

MGM's not alone in searching for answers to financial woes, McTevia tells Detroit Free Press

MGM says it may default on debt, raising bankruptcy concerns

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MGM Mirage Inc., owner of MGM Grand Detroit, may default on its debt agreements, raising concerns the company may file for bankruptcy.

aming experts said Wednesday it's unclear what the Detroit-area impact would be, but it's not good news for MGM Grand Detroit, the perennial leader in the local gambling market.

Billionaire investor Kirk Kerkorian is the majority owner of MGM Mirage, which said in a regulatory filing Tuesday that it may default on its debt as it develops its biggest project ever, the \$8.6-billion CityCenter in Las Vegas.

MGM tumbled 41 cents to close at \$2.21 on the New York Stock Exchange, its lowest price since at least December 1989. The shares have slumped 96% in the past year.

While the problems are tough to solve, MGM Mirage will attempt to work with its lenders to avoid bankruptcy, said Jim McTevia, managing partner of McTevia & Associates in Bingham Farms.

"You've got a bunch of lenders that are in trouble, a borrower in trouble and no conventional lender waiting in the wings," McTevia said. "We already have one casino in Detroit that's struggling through Chapter 11; is it any surprise that there may be another one?"

However, MGM Grand Detroit has consistently grabbed the highest revenues in Detroit and ranked fifth in profitability measures among MGM Mirage's casinos in third-quarter 2008, said Alan Feldman, an MGM Mirage spokesman.

"Does this mean MGM will go into bankruptcy? I don't know ... it makes it more possible than it was yesterday," said Randall A. Fine, a gaming consultant recently hired to manage Detroit's Greektown Casino, which filed for Chapter 11 bankruptcy in 2008.

"But the MGM Grand Detroit is not going to be closed."

Fine said this news could hurt the MGM Grand's traffic.

"When words like bankruptcy are out there, somewhat irrationally, customers get nervous ... that is just a toxic word," Fine said. "MGM Grand may have to deal with some of the perception problems that Greektown has had."

MGM Mirage will delay filing its annual report until March 17. The report is to include an auditor's assessment of whether it can continue as a company.

As of the end of September 2008, MGM Mirage had \$13.29 billion in long-term debt.