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**LAS VEGAS SUN**

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# Harrah's hit with class-action lawsuit over debt plan



Justin M. Bowen

Caesars Palace, on the left, is one of several Harrah's-owned properties on the Las Vegas Strip.

By [Steve Green](#)

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Add Harrah's Entertainment Inc. to the list of Las Vegas gaming companies facing class-action lawsuits filed by securities lawyers.

Harrah's was sued last month in U.S. District Court in Delaware by two bondholders who claim a recent debt-exchange deal engineered by Harrah's benefited some big corporate bondholders while placing other classes of bondholders in jeopardy, should Harrah's default on its debt or file for bankruptcy protection.

Harrah's is "on the verge of bankruptcy, debt default and other events of insolvency," the lawsuit charges.

"In an effort to ensure that only a limited class of individuals and entities reap the rewards of their debt investments in Harrah's to the detriment of other investors, defendants have completed bond tender offers that benefit those select individuals and entities to the exclusion of all others. Without any lawful justification for cherry-picking among its investors, defendants' bond tender offers have allowed those elite individuals and entities to obtain newly-issued bonds that will take priority over and otherwise subordinate previously-issued bonds of the exact same category," the lawsuit states.

The plaintiffs are Willis Shaw and S. Blake Murchison. Murchison also [filed a class-action lawsuit against Station Casinos Inc.](#) last week alleging Station's plan to reorganize its debt in bankruptcy court fails to treat all

bondholders fairly. In unrelated cases, [Las Vegas Sands Corp. is being sued](#) by class-action attorneys over the decline in its stock price.

Harrah's and members of its board of directors, who were also sued, have not yet responded to the Shaw-Murchison lawsuit. Harrah's declined comment on the lawsuit Monday afternoon, citing its policy of not commenting on pending litigation.

"Plaintiffs' bond holdings have been subordinated to the newly-issued bonds and, as a result, have been likely rendered worthless as the specter of Harrah's insolvency approaches," the suit charges.

The litigation is set against the backdrop of numerous gaming operators in Las Vegas and around the world facing difficulties in financing their debt as the recession has reduced travel to Las Vegas and other gaming markets. It has also reduced casino operators' winnings from gamblers.

Harrah's on Friday disclosed it has asked its banks for an advance of \$740 million on a \$2 billion credit line -- maxing out that line of credit and prompting one analyst to say it appears Harrah's needs to hoard cash to cover its expenses while it looks for a way to reorganize its massive debt load that was last reported at more than \$24 billion.

That analyst was Chris Snow. His company, CreditSights, issued a report Monday indicating the cash infusion doesn't change Harrah's fundamental problem of having too much debt to service given the economic slowdown hitting its casinos and resorts -- even taking into account cost-cutting moves by Harrah's aimed at saving \$440 million per year.

The report said Harrah's, which was taken private last year in a \$30.7 billion deal that added to its debt load, "is running on borrowed time."

"At this point, the company's next move could include another bond exchange, a bankruptcy offer to bondholders, or hope that gamblers return," CreditSights said.

On Friday, Harrah's spokesman Gary Thompson declined comment on the possibility of a bankruptcy reorganization, calling it speculation.

Harrah's, with numerous properties on and near the Las Vegas Strip, such as Caesars Palace, Harrah's Las Vegas and the Imperial Palace, has 51 casinos in six countries with 40,000 hotel rooms. It hasn't yet reported fourth-quarter numbers, but for the third quarter of 2008 it posted a loss of \$129.7 million on revenue of \$2.645 billion.

The Shaw-Murchison suit was filed by attorneys Joseph A. Rosenthal and P. Bradford deLeeuw of the Wilmington, Del., law firm of Rosenthal, Monhait & Goddess.

Joining in the suit were attorneys from the Boca Raton, Fla., firm of Coughlin Stoia Geller Rudman & Robbins LLP -- the same firm participating in Murchison's suit against Station Casinos. An additional plaintiffs' attorney against Harrah's is S. Gene Cauley of Little Rock, Ark.

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<b><a href="#">Harrah's Resort &amp; Casino</a></b>	<b><a href="#">Las Vegas Lawsuit</a></b>
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Discussion: 14 comments so far...

By [777](#)

2/16/09 at 6:33 p.m.

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What's the number to bondholder's anonymous again?

By [denro](#)

2/16/09 at 7 p.m.

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A sad state of affairs indeed. Clearly these companies have obligated themselves into a corner. How rich did the original stakeholders get on the going private transaction?

By [harrahswistleblower](#)

2/17/09 at 5:19 p.m.

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Gary Loveman received over ninety million reasons when Harrah's was taken private...I wonder what Tom Jenkin & some of the others got? I think some money went out the back door in various forms. If anyone from the IRS is interested I have some information regarding some of the illegal activities that took place at Harrah's - I can be contacted at [harrahswistleblower@gmail.com](mailto:harrahswistleblower@gmail.com).

I hear from my sources at Harrah's that customer service is almost non-existent at the hotel, which is primarily due to the fact that there have been so many cutbacks. Pretty soon if you are a guest at Harrah's properties you might be asked to bring your own toilet paper, plunger, light bulbs and tools to fix the problems that you will encounter during your stay - you might even have to check yourself in & out while you are at it. Employee morale is at an all-time low. Harrah's has cut out providing orange juice in the Employee Dining Room and is considering only providing hot meals for their employees for half the day. Next we will hear that the employees will be asked to either except IOU's for pay or just do volunteer work - got to keep upper management's big paychecks coming. Good thing that Tom Jenkin got his home furnishings when he did (before the buyout) through the Engineering Department...I guess he wasn't making enough money to cover his expenses. Tom Jenkin & Tom Adams must have been real good friends...you know the type you wash my back & I will wash yours - it became a profitable friendship for both of them. Those illegal remodels really paid off for the two of them & Harrah's.

I wonder how many employees & guests Harrah's exposed to asbestos during the course of their illegal remodels? I thought that there were state & federal laws that protected employees from such abuses. I encourage any & all current & former employees of Harrah's that participated in their illegal remodels to contact me at the above mentioned email address. I am also looking for any information regarding any of Harrah's illegal activities that you are aware of...and I do mean any.

I can't think of a more deserving company to fail than Harrah's under the fine leadership of Gary Loveman and the ownership of Texas Pacific Group & Apollo. When I contacted TPG & Apollo about Harrah's illegal remodels they didn't care, because money not people/employees is the only thing that is important to them. Rumor has it that Gary Loveman is positioning himself or maybe some of his Harvard friends to purchase Caesars Palace...I wish him/them luck...not!

Harrah's downfall can be attributed to their greed, their total lack of business ethics, total lack of concern for the health & welfare of their employees, illegal activities, and again

their Corporate GREED. TPG & Apollo are perfect examples as to why the United States of America is in its' current financial nightmare.

By [HarrahsisUnethical](#)

2/18/09 at 12:48 a.m.

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You're absolutely correct Harrahswhistleblower!

Harrahs does not care how much of their cutting of staff affects guest service, and could care less about their employees. Although Harrahs bolsters on their website; [www.harrahs.com](http://www.harrahs.com), under company information that they provide a "unique combination of great service, excellent products, unsurpassed distribution, operational excellence and technology leadership. We concentrate on building loyalty and value for our customers, employees, business partners, and communities by being the most service-oriented..." "...a commitment to the highest standards of business integrity..." and promises "...Leadership that values an empowered and diverse workforce with the highest standards of integrity, ethics, mutual trust and individual dignity..." it should be under the title WHAT THIS COMPANY LACKS!!!

I have encountered the same "cherry picking" tactics these bond investor's complain of when Harrahs layoff their employees. I have more on the subject on [www.craigslist.com](http://www.craigslist.com) under local news and views, and posted copies of the emails (and I will be posting more, stay tuned) between supervisor's, director's, and vice presidents communicating between each other on how to build a case against an employee to remove him from a position so that one of their favored employees' can be "cherry picked" and placed in a position to save him from layoff. The emails go on to claim, from one of Harrahs vice presidents, that the favored "cherry picked" employee knows to keep the illegal conduct confidential!!! There is no business integrity with Harrahs, nor do they treat their employees with the "highest standards of integrity, ethics, mutual trust and individual dignity."

It is no surprise that investors have filed complaints claiming the same "cherry picking" favoritism! This seems to be the standard for Harrahs code of conduct.

Harrahs will be facing more Federal suits for their managements violations of Federal Law. There are charges filed with the N.L.R.B. (National Labor Relations Board) against a Harrahs property, Flamingo Las Vegas. There should be no reason why this Federal Agency does not file a complaint against this Harrahs property for their managements violations of Federal Law.

It is hoped that Harrahs files for bankruptcy, and the company has to sell off all its properties. This community can not afford to allow this type of company to operate such a large portion of the casino's here in Las Vegas!

There is no such "Operational Excellence" with this company! Bond investor's should allow any bankruptcy, and allow any sale of the Flamingo back to the Hilton, this will allow the Flamingo to operate with class and style it had when it was previously run under the Hilton name; "Flamingo Hilton!"

By [jamalosh](#)

2/18/09 at 1:40 p.m.

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Gez Wizz, what is with all the lawsuit's? These people invested there money. With the USA in such bad shape, people losing their job,homes, etc. Do they really think they are going

to make money off of casino's that have no control over how many people do or do not walk in the door to spend their hard earned money. Wake up and look at the world around you!!!!!!

By [HarrahsisUnethical](#)

2/19/09 at 1:22 a.m.

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The complaint filed reads in part, as follows;

"44. Since that acquisition, Harrah's has been struggling with its debt load as the consumer

spending crash has affected the casino and gaming market.<sup>1</sup> Private equity firms like Apollo and

TPG have been under pressure to "restructure debt after a \$750 billion spending spree last year

crashed into the credit crunch and worldwide economic slowdown."<sup>2</sup> Harrah's bonds trade for as

little as 15 cents on the dollar, but produce yields of more than 45%, as investors are concerned that

Harrah's will go into bankruptcy.<sup>3</sup> Harrah's posted its fourth consecutive quarterly loss on November 7, 2008."

"47. The Exchange Offers were, however, limited to "Qualified Institutional Buyers" ("QIBs") and "certain non-U.S. investors located outside the United States." The controlling terms

of the Exchange Offers were set forth solely in the private offering memorandum and not filed with

the Securities and Exchange Commission.

48. Defendants unilaterally and arbitrarily determined who and which entities were eligible as QIBs and certain non-U.S. investors located outside the United States.

Defendants did

not deem Plaintiffs and other Classmembers to be eligible for the Exchange Offers either as QIBs or

as certain non-U.S. investors located outside the United States."

Yes, Harrahs is controlling who receives money! They are "cherry picking" who receives money. THIS is the problem! Harrahs is an Unethical company, and continues to violate federal laws! Although they deem (Cherry-Pick) foreign investors to be more worthy to receive monies over United States investors, they will end up crying for help to the United States Congress and United States Bankruptcy Courts!

By [AnotherWhistlebloer](#)

2/20/09 at 10:16 a.m.

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I agree with the Whistle blower...

I think we all know where the money went!

So what will our government do to recover it!

I think before anyone at Harrah's even brings up the "B" word they need to recover the money that their leading propagandist swindled.

Then maybe the rest of the self-serving executives!

This company is expert on creating financial and economic crises that only effect those outside of their internal political circle!

Here's a good buzz word "JAIL"

By [maestrotiger](#)

2/21/09 at 7:55 p.m.

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i only hope when HARRAHS goes to the wall that the IMPERIAL PALACE is saved to ownership of a smaller company as i have stayed there for the last 10 years THE STAFF ARE THE BEST VEGAS HAS TO OFFER you can build as many large & new hotels as you want but certain places have a charm to offer

PHIL UK

By [HarrahsisUnethical](#)

2/22/09 at 11:15 p.m.

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Here, Here, my UK compatriot!!! Unfortunately, many of the great staff's have been cut by Harrahs management to save unethical management and favored employees of Harrahs.

See; <http://lasvegas.craigslist.org/vnn/10464...>

By [maestrotiger](#)

2/26/09 at 12:49 p.m.

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DO PEOPLE ALSO KNOW THAT HARRAHS BANED THE SALE OF THE LASVEGAS SUN IN THE SHOPS ON PROPERTIES OWNED BY THEM

By [HarrahsisUnethical](#)

2/27/09 at 9:52 p.m.

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No, didn't know that one. Thank you Maestrotiger! It doesn't surprise me though. Harrahs wants to portray themselves as a good honest company with the right hand. But they don't want anyone to see the criminal and unethical conduct of its left hand!!! I'm surprised no one has filed suits over the noro-virus that infected not only the Flamingo property, but the Paris/Bally's property as well!!! This was absolute negligence on the part of Harrahs managements cut backs of personnel! And, it's just another sign of harrahs inability to manage. Anyone who has children though know how hard it is to manage children! From what I understand Harrahs has closed two towers at Paris/Bally's because they've cut staff back so far. Guests should be warned about another possible noro-virus outbreak because of Harrahs lack of staff to properly cleanse properties. Guests should absolutely be worried about staying at a Harrahs controlled property!!!

By [HarrahsisUnethical](#)

3/2/09 at 5:19 p.m.

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I will continue to update craigslist as the children continue to hide their unethical behaviors by deleting the truth!!! Harrahs can go to Court and lie all they want!!!

However, let the citizens of this great nation now see how this childish company and managment operate!!!!!!! The updated link; <http://lasvegas.craigslist.org/vnn/10563...>

By [HarrahsisUnethical](#)

3/5/09 at 1:41 a.m.

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Please standby on craigslist updates. The account has been flagged and put on hold, presumably to see what can be legally said about harrahs unethical conduct, and illegal activities. In the mean time, go to the following link to view the data;

<http://lasvegas.kijiji.com/c-Community-A...>

By [HarrahsisUnethical](#)

3/8/09 at 5:08 p.m.

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They can only try to conceal the truth:~)

<http://twochildshentities.blogspot.com/...>



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