

General James L. Jones
 [AFP/Getty Images/Getty Images] US Treasury Secretary Timothy Geithner (L) sits alongside US Secretary of State Hillary Clinton (C) and US National...

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A Reprieve for Project in Vegas?

By TAMARA AUDI

Australian billionaire and gambling magnate James Packer is weighing a stake in City Center, the troubled \$8.6 billion Las Vegas development owned by MGM Mirage and Dubai World, according to a person familiar with the matter.

Mr. Packer, whose Melbourne-based gambling company, Crown Ltd., has casinos in Australia and China, is discussing the possibility of an investment in the project with Colony Capital LLC, a Los Angeles-based investment firm, the person said.

Colony and Crown "would step in and take over the funding requirements. The idea is to keep City Center going," said the person. MGM Mirage shares spiked 48% to \$4.65 in 4 p.m. New York Stock Exchange composite trading on Friday.

A Crown spokesman declined to comment on "speculation" but said: "Crown is always prepared to consider proposals or investment opportunities which are likely to add value for our shareholders."

There are many obstacles to overcome, and talks could fall apart or change direction at any time. But this person said MGM Mirage's lenders, who must approve the gambling company's payments to City Center, "have got to come to reality quickly" and settle on a solution, which could include making room for new money at the table.

City Center needs a combined \$800 million contribution from both partners before it can access a \$1.8 billion credit facility from lenders needed to finish construction.

An investment from Colony and Crown could infuse enough cash into the project to save it from bankruptcy and keep it from shutting down. The project employs 8,500 construction workers and is expected to employ 12,000 hotel, casino, retail and restaurant workers when it opens later this year.

Dubai World, the investment arm of the Persian Gulf state, is suing MGM Mirage over the project, citing mismanagement and cost overruns. Dubai World has \$4.3 billion invested in the project but skipped its regular monthly payment in March. MGM Mirage made the full \$200 million payment, including Dubai World's share, in order to keep the project going.

But that put the gambling company, which is at risk of bankruptcy, under even greater financial strain. In its lawsuit, Dubai World questioned MGM Mirage's ability to keep funding the project to completion.

Among the potential solutions: MGM Mirage and Dubai World could take smaller stakes in the project in return for cash from third parties. Another possibility is restructuring in bankruptcy court.

Colony owns a 75% stake in Station Casinos Inc. while Crown owns a 19.6% interest in Fontainebleau Equity Holdings LLC. Both have Las Vegas properties.

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