

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

S. BLAKE MURCHISON, and WILLIS)	
SHAW,)	
)	
Plaintiffs,)	
)	
vs.)	
)	C.A. No. _____
HARRAH'S ENTERTAINMENT, INC.,)	
HARRAH'S OPERATING COMPANY, INC.,)	
CHARLES L. ATWOOD, JEFFREY)	
BENJAMIN, DAVID BONDERMAN,)	TRIAL BY JURY DEMANDED
ANTHONY CIVALE, JONATHAN COSLET,)	
KELVIN DAVIS, JEANNE P. JACKSON,)	
GARY W. LOVEMAN, KARL PETERSON,)	
ERIC PRESS, MARC ROWAN, LYNN C.)	
SWANN, and CHRISTOPHER J. WILLIAMS,)	
)	
Defendants.)	
_____)	

CLASS ACTION COMPLAINT

Plaintiffs S. Blake Murchison ("Murchison") and Willis Shaw ("Shaw") (collectively, "Plaintiffs") file this Class Action Complaint against defendants Harrah's Entertainment, Inc. ("HEI") and Harrah's Operating Company, Inc. ("HOC") (collectively "Harrah's"), Charles L. Atwood ("Atwood"), Jeffrey Benjamin ("Benjamin"), David Bonderman ("Bonderman"), Anthony Civale ("Civale"), Jonathan Coslet ("Coslet"), Kelvin Davis ("Davis"), Jeanne P. Jackson ("Jackson"), Gary W. Loveman ("Loveman"), Karl Peterson ("Peterson"), Eric Press ("Press"), Marc Rowan ("Rowan"), Lynn C. Swann ("Swann"), and Christopher J. Williams ("Williams"), and allege as follows on information and belief, except as to the allegations pertaining to plaintiffs which are alleged on knowledge.

INTRODUCTION AND NATURE OF THE ACTION

1. HEI and HOC are on the verge of bankruptcy, debt default and other events of insolvency. 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.

2. Defendants, unlawfully, unfairly, disloyally and without bond holders' consent, denied Plaintiffs Murchison and Shaw, and the entire class of similarly-situated bond holders, the ability to take advantage of the bond tender offers. 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.

3. Thus, pursuant to the Trust Indenture Act of 1939, 15 U.S.C. §§77aaa, *et seq.*, the plain language of the Indentures governing the bonds issued by Harrah's, and the "All Shares/Best Price" rule, 15 U.S.C. § 78n(d)(7), Plaintiffs, on behalf of themselves and all others similarly situated, seek damages against Defendants and for other appropriate relief for Defendants' wrongful impairment of the rightful priority status of Plaintiffs' bond holdings.

PARTIES

4. Plaintiff Murchison, at all material times, has owned a bond issued by Harrah's that is styled as "5.75% Senior Notes due 2017", with the unique Committee on Uniform Security Identification Procedures ("CUSIP") Number 413627AW0 (the "5.75% Senior Notes").

5. Plaintiff Shaw, at all material times, has owned a bond issued by Harrah's which is styled as "6.5% Senior Notes due 2016", with the unique CUSIP Number 413627AX8 (the "6.5% Senior Notes").

6. Defendant HEI is a corporation incorporated under the laws of the State of Delaware, and has its principal place of business in Las Vegas, Nevada. Defendant HEI is a provider of global casino gaming and entertainment.

7. Defendant HOC is a corporation incorporated under the laws of the State of Delaware, has its principal place of business in Las Vegas, Nevada, and is a wholly-owned subsidiary of defendant HEI.

8. Defendant Atwood has been a member of the HEI board of directors at all material times.

9. Defendant Benjamin has been a member of the HEI board of directors at all material times, and is an advisor to the private equity firm, Apollo Global Management, LLC ("Apollo").

10. Defendant Bonderman has been a member of the HEI board of directors at all material times, and is the founding partner of the private equity firm, TPG Capital, LP ("TPG").

11. Defendant Civale has been a member of the HEI board of directors at all material times, and is a partner at Apollo.

12. Defendant Coslet has been a member of the HEI board of directors at all material times, and is a partner at TPG.

13. Defendant Davis has been a member of the HEI board of directors at all material times, and is a partner at TPG.

14. Defendant Jackson has been a member of the HEI board of directors at all material times.

15. Defendant Loveman has been chairman of the HEI board of directors at all material times, and is the Chief Executive Officer and President of HEI.

16. Defendant Peterson has been a member of the HEI board of directors at all material times, and is a partner at TPG.

17. Defendant Press has been a member of the HEI board of directors at all material times, and is a partner at Apollo.

18. Defendant Rowan has been a member of the HEI board of directors at all material times, and is the founding partner at Apollo.

19. Defendant Swann has been a member of the HEI board of directors at all material times.

20. Defendant Williams has been a member of the HEI board of directors at all material times.

21. Defendants Atwood, Benjamin, Bonderman, Civale, Coslet, Davis, Jackson, Loveman, Peterson, Press, Rowan, Swann, and Williams are collectively referred to herein as “Board Defendants.”

22. Herein, the term “bonds” is used interchangeably with and given the same meaning as the term “notes.”

JURISDICTION AND VENUE

23. Jurisdiction is proper under 15 U.S.C. §§77v(a), vvv(b) in this District for Plaintiffs’ Trust Indenture Act of 1939 claims.

24. Jurisdiction is proper under 28 U.S.C. §1331 in this District for Plaintiffs’ “All Shares/Best Price” claims pursuant to 15 U.S.C. §78n(d)(7).

25. The Court has subject matter jurisdiction over this action pursuant to 28 USC §1332 because this matter is a class action with an amount in controversy that exceeds \$5,000,000, there are

hundreds if not thousands of Class members, and members of the Class of Plaintiffs are citizens of states different from Defendants.

26. Jurisdiction is proper under 28 U.S.C. §1367 in this District for Plaintiffs' supplemental state law claims.

27. Venue is proper under 28 U.S.C. §1391 in this District.

28. The Private Securities Litigation Reform Act of 1995 does not apply to this case as none of the claims asserted herein sound in fraud. *See, e.g., In re Luxottica Group S.p.A., Sec. Litig.*, 293 F. Supp. 2d 224, 231 (E.D.N.Y. 2003).

SUBSTANTIVE ALLEGATIONS

A. The Bonds

(i) Murchison

29. At all material times, Plaintiff Murchison has owned a bond issued by defendant HOC, with the CUSIP Number 413627AW0, and is otherwise labeled as "5.75% Senior Notes due 2017." The "5.75% Senior Notes due 2017" are guaranteed by defendant HEI.

(ii) Shaw

30. At all material times, Plaintiff Shaw has owned a bond issued by defendant HOC, with the CUSIP Number 413627AX8, and is otherwise labeled as "6.5% Senior Notes due 2016." The 6.5% Senior Notes are guaranteed by defendant HEI.

B. The Bond Indentures

(i) 5.75% Senior Notes due 2017

31. The Indenture for the "5.75% Senior Notes due 2017" provides that the "entire outstanding principal of the Notes will mature on October 1a, 2017." Indenture for 5.75% Senior Notes at Art. II, sec. 2.1, attached hereto as Exhibit A. The Indenture further provides that the "Notes shall bear interest at a rate of 5.75% per annum," and that "the Interest Payment Dates for the

Notes on which interest shall be payable shall be April 1 and October 1 in each year, beginning April 1, 2006.” *Id.*

32. Article IV, section 4.7 provides for “Limitations on Liens,” which prohibits Harrah’s from issuing, assuming or guaranteeing “any Indebtedness secured by [the 5.75% Senior Notes] without effectively providing that the Notes shall be secured equally and ratably with (or prior to) such Indebtedness so long as such Indebtedness shall be so secured.”

33. Article VI, section 6.1 of the 5/75% Senior Notes Indenture provides for “Events of Default” which are triggered, among other reasons, when and within the meaning of “Bankruptcy Law”, Harrah’s “generally is not paying its debts as the same become due.” Article VI, section 6.8 of the 5.75% Senior Notes Indenture further provides for “Unconditional Right of Holders to Receive Principal and Interest” which guarantees bond holders the “absolute and unconditional [right] to receive payment of the principal of and interest, if any, on the Notes on the Stated Maturity [. . .] and to institute suit for the enforcement of any such payment.”

34. Article IX, section 9.3 of the 5.75% Senior Notes Indenture provides for “Limitations” which prohibits Harrah’s from, among other things, reducing “the rate of or extend[ing] the time for payment of interest (including default interest) on the Notes,” and reducing “the principal or change the Stated Maturity of the Notes,” without the consent of the affected note holder.

35. Article X, section 10.1 of the 5.75% Senior Notes Indenture provides that the Trust Indenture Act of 1939, 15 U.S.C. §§77aaa, *et seq.*, governs and controls the Indenture, including with respect to provisions that would be in conflict with that law.

36. Article X, section 10.10 of the 5.75% Senior Notes Indenture provides that New York State law applies to any construction of the Indenture.

(ii) 6.5% Senior Notes due 2016

37. The Indenture for the “6.5% Senior Notes due 2016” provides that the notes will mature on June 1, 2016. *See* Indenture dated as of June 9, 2006 for the 6.5% Senior Notes at Exhibit 4.3, attached hereto as Exhibit B. The 6.5% Senior Notes Indenture further provides that the interest due on each bond commenced on “December 1, 2006, at the rate of 6.50% per annum, until the principal hereof is paid or made available for payment.” *Id.*

38. Article I, section 107 of the 6.5% Senior Notes Indenture provides that the Trust Indenture Act of 1939, 15 U.S.C. §§77aaa, *et seq.*, governs and controls the Indenture, including with respect to provisions that would be in conflict with that law.

39. Article I, section 112 of the 6.5% Senior Notes Indenture provides that New York State law applies to any construction of the Indenture.

40. Article V, section 501 of the 6.5% Senior Notes Indenture provides for “Events of Default” which are triggered, among other reasons, when and within the meaning of “Bankruptcy Law” Harrah’s “generally is not paying its debts as the same become due.” Article V, section 508 of the 6.5% Senior Notes Indenture further provides for the “Unconditional Right of Holders to Receive Principal and Interest” which guarantees bond holders the “absolute and unconditional [right] to receive payment of the principal of and any premium and [. . .] interest on such Security on the respective Stated Maturities expressed in such Security [. . .] and to institute suit for the enforcement of any such payment.”

41. Article IX, section 902 of the 6.5% Senior Notes Indenture provides for “Supplemental Indentures With Consent of Holders” and prohibits Harrah’s from, among other things, changing “the Stated Maturity of the principal of, any installment of principal of or interest on, any Security,” without the consent of the affected note holder.

42. Article X, section 1007 of the 6.5% Senior Notes Indenture provides for “Limitations on Liens,” which prohibits Harrah’s from issuing, assuming or guaranteeing “any Indebtedness secured by [the 6.5% Senior Notes due 2016] without effectively providing that the Notes shall be secured equally and ratably with (or prior to) such Indebtedness so long as such Indebtedness shall be so secured.”

C. Harrah’s Exchange Offers

43. On January 28, 2008, Harrah’s was acquired by affiliates of the private equity firms Apollo and TPG in a transaction valued at \$29.7 billion, including assumption of \$12.4 billion of debt but excluding transaction costs.

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.¹ 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.”² 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.³ Harrah’s posted its fourth consecutive quarterly loss on November 7, 2008.

¹ See Reuters via COMTEX, *US CREDIT-Harrah’s bondholders hold out, may need sweeter terms*, <http://www.tradingmarkets.com/.site/news/Stock%20News/2061406/> (last visited December 23, 2008) (attached hereto as Exhibit C).

² See Bloomberg, *Apollo’s Black Seeks Bond Swaps for Harrah’s, Realogy*, <http://www.bloomberg.com/apps/news?pid=20601087&sid=aXQ3SlfgoJlc&refer=home> (last visited December 23, 2008) (attached hereto as Exhibit D).

³ *Id.*

45. On or about November 14, 2008, Defendants issued a private offering memorandum with respect to bond exchange tender offers (“Exchange Offers”).

46. The stated purpose of the “Exchange Offers is to reduce the outstanding principal amount of indebtedness of [Harrah’s] and to extend the weighted average maturity of [Harrah’s] outstanding indebtedness.” *See* Form 8-K at Exhibit 99.1, attached hereto as Exhibit E.

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 Class members to be eligible for the Exchange Offers either as QIBs or as certain non-U.S. investors located outside the United States.

49. The Exchange Offers were for the purchase and exchange of: a) **new** “10.00% Second-Priority Senior Secured Notes due 2015” for previously-issued bonds maturing between 2010 and 2013, and b) **new** “10.00% Second-Priority Senior Secured Notes due 2018” for previously-issued bonds maturing between 2015 and 2018.

50. Specifically, the new “10.00% Second-Priority Senior Secured Notes due 2015” and “10.00% Second-Priority Senior Secured Notes due 2018” (collectively the “New Notes”), subordinated the following previously-issued bonds (collectively the “Old Notes”):

CUSIP/ISIN	Old Notes
413627AQ3 / US413627AQ32	5.50% Senior Notes due 2010
700690AQ3 / US700690AQ34	7.875% Senior Subordinated Notes due 2010
413627AH3 / US413627AH33	8.0% Senior Notes due 2011
700690AL4 / US700690AL47	
700690AK6/US700690AK63	8.125% Senior Subordinated Notes due 2011
U70230AA2/USU70230AA22	
413627AN0 / US413627AN01	5.375% Senior Notes due 2013

413627AU4 / US413627AU44	5.625% Senior Notes due 2015
413627AX8 / US413627AX82	6.5% Senior Notes due 2016
413627AW0 / US413627AW00	5.75% Senior Notes due 2017
413627AZ3 / US413627AZ31	10.75%/11.5% Senior Toggle Notes due 2018
U24658AK9 / USU24658AK95	
U24658AJ2 / USU24658AJ23	10.75% Senior Notes due 2016
413627AY6 / US413627AY65	

51. The New Notes subordinated the Old Notes to the extent that, in the event of Harrah's bankruptcy, the New Notes would have priority over the Old Notes.

52. The Exchange Offers also gave the unilaterally-selected participants who held Old Notes that were set to mature between 2010 and 2011 the option of receiving cash in lieu of New Notes that they would otherwise receive in the Exchange Offer.

53. On December 19, 2008, the Exchange Offers expired and resulted in the following tender offer and purchase exchanges:

Old Notes	Principal Amount	Principal Amount	Total Principal Amount	Principal Amount
	Tendered for Exchange Only	Tendered for Cash in lieu of New Notes	Tendered	Accepted
5.50% Senior Notes due 2010	62,732,000	308,539,000	371,271,000	371,271,000
7.875% Senior Subordinated Notes due 2010	7,356,000	56,458,000	63,814,000	63,814,000
8.0% Senior Notes due 2011	10,172,000	9,480,000	19,652,000	19,652,000
8.125% Senior Subordinated Notes due 2011	16,447,000	74,613,000	91,060,000	91,060,000
5.375% Senior Notes due 2013	221,388,000	—	221,388,000	221,388,000
5.625% Senior Notes due 2015	405,167,000	—	405,167,000	136,026,000
6.5% Senior Notes due 2016	294,369,000	—	294,369,000	98,780,000
5.75% Senior Notes due 2017	417,550,000	—	417,550,000	140,194,000
10.75%/11.5% Senior Toggle Notes due 2018	1,160,732,000	—	1,160,732,000	350,000,000
10.75% Senior Notes due 2016	2,965,925,000	—	2,965,925,000	732,264,000

54. On December 24, 2008, the Exchange Offers became final.

55. Prior to the Exchange Offers, each of the individual Old Notes maintained the identical bankruptcy priority, and the attendant bond holders of those individual Old Notes, including Plaintiffs and the Class, maintained identical rights with respect to each of the individual Old Notes. The Exchange Offers gave QIBs and certain non-U.S. investors located outside the United States priority ahead of previously equal bond holders, including Plaintiffs, in the event of Harrah's bankruptcy. Defendants arbitrarily granted selected individuals and entities the ability to

participate in the Exchange Offers while denying Plaintiffs the ability to participate in the Exchange Offers, thereby causing Plaintiffs' Notes to be subordinated to the New Notes.

56. Given the state of the credit markets and economic environment, Harrah's will likely enter into bankruptcy or become terminally insolvent in the next year, and there is a substantial likelihood that Plaintiffs' bonds will be subordinated to the purported priority of the New Notes and not be redeemed at the end of Harrah's liquidation process.

CLASS ACTION ALLEGATIONS

57. Plaintiffs bring this action as a class action pursuant to Federal Rules of Civil Procedure 23(a) and 23(b) on behalf of themselves and all others similarly situated as members of the following class:

All persons or entities which were ineligible to participate in the Exchange Offers and which hold or held the following Harrah's bonds at any time from November 14, 2008 to the present: a) 5.50% Senior Notes due 2010, CUSIP No. 413627AQ3, b) 7.875% Senior Subordinated Notes due 2010, CUSIP No. 700690AQ3, c) 8.0% Senior Notes due 2011, CUSIP No. 413627AH3, d) 8.125% Senior Subordinated Notes due 2011, CUSIP Nos. 700690AL4, 700690AK6, and U70230AA2, e) 5.375% Senior Notes due 2013, CUSIP No. 413627AN0, f) 5.625% Senior Notes due 2015, CUSIP No. 413627AU4, g) 6.5% Senior Notes due 2016, CUSIP No. 413627AX8, h) 5.75% Senior Notes due 2017, CUSIP No. 413627AW0, i) 10.75%/11.5% Senior Toggle Notes due 2018, CUSIP Nos. 413627AZ3, U24658AK9, j) 10.75% Senior Notes due 2016, CUSIP Nos. 413627AY6, U24658AJ2.

58. Subject to additional information obtained through further investigation and discovery, the foregoing definition of the Class may be expanded or narrowed by amendment or amended complaint. Specifically excluded from the proposed Class are Defendants, their officers, directors, agents, trustees, parents, children, corporations, trusts, representatives, employees, principals, servants, partners, joint venturers, or entities controlled by Defendants, and their heirs, successors, assigns, or other persons or entities related to or affiliated with Defendants and/or their officers and/or directors, or any of them; the Judge assigned to this action, and any member of the Judge's immediate family.

59. ***Numerosity.*** The members of the Class are so numerous that their individual joinder is impracticable. Plaintiffs are informed and believe, and on that basis allege, that the proposed Class contains many thousands of members. The precise number of Class members is unknown to Plaintiffs. The true number of Class members is known by Defendants, however, and thus, may be notified of the pendency of this action by first class mail, electronic mail, and by published notice.

60. ***Existence and Predominance of Common Questions of Law or Fact.*** Common questions of law or fact exist as to all members of the Class and predominate over any questions affecting only individual Class members. These common legal or factual questions include, but are not limited to, the following:

(a) Whether Defendants' Exchange Offers violated identical provisions in the respective indenture agreements for the Old Notes held by Plaintiffs and the other members of the Class.

(b) Whether Defendants' Exchange Offers violated the "All Shares/Best Price" rule pursuant to 15 U.S.C. §78n(d)(7);

(c) Whether Defendants' Exchange Offers violated the Trust Indenture Act of 1939, 15 U.S.C. §§77aaa, *et seq.*;

(d) Whether Defendants' Exchange Offers were unfair, discriminatory and arbitrary;

(e) Whether Plaintiffs and the other members of the class are entitled to damages and the proper measure of such damages;

(f) Whether the Exchange Offers should be rescinded; and

(g) Whether Plaintiffs and the Class are entitled to damages, restitution, equitable relief and/or other relief, including, but not limited to, specific performance of the previously-issued indentures, and the amount and nature of such relief.

61. **Typicality.** Plaintiffs' claims are typical of the claims of the members of the Class in that Plaintiffs were unlawfully, unfairly, and involuntarily excluded from participating in the Exchange Offers either as qualified institutional buyers or as non-U.S. investors located outside the United States, as were the other members of the Class.

62. **Adequacy of Representation.** Plaintiffs will fairly and adequately protect the interests of the members of the Class. Plaintiffs have retained counsel highly experienced in complex consumer class action securities litigation, and Plaintiffs intend to prosecute this action vigorously. Plaintiffs have no adverse or antagonistic interests to those of the Class.

63. **Superiority.** A class action is superior to all other available means for the fair and efficient adjudication of this controversy. The damages or other financial detriment suffered by individual Class members is relatively small compared to the burden and expense that would be entailed by individual litigation of their claims against Defendants. It would thus be virtually impossible for the Class, on an individual basis, to obtain effective redress for the wrongs done to them. Furthermore, even if Class members could afford such individualized litigation, the court system could not. Individualized litigation would create the danger of inconsistent or contradictory judgments arising from the same set of facts. Individualized litigation would also increase the delay and expense to all parties and the court system from the issues raised by this action. By contrast, the class action device provides the benefits of adjudication of these issues in a single proceeding, economies of scale, and comprehensive supervision by a single court, and presents no unusual management difficulties under the circumstances here.

64. In addition, the Class may be also certified because:

(a) the prosecution of separate actions by individual Class members would create a risk of inconsistent or varying adjudication with respect to individual Class members that would establish incompatible standards of conduct for Defendants;

(b) the prosecution of separate actions by individual Class members would create a risk of adjudications with respect to them that would, as a practical matter, be dispositive of the interests of other Class members not parties to the adjudications, or substantially impair or impede their ability to protect their interests; and/or

(c) Defendants have acted or refused to act on grounds generally applicable to the Class thereby making appropriate final declaratory and/or injunctive relief with respect to the members of the Class as a whole.

65. The claims asserted herein are applicable to all persons or entities throughout the United States which hold or held the bonds listed in paragraph 57 above at any time from November 14, 2008 to the present and were deemed ineligible and thereby precluded from participating in Defendants' Exchange Offers.

66. Adequate notice can be given to Class members directly using information maintained in Defendants' records or through notice by publication.

67. Damages may be provided to each member of the Class on a class-wide basis based on the Indenture information maintained in Defendants' records, the records of members of the Class, and in Internet databases like www.cusip.com, and so that the cost of administering damages for the Class can be minimized. However, the precise type and amount of damages available to Plaintiff and the other members of the Class is not a barrier to class certification.

COUNT I

Breach of Indentures

68. Plaintiffs hereby incorporate by reference each of the preceding allegations as though fully set forth herein.

69. All the Indentures for the bonds listed in paragraph 57 above, including the 5.75% Senior Notes Indenture and the 6.5% Senior Notes Indenture, are identical for the purposes of this Count. Plaintiffs purchased their 5.75% Senior Notes and 6.5% Senior Notes pursuant to the 5.75% Senior Notes Indenture and the 6.5% Senior Notes Indenture, respectively.

70. Each of the Indentures provides that Harrah's shall not issue, assume or guarantee any debt secured by the [respective] notes without effectively providing that the notes shall be secured equally and ratably with such debt. The Exchange Offers violated that provision of the Indentures because the New Notes are not secured equally and ratably with the Old Notes.

71. Each of the Indentures provides that Harrah's triggers default when Harrah's generally is not paying its debts as the same become due. The Exchange Offers trigger a default under that provision of the indenture agreements because the New Notes subordinate the Old Notes and there is a substantial likelihood that Harrah's will not be able to pay the Old Notes when they become due.

72. Each of the Indentures provides that Harrah's cannot reduce the rate of or extend the time for payment of interest on the [respective] notes or reduce the principal or change the stated maturity of the [respective] notes, without the consent of affected noteholders. The Exchange Offers violated that provision of the Indentures because the Old Notes are subordinated to the New Notes, there is a substantial likelihood that Harrah's will not be able to pay the Old Notes when they become due, and because Harrah's did not obtain the consent of Plaintiffs or other affected noteholders to the Exchange Offers.

73. As a result of Defendants' breach, Plaintiffs have suffered damages and will continue to be damaged in the future.

COUNT II

"All Shares/Best Price" Rule - 15 U.S.C. §78n(d)(7)

74. Plaintiffs hereby incorporate by reference each of the preceding allegations as though fully set forth herein.

75. 15 U.S.C. § 78n(d)(7) prohibits unfair, arbitrary and discriminatory tender offers for similarly-situated securities holders.

76. The Exchange Offers were tender offers for Harrah's bond securities.

77. Plaintiffs were similarly-situated securities holders to the QIBs and certain non-U.S. investors located outside the United States who participated in the Exchange Offers.

78. Defendants unfairly, arbitrarily, and discriminatorily prohibited Plaintiffs from tendering or accepting the terms of the Exchange Offers.

79. Defendants unfairly, arbitrarily, and discriminatorily prohibited Plaintiffs from tendering or accepting the terms of the Exchange Offers in violation of 15 U.S.C. §78n(d)(7).

80. As a result of the foregoing, Plaintiffs have suffered damages and will continue to be damaged in the future.

COUNT III

The Trust Indenture Act of 1939 - 15 U.S.C. §§77aaa, *et seq.*

81. Plaintiffs hereby incorporate by reference each of the preceding allegations as though fully set forth herein.

82. The Trust Indenture Act of 1939 requires bond holder consent where a bond holder's rights are impaired, 15 U.S.C. §77ppp; that a bond indenture be honored, §77ooo(a); and that, on default, a bond trustee act as "a prudent man." §77ooo(c).

83. The Exchange Offers impaired the rights of Plaintiffs' and other Class members because their Old Notes have been subordinated by the New Notes and because there is a substantial likelihood that Plaintiffs' and the Class' Old Notes will be subordinated to the purported priority of the New Notes and not be redeemed at the end of Harrah's liquidation process.

84. Defendants did not have Plaintiffs' or the Class' consent to consummate and finalize the Exchange Offers or otherwise impair Plaintiffs' and the Class' rights under the Indentures governing the Old Notes.

85. Defendants violated the Indentures for the Old Notes held by Plaintiffs and other Class members by consummating and finalizing the Exchange Offers, in that Defendants improperly encumbered Plaintiffs' and the Class' Old Notes, triggered default under the Indentures, and materially altered the rate and time for payment of interest on the Old Notes and or reduced the stated maturity of the Old Notes, since the Exchange Offers subordinate Plaintiffs' and the Class' Old Notes to the New Notes and there is a substantial likelihood that Plaintiffs' and the Class' Old Notes will be subordinated to the purported priority of the New Notes and not be redeemed at the end of Harrah's liquidation process.

86. Defendants thereby violated the Trust Indenture Act of 1939.

87. As a result, Plaintiffs have suffered damages and will continue to be damaged in the future.

COUNT IV

Equitable Subordination

88. Plaintiffs hereby incorporate by reference each of the preceding allegations as though fully set forth herein.

89. There is a substantial likelihood that Harrah's will go into bankruptcy, a debt default and other insolvency event in the near future.

90. The Exchange Offers unfairly, arbitrarily, and discriminatorily gave Defendants the unilateral right to determine which individuals and entities were QIBs and certain non-U.S. investors located outside the United States which were eligible to participate in the Exchange Offers.

91. Defendants unfairly, arbitrarily and discriminatorily exercised that right against Plaintiffs and other similarly-situated bond holders since there is no lawful reason for discriminating between individuals and entities who might have been QIBs and certain non-U.S. investors located outside the United States which were eligible to participate in the Exchange Offers, and which were not.

92. The Exchange Offers unfairly, arbitrarily, and discriminatorily favored the individuals and entities who Defendants unilaterally determined were QIBs and certain non-U.S. investors located outside the United States eligible to participate in the Exchange Offers, to the detriment of similarly-situated bond holders, since the Exchange Offers created New Notes that were senior to the Old Notes, and since there is a substantial likelihood that the Old Notes will be subordinated to the purported priority of the New Notes and not be redeemed at the end of Harrah's liquidation process.

93. Because the Exchange Offers unfairly, arbitrarily, and discriminatorily favored the individuals and entities who Defendants unilaterally determined were QIBs and certain non-U.S. investors located outside the United States which were eligible to participate in the Exchange Offers, the Exchange Offers violate equity, fairness, rationality, and the essential principles of free market capitalism.

COUNT V

Liability of Board Defendants

94. Plaintiffs hereby incorporate by reference each of the preceding allegations as though fully set forth herein.

95. The Board Defendants participated in and directed the creation, ratification, execution, negotiation, and consummation of the Exchange Offers.

96. The Exchange Offers have caused harm to Plaintiffs and the Class because the Exchange Offers breached the Indentures, violated the All Shares/Best Price rule, 15 U.S.C. §78n(d)(7), The Trust Indenture Act of 1939, 15 U.S.C. §§77aaa, *et seq.*, and violated principles of equity and fairness.

97. The Board Defendants are liable for that harm to Plaintiffs and the Class.

98. As a result of that harm caused by the Board Defendants, Plaintiffs have suffered damages and will continue to suffer damages in the future.

WHEREFORE, Plaintiffs, on behalf of themselves and all others similarly situated, pray for relief and judgment against Defendants as follows:

A. For an order certifying the Class under the appropriate provisions of Rule 23, as well as any appropriate subclasses, and appointing Plaintiffs and their legal counsel to represent the Class;

B. Awarding Plaintiffs and the Class declaratory relief that the Exchange Offers violated: the Indentures; 15 U.S.C. §78n(d)(7); 15 U.S.C. §§77aaa, *et seq.*; and/or equity;

C. Awarding Plaintiffs and the Class damages because the Exchange Offers violate: the Indenture Agreements; 15 U.S.C. §78n(d)(7); and/or 15 U.S.C. §§77aaa, *et seq.*;

D. For reasonable attorneys' fees and costs to counsel for the Class if and when non-pecuniary benefits are obtained on behalf of the Class; and

E. Granting such other and further relief as is just and proper.

DEMAND FOR TRIAL BY JURY

99. Plaintiffs, on behalf of themselves and all others similarly situated, hereby demand a jury trial on all issues so triable.

ROSENTHAL, MONHAIT & GODDESS, P.A.

/s/ Joseph A. Rosenthal

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