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Las Vegas Monorail set to Exit Bankruptcy after Settlement

The settlement of a dispute between bondholders could become a giant step towards the Las Vegas monorail exiting bankruptcy. The settlement entails second-tier bondholders paying \$400,000 to first-tier bondholders out of a reserve fund. All other claims the two had made on each other's money will be dropped. Both parties will now seek bankruptcy court approval to ask a Minnesota state court to sanction the deal thus ending a complex legal fight that has tied up the monorail case for months.

The original settlement agreement did not satisfy the bondholders because of the unfavorable terms they were offered, namely repayment of \$44.5 million in three separate IOUs, which amounted to less than 10% of what they are owed.

The legal tussle began when the monorail project went into default and the \$500.2 million owed to the first tier bondholders far exceeded the value of the monorail itself, meaning there was no way to repay any part of the \$158.7 million owed to the second tier bondholders. However, the first tier bonds were covered by insurance from Ambac Assurance Corp. But Ambac itself ran into financial difficulties and went under receivership. That was when second tier bond trustee U.S. Bank filed a suit to recover whatever was left.

As if that was not enough, there was a third set of uninsured bonds of \$49.5 million that was also wiped out by the saga. This money went into buying the original monorail, which ran between MGM Grand and Bally's and subsequently extending it north to the Sahara 11 years ago.

The deal between the bondholders would have a significant impact on the reorganization process of the monorail. According to the monorail's attorney, if Bankruptcy Judge Bruce Markell approves the deal, it would mean that "the hearing to approve the (monorail reorganization) plan will be simplified, taking less time from the court and counsel."

This is seen by most as the final hurdle to ending the Chapter 11 bankruptcy case for Las Vegas monorail that began in January 2010. At that time, bondholders took over the collection from ticket sales and did what they thought best to keep operations ongoing.

Susan Freeman, attorney for Wells Fargo Bank, the trustee for the bondholders, said that the monorail and the first-tier bond holders have not yet settled all their differences. However, she declined to mention what other points of contention remain, other than to say negotiations are still going on.

But even upon exiting bankruptcy, the Las Vegas Monorail still has plenty of major challenges ahead. It is due for major overhauls by the end of the decade and currently, it does not have the funds for it. In addition, it will need fresh injection of cash to extend its route to McCarran International Airport to increase its passenger load that has been in decline for the past few years.