McTevia explains to the Detroit News why Chapter 11 is a real possibility for MGM

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MGM parent hits cash wall

Mirage, owner of MGM Grand, may be forced into bankruptcy over $13.29B debt.

Nathan Hurst / The Detroit News

DETROIT -- The owner of the MGM Grand Detroit casino is desperate for cash and might have to consider selling Detroit's biggest casino, according to gambling industry experts. MGM Mirage, the Las Vegas-based owner of MGM Grand Detroit, signaled in a Tuesday filing with the Securities and Exchange Commission that it may default on nearly $13.29 billion in debt, a move that could eventually send the casino-operating mega-firm into Chapter 11.

To avoid such action, the company has said it's working on renegotiating with lenders, as well as considering a sale of some gaming properties to generate cash that would help shore up its troubled balance sheet.

Company officials won't say whether any particular properties -- including MGM Grand Detroit -- are up for sale. But MGM Mirage already sold the landmark Treasure Island casino and hotel on the Vegas Strip to Kansas-based billionaire Phil Ruffin in December, and has been shopping around other properties as well, including hundreds of acres in Nevada and Atlantic City, N.J., as well as two corporate aircraft, according to published reports.

But with its stock price faltering --shares are trading about 95 percent lower than a year ago -- and financial troubles mounting for an $8.6 billion project on the Las Vegas Strip, experts say a sale of MGM Grand Detroit wouldn't be out of the question.

"Everything's on the table. Nothing's been ruled out," said industry expert Bill Thompson, a professor at the University of Nevada Reno. "This is a company that desperately needs cash, and they're certainly not getting it from consumers these days."

Jim McTevia, managing partner of Bingham Farms-based turnaround firm McTevia & Associates, said companies such as MGM Mirage are running up against a toxic mix of consumer spending pullbacks and lenders unwilling to negotiate debt.

"Simply put, there's no viable option other than a Chapter 11 reorganization attempt if they can't get their lenders to give them the time and to ease off on their debt service," McTevia said.

MGM Mirage -- owned by billionaire Kirk Kerkorian, who's made big bets on significant stakes in General Motors Corp. and Ford Motor Co. in recent years -- isn't the only big gaming firm to face financial woes in recent months. Las Vegas Sands Corp. had to raise an extra $2.1 billion in capital in November to meet its debt obligations.

But experts say MGM Mirage is in especially shaky condition because of its heavy investment on the Vegas Strip. Its $8.6 billion CityCenter project in Las Vegas -- which originally called for a massive casino along with thousands of new hotel rooms and luxury condominiums -- broke ground just as the global credit crunch reached a forte, and the company already has been forced to scale back or delay parts of the project to keep it afloat.

The financial pressures from that project have put the entire company in danger of default, said Thompson, the gaming expert, as it struggles to find financing or sell off enough other properties to keep its cash flow positive.

McTevia said that's something MGM Mirage will find difficult to do, especially in today's difficult economy.

"Until the consumer can come back spending, these companies are going to have trouble making it through this recession," he said.