The targeted firm should provide some reassuring information to its shareholders, analysts and institutional investors. Sosnoff's message was well targeted and had three themes. First, he had tried to play fair but management would not allow him to. "On two occasions you have refused my request for a seat on the board of directors...." (*Las Vegas SUN*, Bruny, Hevener, 1987). Second, he had no other alternatives so he had to launch a tender offer. "Consequently, my advisers felt that, had I given you advance notice you would have used the time to throw up obstacles to my offer rather than giving it serious consideration" (*Las Vegas Review Journal*, Lalli, 1987). Third, the current management was not maximizing shareholder value. Sosnoff stated that the tender offer was made directly to the shareholders because of management's failure to respond to, "numerous efforts to express my views regarding various means to maximize shareholder values" (*Las Vegas SUN*, Bruny, Hevener, 1987). And the *Las Vegas Review Journal* wrote, "The New Yorker (Sosnoff) has been at odds
with Caesars World management for some time, contending it was doing too little to enhance stockholder value” (Lalli, 1987).

Caesars World Incorporated’s response virtually ignored the issue of stock value and targeted institutional and individual shareholders by asking them to not take any action. Henry Gluck delivered the request through the initial press release. When asked about Gluck’s role, Leone said the following, “it helps to have a chief executive officer who is articulate and as well respected as Henry is. It made my job a lot easier. People (shareholders) waited to respond because Henry had asked them to and he certainly had the respect of Wall Street” (J. Leone, personal communication, August 12, 1995).

Caesars World Incorporated 1987 Takeover - The Action/Defense Stage

Beginning on March 10, 1987, Caesars World Incorporated took the offensive. The company asked Sosnoff to sign a standstill agreement and offered to buy back Sosnoff’s shares (Las Vegas Review Journal, 1987a). When Sosnoff refuses, Caesars World Incorporated filed a 14D-9 Solicitation/Recommendation statement and advised shareholders to reject the tender offer (Caesars World Incorporated, 1987c). This advice is based on four factors. “The company’s current financial condition and performance, its future prospects, current market conditions and the numerous conditions to which the offer is subject, as well as the written opinion of Drexel Burnham Lambert Incorporated, the company’s financial advisor....(Caesars World Incorporated, 1987c). Caesars World Incorporated then begins to “explore and investigate a number of alternative transactions” (Caesars World Incorporated, 1987c). Sosnoff sued charging that Caesars World
Incorporated pays its executives, “extraordinary compensation” (Las Vegas SUN, Webster, 1987). On March 16, 1987, Caesars World Incorporated retaliated by filing a counter suit against Sosnoff charging that his offer violated SEC laws, and contained false and misleading information. The complaint also alleged that the offer is, “illusory and designed to manipulate the market in Caesars World stock to enable Sosnoff to sell the Caesars World stock he already owns for a substantial profit” (Caesars World Incorporated, 1987d). By April 5, 1987, Caesars World Incorporated focused its defense on a recapitalization plan and it is here the examination of the Action/Defense press releases begins.

In an eleven-page press release Caesars World Incorporated outlined its primary defense strategy. The recapitalization plan would pay shareholders a one-time cash dividend of $25 per share. Shareholders would retain their equity and common stock ownership. The cost of the dividend payment and expenses for the plan is estimated at $1 billion. “You have to remember the climate of the times” said Mark Fuller, now a Caesars World Incorporated Vice President of Marketing Operations but at the time of the takeover he was a Senior Auditor with Arthur Anderson & Company, Caesars World Incorporated’s independent public accountant. He spent the summer of 1987 working out the details of the recapitalization plan. “This was the ‘80s. You kept hearing the phase ‘highly confident’. Management and the financial advisors would say we are ‘highly confident’ that the company can support this debt load. Debt was common and investors like Sosnoff were very selfish. The ultimate goal was maximization of share value. But the takeover could have highly leveraged the company for several years. Both Caesars World
Incorporated's and Sosnoff's proposals represented significant risk to the company,” Fuller continued (M. Fuller, personal communication, August 19, 1995).

There were four major announcements contained within this release: first, the dividend payment and the retention of shareholders’ equity. The dividend payment was needed to combat Sosnoff’s offer. Essentially it was a one-time pay off to shareholders to retain the current management structure. The second announcement was the financing arrangement. The company was financing most of the deal with debt securities, otherwise known as "junk bonds." The third announcement was about restructuring the company which included changing the State of incorporation and other proactive defensive strategies. Caesars World Incorporated wanted protection from future raids and more control over who could purchase their stock. The company wanted to incorporate a "fair price" provision into their bylaws. This provision required approval of 80 percent of the stockholders for a purchase of 15 percent or more of Caesars World Incorporated shares. Finally, the fourth announcement was about an amendment to the executive employees' incentive compensation plan which would provide stock options to 40 key employees. Gluck needed his management team to stay intact. “In 1987 the Mirage wasn’t around, Treasure Island wasn’t around, neither was the Luxor or the MGM. Gaming hadn’t expanded across the country either during this time. The pool for experience gaming executives was very limited and Henry wanted to make sure his team remained. This was a legitimate concern” said Fuller (M. Fuller, personal communication, August 19, 1995).

In the recapitalization press release Gluck said,
I believe that the Company’s management team is facing substantial challenges as we face paying off the approximately $1 billion of debt which we are incurring in connection with the recapitalization (Caesars World Incorporated, 1987e).

The press release continues.

In order to retain key management and provide incentives to management in the highly leveraged post-recapitalization environment, Mr. Gluck said the recapitalization provides for certain amendments to the 1983 Long-Term Stock Incentive Program and the grant of 1.5 million restricted shares to approximately 40 key employees of the Company.... (Caesars World Incorporated, 1987e).

Throughout the press release the main communication strategies were implemented. The first strategy communicated that current management personnel were responsible, experience operators. The press release again quotes Henry Gluck.

Our ability to restructure along these lines is possible primarily because of the financial stability and the strong operating results achieved by management in recent years. Our quarter ended January 31, 1987 was the 15th consecutive quarter in which earnings per share increased over the comparable period of the preceding year. (Caesars World Incorporated, 1987e).

Gluck continued.

Under the new plan, we will continue to seek to maintain the finest hotel/casino and resort facilities in the world and we anticipate being able to continue a capital expenditure level sufficient to maintain our market position and to grow. In addition, we are not required as part of the recapitalization to sell any operating facilities (Caesars World Incorporated, 1987e).

The second strategy said that Caesars World Incorporated was acting in the best interest of all shareholders, while Sosnoff was only satisfying his self interests. Gluck stated,
This plan is clearly in the best interest of Caesars World stockholders in that it enables the Company to achieve its dual objectives of maximizing stockholder values by providing the $25 cash dividend and enabling stockholders to retain their equity participation in the Company’s future growth (Caesars World Incorporated, 1987e).

In comparison, Sosnoff’s offer would not have allowed the shareholders to retain their equity because they would be selling their shares to Sosnoff.

All four newspapers covered the recapitalization announcement. Once again the <i>Wall Street Journal</i> took a different approach from the two Las Vegas papers and the <i>Los Angeles Times</i>. Essentially ignoring Caesars World Incorporated’s release, the <i>Wall Street Journal</i> covered the recapitalization announcement yet sought outside sources to cover the points made during the story. The <i>Las Vegas SUN</i> and <i>Las Vegas Review Journal</i> relied heavily on the Caesars World Incorporated release. The <i>Las Vegas SUN</i> wrote two stories. In the April 6, 1987 story, the newspaper strung together verbatim excerpts of Caesars World Incorporated’s press release. In their April 7, 1987 stories the <i>Las Vegas SUN</i> (1987a) and the <i>Las Vegas Review Journal</i> (1987a) supplemented their coverage with Sosnoff’s reaction, and Wall Street’s reaction combined with excerpts of Caesars’ press release. The <i>Los Angeles Times</i> (Delugach, 1987c) covered the announcement on the Monday, April 6, 1987. Essentially the <i>Los Angeles Times</i> replicated Caesars World Incorporated’s release, tried to get Sosnoff’s “immediate reaction” and interviewed Gluck, via a telephone. The <i>Los Angeles Times</i> was the only publication to get a direct quote from Gluck. The newspaper then did a follow-up story highlighting Sosnoff’s reaction on April 7, 1987.
Comparison of the main points illustrates the difference in the reporting. First, the announcement of the recapitalization plan. The *Wall Street Journal*'s lead sentence was, "Stock market traders and analysts are giving higher value to Caesars World Inc.'s recapitalization plan, unveiled over the weekend, than to a hostile $28-a-share offer from investor Marvin Sosnoff" (*Wall Street Journal*, White, 1987). This story also indicates the value of the shareholders retaining their equity position. The equity value was placed between $6 and $7 per share by sources listed as "analysts and investment bankers" (*Wall Street Journal*, White, 1987). While both Las Vegas papers reported the effect the announcement had on share price, neither story took the next step to define the value of retaining equity. In the *Los Angeles Times* no mention is made of the announcement's effect on share price. The *Las Vegas Review Journal* begins with Sosnoff's reaction to the plan. Remember that during the Offer/Announcement stage, the *Las Vegas Review Journal* characterized Sosnoff as the "spurned suitor." While its article titled, "Caesars moves to block takeover", the *Las Vegas Review Journal* places emphasis on Sosnoff's position in their lead sentences, "New York investor Martin T. Sosnoff on Monday met with investment bankers and lawyers to study a $1 billion recapitalization plan by Caesars World Inc. aimed at derailing Sosnoff's unsolicited takeover bid" (*Las Vegas Review Journal*, 1987b). The *Las Vegas SUN* begins, "Henry Gluck, head of Caesars World Inc. has announced the company's board of directors Sunday unanimously approved a $1 billion recapitalization plan" (*Las Vegas SUN*, 1987a). The Las Vegas newspapers and the *Wall Street Journal* covered Sosnoff's statement that he had offered to increase his offer in, "a context of a friendly negotiated transaction; however, only the *Wall Street*
Journal provided an analyst’s opinion, “he’s going to have to make it very sweet” (Wall Street Journal, White, 1987). The Los Angeles Times reported the announcement Monday, the day after the release. It was the only newspaper that published a direct quote from Henry Gluck who was in New York. Gluck said, “management considers the plan to be superior to other alternatives considered. The plan would avoid the sale of assets or layoffs, which sometimes, result from leveraged buyouts and ‘white knight’ takeovers” (Los Angeles Times, Delugach, 1987c).

Second, the financial and tax implications. In the Wall Street Journal these points were, again, made through industry analysts, unlike the Las Vegas publications and the Los Angeles Times which used information provided in Caesars World Incorporated’s press release. The Wall Street Journal story also put more emphasis on the effects of the offer. For example, “Analysts said that on the negative side, the Caesars proposal would sharply increase the company’s leverage....” (Wall Street Journal, White, 1987). “The value of the $25 dividend would be reduced somewhat by taxes, analysts said” (Wall Street Journal, White, 1987). The high debt burden did not bother another analyst, “They were heavily leveraged five years ago and their strong cash flow was able to alleviate that. I’m comfortable that they’ll be able to work down the (proposed) leverage over time.” (Wall Street Journal, White, 1987). The Los Angeles Times, the Las Vegas SUN, and the Las Vegas Review Journal also included the management incentive program paragraphs directly following the financing discussion.

Third, the company’s restructuring and proactive defensive strategies. These issues were not covered by the Wall Street Journal and were listed in the last paragraphs
of the Las Vegas newspapers and the Los Angeles Times. Clearly at this point in the
takeover these issues were not important to the publications.

Fourth, an amendment to the employees’ incentive program. The regional, Los
Angeles Times and the local Las Vegas SUN, and Las Vegas Review Journal publications
mentioned the stock incentive plan. The Las Vegas Review Journal and Las Vegas SUN
list the press release information including the reasons, “to retain key management and
provide incentives” (Las Vegas Review Journal, 1987b, Las Vegas SUN, 1987b). The Los
Angeles Times described the incentives as a “reward” and quoted Gluck, from the press
release, saying that the stock would be granted immediately “to retain key management
and provide incentives to management in the highly leveraged post-recapitalization
environment” (Los Angeles Times, Delaugach, 1987c). The Wall Street Journal did not
print this point.

The recapitalization plan would be the cornerstone of the Caesars World
Incorporated defense. Sosnoff counters on April 7 by increasing his offer to $30.50-a-
share. On April 13 he again increases the tender offer to $32-a-share (Caesars World
Incorporated, 1987f). When the Caesars World Incorporated board advises shareholders
to reject this offer, Sosnoff begins a consent solicitation (Las Vegas SUN, 1987c). A
consent solicitation, is similar to a proxy fight but it is conducted by mail and does not
require a stockholder’s meeting. On April 28 Caesars World Incorporated acknowledges
the consent solicitation and outlines their position in a press release and letter to
shareholders. On this date, Caesars World Incorporated announces plans to build a $100
million, 575,000 square-foot shopping complex. The examination of the Action/Defense
press releases continues here by looking at the contents of Caesars World Incorporated’s response to Sosnoff’s consent election in the April 28, 1987 press release.

The purpose of the four-page letter was to request that the shareholders reject the consent election. However, encased in this message Leone manages to continue the communication strategies. In the second paragraph of the press release Leone includes the message, “Sosnoff is opportunistic” by quoting Chairman of the Board, Gluck and Caesars World Incorporated President, J. Terrance Lanni:

We believe that these proposals are designed to benefit Mr. Sosnoff and are contrary to the interest of the rest of Caesars’ shareholders... Your board of directors believes that Mr. Sosnoff’s ultimate objective is to buy the company as cheaply as possible. We believe that Mr. Sosnoff’s consent proxy fight is intended primarily to cause uncertainty and chaos among our shareholders (Caesars World Incorporated, 1987g).

The communication strategies are also implemented in the shareholder’s letter. This time the emphasized message is, “Caesars World Incorporated’s management is acting in the best interests of all shareholders.” The letter continues:

Your Board of Directors is determined to recommend only what it considers to be in the best interests of all shareholders -- not just Mr. Sosnoff.... Your Board, therefore, has rejected Mr. Sosnoff’s tender offer which, contrary to the Company’s proposed Recapitalization Plan, will deprive shareholders of their ability to share in the future growth of Caesars (Caesars World Incorporated, 1987g).

The message “Caesars World Incorporated has responsible, experience operators with a long range plan for the company, ” is also outlined in the letter.

In our opinion, the gaming industry requires an enormous amount of hands on management and it is clearly in the shareholders’ best interest that those persons responsible for identifying problems, trends, and opportunities be
in a position to actively participate on the Board level and assist in the shaping of Caesars’ future.

In our opinion, Mr. Sosnoff’s proposal to leave your Board without any representation from the operating management team of Caesars demonstrates a complete lack of understanding of how to manage a publicly owned entertainment and gaming industry company (Caesars World Incorporated, 1987g).

The reporting on Sosnoff’s consent election announcement began on April 23, 1987 five days before Caesars World Incorporated’s press release. In a Los Angeles Times article, “Sosnoff asks Caesars shareholders to oust top executives from Board” Caesars World Incorporated’s response to the newspapers differed from comments listed its April 28 press release. In stories prior to April 28, Gluck said that, “he is barred by securities laws from commenting on Sosnoff’s solicitation material at this point” (Los Angeles Times, Delugach, 1987d). On April 29, 1987, the day after Caesars World Incorporated’s release, the Wall Street Journal, in a one paragraph box on the front page, linked excerpts of the shareholders’ letters with the shopping center announcement. The supplemental story on page five outlined Sosnoff’s positions. The newspaper also detailed two raids which used the unusual consent solicitation ploy. Caesars’ comment, was “no comment” (Wall Street Journal, Cohen, 1987b). The Las Vegas Review Journal covered Sosnoff’s consent announcement on April 24, 1987 and received a “no comment” from Henry Gluck, again he cited restrictions imposed by the security laws (Las Vegas Review Journal, 1987b). Finally, the Las Vegas SUN reported on May 6, 1987 and also received a “no comment” from Jack Leone (Las Vegas SUN, 1987c).

When asked about the “no comments” Leone said the following.
We followed the letter of the law. It governed what we could and could not say. It did not affect what we did because we treated it (the law) like it was just part of the rules. The safest way was not to comment. That is why there are so many ‘no comments’ in the stories. I always added a caution to my ‘no comment’ and it was this. Don’t read anything one way or another. This is very tricky. If someone reads your ‘no comment’ a certain way, they may take action that would effect someone in a negative way. It was our policy not to comment until there was something to announce (Jack Leone, personal communication, August 1995).


Analysis of the Action/Defense Stage

In the Action/Defense Stage, between March 10 and June 12, 1987, Caesars World Incorporated issued eight press releases related to the takeover. During this time their financial defensive tactic, the recapitalization plan, was announced. Caesars World Incorporated encapsulated their strategic messages within the explanations of the financial defense. Also during this time Caesars World Incorporated had to defend against a ploy
that could have significantly changed the configuration of the board of directors, its size and the level and type of responsibility held by members. The consent solicitation was primarily defended with direct communication to the shareholders by the Chairman and the President of Caesars World Incorporated’s Board of Directors. Again, Caesars World Incorporated was steadfast with its themes while arguing for support.

During this segment of the takeover, there was some evidence of Mahoney’s (1991) communication gap. An example of this was Sosnoff’s announcement of the consent solicitation. The first story, outlining Sosnoff’s position, appeared in the Los Angeles Times on April 23, 1987. Caesars World Incorporated responded with, “no comment.” Five days later, on April 28, 1987, the company issued a letter to its stockholders combined with a press release. Sosnoff’s action was more exciting and by nature would have received more coverage; however, Caesars’ response was buried and never surfaced. No mention was made of management’s operating performance, the advantage of having the executives on the board of directors, the possible negative effect of Sosnoff’s offer, or Caesars World Incorporated’s request that shareholders not execute the consent. While the letter was effective based on the consent solicitation’s failure, Caesars World Incorporated’s message was not transmitted through these newspapers.

Caesars World Incorporated had more success with the recapitalization announcement. Primary and secondary messages were covered by the national, local and regional newspapers. The main difference in this coverage was the national newspaper, the Wall Street Journal, sought more external opinions quoting industry analysts. Caesars World Incorporated’s press release was not used. All four publications covered two of
the three main points of this press release. However, the Wall Street Journal chose to cover those issues which affected the financial performance of the company or directly affected shareholders. This newspaper did not cover issues which did not directly affect fiscal considerations. The Wall Street Journal covered the recapitalization plan announcement, the $25 per share dividend payment, and the common stock equity retention. It also covered the point that the new $1 billion debt would not affect future capital expenditure, growth or market position. Finally the Wall Street Journal covered that Caesars World Incorporated had anticipated that no assets would be sold because of the recapitalization. In contrast, the Los Angeles Times, the Las Vegas SUN, and the Las Vegas Review Journal, covered the recapitalization announcement, the $25 per share dividend payment, the common stock equity retention, and the point that the new debt would not affect future growth. These newspapers did not cover the point that Caesars World Incorporated assets would not have to be sold but instead chose to print details of the executive incentive program. Perhaps, the contrast could be attributed to the audience each newspaper caters to. As indicated by Leone, national publications reached the financial community and the shareholders. The local publications catered to the stakeholder communities and these audiences may have a greater concern that management would remain intact.

**Caesars World Incorporated 1987 Takeover - The Outcome**

Stating, the cost of the takeover had become prohibitive, Martin Sosnoff, “threw in the towel,” in his fight against Caesars World Incorporated on Monday, June 15, 1987.
Acknowledging that Sosnoff had ended his action, Caesars World Incorporated issued a press release. “We are pleased to be moving forward with our proposed recapitalization plan,” said Henry Gluck affirming that the recapitalization plan with its $26.25 per share dividend payment and equity retention would continue (Caesars World Incorporated, 1987j). A week earlier, Sosnoff had suffered a setback in his takeover bid when the United States district court ruled that the financing proposed by Sosnoff violated Regulation U of the Security and Exchange laws. (Caesars World Incorporated, 1987i, Las Vegas Review Journal, Robison, 1987, Los Angeles Times, Delugach, 1987f). The court enjoined Sosnoff from continuing his current plan but allowed him to restructure his offer with alternative financing.

Because Caesars World Incorporated’s statement was so limited, there was not much to report from the company’s perspective. Each of the four publications under study covered Caesars World Incorporated’s acknowledgment of Sosnoff’s withdrawal and the company’s plans to recapitalize. The Wall Street Journal continued its practice of enlisting comment from financial and security analysts. “Mr. Sosnoff must ‘certainly be thrilled’ with the increase in Caesars stock price during the past three months” (Wall Street Journal, Bogdanich & Jefferson, 1987). In reaction to Caesars plan to proceed with recapitalization, the analyst stated that, “he isn’t surprised that Caesars is continuing with the recapitalization, because it would significantly reduce the company’s vulnerability to future takeover attempts” (Wall Street Journal, Bogdanich & Jefferson, 1987). Again, this newspaper focused on issues that affected stock price and future considerations of investors. For example, the analyst continued, “while the recapitalization plan would leave
Caesars 'very leveraged.' the company's plan is the 'lesser of two evils.' (Wall Street Journal, Bogdanich & Jefferson, 1987). The Los Angeles Times outlined the history of the takeover from Sosnoff's viewpoint. Sosnoff called the court ruling "erroneous." He attacked a New York stock exchange practice and said he, "will not countenance being classed as a corporate raider." In this article Sosnoff continued by saying that he was "very troubled" with Caesars World Incorporated's anti-takeover proposals included in the recapitalization plan. Sosnoff also took credit that shareholders would receive "substantial value" from the recapitalization. In response to criticism that he was opportunistic he said that about $30 million in "potential obligations" was incurred and he had "virtually no financial gain for myself by this effort" (Los Angeles Times, Delugach, 1987).

In a United Press International wire story, the Las Vegas SUN quoted an industry analyst as saying that "the offer was so close to management's that it wouldn't have paid people to bother (to tender to Sosnoff)" (Las Vegas SUN, Kraus, 1987). Again, Sosnoff took credit for increasing share value through the recapitalization plan.... "to the extent that many shareholders have already realized a higher value for their equity in the marketplace and the remaining shareholders will realize such value when the recapitalization plan is implemented, clearly my tender offer has succeeded" (Las Vegas SUN, Kraus, 1987).

Not mentioning the earlier "spurned suitor" characterization, the Las Vegas Review Journal in an Associated Press story reported Sosnoff's withdrawal. This article used industry analysts and made one a point not established in the other papers. Sosnoff
intended to keep his Caesars World Incorporated shares. “Sosnoff said he intended to retain his stake in Caesars and ‘valiantly monitor Caesars’ conduct in pursuing its recapitalization plan” (Las Vegas Review Journal, 1987c).

Analysis of the Outcome Stage

Takeover success or failure is defined by the effect the action has on share price. (Jensen, 1984). The Sosnoff raid effectively increased share value from $24 per share to $33.88 per share between March 9 and June 15, 1987. The Wall Street Journal and the Las Vegas Review Journal reported this increase but no publication reported that Sosnoff definitively “won.” During this stage the national Wall Street Journal publication continued its practice of using industry experts to define the points made during its reports. Information which could potentially affect company performance and investor interest continued to be reflected. Examples of this are the pros and cons of continuing with the recapitalization, and the reporting of the resulting value expected from the proposal. “Caesars said it is ‘please to be moving forward’ with its recapitalization plan.... Analysts have valued the stock portion of the plan or ‘stub’ at about $8.50 a share, indicating a total market value of $34.75...”(Wall Street Journal, Bogdanich & Jefferson, 1987).

The regional publication, Los Angeles Times’ printed a story which was liberally laced with Sosnoff’s opinions and reactions. The story had an indication that shareholders should be pleased with the “substantial value” for their shares when Caesars World Incorporated’s recapitalization plan is complete. A result Sosnoff took credit for.
The Las Vegas publications used wired stories to report on Sosnoff's withdrawal. Because of this, expert opinions tempered the overview of Sosnoff's opinions on the takeover.

Interestingly, Jack Leone did not consider this the end of the takeover. He mentioned during our discussion that the recapitalization activity continued through October. His reasoning that the takeover was still underway was that although Sosnoff had withdrawn, the company still needed protection from future raids. The recapitalization plan required regulatory approval and public support. Leone also mentioned that shareholder loyalty became an issue. In a weakened condition the company was really more vulnerable in June than it had been in March of 1987 because many investors had purchased shares based on the takeover attempt and not genuine interest in Caesars World Incorporated and its operations. These investors were not loyal to the company. Work had to be done to strengthen the shareholder base. Caesars World Incorporated's public relations activities continued after June 15, 1987.

Analysis of the 1995 Caesars World Incorporated/ITT Merger

ITT's purchase of Caesars World Incorporated in December 1995 resulted in different public relations challenges than those which occurred in 1987. "This was a friendly transaction," said Leone (J. Leone, personal communication, August 19, 1995). "I knew about the deal about one week before it was consummated. My job was to keep a lid on it, so we just didn't talk about it. The announcement was made jointly from ITT and from Caesars, then the rest of the communication came from them."
Synopses of December 19, 1994, Caesars World Incorporated/ITT Release

Four main points were made in the December 19, 1994 press release. The first point was the announcement of the transaction. The tender offer was $67.50 per share, and the purchase price was $1.7 billion. The second point was the reasons for the purchase: synergies in operations; and the purchase of Caesars World Incorporated’s operational and management expertise; and Caesars Atlantic City, included in Caesars World Incorporated’s holdings, gave ITT entree to the New Jersey market. The third point was that ITT’s shareholders could expect increased earnings. The transaction was non-dilutive. The fourth point was that Caesars World Incorporated’s management team would remain intact. Henry Gluck would continue as CEO and would receive a seat on ITT’s board of directors.

Examination of Newspaper Reporting

There is an interesting comparison between the reporting of the 1995 deal and the 1987 raid. On the day before the announcement the Wall Street Journal ran a 15-paragraph story on the potential deal. Remember, the timing of the 1987 raid was a surprise, there was no advanced notice. Henry Gluck, Caesars’ CEO and ITT representatives were not available to comment. The newspaper cited “people with knowledge of the situation” (Wall Street Journal, Yoshihashi, 1994). The story then outlined Caesars’ holdings, current stock price, management’s future roles if ITT should purchase Caesars World Incorporated, and possible defenses if the takeover was or
became hostile. The next day, December 20, 1994, the Wall Street Journal followed up with a 22-paragraph story confirming ITT's intent to tender Caesars World Incorporated's outstanding shares and merge the companies. The Wall Street Journal outlined the deal, interviewed another perspective buyer, and summarized the reasons for the purchase.

Continuing with its practice of getting independent opinions to develop a story, the newspaper quoted credit agencies and financial analysts. Standard & Poor's rating group's reaction reflected concern.

Caesars represents a far more significant position in the casino business than ITT has had to date, in a consolidating and increasingly competitive business. S&P views the gaming industry as presenting much different challenges from those of ITT's existing operations. S&P will consider management's plans to integrate Caesars into ITT, and the extent to which Caesar's existing management and successful business franchise will be maintained (Wall Street Journal, Yoshihashi, 1994).

Moody's Investor Service, and Fitch Investor Service placed ITT on their "watch" lists because of ITT's "increased exposure to investments in the cyclical lodging and entertainment industries" (Wall Street Journal, Yoshihashi, 1994).

The Wall Street Journal seemed to present these points with the interests of the financial community in mind. References to the potential downgrading of ITT's credit listing, the effects of the transaction on other gaming stock, and the mention of a potential lawsuit filed by two Caesars World Incorporated shareholders are examples of information highlighted by the Wall Street Journal. The context of the story also included references to other restructuring that could occur within the ITT organization. Possible acquisition of a
major broadcasting network, ITT’s expansion of gaming in Canada, Australia, Egypt, St. Maarten and Peru; and the recent purchase of Madison Square Garden were mentioned.

Regional and local newspapers catered to their communities’ interests and reported information that did not appear in the national publication. For example, ITT had planned to build a mega-resort called Desert Kingdom in Las Vegas. These plans were canceled with the Caesars World Incorporated acquisition. The Las Vegas Review Journal reported the cancellation of the Desert Kingdom project. Other projects were still viable and the newspaper wrote about the planned renovations at ITT’s Sheraton Desert Inn, also in Las Vegas, and the expansion of Caesars Palace’s shopping, dining and entertainment facilities (Las Vegas Review Journal, Palermo, 1994). Stakeholder concerns were highlighted by the newspaper. In a separate box, contained within their main story, the following questions were asked and answered: What does this mean for the Desert Kingdom? What about the expansion at the Sheraton Desert Inn? Will people lose their jobs? Are there any plans to change the name of Caesars Palace? How will ITT Corporation benefit from the deal? How will Caesars World benefit from the deal?

The Las Vegas SUN reviewed the reasons for the sale.

“When we looked at pros and cons of buying Caesars we were getting operations that have been in place for some time, a worldwide recognized brand name, geographically diverse properties and a company with strong existing cash flow,” said Jim Gallagher, ITT spokesman. “The Desert Kingdom would not be in operation for three years, we would not have gotten Tahoe or Atlantic City properties and we would have been adding 3500 rooms to what some consider an already saturated market” (Las Vegas SUN, Waddell, 1994).
A second *Las Vegas Review Journal* story dealt with the effects the acquisition had on other gaming properties. Bally's Entertainment Group had been a potential suitor having recently purchased between 400,000 and one million Caesars World Incorporated shares. However, it was thought that Bally's did not have the financial resources to compete with ITT's offer and stood to profit between $8 and $20 million on the ITT deal. The Hilton's stock price dropped because ITT had considered bidding for the Hilton Hotel Corporation. Circus Circus was listed as a potential raid target (*Las Vegas Review Journal*, Edwards, 1994).

The *Los Angeles Times* was also concerned about its constituents and took a different slant. Gaming enterprises and their performance had relevance in Los Angeles. Caesars World Incorporated's corporate headquarters brought about $25 million to the city's economy and the Hilton Hotel Corporation, which was once a possible product for ITT, was also headquartered in the city. The article's tone differed in that it invested considerable space to deal with the point that ITT's purchase represented an investment in Las Vegas and the gaming industry. "ITT's offer would be the single largest investment in gambling and Las Vegas ever...." (*Los Angeles Times*, Sanchez, 1994). The story continued by quoting William Thompson, a professor at the University of Nevada at Las Vegas. He said that analysts warned about overbuilding in Las Vegas and gaming stocks fell in value during the past year. He thought, this announcement provided, "a tremendous boost. They (ITT) are voting with their money that they have faith in gaming" (*Los Angeles Times*, Sanchez, 1994). This newspaper was the only publication to report that ITT intended to keep Caesars' corporate headquarters in Los Angeles.
National, regional, and local publications concentrated those on issues which affected their individual audience and community. The Las Vegas SUN relied heavily on the press release while the Las Vegas Review Journal interlaced press release information with opinions from a regulatory official and financial experts. The regional Los Angeles Times newspaper relied on the press release for peripheral information and included external opinions on issues that affected their audience. The national Wall Street Journal newspaper used the press release sparingly and maintained its practice of developing stories through external sources.
CHAPTER 4

CONCLUSION

This thesis examined the public relations activities of Caesars World Incorporated during two attempts to purchase the company. The 1987 takeover was a hostile event. Caesars World Incorporated was able to successfully defend the company against the raider. Success in this instance meant that the company's management team remained in place, share price increased, and there was no change in the operational structure of the company. The 1995 purchase by ITT Corporation was also successful. Here, success is measured by management's willingness to merge the company with ITT's operation. The tender offer increased Caesars' stock value by 46%. The result was a symbiotic relationship which strengthened both entities. ITT gained management skill, operational knowledge, geographic entry, more cost efficiency, and better market position. Caesars gained by becoming a part of a multibillion dollar conglomerate.

From a public relations standpoint the activities were as different as the transactions. The 1987 event was hostile and required much more communications support. Jack Leone, the Vice President of Corporate Communications, was part of the executive coalition which developed and executed defense strategies. Leone's
responsibilities included developing a clear, concise and consistent message which would be the mantra for the company. The themes of this message were:

1. Caesars World Incorporated had responsible, experienced operators with a long range plan for the company.

2. Sosnoff, the raider, had no management or operation experience in the gaming industry. He was opportunistic and trying to "cash in." These actions were selfish and not in the best interest of the rest of the Caesars World Incorporated shareholders.

3. Caesars World Incorporated management was acting in the best interests of all shareholders.

The primary audiences during this event were the financial community, including institutional and individual shareholders. Leone's main role was to act as an advisor. He would often give advice about information release timing and message construction. For example, Friday afternoon after 3:00 p.m. was not a good time to release information and expect press coverage. He would edit press releases that were often formulated by the legal advisors, into language that was easily understood by reporters. Leone felt that reporters, especially the local and regional writers, would need assistance in understanding the individual events contained within the takeover transaction because of their lack of general business training. He, along with Chief Executive Officer Henry Gluck, served as the spokespersons for the company. Leone handled as many as 70 phone calls per day. Many of these calls came from the press but financial analysts also called to get updated information from the company as well. The financial advisors were an important audience for Caesars to cater to because Leone felt they were press sources, but more importantly,
they also channeled information to the aggressor as well. This was an indirect way of communicating to Sosnoff.

During the 1995 event the way Caesars World Incorporated used the public relations function was quite different. Leone was not informed about the transaction until one week before the deal. His role was to keep the deal quiet. Speculation could have increased stock value making the price tag more expensive for ITT. Also, rumors could have piqued the interest of a hostile party. After the joint Caesars/ITT press release the public relations functions were transferred to the ITT staff. Leone felt that in some ways this was unfortunate because those companies or stakeholders that were familiar with Caesars did not have a transition period. ITT was in the midst of a huge corporate restructuring so issues that were important to Caesars' stakeholders were not a priority for ITT leaving many people, including Caesars employees, feeling uncertain and insecure.

Theory and the Practical Application at Caesars

To what extent does the research predict, account for, and explain the activities presented in this case study? Throughout these events several principles presented by business professionals and scholars in the literature review were used. This section examines what happened during the Caesars World Incorporated transactions. The academic research is highlighted in bold print.

1. The first line of defense against takeovers is company value information that is well communicated and reflects a maximization of corporate assets (Rappoport, 1992, Seely, 1993). There are clear differences in the value of Caesars World Incorporated as perceived by ITT in 1995 and by Sosnoff in 1987. In 1987, Sosnoff
stated the lack of value maximization as one reason for his raid and Wall Street agreed. Analysts were quoted as saying that the stock market had undervalued Caesars World Incorporated's stock. Throughout the 1987 event, Leone stressed that the value was in management and its operational abilities. Sosnoff thought the company was undervalued using asset management as the criteria. This was evident through his statement that he planned to sell Caesars Tahoe and close the corporate offices in Los Angeles to make the company more cost efficient. Therein lay the value gap. The raider wanted a more cost efficient operation and better share price. The company viewed management as an asset, an asset whose tangible, quantitative value was uncertain.

In 1995, Caesars World Incorporated's value was enhanced by several factors which ITT needed to gain a more secure market position within the gaming industry. Corporate Renewal (domain strengthening and domain extension) and Capability Transfers (managerial, operational and economical) were the main determinants. These reasons increased Caesars World Incorporated's value to ITT. It was more cost effective to buy Caesars World Incorporated than it was to build a new operation. Value communication had some effect on these actions; however, the extent of this influence is uncertain. The company generally employed practices such as quarterly and annual reports to shareholders. It could be hypothesized that the reputation of Caesars World Incorporated, primarily Caesars Palace, was acquired over time through public relations and marketing functions. These activities enhanced market position, image, and prestige and therefore contributed to the reputation of quality. This reputation enhanced value in 1995 and but in 1987 it provided an explanation of undervaluation.
During the 1987 takeover attempt, the company's financial performance also represented a point in the value communication message. This performance was a focus of Caesars World Incorporated's message which was channeled through the print medium via their press releases. In 1995, ITT stated that Caesars World Incorporated's operational efficiency and fiscal responsibility was also a factor in their purchase.

This case study suggests that the communication of value does affect the perception of a company thereby making it either more or less attractive as a takeover candidate. The quantitative merit of value communication about intangibles such as "management experience" and "quality" is left to the interpretation of the aggressor and depending on the reasons for the takeover the value of the intangibles may vary depending on the aggressor and its needs.

2. Once a takeover is engaged, the transaction must be communicated in language that is easily understood by the stakeholders (Clemens, 1989, Hirsch, 1986 Koten, 1992, Stocker, 1992, Schneider & Dunbar, 1992). Leone stated that you "wouldn't believe how much of the releases were written by the lawyers." The takeover landscape is treacherous. SEC regulations can inhibit what can and cannot be said. For example, shareholders must be given complete and accurate disclosure information on items like the recapitalization plan and financing for the deal, then there must be a period where no activity takes place so that shareholders can review the information. Commenting to the press serves no purpose. Leone said that inaccurate information may be reported which could jeopardize your company's plans. It was Caesars World Incorporated's policy not to comment unless there was something to announce that was
why there were so many "no comments" from Leone. Also, Leone always qualified his "no comments" with the statement that nothing should be read into the company's lack of response; however, this was never reported. "Someone always tries to 'read' your no comments whether its management, your employees, shareholders or the opposition. It's very tricky" (Jack Leone, personal communication, August 12, 1995).

Schneider and Dunbar (1992) in their study, "A Psychoanalytic Reading of Hostile Takeover Events," stated that business should have an understanding of a rhetorical and sociological approaches as well. The media's characterization of takeovers enabled stakeholders to relate to the activities of the event because the use of narrative phrases was comfortable and familiar. "If taken as scripts, the fairytale allusions may serve to indicate a sequence of events and their potential outcomes." It also states that as the takeover event unfolds heroes and villains appear to represent the forces of good and evil. Any characterization of the Caesars events was the interpretation of the newspapers and was not used by Caesars World Incorporated to make the press release or the circumstances more easily understood. A blatant "spurned suitor" characterization occurred only once in a Las Vegas newspaper. There were some inferences of a "good guy," "bad guy" characterization at the beginning of the 1987 event in the local and regional publications. As the event continued, these reflections were tempered.

This case study suggests that legal requirements outweigh any temptation to be semantically creative. Information must be clear and relayed in a manner that leaves little room for interpretation. Because of this, it seems unlikely that a company would utilize rhetorical, psychological, or sociological approaches in constructing their defensive
messages during a takeover. Any dramatization of the events is more likely to occur from the media to its audiences.

3. There must be confidence in management developed through long term associations with stakeholder audiences. Stakeholder opinions are indicated by the direction the company’s stock price takes (Haspeslagh, Jemison, 1991, Seely, 1993).

Clearly Leone thought that Henry Gluck’s reputation made his job easier. Researchers put the public relations executive’s credibility into the framework of acquisition success; however, public relations executives at Caesars Palace have been quick to emphasize that it is the property and its president that should have the “limelight.” The reputation of the company, its operational practices, its executive team, and not, the public relations personnel, would factor into the confidence that stakeholder audiences have. This opinion is supported by the remark made by a security analyst in commenting about the 1995 deal. The credit agency considered the extent to which ITT planned on keeping Caesars existing management team as factor in issuing its rating. Stock price is an indicator of support. Caesars World Incorporated’s stock rose 46% when the ITT/Caesars’ announcement was made. Throughout the 1987 takeover attempt, stock price was a predictor of the financial community’s attitude. For example, when Caesars announced its recapitalization plan, the stock price increased. When Sosnoff countered by increasing the tender offer, the stock price declined. Throughout the event, stock price either increased or remained steady with Caesars’ announcements while Sosnoff’s actions often produced declines. The positive performance of the company under Gluck’s leadership was mentioned in several articles.
This case study suggests that the reputation of management does have an impact on whether stakeholders will support the company’s actions and requests during a takeover event.

4. **Key company officials must understand the business concerns and deliver messages in a manner that both persuade and allow others to be persuaded** (Cheney, Dionisopoulos, 1989, Mahoney, 1991). **Messages must be concise, timely, consistent, and targeted** (Evans, 1984, Johnson, 1990, Mahoney, 1991, Seitel, 1984). Throughout the 1987 event Caesars World Incorporated’s messages were clear and consistent. Leone stated that the messages were planned and targeted. During the 1987 event, Caesars World Incorporated spoke through two representatives, CEO Henry Gluck, and Leone. Gluck’s comprehension of the communication strategy was evident throughout the takeover attempt. Most of his comments were issued via press release. His confidence in the strategy is reflected by his “business as usual” approach. For example, he attended the Marvin Hagler/Sugar Ray Leonard fight. Gluck flew immediately from New York, where the recapitalization plan was announced, to Caesars Palace in Las Vegas. The Forum Shops at Caesars shopping complex was announced during Caesars World Incorporated’s defense against Sosnoff’s consent solicitation.

Caesars World Incorporated had some “communication gap” problems during the consent solicitation. Mahoney (1991) defines the communication gap as the period of time between the raider’s announced intent and the target company’s media response. There was a five-day lag between Sosnoff’s consent solicitation announcement and Caesars’ response. As a result of this delay Caesars’ position was not covered by the press. Despite
the communication gap, the consent solicitation failed. Caesars World Incorporated's response was directed to the shareholders via a letter. This tactic was successful as evidenced by the failure of the consent election and illustrates Caesars World Incorporated's opinion that shareholders were the most important audience for the company to target.

This case study suggests that the communication gap may not be as important a factor Mahoney (1991) indicates, especially when primary audiences can be reached through a more direct vehicle than the media. The study also supports the view that the construction of a clear, concise, and consistent message has merit in the defensive strategy of the company. This designed message will be used in many different formats, personal interviews, letters to shareholders, and press releases are examples in this study, to present a unified position.

5. Communication planning and execution can be the difference between keeping and losing the company (Chartrand, 1990, Mahoney, 1991).

Leone was very specific about what he felt his role was during both events. In 1987, he considered himself as support to the executive team. He was clear. Without shareholders' blessings there was no company. Interaction with this constituency was the main concern. Public relations was a tool to be used to bolster the financial objectives. In 1987 this meant communicating management’s value and contributions to the operational success of the company. In 1995 it meant keeping the deal confidential. What does not appear in the media sometimes is more important than what does. The 1995 merger is an example. The ITT deal was consummated with a handshake between two friends (Las
Vegas Review Journal, Palermo, 1987). If the "word" got out that ITT was going to purchase Caesars, the stock price could have climbed, making the deal more expensive, and perhaps tantalizing hostile bidders. Leone's job was to keep the pending deal quiet (Jack Leone, personal communication, August 12, 1995).

This case study suggests that public relations has a role within the defensive strategies of a company. This role is supportive. The dominant defense of the company is a financial based strategy. Public relations support the financial goals. Executives advise on timing strategies, perceptions, and information delivery vehicles. After constructing the message, they deliver it often in conjunction with the Chief Executive Officer. They explain the transaction and the company's position in a way that is understandable, translating legal and financial terminology. In a friendlier environment like a merger, public relations has a different role. The acquisition may need to remain confidential for a period of time and these executives may be challenged to secure this mandate. Also, the role of public relations in corporate restructuring, whether hostile or friendly, seems to extend beyond the workings of the financial deal. Indications are that public relations factor into developing stability for the post-transaction configuration of the company by facilitating communication to stakeholder communities.

7. In a crisis, like a takeover, if stakeholders know what the company stands for and they are more likely to be supportive of the necessary actions (Stocker, 1992). Communities have the ability to bear public and legislative pressure (Lowengard, 1989). Unintended responses can be a side effect of acquisition activity. An example of this happened during the 1987 event. The Nevada State legislature passed a
bill against greenmailing, thus making hostile takeovers more difficult to initiate. This bill had the support of the Nevada Resort Association, a trade organization, and the Las Vegas community. As Ned Day, a columnist for the Las Vegas Review Journal, wrote there were concerns about the ripple effects a casino has on the community.

Caesars World as currently constituted happens to be a thriving company with lots of money in the bank and lots of revenue coming in each week.

If it were not for this deal, that money could be used for all sorts of business expansions -- expansions that would create new jobs and pour money into the local economy.

Now all those profits, all that revenue must be committed to paying off the $1 billion Caesars must borrow from Wall Street money-lenders in order to finance the $26.25 payoff to shareholders.

Not only that, but the enormous debt load incurred suddenly puts Caesars in the position of being a shaky company financially.

Caesars' business is good right now and maybe the debt load can be serviced. Maybe. But what if next year, or the year after, or the year after that, business slows down a little and Caesars cannot meet its enormous debt (something like what happened to the Dunes)?


This case study illustrates how communities can become activated and respond to an acquisition. Takeovers affect more than the principal participants but that does not mean that a change in the overall defense objectives will occur as a result of this mobilization. In this instance, the target's defensive strategies did not change as a result of the activation of the stakeholder communities. The stakeholders' actions supported the company in that the legislation would make aggressive actions more difficult to undertake.
This stance seemed to be more concerned with the economic interest of the community and was not an indication of any direct support for the target. There is no evidence that Caesars' reputation as a corporate citizen played any role in the community's actions, therefore, it is also unclear whether pre-takeover community or public relations had any affect on the community's desire to assert legislative pressure.

7. The arbitragers, brokers, and financial analysts are vital publics because they calculate the company's value and make buy/sell recommendations. They also become sources for the press, commenting on the viability of the competitor, and the strengths and weaknesses of current management (Seely, 1993). During both takeovers there are numerous examples of reporters getting external opinions to supplement their stories. The reporters relied on sources outside of Caesars World Incorporated to supplement and expand their stories. The Wall Street Journal was the most consistent with this practice. Stories written often used Caesars World Incorporated's announcement as the topic, then sought external experts for supplemental information.

The research is supported through Jack Leone's actions during the takeover events. He recognized the importance of maintaining strong communication accessibility with financial audiences and Caesars shareholders.

8. Effective media relationships can lead to accurate publicity that raises awareness of the company. Strong relationships show in numerous ways: easy access and open mind among institutional holders; ability of the company to gather enough feedback to assess the outcome of a proxy vote or tender offer; analysts
making comments favorable to the company in press stories; and, reporters giving the company fair treatment as well as pursuing follow-up coverage (Mahoney, 1991). Institutional investors and financial analysts in 1987 held Caesars World Incorporated in high regard. Gluck had turned the company around by posting a profit in the short time he had been at the helm. Even cautionary statements had positive slants. It seemed that analysts were willing to give Gluck and his management team the benefit of the doubt.

There is also evidence of good media relationships. On at least two occasions newspapers had follow-up reports when Caesars World Incorporated had not been ready to comment previously. In most stories there was some indication that the reporter had attempted to get response from the company. The local newspapers relied more heavily on the Caesars World Incorporated press releases than the national or regional newspapers did, this meant that Caesars World Incorporated positions were often reported verbatim in Las Vegas.

Leone felt that most of the reporting was fair. He reflected that this was more a result of a reporter’s desire to get the story right than because of a relationship he may have had with them.

This case study suggests that relationships with the media are important in establishing credibility for the organization.

Summary of the Conclusions

There are several indications that the research and professional axioms presented in this thesis have practical applications. Was the company able to set a strategic public relations agenda? Yes. The research presented was supported. Message construction, its
timing, and its delivery contributed to communication that was successfully transmitted via press releases through the media to key audiences. During these takeovers the format and timing of information transfer was a policy matter within this organization. The company was able to construct a message that was utilized in many vehicles. Another important point was highlighted. Sometimes it is desirable to secure information from being disseminated and the company can set its agenda from this perspective as well.

What was the role of public relations during these takeover events? The use of public relations by the corporate entity was not viewed by the public relations executive (Leone) in this case as being “vital” or “crucial.” Rather public relations was viewed as being supportive in its function. This did not concur with the views of the research presented here.

Who were the key audiences? For this organization, financial analysts and shareholders were the primary audiences during the takeover events. To target these groups, the most effective vehicle may not always be the mass media. This statement does not support the research view presented. The type of vehicle used may alter the announcement timing and delivery factors. If a more personal medium is used which is directed to a highly defined target audience, then some flexibility in the timing factor may be allowed and the communication will still be productive.

The secondary audiences were not a factor in the defensive strategies although these groups were recognized. The company wanted to reach their employees through the local newspapers. The community stakeholders were not directly addressed even though these groups became activated and took a position which ultimately supported the
company. It is unclear whether any actions taken by the company affected this legislative and community response. It is inconclusive whether the research was supported.

What is important to communicate? Value communication is an important factor in proactive communication strategies. This supports the research presented. This information should be packaged to suit the circumstance in order to be effective. Potential raiders may see value in intangible assets that are not easily quantified. Value may be in the eye of the beholder. This supports the research presented.

What has been determined through this case study is that the basic professional axioms and research concepts worked in these instances. Clear, concise, multi-use messages, communicated through a corporate “personality,” directed to key financial audiences were an effective part of the overall defense of the company. Two items are important to underscore and may have ramifications on future strategies. First, value communication can be used as a tactic to either detract or attract possible suitors. How the company packages intangible assets and formulates images of “quality,” “prestige,” “efficiency,” and “skill” is essential to the perception of the company’s worth that may transcend current market value. Second, information release concepts, like the communication gap, may not be as important as previously reported. If the company targets a specific group then it may become more effective to communicate directly with that group rather than having messages synthesized through the media. This direct approach may negate some of the sense of urgency that requires a media related response within one to five days of a competitor’s announcement. Direct approaches give a more
personal touch to the response which may be a factor in whether the solicitation is successful.

Areas for Future Study

From this discussion the following points are generalized and may provide impetus for future study in the area of public relations contributions to a corporate entity during hostile and friendly acquisitions transactions.

1. Further examinations of public relations use during corporate restructuring (mergers, leverage buy outs, and takeovers) is suggested. These studies could explore whether the patterns indicated in this case study are repeated within other organizations and industries.

2. More American companies are becoming world-wide conglomerates. An examination to explore the global applications of public relations during instances of corporate restructuring, from both the acquisition and defensive posture, would help to determine whether these concepts are culture bound.

3. More quantitative research is needed to bolster the concept of value communication’s importance in proactive public relations schemes.
### Appendix I

**Comparison of 1987 Stakeholder Activity**

<table>
<thead>
<tr>
<th>Event Dates</th>
<th>CWI Actions</th>
<th>Sosnoff Actions</th>
<th>Other Stakeholder Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 9 - June 16, 1987</td>
<td>CWI confirms tender offer and asks shareholders not to take any action until the Board has a chance to consult with financial and legal advisors.</td>
<td>Investor/Billionaire Marvin Sosnoff offers $28/share in a hostile tender offer to CWI shareholders. Stock value is $24.50/share. Sosnoff also filed suit against CWI and its board complaining of extraordinary compensation given to senior executives.</td>
<td>CWI stock price rises to $27.75/share. Up $3.25/share.</td>
</tr>
<tr>
<td>March 9, 1987</td>
<td></td>
<td>Sosnoff refuses to sign standstill agreement. He will not sell CWI his shares.</td>
<td></td>
</tr>
<tr>
<td>March 10, 1987</td>
<td>CWI asks Sosnoff to sign a standstill agreement.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 13, 1987</td>
<td>CWI board rejects offer and files a 14D-9 with the Security and Exchange Commission. CWI also seeks a &quot;White Knight.&quot;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 16, 1987</td>
<td>CWI files suit against Sosnoff charging that the tender offer violates SEC laws.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>Action/Defense continued</td>
<td>CWI ACTIONS</td>
<td>SOSNOFF ACTIONS</td>
</tr>
<tr>
<td>-----------</td>
<td>-----------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>April 5, 1987</td>
<td>CWI announces recapitalization plan which includes paying $25/share dividend and a change in the State of incorporation, an anti-takeover defense, and executive incentives. The cost is $1 billion.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>April 7, 1987</td>
<td>-</td>
<td>SOSNOFF increases tender offer to $30.50/share.</td>
<td>Wall Street reacts negatively to latest tender. CWI's stock drops .125/share.</td>
</tr>
<tr>
<td>April 13, 1987</td>
<td>-</td>
<td>SOSNOFF increases tender offer to $32/share.</td>
<td>-</td>
</tr>
<tr>
<td>April 15, 1987</td>
<td>CWI board advises shareholders to reject SOSNOFF's amended offer.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>April 23, 1987</td>
<td>-</td>
<td>SOSNOFF begins consent solicitation. He seeks to oust 4 top CWI executives.</td>
<td>CWI stock price is under charged at approximately $31/share.</td>
</tr>
<tr>
<td>April 28, 1987</td>
<td>CWI urges shareholders to support board. CWI also announces the Forum Shops at Caesars. A $100 million shopping complex.</td>
<td>Legislation is unfair.</td>
<td>Nevada state legislature introduces Assembly Bill 565 which includes provisions against greenmailing and other takeover defenses. This bipartisan effort has the support of Nevada Resort Association.</td>
</tr>
<tr>
<td>Action/Defense continued</td>
<td>CWI ACTIONS</td>
<td>SOFF OFF ACTIONS</td>
<td>OTHER STAKEHOLDER ACTIONS</td>
</tr>
<tr>
<td>-------------------------</td>
<td>-------------</td>
<td>------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>May 27, 1987</td>
<td>Consent solicitation fails.</td>
<td></td>
<td>Price rises 7/8. As of this date stock is valued at $34/share.</td>
</tr>
<tr>
<td>June 4, 1987</td>
<td>SOFF increases his tender offer from $32/share to $35/share.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 9, 1987</td>
<td>Shareholder's meeting is delayed until recapitalization materials can reflect accurate information.</td>
<td></td>
<td>United States District Court enjoins SOFF and CWI from taking further action. Court states violation by SOFF of Regulation U of the SEC laws.</td>
</tr>
<tr>
<td>June 12, 1987</td>
<td></td>
<td></td>
<td>Nevada Assembly votes to prevent greenmailing. Takeovers are also restricted through legislation.</td>
</tr>
<tr>
<td><strong>THE OUTCOME</strong></td>
<td></td>
<td></td>
<td>CWI stock price drops 37.5 cents per share to close at $33.87 per share.</td>
</tr>
</tbody>
</table>

June 15, 1987

CWI continues its recapitalization plan. Stock value is $33.87. This plan is eventually rejected by Nevada and New Jersey gaming regulations.

SOFF rescinds his offer.
### APPENDIX II

**SUMMARY OF MEDIA & CAESARS WORLD INCORPORATED POSITIONS**

**1987 CWI TAKEOVER ATTEMPT**  
THE OFFER, RELEASE DATE: MARCH 9, 1987

<table>
<thead>
<tr>
<th>CWI POSITION</th>
<th>WALL STREET JOURNAL</th>
<th>LOS ANGELES TIMES</th>
<th>LAS VEGAS REVIEW JOURNAL</th>
<th>LAS VEGAS SUN</th>
</tr>
</thead>
</table>

**SOURCES**

**CWI:**
1. Jack Leone. VP, Corporate Communication  
2. Henry Gluck. CEO.

**EXTERNAL SOURCES**

**CWI:**
1. None.

**External Sources:**
1. Mr. Lee - industry analyst.  
2. Standard & Poor’s  
3. A former top (Caesars) executive.
1987 CWI TAKEOVER ATTEMPT - CONTINUED
THE OFFER, RELEASE DATE: MARCH 9, 1987

<table>
<thead>
<tr>
<th>CWI POSITION</th>
<th>WALL STREET JOURNAL</th>
<th>LOS ANGELES TIMES</th>
<th>LAS VEGAS REVIEW JOURNAL</th>
<th>LAS VEGAS SUN</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXTERNAL POSITION</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CWI: 1. None.</td>
<td></td>
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</tr>
<tr>
<td>1. Lee - Stock is undervalued. $28/share is &quot;about what it's worth.&quot;</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1. Sonoff - willing to negotiate a definitive acquisition. Executives would receive stock if transaction is friendly. Want directly to stockholders because of past unresponsiveness of management.</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1. Sonoff is a &quot;rejected suitor&quot; that wanted a seat on the board of directors.</td>
<td></td>
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</tr>
<tr>
<td>1. Credit watch is issued on CWI. Financial position is downgraded.</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Sonoff - wants to maximize share value.</td>
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<tr>
<td>1. Hoffman - Offer is under valued.</td>
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</tr>
<tr>
<td>4. Gluck is vulnerable.</td>
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</tr>
<tr>
<td>TARGET AUDIENCES</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>CWI: 1. Shareholders</td>
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<tr>
<td>1. Financial Community.</td>
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<tr>
<td>1. Shareholders.</td>
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<tr>
<td>1. Stakeholders.</td>
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<tr>
<td>1. Stakeholders.</td>
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<tr>
<td>OTHER POINTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CWI: 1. None.</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1. Detailed time line.</td>
<td></td>
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</tr>
<tr>
<td>1. Sonoff/CWI history.</td>
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</tr>
<tr>
<td>1. Detailed CWI holdings.</td>
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<tr>
<td>1. Outlined CWI holdings.</td>
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<tr>
<td>2. Outlined Sonoff's holdings.</td>
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<td></td>
</tr>
<tr>
<td>2. Sonoff's holdings.</td>
<td></td>
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</tr>
<tr>
<td>2. Detailed CWI special events.</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2. Detailed Sonoff's CWI holdings.</td>
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<tr>
<td>3. Outlined deal value.</td>
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<tr>
<td>3. Outlined deal value.</td>
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<td></td>
</tr>
<tr>
<td>3. Deal value.</td>
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<tr>
<td>4. Reviewed other casino attempts.</td>
<td></td>
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</tbody>
</table>
1987 CWI TAKEOVER ATTEMPT - CONTINUED
THE OFFER, RELEASE DATE: MARCH 9, 1987

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<tr>
<th>CWI POSITION</th>
<th>WALL STREET JOURNAL</th>
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<th>LAS VEGAS SUN</th>
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</table>
1987 CWI TAKEOVER ATTEMPT
THE DEFENSE, RELEASE DATE: APRIL 5, 1987
(Recapitalization Announcement)

<table>
<thead>
<tr>
<th>CWI POSITION</th>
<th>WALL STREET JOURNAL</th>
<th>LOS ANGELES TIMES</th>
<th>LAS VEGAS REVIEW JOURNAL</th>
<th>LAS VEGAS SUN</th>
</tr>
</thead>
</table>

**SOURCES**

**CWII:**
1. Jack Leone. VP Corporate Communication
2. Henry Gluck. CEO.

**EXTERNAL SOURCES**

**CWII:**
1. None

1. None
1. None
1. Sozoff's spokesperson
1. None

1. Sozoff
2. M. Roffman, Security Analyst
3. G. Yalen, large institutional shareholder.
# 1987 CWI Takeover Attempt - Continued

**The Defense, Release Date: April 5, 1987**

*(Recapitalization Announcement)*

## CWI Position

<table>
<thead>
<tr>
<th>WALL STREET JOURNAL</th>
<th>LOS ANGELES TIMES</th>
<th>LAS VEGAS REVIEW JOURNAL</th>
<th>LAS VEGAS SUN</th>
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<tbody>
<tr>
<td><strong>EXTERNAL POSITION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CWI:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. None.</td>
<td>1. None.</td>
<td>1. Sosnoff: “stood by his offer to make a meaningful increase in the value of his takeover bid.”</td>
<td>1. None.</td>
</tr>
</tbody>
</table>

## Target Audiences

<table>
<thead>
<tr>
<th>WALL STREET JOURNAL</th>
<th>LOS ANGELES TIMES</th>
<th>LAS VEGAS REVIEW JOURNAL</th>
<th>LAS VEGAS SUN</th>
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<tbody>
<tr>
<td><strong>TARGET AUDIENCES</strong></td>
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<tr>
<td>CWI:</td>
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</tbody>
</table>

## Other Points

<table>
<thead>
<tr>
<th>WALL STREET JOURNAL</th>
<th>LOS ANGELES TIMES</th>
<th>LAS VEGAS REVIEW JOURNAL</th>
<th>LAS VEGAS SUN</th>
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<tbody>
<tr>
<td><strong>OTHER POINTS</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>CWI:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. CWI boxing event.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. CWI holdings.</td>
<td></td>
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</table>
1987 CWI TAKEOVER ATTEMPT - CONTINUED
THE DEFENSE, RELEASE DATE: APRIL 5, 1987
(Recapitalization Announcement)

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<tr>
<th>CWI POSITION</th>
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</thead>
<tbody>
<tr>
<td>CWI:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**CWI Position** | **Wall Street Journal** | **Los Angeles Times** | **Las Vegas Review Journal** | **Las Vegas Sun**
---|---|---|---|---
2. Proposals are "designed to benefit Mr. Sooff and are contrary to the interest of the rest of Caesars' shareholders." | Not covered. | Not covered. | Not covered. | Not covered.
5. CWI cautions against scenario where Sooff could gain control by buying only 37% of the outstanding shares. | Not covered. | Not covered. | Not covered. | Not covered.
6. The gaming industry requires "hands on" management and it is clearly in the best interests that those people responsible for identifying problems be in a position to actively participate on the board level. | Not covered. | Not covered. | Not covered. | Not covered.
1987 CWI TAKEOVER ATTEMPT - CONTINUED
THE DEFENSE, RELEASE DATE: APRIL 28, 1987
(CWI Consent Solicitation Response)

<table>
<thead>
<tr>
<th>CWI POSITION</th>
<th>WALL STREET JOURNAL</th>
<th>LOS ANGELES TIMES</th>
<th>LAS VEGAS REVIEW JOURNAL</th>
<th>LAS VEGAS SUN</th>
</tr>
</thead>
</table>

**SOURCES**

**CWI:**
1. Jack Leone, VP Corporate Communications.
   - 1. Not quoted.
   - 1. Not quoted.
   - 1. Not quoted.
   - 1. Declined to comment.

2. Henry Gluck, CEO.
   - 2. Decline to comment.
   - 2. Declined to comment.
   - 2. Not quoted

**EXTERNAL SOURCES**

**CWI:**
1. None.
   - 1. John Gavin, a VP with a New York proxy solicitation firm.
   - 1. Sosnoff.
   - 1. Sosnoff.
   - 1. Sosnoff.
### 1987 CWI TAKEOVER ATTEMPT - CONTINUED
**THE DEFENSE, RELEASE DATE: APRIL 28, 1987**
*(CWI Consent Solicitation Response)*

<table>
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<th>CWI POSITION</th>
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<tr>
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<tr>
<td>CWI:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. None</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

| **TARGET AUDIENCES** |                     |                   |                          |              |
| CWI:                 |                     |                   |                          |              |
| 2. CWI Shareholders |                     |                   |                          |              |

| **OTHER POINTS** |                     |                   |                          |              |

*1. Caesar plans to build $150 million shopping complex at Caesars Palace in Las Vegas.*

*1. Sohnoff wants to oust board members, eliminate anti-takeover defenses. He would close Caesars Tahoe and corporate offices located in Los Angeles.*
<table>
<thead>
<tr>
<th>CWI POSITION</th>
<th>WALL STREET JOURNAL</th>
<th>LOS ANGELES TIMES</th>
<th>LAS VEGAS REVIEW JOURNAL</th>
<th>LAS VEGAS SUN</th>
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</thead>
</table>
**1987 CWI TAKEOVER ATTEMPT**  
**THE OUTCOME, RELEASE DATE: JUNE 15, 1987**

<table>
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<th>CWI POSITION</th>
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<th>LOS ANGELES TIMES</th>
<th>LAS VEGAS REVIEW JOURNAL</th>
<th>LAS VEGAS SUN JOURNAL</th>
</tr>
</thead>
</table>

**SOURCES**

**CWI:**

**EXTERNAL SOURCES**

**CWI:**
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<th>CWI POSITION</th>
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<tbody>
<tr>
<td>EXTERNAL POSITION</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Roffman - Sosnoff should be thrilled with increase in CWI share price. Isn't surprised CWI will continue recapitalization plan. CWI needs protection.</td>
<td>1. Financial Community.</td>
<td>1. Shareholders</td>
<td>1. Stakeholders</td>
<td>1 Stakeholders</td>
</tr>
</tbody>
</table>

TARGET AUDIENCES

CWI:
1. Shareholders
2. Financial Community

CWI:
1. None

OTHER POINTS

CWI:
1. None

RELEASE/ARTICLE TITLES

CWI:
Date line listed.

WALL STREET JOURNAL: Sosnoff drops Caesars bid as too costly, clears way for $960 million revamping. Pages 1, 5.


1995 CWI/ITT MERGER - CONTINUED
THE ANNOUNCEMENT, RELEASE DATE: DECEMBER 19, 1994
(Joint Announcement made by CWI & ITT)

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<tr>
<th>CWI/ITT POSITION</th>
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<th>LAS VEGAS REVIEW JOURNAL</th>
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</thead>
</table>

**EXTERNAL SOURCES**

**CWII/ITT**
1. None.
   1. A. Goldberg, Bally's Chairman.
   2. J. Pearlstein, analyst.
   5. Fitch Investors Service Inc.

**WALL STREET JOURNAL**
2. W. Thompson - University Professor.

**LOS ANGELES TIMES**
1. J. Aden - Smith Barney Shearson analyst.
3. B. Bible - Nevada State Gaming Control Board.

**LAS VEGAS REVIEW JOURNAL**

**LAS VEGAS SUN**
1. None.

**EXTERNAL POSITION**

**CWII/ITT**
1. None.
   1. Goldberg - great marriage, fair price.
   2. Pearlstein, this will turn up the heat on gaming stocks.
   3. S&P - will consider management's plans to integrate Caesars into ITT.
   4. Moody's - will study ITT's increased exposure in cyclical businesses.
   5. Fitch - placed ITT on alert list.

**TARGET AUDIENCES**

**CWII/ITT**
1. None.
   1. Financial Community.
   1. Stakeholders.
   1. Stakeholders.
   1. Stakeholders.
1995 CWI/ITT MERGER
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<tr>
<td>1. CWI and ITT announcement jointly that ITT will acquire CWI for $1.7 billion.</td>
<td>Covered.</td>
<td>Covered.</td>
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<td>Covered.</td>
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<td>2. The purchase helps ITT to create one of the premier hospitality, gaming and entertainment companies in the world.</td>
<td>Covered.</td>
<td>Covered.</td>
<td>Covered.</td>
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**SOURCES**

**CWI/ITT:**
4. Rand Araskog, ITT Chairman, President, CEO. Quoted. Quoted. Quoted. Quoted.
**1995 CWI/ITT MERGER - CONTINUED**

**THE ANNOUNCEMENT, RELEASE DATE: DECEMBER 19, 1994**

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<td><strong>OTHER POINTS</strong></td>
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<tr>
<td>CWI/ITT:</td>
<td>1. None.</td>
<td>1. ITT will not close Los Angeles CWI headquarters.</td>
<td>1. Questions and answers in a separate box regarding the transaction. Examples - Will people lose their jobs? How will Caesars World benefit from the deal? What about the expansions planned for Caesars Palace?</td>
<td>1. Desert Kingdom will not be built.</td>
</tr>
<tr>
<td></td>
<td>2. Two shareholders sue charging CWI was not maximizing stock value.</td>
<td>2. Desert Kingdom, a $750 million dollar resort planned for ITT's Sheraton Desert Inn site will not be built.</td>
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CAESARS WORLD INCORPORATED PRESS RELEASES

CONTACT: Jack Leone
(213) 552-2711, Ext. 263

FOR IMMEDIATE RELEASE
March 9, 1987

LOS ANGELES, CALIFORNIA — Caesars World, Inc. today confirmed that it had received an unsolicited and conditional tender offer for all of Caesars World's common shares at $28.00 per share by Martin T. Sosnoff.

Henry Gluck, chairman and chief executive officer of Caesars World, said that the company's board of directors would study the offer with its legal and financial advisors prior to making any recommendation to Caesars World shareholders. He urged that shareholders not take any action with respect to the offer prior to the board's recommendation.

***
FOR IMMEDIATE RELEASE

CAESARS WORLD BOARD APPROVES RECAPITALIZATION PLAN

LOS ANGELES, CALIFORNIA, April 5, 1987 -- The Board of Directors of Caesars World, Inc. (NYSE - CAW) today unanimously (with one director absent due to illness) approved a plan of recapitalization for the Company, announced Henry Gluck, Chairman of the Board and Chief Executive Officer.

Under the recapitalization plan, stockholders of Caesars World will receive a cash distribution of $25 per share in the form of a one-time special cash dividend and will retain their common stock ownership in Caesars World on a going forward basis.

Caesars World expects to raise the approximately $1 billion which will be needed to pay the $25 per share dividend and to pay the expenses of recapitalization,
through bank borrowings of approximately $200 million and the public sale of approximately $800 million of debt securities. The Company's financial advisor, Drexel Burnham Lambert Incorporated, has advised Caesars World that, based upon customary conditions, it is highly confident that it can arrange the entire financing necessary to consummate the recapitalization.

Mr. Gluck said, "Our ability to restructure along these lines is possible primarily because of the financial stability and the strong operating results achieved by management in recent years. Our quarter ended January 31, 1987 was the 15th consecutive quarter in which earnings per share increased over the comparable period of the preceding year. Pro forma after the recapitalization, we anticipate net income for the fiscal year ended July 31, 1988 to be approximately $28.7 million. Fiscal 1988 primary earnings per share are projected to be $0.76 based upon an estimated 37.8 million post-recapitalization common and common equivalent shares outstanding."
"We project net income to increase to $86.2 million in 1992, reflecting increased operating income and lower interest expense due to the retirement of $267 million of the debt incurred in connection with the recapitalization. These projections reflect the recent and anticipated capacity expansions of competitors' facilities in the Atlantic City market, as well as the positive financial impact of Caesars World's increased marketing efforts with respect to both domestic and foreign customers," Mr. Gluck said. These projections assume certain growth rates as well as the absence of any new states allowing gaming and favorable resolution of certain regulatory issues such as the proposals to reduce the reporting level of cash transactions from $10,000 to $3,000 and to require withholding from table game winnings of non-resident aliens.

Mr. Gluck noted that Caesars World does not usually release projections. But the significance of the recapitalization has prompted such disclosure at this time. Mr. Gluck added that the Company expects to file preliminary proxy materials with respect to the recapitalization with the Securities and Exchange Commission shortly.
Mr. Gluck stated, "Under the new plan, we will continue to seek to maintain the finest hotel/casino and resort facilities in the world and we anticipate being able to continue a capital expenditure level sufficient to maintain our market position and to grow. In addition, we are not required as part of the recapitalization plan to sell any operating facilities," Mr. Gluck said.

Mr. Gluck stated that the Board of Directors of Caesars World believes that the recapitalization is a financially superior alternative to the $28 per share tender offer by Martin T. Sosnoff and once again recommended that stockholders reject the Sosnoff offer. In reaching its determination, the Board was advised by Drexel Burnham and by Bear, Stearns & Co. Inc. as to the fairness of the recapitalization to stockholders from a financial point of view. Mr. Gluck stated, "This plan is clearly in the best interests of Caesars World stockholders in that it enables the Company to achieve its dual objectives of maximizing stockholder values by providing the $25 cash dividend and enabling stockholders to retain their equity participation in the Company's future growth."
The plan of recapitalization will be submitted for stockholder approval at a special meeting expected to be held in June, and record dates for the stockholder meeting and payment of the special dividend will be set by the Board of Directors at a later time. In addition to obtaining stockholder approval and the requisite financing, the consummation of the recapitalization will be subject to a number of additional conditions, including the Company's obtaining all necessary approvals from Nevada and New Jersey gaming regulatory authorities. While Caesars World anticipates receiving these approvals, it cannot predict the timing of hearings or of a determination.

As part of the plan, the Company will change its state of incorporation from Florida to Delaware by means of a merger of Caesars World into a wholly owned subsidiary of the Company. The Company's new certificate of incorporation and by-laws will provide, among other things, for a "fair price" provision requiring that certain transactions with interested 15% stockholders be approved by an 80% vote of the stockholders (excluding shares held by such interested stockholders), unless the
transaction is approved by a majority of the disinterested directors or certain procedural and fair price requirements are satisfied and will also provide for the limitation of directors' monetary liabilities in accordance with recent changes in Delaware law. Mr. Gluck said that the Company intends to continue to closely monitor the activity in Caesars World shares and that, if necessary, additional structural and other measures to protect the best interests of the Company and all shareholders may be proposed in the future.

The Company expects that the common stock of the surviving corporation will be listed on the New York and Pacific Stock exchanges and traded without interruption.

Although the cash distribution will result in a substantial deficit in stockholders' equity, Caesars World has been advised by Drexel Burnham and Bear Stearns that, based upon the matters set forth in their opinions, after the recapitalization, Caesars World should have the financial flexibility and resources necessary to finance
its current and projected operating and capital requirements.

Mr. Gluck said, "I believe that the Company's management team is facing substantial challenges as we face paying off the approximately $1 billion of debt which we are incurring in connection with the recapitalization." In order to retain key management and provide incentives to management in the highly leveraged post-recapitalization environment, Mr. Gluck said the recapitalization provides for certain amendments to the 1983 Long-Term Stock Incentive Program and the grant of 1.5 million restricted shares to approximately 40 key employees of the Company, which shares will vest ratably over a period of eight years (187,500 shares per year) to such key employees only if they are employed at the end of such years. Furthermore, an additional 1.5 million shares will be reserved for future grants at the sole discretion of a committee consisting of non-employee directors, to key management and employees of restricted shares, option and stock appreciation rights, and of incentive and performance awards payable in the form of shares. Outstanding options to purchase shares which
either cannot or have not been exercised will be converted on an equitable basis into options to purchase shares of the new company.

With respect to the federal income tax consequences of the special dividend to stockholders, Mr. Gluck said Caesars World is advised that, in general, it is more likely than not that on the terms presently contemplated the $25 per share special dividend will be taxable to stockholders at ordinary income rates, but only to the extent of the Company's aggregate earnings and profits through July 31, 1987, which the Company estimates will aggregate approximately $7.00 per share. The remaining amount of the dividend will reduce a stockholder's basis in his or her shares and therefore, to the extent of the stockholder's basis, will not be taxable. Any excess of the remaining amount over the stockholder's basis will be taxed as a capital gain if the common stock is held as a capital asset.

Caesars World cautioned, however, that certain aspects of the tax treatment of the special dividend, including the characterization as a separate independent
event from the reincorporation merger, or the calculation of the amount of the Company's earnings and profits, could be challenged by the Internal Revenue Service. In particular, Caesars World indicated that the Service may assert that stockholders who receive the special dividend should currently recognize the entire amount of the special dividend as income (either as ordinary income or capital gain or both), but only to the extent of his respective realized gain in his shares.

The Company noted that stockholders desiring certainty of capital gains treatment should consider the option of selling their shares in the market prior to the reincorporation merger. Corporate stockholders may be eligible for the federal dividends-received deduction on that portion of the special dividend taxed at ordinary income rates. However, corporate stockholders receiving the special dividend may be required to reduce basis in their common stock by the amount of the dividends-received deduction unless such shares have been held for more than two years before the dividend announcement date.
The Company noted that it does not intend to seek a ruling from the Internal Revenue Service as to any Federal income tax consequences of the special dividend or the merger. Each stockholder should consult his or her own tax advisors as to the particular tax consequences of the special dividend, including the application of state, local and foreign tax laws.

In connection with the recapitalization, Caesars World intends to retire its 11-1/4% Sinking Fund Debentures and 14-1/4% Subordinated Debentures issued by Caesars World Finance Corporation and guaranteed by Caesars World. As of January 31, 1987 there were outstanding under these instruments $7.5 million and $100 million principal amount, respectively. To the extent it is unable to retire the total principal amount of each issue, the Company intends to defease the remaining amount outstanding. The Company also plans to defease and arrange for the redemption of the 6-7/8% Convertible Subordinated Debentures as soon as possible on or after April 1, 1988. As of January 31, 1987 there were outstanding $115 million principal amount of such convertible debentures.
Caesars World said that holders of the convertible debentures who do not convert prior to the record date for the special dividend will not thereafter receive the equivalent $25 share dividend. The Company stated that following payment of the special cash dividend and until their redemption, the number of shares into which the convertible debentures may be converted will be adjusted as a result of a change in the conversion price; however, the adjustment will not reflect the portion of the special dividend representing current or retained earnings of the Company. Therefore, to the extent that the dividend comes from current or retained earnings, the adjustment in the conversion price will be less beneficial to the holders of the debentures. The Company has not yet determined what portion of the special dividend will represent current or retained earnings. Holders of the convertible debentures who wish to receive the special dividend are advised to consider converting their debentures prior to the record date for the special dividend.

# # #
FOR IMMEDIATE RELEASE

LOS ANGELES, CALIFORNIA, April 28, 1987 — Caesars World, Inc. today said that its board of directors "vigorously opposes" the consent solicitation effort by Martin Sosnoff.

In a letter to shareholders, chairman of the board Henry Gluck and president J. Terrence Lanni told Caesars World shareholders that "We believe that these proposals are designed to benefit Mr. Sosnoff and are contrary to the interests of the rest of Caesars' shareholders...Your board of directors believes that Mr. Sosnoff's ultimate objective is to buy the company as cheaply as possible. We believe that Mr. Sosnoff's 'consent' proxy fight is intended primarily to cause uncertainty and chaos among our shareholders."

A full copy of the letter to shareholders and related proxy statement are attached.

###
Dear Fellow Shareholders:

Martin Sosnoff, an individual shareholder of Caesars World, has begun a proxy fight to solicit your consent to have the Company take eleven specific actions proposed by him. We believe that these proposals are designed to benefit Mr. Sosnoff and are contrary to the interests of the rest of Caesars' shareholders. One of his proposals calls for the removal of four Caesars directors who were re-elected by no less than 99.5% of the shares voted by shareholders other than Mr. Sosnoff only five months ago at the Company's Annual Meeting.

Your Board of Directors believes that Mr. Sosnoff's ultimate objective is to buy the Company as cheaply as possible. In furtherance of this goal, we believe that Mr. Sosnoff's "consent" proxy fight is intended primarily to cause uncertainty and chaos among our shareholders. Your Board of Directors is determined to recommend only what it considers to be in the best interests of all shareholders—not just Mr. Sosnoff. Your Board, therefore, has rejected Mr. Sosnoff's tender offer which, contrary to the Company's proposed Recapitalization Plan, will deprive shareholders of their ability to share in the future growth of Caesars.

Your Board of Directors has proposed a Recapitalization Plan which provides shareholders with $25 in cash and permits shareholders to retain an equity interest in Caesars, which will continue to be led by the current management team. Under this management team, Caesars has experienced substantial growth and scored an impressive financial performance. Under our current leadership, Caesars has risen from a net loss of $21 million in fiscal 1983 to a record high net income of $41 million in fiscal 1986. In addition, Caesars has just completed its 15th consecutive quarter of increased earnings. Also, the market price for the Company's shares has increased from a low of $7 1/2 in fiscal 1983 to a high of $24 1/2 on March 6, 1987, the last trading date prior to the commencement of Mr. Sosnoff's tender offer, representing an increase of over 225%. Under the direction of your Board, the Company has become a leader in its industry and is in a position to continue that leadership in the future and maximize long-term shareholder values.
THE REAL ISSUE

In our opinion, your Board of Directors has already achieved substantial values for shareholders and should be permitted to continue to act in shareholders' interests. We believe the real issue in this proxy fight is whether shareholders should permit themselves to be rushed into taking action that will favor Mr. Sosnoff's individual takeover efforts prior to having the opportunity to consider the full details of the Recapitalization Plan which we believe is in the best interests of all shareholders. Consider the following:

- On March 9, 1987, Mr. Sosnoff wrote to Henry Gluck, Chairman of Caesars World, stating that he had begun a conditional $28 tender offer. Read Mr. Sosnoff's own words:
  
  "I believe the offer provides a fair and generous opportunity for all of the company's shareholders to maximize the value of their investment."

- In his own words, Mr. Sosnoff refers to his offer as "fair" and "generous," yet only two weeks later, in response to the announcement of the Company's Recapitalization Plan, Mr. Sosnoff raised his own offer to $32.

- If your Board had accepted Mr. Sosnoff's original "fair and generous offer," Caesars shareholders would have been denied at least the $116 million extra that Mr. Sosnoff himself claims he is now willing to pay them!

- The Sosnoff conditional tender offer, if successful, would give Mr. Sosnoff control over Caesars and its corporate assets to use as he sees fit and to keep future profits for himself. Compare Mr. Sosnoff's tender offer, which will eliminate shareholder ownership, with your Board's announced Recapitalization Plan, which will provide a $25 per share cash payment to all Caesars shareholders, who will then be able to keep a substantial continued equity ownership interest in Caesars and its future. Under the proposed Recapitalization Plan, Mr. Sosnoff will receive exactly the same consideration for his shares as all other Caesars shareholders, and everyone will get to share in the future of Caesars.

Mr. Sosnoff's offer consists of $32 in cash for 92.4% of the Company's shares with the remaining 7.6% of the Company's shares intended to be converted in a subsequent business combination into preferred shares which Mr. Sosnoff claims will have a value of $32. Mr. Sosnoff's offer is subject to numerous conditions which currently would permit him to drop his tender offer any time he chooses.

CAUTION

Consider this possible scenario:

In our opinion, if Mr. Sosnoff's proxy contest is successful and the corporate By-laws and Articles that regulate the timing of your Company's current consent procedures are amended, the consequences can be very serious. For example, after a successful solicitation, Mr. Sosnoff could, among other things, then choose to drop his tender offer. It is possible that Mr. Sosnoff could then purchase only 37% of the shares outstanding in the open market and seize control of the Board, your Company, its assets and its future. All minority shareholders—which may represent as much as 49% of the shares outstanding—could then be left with no promise, no premium and no Recapitalization Plan.
SOSNOFF’S PROPOSALS ARE NOT IN YOUR INTERESTS

Mr. Sosnoff, who has publicly complimented management of your Company for years, now wants you to help him remove all four members of senior management who serve on Caesars’ nine member Board. He states his reason his personal belief that shareholders would be best served by having only the non-management outside directors consider his tender offer.

In response, we urge you to consider the following:

(1) In our opinion, the gaming industry requires an enormous amount of “hands on” management and it is clearly in the shareholders’ best interests that those persons responsible for identifying problems, trends and opportunities be in a position to actively participate on the Board level and assist in the shaping of Caesars’ future.

In our opinion, Mr. Sosnoff’s proposal to leave your Board without any representation from the operating management team of Caesars demonstrates a complete lack of understanding of how to manage a publicly owned entertainment and gaming industry company.

(2) Mr. Sosnoff chooses to ignore the fact that all non-management directors present — who Mr. Sosnoff wants to retain — also voted to recommend rejection of his $28 tender offer, rejection of his $32 tender offer and approval of the Company’s proposed Recapitalization Plan. Caesars’ two outside financial advisors continued to opine that, based upon the matters set forth in their opinions, the consideration to be received by shareholders in the Recapitalization Plan is fair from a financial point of view.

Other than causing disruption and a lack of continuity at the Board level, we question what Mr. Sosnoff thinks will change if the management directors are removed.

Mr. Sosnoff is also asking you to consent to two proposals which would limit the Board’s time honored ability to declare dividends at all times. Mr. Sosnoff wants you to help him restrict the Board’s ability to declare dividends that he personally does not believe are advisable.

In addition, Mr. Sosnoff is asking you to amend the Company’s By-laws in five different ways — all of which, in our opinion, are designed to benefit Mr. Sosnoff and are detrimental to all other shareholders.

And lastly, Mr. Sosnoff wants you to rescind any rights plan adopted by the Board after March 9, 1987. The fact that no rights plan has been adopted does not seem relevant to Mr. Sosnoff — but it indicates to us his desire to control your Board’s actions to further his own interests.
YOUR BOARD DESERVES YOUR SUPPORT

With your Board and management team's proven track record for increasing shareholder values, we believe we have earned your support. Do not allow yourself to be rushed into taking any action at this time. Mr. Sosnoff cannot legally buy any shares under the present terms of his tender offer until June 19. We anticipate mailing you a proxy statement containing full details concerning the Board's Recapitalization Plan in early May. With our Recapitalization Plan, you can independently review both offers and determine for yourself which is in your best financial interests. In our opinion, it is not in your interest to sign any consent prior to receiving all relevant corporate information that will be available to you in due course.

If you have already executed a blue Sosnoff consent card, your Board of Directors urges you to sign, date and mail the enclosed WHITE Revocation of Consent Card immediately. Only your latest dated card will be counted.

We appreciate your continued support and will continue to keep you informed.

On behalf of the Board of Directors,

HENRY GLUCK
Chairman of the Board
and Chief Executive Officer

J. TERENCE LANNI
President and Chief
Operating Officer

IMPORTANT

If your shares are registered in the name of a broker or bank, only your broker or bank can submit a WHITE Revocation of Consent Card on your behalf and only after receiving your specific instructions. Please contact the person responsible for your account and direct him or her to submit a WHITE Revocation of Consent Card on your behalf. If you have any questions about how to vote your shares, please call our proxy solicitor:

THE CARTER
ORGANIZATION, INC.
237 Park Avenue
New York, New York 10017
Toll-free 800-221-3343
or 212-619-1100 (collect)

April 28, 1987
FOR IMMEDIATE RELEASE

December 19, 1994

ITT WILL ACQUIRE CAESARS WORLD, INC.

NEW YORK, NY — ITT Corporation (NYSE/ITT) and Caesars World, Inc. (NYSE/CAW) jointly announced today the signing of a definitive agreement providing for ITT to acquire Caesars World at $67.50 per share, or approximately $1.7 billion.

The first step of the acquisition is a cash tender for all outstanding shares which will commence by Friday, December 23, 1994. Although the offer is subject to certain regulatory approvals and other customary conditions, it is expected to be completed during the first quarter in 1995. ITT will acquire all Caesars’ shares not purchased in the offer in a subsequent cash merger at the same $67.50 per share price. Caesars World currently has approximately 25.1 million common shares outstanding.

The acquisition of Caesars World, Inc., one of the world’s most recognized names in gaming, combined with ITT Sheraton’s leading international position will create one of the world’s strongest hotel and gaming businesses.

-more-
Caesars World owns and operates three hotel/casinos in Las Vegas, Atlantic City and Lake Tahoe. In conjunction with two other partners, Caesars World manages a casino owned by the Ontario government in Windsor, Canada, across the river from Detroit, Michigan.

"Caesars World represents a tremendous opportunity for ITT," Rand V. Araskog, chairman, president and chief executive, said. "Caesars is one of the great names in the gaming industry," Mr. Araskog continued. "The acquisition helps ITT create one of the premier hospitality, gaming and entertainment companies in the world, and adds positive financial and business impact to the recent agreement to acquire Madison Square Garden properties and the acquisition of 70.2 percent of the CIGA Hotel Corporation, with its 31 major luxury hotels throughout Europe," the chairman said.

In addition to the world-renowned Caesars Palace in Las Vegas, this acquisition provides an entry into the other most important U.S. gaming destination — Atlantic City. The combination of Caesars World's and ITT's strong international business and marketing structures will provide the emerging company with additional competitive strength.

-more-
The transaction is expected to be non-dilutive and to contribute to earnings in the first year. Moreover, ITT expects to take advantage of substantial synergies in the near term. With the acquisition of Caesars World, ITT no longer plans to construct The Desert Kingdom in Las Vegas.

Henry Gluck, chairman and chief executive officer of Caesars World, will retain his current titles, report directly to Mr. Araskog and become a member of the ITT Board. "Henry Gluck is a major presence in the gaming industry and one of the most innovative and long standing leaders in gaming and entertainment. I am personally looking forward to working with him on this great opportunity for both our companies," Mr. Araskog said.

Following ITT's decision not to build the Desert Kingdom, which would have cost $750 million to $1 billion, Mr. Araskog called Mr. Gluck in mid-October to arrange a meeting at which time he proposed ITT's acquisition of Caesars World. Since that time the two executives have had several discussions leading to today's announcement.

Mr. Gluck said, "For quite some time now Mr. Araskog and I have discussed the potential synergies of our respective companies. I anticipate a close working relationship between management and employees of both companies directed at maximizing the value of our great franchise and providing expanded opportunities to the many loyal people who have helped build Caesars World."
Combined with the pending sale of ITT Financial Corporation, this acquisition continues ITT's focus on three global companies, each leaders in its respective industries -- ITT Hartford Insurance, with sales in excess of $10 billion; ITT Industries, with manufacturing sales of about $8 billion; and, the hotel, gaming and entertainment group, anchored by ITT Sheraton. With the addition of Caesars World and Madison Square Garden, this group will have sales of over $6 billion.

The Caesars World properties, all involved in the transaction, include:

- Caesars Palace, a 1,500-room casino resort located on an 80-acre site on the Las Vegas Strip. Opened in 1966, the resort has undergone extensive expansion and renovations through the years and currently has 118,000 square feet of casino space with 2,000 slot machines, some 125 table games, 10 restaurants, a 1,100-seat showroom, 100,000 square feet of convention space, a 15,000-seat outdoor stadium and an "Omnimax" theater. Caesars Palace is currently in the process of developing a themed dining and entertainment complex, "Caesars Magical Empire," scheduled for completion in 1995.
Caesars Tahoe, a 440-room resort, is situated on 24 acres on the South Shore of the world renowned Lake Tahoe in northern Nevada. Opened in 1980, the resort has a 40,000-square-foot casino with about 960 slots and 75 table games, six restaurants, a 1,550-seat showroom, a Roman themed nightclub, and 25,000 square feet of convention space. In recent years, all of the property's rooms have been renovated and the casino space has been remodeled to better reflect the company's Roman theme.

Caesars Atlantic City, opened in 1979, is located on a premier site on the Boardwalk in Atlantic City, New Jersey. The 641-room facility includes 74,000 square feet of casino space with more than 2,000 slot machines and about 125 table games, 12 restaurants and bars, a 1,100-seat showroom and a transportation center for 2,500 cars. Since 1989 Caesars has invested more than $150 million in capital expenditures at the Atlantic City property.
Casino Windsor, an interim casino in Windsor, Ontario, opened in May 1994. The facility is managed by a joint-venture between Caesars World, Circus Circus Enterprises and Hilton Hotels Corporation and is owned by the Government of Ontario. It includes 50,000 square feet of casino space with 1,700 slot machines and 65 table games. A permanent casino is scheduled to be completed in 1997 and will be located on 13 acres in Windsor's central business district, immediately across the river from Detroit, Michigan. It will include a 75,000-square-foot casino, 2,400 slots, 125 table games, a 1,000-seat showroom, three dining areas, an entertainment component and a 300-room hotel.

Caesars World operates Caesars Palace at Sea, a casino aboard the Crystal Harmony, a luxury cruise ship owned by Crystal Cruises. Plans call for Caesars to operate another Caesars Palace at Sea casino on board a sister ship -- the Crystal Symphony -- scheduled to launch operations in 1995.
Caesars World also has four non-gaming resorts in the Pocono Mountains of Pennsylvania. These include Caesars Cove Haven, Caesars Pocono Palace, Caesars Paradise Stream and Caesars Brookdale. Combined, they feature more than 750 rooms and suites and a full complement of recreational and other destination resort amenities.

###
BIBLIOGRAPHY


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UNIVERSITY OF NEVADA, LAS VEGAS

Protocol Form for Research Involving Human Subjects

Submit to Office of Sponsored Programs: Original of this cover form and attach your protocol (including any questionnaires and informed consent)

Log Number: _____________________ Date Received: _______________

Investigators: (Please print). List person principally responsible for the investigation on line A. If principal investigator is a student, list faculty advisor on line B.

Investigator: ____________________________ Department: ____________________________ Mail Stop: ____________________________

A. MERCEDES WARECK Communication

B. ____________________________________________

Title of Project: Defending an Empire with Public Relations: A Case Study of Caesars World Inc.'s Strategies Against Corporate Raiders

Duration of Study (Protocol must be renewed annually): Start __________ Conclude __________

Type of Submission:  

- New
- Continuation
- Modification

Previous Log Number (if any)

Location of Facilities where study will take place:

Subjects: (Please estimate numbers.)

- Patients as experimental subjects
- Patients as controls
- Minors (under 18)
- UNLV students
- Pregnant women or fetuses
- Mentally disabled
- Prisoners, incarcerated subjects
- Normal adult volunteers
- Persons whose first language is not English
- CCSD Students
- Total Anticipated Subjects

Procedures: (ATTACH relevant materials, such as questionnaires, interview schedules, written test instruments, and etc.)

- Survey, questionnaire(s)
- Interview: phone/in-person
- Medical or other personal records
- Filming, taping, recording (Attach relevant info)
- Observation
- Participant observation
- Anthropological fieldwork (attach CURRENT approval)
- Psychological intervention
- Incomplete disclosure of purpose
- Venipuncture
- Other body fluids, exceta

- Investigational drug *
- Approved drug, New use *
- Investigational Device
- Placebo
- Ionizing Radiation
- Surgery
- Payment of subjects

*Provide FDA Authorization and IND Number

[Signature] Date: August 1, 1985

[Signature] Date: August 1995

Faculty Advisor’s Signature (if applicable)

Revised 10/5/95

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August 8, 1995

To: Mr. Jack Leone  
    CWI Vice President, Public Relations  
Fr: Mercedes Warrick  
    College Student (smile)  
    (702) 641-8526

Dear Jack:

Things are rolling along on my thesis. I can’t thank you enough for your assistance. I am getting to the point where I would like to interview you. Included here is a list of questions that will get the conversation going. Jack, I know this is a difficult time and I am hoping that this will still be alright. You have had a long and very well respected career with Caesars. Your contribution to this paper will really set it apart and your help is even appreciated much more considering the timing. Please let me know when you would be available. I am willing to come to Los Angeles or to handle this by phone.

I hope you are well and once again, Thanks.

Mercedes Warrick

Greenspun School of Communication
4505 Maryland Parkway • Box 455007 • Las Vegas, Nevada 89154-5007
(702) 895-3325 • FAX (702) 895-4805

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Your input is needed in two areas. First, the public relations strategies employed by Caesars. Second, Company/Media relations.

1. What was the stance prior to the 1987 attempt?
   - How were the functions divided? Community, Media, Investor and Government audiences are the focus of the paper. Local vs. National?

2. Were the action(s) expected?
   - 1987? How much time and preparation was there before the actual announcement?
   - 1995? Same thing?
   - What was done?

3. Your role in the takeovers? Was 1987 different from 1995? If, so how?
   - Who comprised the takeover team(s)
   - How did you interact with these departments
   - Were goals clearly defined?
     - What did you feel was the most important things to accomplish from a PR perspective?
   - How did you interact with the property PR people
   - Did you handle the takeover(s) differently from other events?

4. Legalities vs. CWI PR needs.
   - How did SEC requirements effect the public relations functions?
   - What were your concerns?

5. Press Relations?
   - Were you happy with the press coverage?
     - What does “happy” mean? Biased or unbiased. Balance, well informed reporting?
   - How/what did you feel about local coverage?
   - What did you feel about national coverage?
   - Were reporters generally well informed about the company

6. Who were your target audiences? How did CWI reach them?
   - What message did you want to convey?
   - Was the message consistent throughout the event(s)
     - Did you define one message and stick with it throughout the event or did the messages change as you went through the event(s)?
   - Were there any unintended effects? (The Forum announcement became linked to the 1987 takeover, 1995 shareholders lawsuit).
   - What did you want to convey to:
Shareholders - Institutional and Individual
Community
    Government, employees, customers, business partners
Media
Others - were there other audiences CWI wanted to reach

7. To what extent was Henry Gluck the strategy?

8. Post takeover communications management?
   - What PR functions continued post-Sosnoff?
     (Stock Recapitalization Plan)
   - Did the 1987 takeover event change the way CWI viewed public relations?
   - Were PR function realigned or changed as a result of the 1987 attempt?
   - Your function in the 1995 merger

9. General feelings about the two transactions and the public relations functions?
   - Hostile vs. “Friendly”
   - How was it different?

10. Your opinions or recommendations about public relations strategies (general)
    - What is important?

11. Your opinion or recommendations about PR/Communications strategies and takeovers?
August 9, 1995

Mr. Jack Leone  
Vice President, Public Relations  
Suite 2600  
1801 Century Park East  
Los Angeles CA 90067

Dear Jack:

Just a note to let you know that my thesis is coming along. Thank you for the press releases and the stockholders’ letter. This information is helping quite a bit. I wanted to let you know what releases and events I may use. The releases, listed on the enclosed chronology, may be printed directly into the paper.

Once again, thanks for your assistance. Your input is always welcome. I hope to talk with you soon.

Sincerely,

Mercedes Warrick

4150 East Boston  
Las Vegas NV 89104  
(702) 641-8526