

MGM makes payment for Vegas CityCenter project

- USD 200 million of funding provided
- Financing concerns remain
- MGM shares fall 7.8 pct

New York (Reuters) – CityCenter, an USD 8 billion Las Vegas project owned by MGM Mirage and Dubai World, won a reprieve on Friday when MGM committed USD 200 million to allow construction to continue while project leaders seek additional funding.

„MGM Mirage intends to work with Dubai World, its lenders and others to find a long-term solution for the financing of CityCenter’s completion,“ MGM said in a statement.

News of the funding came after sources had feared that the Las Vegas project could file for bankruptcy as early as Friday.

Shares of MGM Mirage, a casino operator controlled by billionaire Kirk Kerkorian, closed down nearly 8 percent after earlier falling more than 18 percent.

MGM said it got a waiver from senior lenders to provide the payment to CityCenter – the 67-acre residential, resort and retail complex on the Las Vegas Strip slated to open late this year.

It said the USD 200 million included USD 100 million that should have been funded by state-owned investor Dubai World, which filed suit against MGM in Delaware Chancery Court this week seeking to be relieved of obligations to CityCenter.

The casino company added that the latest funding brings to about USD 800 million the remaining combined equity contributions necessary to access a CityCenter credit line.

The next equity payment is due in April, MGM said.

While the payment allows construction to continue for now, there are still financing concerns that cloud MGM's stock, an analyst said.

„There was relief that this wasn't going to trigger some bankruptcy, but I think people realized this kind of solved today's problem, but it doesn't really help tomorrow's problem, which is (that) USD 800 million of equity is still needed to go into the project,“ said Robert LaFleur, an analyst with Susquehanna Financial Group.

Sources said CityCenter had hired law firm Dewey & LeBoeuf to prepare for a possible bankruptcy as early as Friday. Such a filing depended on the outcome of talks between MGM Mirage, Dubai World and their lenders, added the sources, who asked to remain anonymous because the talks were private.

Partner cites „good faith“

Dubai World said in a company statement provided to Reuters that the latest payment gives CityCenter's board more time to work out a restructuring.

„Dubai World regards it as a sign of good faith and of MGM's commitment to the CityCenter project,“ the statement said.

But Dubai World added that the waiver provided by lenders was „an acceptable, albeit temporary, solution to the liquidity issues that MGM Mirage is facing, which are at the heart of the lawsuit“ filed in Delaware Chancery Court this week.

In that complaint, Dubai World's Infinity World unit said MGM has mismanaged CityCenter and added further increases in project costs appeared likely.

A CityCenter bankruptcy would have put thousands of jobs at risk and been a blow to Las Vegas, which is already suffering mightily as gambling demand has waned in the recession.

„This thing is not just an MGM story,“ LaFleur said. „It’s about jobs, jobs, jobs.“

MGM shares closed down 24 cents, or 7.8 percent, at USD 2.85 on the New York Stock Exchange after falling by as much as 18.8 percent earlier.