

MGM Resorts International  
Form 10-Q  
November 09, 2012  
[Table of Contents](#)

**UNITED STATES**  
**SECURITIES & EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2012

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from                      to

Commission File No. 001-10362

**MGM Resorts International**

Edgar Filing: MGM Resorts International - Form 10-Q

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**88-0215232**  
(I.R.S. Employer Identification No.)

**3600 Las Vegas Boulevard South, Las Vegas, Nevada 89109**

(Address of principal executive offices)

**(702) 693-7120**

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files): Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act): Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Edgar Filing: MGM Resorts International - Form 10-Q

**Class**  
Common Stock, \$.01 par value

**Outstanding at November 1, 2012**  
489,201,152 shares

---

Table of Contents

**MGM RESORTS INTERNATIONAL AND SUBSIDIARIES**

**FORM 10-Q**

**I N D E X**

|                          | <b>Page</b>  |
|--------------------------|--|
| <b><u>PART I.</u></b>    | <b><u>FINANCIAL INFORMATION</u></b>  |
| <u>Item 1.</u>           | <u>Financial Statements (Unaudited)</u>  |
|                          | <u>Consolidated Balance Sheets at September 30, 2012 and December 31, 2011</u> 1   |
|                          | <u>Consolidated Statements of Operations for the Three Months and Nine Months Ended September 30, 2012 and September 30, 2011</u> 2                  |
|                          | <u>Consolidated Statements of Comprehensive Income (Loss) for the Three Months and Nine Months Ended September 30, 2012 and September 30, 2011</u> 3 |
|                          | <u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2012 and September 30, 2011</u> 4                                   |
|                          | <u>Condensed Notes to Consolidated Financial Statements</u> 5-28   |
| <u>Item 2.</u>           | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 29-44   |
| <u>Item 3.</u>           | <u>Quantitative and Qualitative Disclosures About Market Risk</u> 44   |
| <u>Item 4.</u>           | <u>Controls and Procedures</u> 44  |
| <b><u>PART II.</u></b>   | <b><u>OTHER INFORMATION</u></b>  |
| <u>Item 1.</u>           | <u>Legal Proceedings</u> 44  |
| <u>Item 1A.</u>          | <u>Risk Factors</u> 46   |
| <u>Item 2.</u>           | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 47  |
| <u>Item 6.</u>           | <u>Exhibits</u> 47   |
| <b><u>SIGNATURES</u></b> | 48   |

---

Table of Contents**Part I. FINANCIAL INFORMATION****Item 1. Financial Statements****MGM RESORTS INTERNATIONAL AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS***(In thousands, except share data)**(Unaudited)*

|  | September 30,<br>2012 | December 31,<br>2011 |
|--|-----------------------|----------------------|
| <b>ASSETS</b>  |                       |                      |
| <b>Current assets</b>                                    |                       |                      |
| Cash and cash equivalents                                | \$ 2,443,159          | \$ 1,865,913         |
| Accounts receivable, net                                 | 412,390               | 491,730              |
| Inventories  | 107,772               | 112,735              |
| Deferred income taxes, net                               | 140,831               | 91,060               |
| Prepaid expenses and other                               | 243,665               | 251,282              |
| Total current assets                                     | 3,347,817             | 2,812,720            |
| <b>Property and equipment, net</b>                       | <b>14,765,349</b>     | <b>14,866,644</b>    |
| <b>Other assets</b>                                      |                       |                      |
| Investments in and advances to unconsolidated affiliates | 1,488,662             | 1,635,572            |
| Goodwill   | 2,901,273             | 2,896,609            |
| Other intangible assets, net                             | 4,813,183             | 5,048,117            |
| Other long-term assets, net                              | 515,077               | 506,614              |
| Total other assets                                       | 9,718,195             | 10,086,912           |
|  | \$ 27,831,361         | \$ 27,766,276        |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>               |                       |                      |
| <b>Current liabilities</b>                               |                       |                      |
| Accounts payable   | \$ 201,150            | \$ 170,994           |
| Income taxes payable                                     | 358                   | 7,611                |
| Accrued interest on long-term debt                       | 249,676               | 203,422              |
| Other accrued liabilities                                | 1,574,670             | 1,362,737            |
| Total current liabilities                                | 2,025,854             | 1,744,764            |
| <b>Deferred income taxes</b>                             | <b>2,527,828</b>      | <b>2,502,096</b>     |
| <b>Long-term debt</b>                                    | <b>13,825,451</b>     | <b>13,470,167</b>    |
| <b>Other long-term obligations</b>                       | <b>186,725</b>        | <b>167,027</b>       |

Edgar Filing: MGM Resorts International - Form 10-Q

**Commitments and contingencies (Note 6)**

**Stockholders equity**

|   |               |               |
|---|---------------|---------------|
| Common stock, \$.01 par value: authorized 1,000,000,000 shares; issued and outstanding 488,955,913 and 488,834,773 shares | 4,890         | 4,888         |
| Capital in excess of par value  | 4,098,322     | 4,094,323     |
| Retained earnings   | 1,437,525     | 1,981,389     |
| Accumulated other comprehensive income  | 12,533        | 5,978         |
| Total MGM Resorts International stockholders equity   | 5,553,270     | 6,086,578     |
| Noncontrolling interests  | 3,712,233     | 3,795,644     |
| Total stockholders equity   | 9,265,503     | 9,882,222     |
|   | \$ 27,831,361 | \$ 27,766,276 |

*The accompanying condensed notes are an integral part of these consolidated financial statements.*

Table of Contents**MGM RESORTS INTERNATIONAL AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS***(In thousands, except per share data)**(Unaudited)*

|   | Three Months Ended<br>September 30, |              | Nine Months Ended<br>September 30, |              |
|---|-------------------------------------|--------------|------------------------------------|--------------|
|   | 2012                                | 2011         | 2012                               | 2011         |
| <b>Revenues</b>                                     |                                     |              |                                    |              |
| Casino  | \$ 1,294,318                        | \$ 1,241,959 | \$ 3,928,548                       | \$ 2,629,674 |
| Rooms   | 393,055                             | 405,173      | 1,205,441                          | 1,170,301    |
| Food and beverage                                   | 361,252                             | 369,484      | 1,126,096                          | 1,078,268    |
| Entertainment                                       | 123,168                             | 132,350      | 364,477                            | 382,037      |
| Retail  | 51,211                              | 55,509       | 149,921                            | 155,951      |
| Other   | 127,567                             | 128,204      | 373,590                            | 371,253      |
| Reimbursed costs                                    | 87,682                              | 87,144       | 269,159                            | 262,914      |
|   | 2,438,253                           | 2,419,823    | 7,417,232                          | 6,050,398    |
| Less: Promotional allowances                        | (183,275)                           | (186,236)    | (550,899)                          | (497,975)    |
|   | 2,254,978                           | 2,233,587    | 6,866,333                          | 5,552,423    |
| <b>Expenses</b>                                     |                                     |              |                                    |              |
| Casino  | 826,072                             | 795,652      | 2,519,757                          | 1,632,382    |
| Rooms   | 128,546                             | 125,864      | 384,598                            | 366,736      |
| Food and beverage                                   | 209,686                             | 214,412      | 643,892                            | 628,559      |
| Entertainment                                       | 92,888                              | 96,889       | 270,235                            | 279,605      |
| Retail  | 29,064                              | 32,641       | 85,888                             | 94,279       |
| Other   | 88,616                              | 90,021       | 263,673                            | 256,710      |
| Reimbursed costs                                    | 87,682                              | 87,144       | 269,159                            | 262,914      |
| General and administrative                          | 319,106                             | 304,049      | 931,873                            | 875,193      |
| Corporate expense                                   | 62,992                              | 43,523       | 147,792                            | 120,024      |
| Preopening and start-up expenses                    | 765                                 |              | 765                                | (316)        |
| Property transactions, net                          | 5,803                               | 81,837       | 97,187                             | 82,828       |
| Gain on MGM China transaction                       |                                     |              |                                    | (3,496,005)  |
| Depreciation and amortization                       | 228,414                             | 249,520      | 700,866                            | 579,384      |
|   | 2,079,634                           | 2,121,552    | 6,315,685                          | 1,682,293    |
| <b>Income (loss) from unconsolidated affiliates</b> | (37,943)                            | 539          | (45,266)                           | 95,909       |
| <b>Operating income</b>                             | 137,401                             | 112,574      | 505,382                            | 3,966,039    |
| <b>Non-operating income (expense):</b>              |                                     |              |                                    |              |
| Interest expense, net of amounts capitalized        | (275,771)                           | (272,542)    | (836,436)                          | (812,680)    |
| Non-operating items from unconsolidated affiliates  | (20,901)                            | (24,692)     | (68,603)                           | (92,984)     |
| Other, net  | 2,012                               | (1,595)      | (55,518)                           | (18,567)     |
|   | (294,660)                           | (298,829)    | (960,557)                          | (924,231)    |
| <b>Income (loss) before income taxes</b>            | (157,259)                           | (186,255)    | (455,175)                          | 3,041,808    |
| Benefit for income taxes                            | 2,585                               | 79,680       | 26,760                             | 212,437      |
| <b>Net income (loss)</b>                            | (154,674)                           | (106,575)    | (428,415)                          | 3,254,245    |

Edgar Filing: MGM Resorts International - Form 10-Q

|  |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|
| Less: Net income attributable to noncontrolling interests                                | (26,485)            | (17,211)            | (115,449)           | (25,917)            |
| <b>Net income (loss) attributable to MGM Resorts International</b>                       | <b>\$ (181,159)</b> | <b>\$ (123,786)</b> | <b>\$ (543,864)</b> | <b>\$ 3,228,328</b> |
| <b>Income (loss) per share of common stock attributable to MGM Resorts International</b> |                     |                     |                     |                     |
| Basic  | \$ (0.37)           | \$ (0.25)           | \$ (1.11)           | \$ 6.61             |
| Diluted  | \$ (0.37)           | \$ (0.25)           | \$ (1.11)           | \$ 5.83             |

*The accompanying condensed notes are an integral part of these consolidated financial statements.*



Table of Contents

**MGM RESORTS INTERNATIONAL AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

*(In thousands)*

*(Unaudited)*

|  | Three Months Ended<br>September 30, |                     | Nine Months Ended<br>September 30, |                     |
|--|-------------------------------------|---------------------|------------------------------------|---------------------|
|  | 2012                                | 2011                | 2012                               | 2011                |
| <b>Net income (loss)</b>   | \$ (154,674)                        | \$ (106,575)        | \$ (428,415)                       | \$ 3,254,245        |
| Other comprehensive income (loss), net of tax:                               |                                     |                     |                                    |                     |
| Foreign currency translation adjustment                                      | 2,840                               | (3,528)             | 12,841                             | (6,362)             |
| Other  |                                     |                     |                                    | (37)                |
| Other comprehensive income (loss)  | 2,840                               | (3,528)             | 12,841                             | (6,399)             |
| <b>Comprehensive income (loss)</b>   | <b>(151,834)</b>                    | <b>(110,103)</b>    | <b>(415,574)</b>                   | <b>3,247,846</b>    |
| Less: Comprehensive income attributable to noncontrolling interests          | (27,838)                            | (15,439)            | (121,735)                          | (22,493)            |
| <b>Comprehensive income (loss) attributable to MGM Resorts International</b> | <b>\$ (179,672)</b>                 | <b>\$ (125,542)</b> | <b>\$ (537,309)</b>                | <b>\$ 3,225,353</b> |

*The accompanying condensed notes are an integral part of these consolidated financial statements.*

Table of Contents**MGM RESORTS INTERNATIONAL AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS***(In thousands)**(Unaudited)*

|  | <b>Nine Months Ended September 30,</b> |              |
|--|--|--------------|
|  | <b>2012</b>                            | <b>2011</b>  |
| <b>Cash flows from operating activities</b>  |  |              |
| Net income (loss)  | \$ (428,415)                           | \$ 3,254,245 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |  |              |
| Depreciation and amortization  | 700,866                                | 579,384      |
| Amortization of debt discounts, premiums and issuance costs                              | 56,086                                 | 70,312       |
| (Gain) loss on retirement of long-term debt  | 58,740                                 | (717)        |
| Provision for doubtful accounts  | 46,993                                 | 19,296       |
| Stock-based compensation   | 30,132                                 | 28,661       |
| Property transactions, net   | 97,187                                 | 82,828       |
| Gain on MGM China transaction  |  | (3,496,005)  |
| (Income) loss from unconsolidated affiliates   | 113,993                                | (2,925)      |
| Distributions from unconsolidated affiliates   | 15,203                                 | 54,436       |
| Change in deferred income taxes  | (50,918)                               | (222,631)    |
| Change in operating assets and liabilities:  |  |              |
| Accounts receivable  | 32,527                                 | (107,133)    |
| Inventories  | 4,981                                  | 394          |
| Income taxes receivable and payable, net   | (7,121)                                | 178,654      |
| Prepaid expenses and other   | (22,357)                               | 6,984        |
| Accounts payable and accrued liabilities   | 256,397                                | 22,500       |
| Other  | (17,032)                               | 12,757       |
| Net cash provided by operating activities  | 887,262                                | 481,040      |
| <b>Cash flows from investing activities</b>  |  |              |
| Capital expenditures, net of construction payable  | (316,757)                              | (176,324)    |
| Acquisition of MGM China, net of cash paid   |  | 407,046      |
| Investments in and advances to unconsolidated affiliates                                 | (37,000)                               | (107,648)    |
| Distributions from unconsolidated affiliates in excess of earnings                       | 1,347                                  | 3,077        |
| Investments in treasury securities - maturities longer than 90 days                      | (195,313)                              | (240,239)    |
| Proceeds from treasury securities - maturities longer than 90 days                       | 225,301                                | 240,070      |
| Other  | (985)                                  | (105)        |
| Net cash provided by (used in) investing activities                                      | (323,407)                              | 125,877      |
| <b>Cash flows from financing activities</b>  |  |              |
| Net repayments under bank credit facilities - maturities of 90 days or less              | (205,926)                              | (438,880)    |
| Borrowings under bank credit facilities - maturities longer than 90 days                 | 900,000                                | 5,774,985    |
| Repayments under bank credit facilities - maturities longer than 90 days                 | (2,734,128)                            | (4,568,257)  |
| Issuance of senior notes   | 2,850,000                              | 311,415      |
| Retirement of senior notes   | (534,650)                              | (365,136)    |
| Debt issuance costs  | (54,459)                               |              |
| Distributions to noncontrolling interest owners  | (206,806)                              |              |
| Other  | (1,733)                                | (4,550)      |
| Net cash provided by financing activities  | 12,298                                 | 709,577      |

Edgar Filing: MGM Resorts International - Form 10-Q

|  |    |           |    |           |
|--|----|-----------|----|-----------|
| <b>Effect of exchange rate on cash</b>   |    | 1,093     |    | (333)     |
| <b>Cash and cash equivalents</b>   |    |           |    |           |
| Net increase for the period  |    | 577,246   |    | 1,316,161 |
| Balance, beginning of period   |    | 1,865,913 |    | 498,964   |
| Balance, end of period   | \$ | 2,443,159 | \$ | 1,815,125 |
| <b>Supplemental cash flow disclosures</b>  |    |           |    |           |
| Interest paid, net of amounts capitalized  | \$ | 734,096   | \$ | 713,960   |
| Federal, state and foreign income taxes paid, net of refunds                             |    | 6,539     |    | (171,032) |
| <b>Non-cash investing and financing activities</b>                                       |    |           |    |           |
| Increase in investment in CityCenter related to change in completion guarantee liability | \$ | 79,580    | \$ | 20,460    |

*The accompanying condensed notes are an integral part of these consolidated financial statements.*

Table of Contents

**MGM RESORTS INTERNATIONAL AND SUBSIDIARIES**

**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**NOTE 1 ORGANIZATION**

**Organization.** MGM Resorts International (the Company) is a Delaware corporation that acts largely as a holding company and, through wholly owned subsidiaries, owns and/or operates casino resorts. The Company owns and operates the following casino resorts in Las Vegas, Nevada: Bellagio, MGM Grand Las Vegas, The Mirage, Mandalay Bay, Luxor, New York-New York, Monte Carlo, Excalibur and Circus Circus Las Vegas. Operations at MGM Grand Las Vegas include management of The Signature at MGM Grand Las Vegas, a condominium-hotel consisting of three towers. Other Nevada operations include Circus Circus Reno, Gold Strike in Jean and Railroad Pass in Henderson. The Company and its local partners own and operate MGM Grand Detroit in Detroit, Michigan. The Company owns and operates two resorts in Mississippi: Beau Rivage in Biloxi and Gold Strike Tunica. The Company also owns Shadow Creek, an exclusive world-class golf course located approximately ten miles north of its Las Vegas Strip resorts, Primm Valley Golf Club at the California/Nevada state line and Fallen Oak golf course in Saucier, Mississippi.

The Company owns 51% and has a controlling interest in MGM China Holdings Limited (MGM China), which owns MGM Grand Paradise, S.A. (MGM Grand Paradise), the Macau company that owns the MGM Macau resort and casino and the related gaming subconcession and land concession. As further discussed in Note 3, the Company began consolidating the results of MGM China on June 3, 2011 and ceased recording the results of MGM Macau as an equity method investment. On October 18, 2012, MGM Grand Paradise formally accepted a land concession contract with the government of Macau to develop a second resort and casino on an approximately 17.8 acre site in Cotai, Macau. See Note 6 for additional details.

The Company owns 50% of CityCenter, located between Bellagio and Monte Carlo. The other 50% of CityCenter is owned by Infinity World Development Corp (Infinity World), a wholly owned subsidiary of Dubai World, a Dubai, United Arab Emirates government decree entity. CityCenter consists of Aria, a casino resort; Mandarin Oriental Las Vegas, a non-gaming boutique hotel; Crystals, a retail, dining and entertainment district; and Vdara, a luxury condominium-hotel. In addition, CityCenter features residential units in the Residences at Mandarin Oriental and Veer. The Company receives a management fee of 2% of revenues for the management of Aria and Vdara, and 5% of EBITDA (as defined in the agreements governing the Company's management of Aria and Vdara). In addition, the Company receives an annual fee of \$3 million for the management of Crystals.

The Company has a 50% interest in Grand Victoria and a 50% interest in Silver Legacy. Grand Victoria is a riverboat casino in Elgin, Illinois; an affiliate of Hyatt Gaming owns the other 50% of Grand Victoria and also operates the resort. Silver Legacy is located in Reno, adjacent to Circus Circus Reno, and the other 50% is owned by Eldorado LLC. See Note 4 for additional information related to Grand Victoria and Silver Legacy.

MGM Hospitality seeks to leverage the Company's management expertise and well-recognized brands through strategic partnerships and international expansion opportunities. The Company has entered into management agreements for non-gaming resorts in the Middle East, North Africa, India and China, as well as a casino resort in Vietnam. MGM Hospitality opened its first resort, MGM Grand Sanya on Hainan Island, The People's Republic of China in early 2012.

**Borgata.** The Company has a 50% economic interest in Borgata Hotel Casino & Spa ( Borgata ) located on Renaissance Pointe in the Marina area of Atlantic City, New Jersey. Boyd Gaming Corporation ( Boyd ) owns the other 50% of Borgata and also operates the resort. The Company s interest is held in trust and is currently offered for sale pursuant to the Company s amended settlement agreement with the New Jersey Department of Gaming Enforcement ( DGE ) and approved by the New Jersey Casino Control Commission ( CCC ). The terms of the amended settlement agreement mandate the sale by March 2014. The Company has the right to direct the sale through March 2013, subject to approval of the CCC, and the trustee is responsible for selling the trust property during the following 12-month period.

The Company consolidates the trust because it is the sole economic beneficiary and accounts for its interest in Borgata under the cost method. As of September 30, 2012, the trust had \$149 million of cash and investments, of which \$120 million is held in U.S. treasury securities with maturities greater than three months but less than one year, and is recorded within Prepaid expenses and other. For the three and nine months ended September 30, 2012, \$12 million and \$38 million, respectively, were withdrawn from the trust account for the payment of property taxes and interest on the Company s senior credit facility, as authorized in accordance with the terms of the trust agreement.

Table of Contents

**NOTE 2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation.** As permitted by the rules and regulations of the Securities and Exchange Commission, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These consolidated financial statements should be read in conjunction with the Company's 2011 annual consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments which include only normal recurring adjustments necessary to present fairly the Company's interim financial statements. The results for such periods are not necessarily indicative of the results to be expected for the full year.

**Fair value measurement.** Fair value measurements affect the Company's accounting and impairment assessments of its long-lived assets, investments in unconsolidated affiliates, cost method investments, assets acquired and liabilities assumed in an acquisition, goodwill and other intangible assets. Fair value measurements also affect the Company's accounting for certain of its financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and is measured according to a hierarchy that includes: Level 1 inputs, such as quoted prices in an active market; Level 2 inputs, which are observable inputs for similar assets; or Level 3 inputs, which are unobservable inputs.

- At September 30, 2012, the fair value of the Company's treasury securities held by the Borgata trust was \$120 million, measured using Level 1 inputs. See Note 1;
- At June 30, 2012, when assessing the impairment of its investment in Grand Victoria, the Company estimated fair value utilizing Level 3 inputs. See Note 4;
- At September 30, 2011, the Company assessed the fair value of Circus Circus Reno using Level 3 inputs. See Note 10; and
- The Company uses Level 1 inputs for its long-term debt fair value disclosures. See Note 5.

**Income tax provision.** The Company recognizes deferred tax assets, net of applicable reserves, related to net operating loss carryforwards and certain temporary differences with a future tax benefit to the extent that realization of such benefit is more likely than not. Otherwise, a valuation allowance is applied. Given the negative impact of the U.S. economy on the results of operations in the past several years and expectations that its recovery will be tempered by certain aspects of the current economic conditions such as weaknesses in employment conditions and the housing market, the Company no longer relies on future domestic operating income in assessing the realization of its domestic deferred tax assets and now relies only on the future reversal of existing domestic taxable temporary differences. As of September 30, 2012, the scheduled future reversal of existing U.S. federal deductible temporary differences exceeds the scheduled future reversal of existing U.S. federal taxable temporary differences. Therefore, in 2012, the Company began recording a valuation allowance for U.S. federal deferred tax assets in order to account for this excess, resulting in reductions in benefit for income taxes of \$55 million and \$236 million for the three and nine months ended September 30, 2012, respectively.

## Edgar Filing: MGM Resorts International - Form 10-Q

In June 2012, MGM Grand Paradise reached an agreement with the Macau government to settle the 12% complementary tax that would otherwise be due by its shareholders (including MGM China) on distributions of its gaming profits by paying a flat annual payment ( annual fee arrangement ). Such annual fee arrangement covers the years 2007 through 2011, including the distribution that was made during the first quarter of 2012 (the covered period ). Cumulative annual payments of \$4 million for the covered period were paid, and a corresponding reduction to benefit for income taxes was recorded, for the nine months ended September 30, 2012. Shareholders of MGM Grand Paradise are not subject to the complementary tax on distributions they received during the covered period as a result of the annual fee arrangement. Consequently, the Company reversed complementary taxes previously accrued on such distributions resulting in a \$19 million increase to benefit for income taxes for the nine months ended September 30, 2012. MGM Grand Paradise has submitted a request for a five year extension of the annual fee arrangement beyond the covered period, which is pending with the Macau government. If this extension is not granted, MGM China would be subject to complementary taxes on distributions made by MGM Grand Paradise after the covered period. However, MGM China would not accrue additional complementary tax in 2012 until MGM Grand Paradise (i) no longer has a cumulative deficit in U.S. GAAP pretax earnings, which amounted to \$154 million at September 30, 2012, or (ii) distributes additional earnings; but would accrue additional complementary tax beginning in 2013 on (1) U.S. GAAP earnings accruing after 2012 or (2) distributions of additional earnings.

Income generated from gaming operations of MGM Grand Paradise is exempted from Macau s 12% complementary tax for the five-year period ending December 31, 2016 pursuant to approval from the Macau government granted on September 22, 2011. While non-gaming operations remain subject to the complementary tax, MGM Grand Paradise has tax net operating losses from non-gaming operations that are fully offset by a valuation allowance.

Table of Contents

**Recently Issued Accounting Standards.** Certain amendments to Accounting Standards Codification ( ASC ) 820, Fair Value Measurements, became effective for the Company for fiscal years beginning after December 15, 2011. Such amendments included a consistent definition of fair value, enhanced disclosure requirements for Level 3 fair value adjustments and other changes to required disclosures. The Company's adoption of these amendments did not have a material effect on its financial statements.

In June 2011, ASC 220, Comprehensive Income, was amended and became effective for the Company for fiscal years beginning after December 15, 2011. The Company elected to present a separate statement of comprehensive income which provides each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The Company's adoption of this amendment did not have a material effect on its financial statements.

In September 2011, ASC 350, Intangibles-Goodwill and Others, was amended to simplify the assessment of goodwill impairment and became effective for the Company for fiscal years beginning after December 15, 2011. The amended guidance allows the Company to do an initial qualitative assessment of relative events and circumstances to determine if fair value of a reporting unit is more likely than not less than its carrying value, prior to performing the two-step quantitative goodwill impairment test. The Company's adoption of this amendment did not have a material effect on its financial statements.

In July 2012, ASC 350, Intangibles-Goodwill and Others, was amended to simplify the assessment of testing the impairment of indefinite-lived intangible assets other than goodwill and will become effective for the Company for fiscal years beginning after September 15, 2012. The amended guidance allows the Company to do an initial qualitative assessment to determine whether it is more likely than not that the fair value of its indefinite-lived intangible assets are less than their carrying amounts prior to performing the quantitative indefinite-lived intangible asset impairment test. The Company does not believe the adoption of this amendment will have a material effect on its financial statements.

**NOTE 3 MGM CHINA ACQUISITION**

On June 3, 2011, the Company and Ms. Ho, Pansy Catilina Chiu King ( Ms. Pansy Ho ) completed a reorganization of the capital structure of MGM China and the initial public offering of 760 million shares of MGM China on The Stock Exchange of Hong Kong Limited (the IPO ), representing 20% of the post issuance capital stock of MGM China, at an offer price of HKD 15.34 per share. Pursuant to this reorganization, the Company, through a wholly owned subsidiary, acquired an additional 1% of the overall capital stock of MGM China for HKD 15.34 per share, or approximately \$75 million, and thereby became the indirect owner of 51% of MGM China.

Through the acquisition of its additional 1% interest of MGM China, the Company obtained a controlling interest and was required to consolidate MGM China as of June 3, 2011. Prior to the IPO, the Company held a 50% interest in MGM Grand Paradise, which was accounted for under the equity method as discussed in Note 4. The acquisition of the controlling financial interest was accounted for as a business combination and the Company recognized 100% of the assets, liabilities and noncontrolling interests of MGM China at fair value at the date of acquisition. The fair value of the equity interests of MGM China was determined by the IPO transaction price and equaled approximately \$7.5 billion. The carrying value of the Company's equity method investment was significantly less than its share of the fair value of MGM China at the acquisition date, resulting in a \$3.5 billion gain on the acquisition. Under the acquisition method, the fair value was allocated to the assets acquired, liabilities assumed and noncontrolling interests recorded in the transaction. The following table sets forth the allocation at June 3, 2011 (in thousands):



Edgar Filing: MGM Resorts International - Form 10-Q

|   |    |             |
|---|----|-------------|
| Current assets                                    | \$ | 558,037     |
| Property and equipment and other long-term assets |    | 704,823     |
| Goodwill  |    | 2,821,589   |
| Gaming subconcession                              |    | 4,499,727   |
| Land concession                                   |    | 84,466      |
| Customer lists                                    |    | 128,564     |
| Gaming promoter relationships                     |    | 179,989     |
| Current liabilities                               |    | (459,518)   |
| Long-term debt                                    |    | (642,818)   |
| Deferred taxes                                    |    | (380,628)   |
|   | \$ | 7,494,231   |
| Noncontrolling interests                          | \$ | (3,672,173) |

Table of Contents

As discussed above, the Company recognized the identifiable intangible assets of MGM China at fair value. The gaming subconcession and land concession had historical cost bases which were being amortized by MGM Macau. The customer relationship intangible assets did not have historical cost bases at MGM Macau. The estimated fair values of the intangible assets acquired were primarily determined using Level 3 inputs. The gaming subconcession was valued using an excess earnings model based on estimated future cash flows of MGM Macau. All of the recognized intangible assets were determined to have finite lives and are being amortized over their estimated useful lives as discussed below.

**Gaming subconcession.** Pursuant to the agreement dated June 19, 2004 between MGM Grand Paradise and Sociedade de Jogos de Macau, S.A. (SJM), a gaming subconcession was acquired by MGM Grand Paradise for the right to operate casino games of chance and other casino games for a period of 15 years commencing on April 20, 2005. The Company cannot provide any assurance that the gaming subconcession will be extended beyond the original terms of the agreement; however, management believes that the gaming subconcession will be extended, given that the land concession agreement with the government extends significantly beyond the gaming subconcession. In addition, management believes that the fair value of MGM China reflected in the IPO pricing suggests that market participants have assumed the gaming subconcession will be extended beyond its initial term. As such, the Company is amortizing the gaming subconcession intangible asset on a straight-line basis over the initial term of the land concession through April 6, 2031.

**Land concession.** MGM Grand Paradise entered into a contract with the Macau government to use the land under MGM Macau commencing from April 6, 2006. The land use right has an initial term through April 6, 2031, subject to renewal for additional periods. The land concession intangible asset is amortized on a straight-line basis over the remaining initial contractual term.

**Customer lists.** The Company recognized an intangible asset related to customer lists, which is amortized on an accelerated basis over its estimated useful life of five years.

**Gaming promoter relationships.** The Company recognized an intangible asset related to its relationships with gaming promoters, which is amortized on a straight-line basis over its estimated useful life of four years.

**Deferred taxes.** The Company recorded a net deferred tax liability of \$381 million for the acquisition of the controlling financial interest in MGM China and a corresponding increase to goodwill. The net deferred tax liability represents the excess of the financial reporting amounts of the net assets of MGM China over their respective bases under Macau tax law measured at the enacted tax rates expected to apply to taxable income in the periods such differences are expected to be realized, net of a valuation allowance of \$72 million. The tax-effected components of the net deferred tax liability at June 3, 2011 were as follows (in thousands):

|                                  |    |          |
|----------------------------------|----|----------|
| Deferred tax assets-foreign      |    |          |
| Accruals, reserves and other     | \$ | 121      |
| Bad debt reserve                 |    | 3,161    |
| Long-term debt                   |    | 2,816    |
| Net operating loss carryforward  |    | 58,781   |
| Preopening and start-up expenses |    | 3,838    |
| Property and equipment           |    | 7,822    |
|                                  |    | 76,539   |
| Less: Valuation allowance        |    | (71,670) |
|                                  |    | 4,869    |

## Edgar Filing: MGM Resorts International - Form 10-Q

|                                  |    |           |
|----------------------------------|----|-----------|
| Deferred tax liabilities-foreign |    |           |
| Intangible assets                |    | (385,497) |
| Net deferred tax liability       | \$ | (380,628) |

At June 3, 2011, the Company had an excess amount for financial reporting over the U.S. tax basis of its investment in MGM China of \$3.6 billion that management does not consider to be essentially permanent in duration. The Company expects this basis difference to resolve through repatriations of future MGM China earnings. The Company has not provided U.S. deferred taxes for such excess financial reporting basis because there would be sufficient foreign tax credits to offset all U.S. income tax that would result from the future repatriation of such earnings.

Table of Contents

**Consolidated results.** MGM China's consolidated results beginning as of June 3, 2011 are presented below:

|                  | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |            |
|------------------|-------------------------------------|------------|------------------------------------|------------|
|                  | 2012                                | 2011       | 2012                               | 2011       |
|                  | (In thousands)                      |            |                                    |            |
| Net revenues     | \$ 665,074                          | \$ 623,050 | \$ 2,076,460                       | \$ 816,034 |
| Operating income | 60,527                              | 40,788     | 218,869                            | 60,236     |
| Net income       | 56,820                              | 29,594     | 217,102                            | 45,109     |

**Pro forma information.** The operating results for MGM China and its subsidiaries are included in the accompanying consolidated statements of income from the date of acquisition. The following unaudited pro forma consolidated financial information for the Company has been prepared assuming the Company's acquisition of its controlling financial interest had occurred as of January 1, 2011 and does not include the \$3.5 billion gain recognized by the Company on the acquisition:

|   | Nine Months<br>Ended<br>September 30,<br>2011<br>(In thousands, except per<br>share data) |
|---|---|
| Net revenues  | \$ 6,623,454  |
| Operating income  | 461,081   |
| Net loss  | (265,224)   |
| Net loss attributable to MGM Resorts International                        | (332,665)   |
| Loss per share of common stock attributable to MGM Resorts International: |   |
| Basic   | \$ (0.68)   |
| Diluted   | \$ (0.68)   |

**NOTE 4 INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES**

Investments in and advances to unconsolidated affiliates include:

|  | September 30,<br>2012 | December 31,<br>2011 |
|--|-----------------------|----------------------|
|  | (In thousands)        |                      |
| CityCenter Holdings, LLC - CityCenter (50%)                      | \$ 1,271,320          | \$ 1,332,299         |
| Elgin Riverboat Resort - Riverboat Casino - Grand Victoria (50%) | 205,738               | 292,094              |
| Other  | 11,604                | 11,179               |
|  | \$ 1,488,662          | \$ 1,635,572         |

## Edgar Filing: MGM Resorts International - Form 10-Q

The Company recorded its share of the net income (loss) of unconsolidated affiliates including recognition of amortized basis differences as follows:

|  | Three Months Ended<br>September 30, |             | Nine Months Ended<br>September 30, |           |
|--|-------------------------------------|-------------|------------------------------------|-----------|
|  | 2012                                | 2011        | 2012                               | 2011      |
|  | (In thousands)                      |             |                                    |           |
| Income (loss) from unconsolidated affiliates       | \$ (37,943)                         | \$ 539      | \$ (45,266)                        | \$ 95,909 |
| Preopening and start-up expenses                   | (124)                               |             | (124)                              |           |
| Non-operating items from unconsolidated affiliates | (20,901)                            | (24,692)    | (68,603)                           | (92,984)  |
|  | \$ (58,968)                         | \$ (24,153) | \$ (113,993)                       | \$ 2,925  |

### *Grand Victoria*

At June 30, 2012, the Company reviewed the carrying value of its Grand Victoria investment for impairment due to a decrease in operating results at the property and the loss of market share as a result of the opening of a new riverboat casino in the Illinois market, as well as a decrease in forecasted cash flows for 2013 through 2015. Management used a discounted cash flow analysis to determine the estimated fair value from a market participant's point of view. Key assumptions included in the analysis were estimates of future

Table of Contents

cash flows including outflows for capital expenditures, a long-term growth rate of 2% and a discount rate of 10.5%. As a result of the discounted cash flow analysis, management determined that it was necessary to record an other-than-temporary impairment charge of \$85 million based on an estimated fair value of \$205 million for the Company's 50% interest. The Company intends to, and believes it will be able to, retain its investment in Grand Victoria; however, due to the extent of the shortfall and the Company's assessment of the uncertainty of fully recovering its investment, the Company determined that the impairment was other-than-temporary.

*Silver Legacy*

Silver Legacy had approximately \$143 million of outstanding senior secured notes that were due in March 2012. Silver Legacy did not repay its notes at maturity and filed for Chapter 11 bankruptcy protection in May 2012. These notes were non-recourse to the Company. The Company recorded an other-than-temporary impairment charge at December 31, 2011 which decreased the carrying value of its investment in Silver Legacy to zero and ceased applying the equity method for its investment in Silver Legacy. In October 2012, Silver Legacy announced that the court presiding over Silver Legacy's Chapter 11 cases had confirmed Silver Legacy's proposed consensual plan of reorganization and approved the settlement agreement among Silver Legacy, the two largest holders of the senior secured notes, and the indenture trustee. The plan of reorganization provides that the holders of the senior secured notes will receive a combination of cash and new second lien notes and that the unsecured trade creditors of Silver Legacy will be paid in full. The court also approved Silver Legacy's entry into an agreement with Wells Fargo and certain of its affiliates for a new \$70 million senior secured credit facility that will provide a portion of the exit financing associated with the plan of reorganization. The consummation of the plan of reorganization and the new credit facility are subject to certain conditions. As a result, there can be no assurance that the plan of reorganization or the new credit facility will be consummated.

*MGM Macau*

As discussed in Note 3, the Company obtained a controlling financial interest in MGM China as of June 3, 2011 and therefore was required to consolidate MGM China beginning on that date. Prior thereto, the Company's investment in MGM Grand Paradise was accounted for under the equity method.

*CityCenter*

**CityCenter summary financial information.** Summarized balance sheet information of the CityCenter joint venture is as follows:

|  | September 30,<br>2012 | December 31,<br>2011 |
|--|-----------------------|----------------------|
|  | (In thousands)        |                      |
| Current assets                                 | \$ 352,615            | \$ 393,140           |
| Property and other long-term assets, net       | 8,804,637             | 9,068,790            |
| Current liabilities                            | 406,848               | 375,870              |
| Long-term debt and other long-term obligations | 2,506,531             | 2,491,166            |
| Equity   | 6,243,873             | 6,594,894            |

## Edgar Filing: MGM Resorts International - Form 10-Q

Summary results of operations for CityCenter are provided below:

|                                  | Three Months Ended<br>September 30, |              | Nine Months Ended<br>September 30, |              |
|----------------------------------|-------------------------------------|--------------|------------------------------------|--------------|
|                                  | 2012                                | 2011         | 2012                               | 2011         |
|                                  | (In thousands)                      |              |                                    |              |
| Net revenues                     | \$ 266,430                          | \$ 260,002   | \$ 795,492                         | \$ 812,906   |
| Operating expenses               | (376,035)                           | (300,011)    | (989,538)                          | (979,560)    |
| Preopening and start-up expenses | (248)                               |              | (248)                              |              |
| Operating loss                   | (109,853)                           | (40,009)     | (194,294)                          | (166,654)    |
| Non-operating expense            | (65,219)                            | (66,628)     | (204,678)                          | (220,979)    |
| Net loss                         | \$ (175,072)                        | \$ (106,637) | \$ (398,972)                       | \$ (387,633) |

**February 2012 senior secured notes.** In February 2012, CityCenter issued \$240 million in aggregate principal amount of its 7.625% senior secured first lien notes due 2016 in a private placement.

Table of Contents

**March 2012 amended and restated credit agreement.** In March 2012, CityCenter entered into a second amendment and restatement of its senior credit facility. The loans outstanding under the prior credit agreement were repaid in full. No loans were outstanding under the amended credit agreement at September 30, 2012. The amended CityCenter credit facility consists of a \$75 million revolving facility which matures January 21, 2015, and loans that will bear interest at a base rate (as defined) plus 4%, or in the case of Eurodollar loans, at the Eurodollar rate (as defined) plus 5%. The amended credit agreement contains covenants that, among other things, restricts CityCenter from incurring additional indebtedness, making distributions to equity interests, selling assets and entering into certain transfers. In addition, CityCenter is required to maintain specified minimum trailing twelve month EBITDA (as defined in the agreement governing its credit facility) levels beginning at March 31, 2013.

**Residential inventory impairment.** CityCenter is required to carry its residential inventory at the lower of its carrying value or fair value less costs to sell. Fair value of the residential inventory is determined using a discounted cash flow analysis based on management's current expectations of future cash flows. The key inputs in the discounted cash flow analysis include estimated sales prices, the absorption rate over the sell-out period, and the discount rate.

In the third quarter of 2012, CityCenter recorded a \$36 million impairment charge using revised management forecasts related to its Mandarin Oriental residential inventory. A discount rate of 17% was utilized in the discounted cash flow analysis to represent what management believed a market participant would determine to be commensurate with the inherent risks associated with the assets and related estimated cash flows. The Company recognized 50% of such impairment charge, resulting in a pre-tax charge of approximately \$18 million.

CityCenter recorded a \$53 million impairment charge related to its Veer and Mandarin Oriental residential inventory in the second quarter of 2011. The discounted cash flow analysis assumed a 3% annual growth rate in sales price beginning in 2013 through estimated sell out periods and a discount rate of 17%. The Company recognized 50% of such impairment charge, resulting in a pre-tax charge of approximately \$26 million.

**Harmon.** CityCenter accrued \$32 million in the third quarter of 2012 related to the estimated demolition cost of the Harmon. The Company recognized 50% of such charge, resulting in a pre-tax charge of approximately \$16 million. See Note 6 for additional information regarding Harmon.

**NOTE 5 LONG-TERM DEBT**

Long-term debt consists of the following:

|  | September 30,<br>2012 | December 31,<br>2011 |
|--|-----------------------|----------------------|
|  | (In thousands)        |                      |
| Senior credit facility:  |                       |                      |
| \$819.9 million (\$1,834 million at December 31, 2011) term loans, net | \$ 783,753            | \$ 1,728,510         |
| Revolving loans  | 450,000               | 1,462,000            |
| MGM Grand Paradise credit facility                                     | 539,393               | 552,312              |



Edgar Filing: MGM Resorts International - Form 10-Q

|  |               |               |
|--|---------------|---------------|
| \$534.7 million 6.75% senior notes, due 2012                       |               | 534,650       |
| \$462.2 million 6.75% senior notes, due 2013                       | 462,226       | 462,226       |
| \$150 million 7.625% senior subordinated debentures, due 2013, net | 150,780       | 151,483       |
| \$750 million 13% senior secured notes, due 2013, net              | 735,082       | 726,333       |
| \$508.9 million 5.875% senior notes, due 2014, net                 | 508,462       | 508,231       |
| \$650 million 10.375% senior secured notes, due 2014, net          | 642,913       | 640,051       |
| \$875 million 6.625% senior notes, due 2015, net                   | 876,780       | 877,208       |
| \$1,450 million 4.25% convertible senior notes, due 2015, net      | 1,461,920     | 1,465,287     |
| \$242.9 million 6.875% senior notes, due 2016                      | 242,900       | 242,900       |
| \$732.7 million 7.5% senior notes, due 2016                        | 732,749       | 732,749       |
| \$500 million 10% senior notes, due 2016, net                      | 495,904       | 495,317       |
| \$743 million 7.625% senior notes, due 2017                        | 743,000       | 743,000       |
| \$850 million 11.125% senior secured notes, due 2017, net          | 833,910       | 832,245       |
| \$475 million 11.375% senior notes, due 2018, net                  | 465,806       | 464,928       |
| \$850 million 8.625% senior notes, due 2019                        | 850,000       |               |
| \$845 million 9% senior secured notes, due 2020                    | 845,000       | 845,000       |
| \$1,000 million 6.75% senior notes, due 2020                       | 1,000,000     |               |
| \$1,000 million 7.75% senior notes, due 2022                       | 1,000,000     |               |
| \$0.6 million 7% debentures, due 2036, net                         | 572           | 572           |
| \$4.3 million 6.7% debentures, due 2096                            | 4,265         | 4,265         |
| Other notes  | 36            | 900           |
|  | \$ 13,825,451 | \$ 13,470,167 |

Table of Contents

Debt due within one year of the September 30, 2012 balance sheet date is classified as long-term because the Company has both the intent and ability to repay such amounts with available borrowings under the senior credit facility. Amounts outstanding under the MGM Grand Paradise credit facility were classified as long-term as MGM Grand Paradise had both the intent and ability to repay scheduled amortization payments under the term loan due within one year of the balance sheet date with available borrowings under its revolving credit facility.

**Senior credit facility.** The Company's senior credit facility was amended and restated in February 2012, and loans and revolving commitments aggregating approximately \$1.8 billion (the extending loans) were extended to February 2015. In accordance with the amendment, the Company repaid \$409 million of outstanding loans to extending lenders. In March 2012, an additional \$24 million in term loans were extended and the Company repaid the remaining non-extending term loans. At September 30, 2012, the senior credit facility consisted of approximately \$820 million in term loans and a \$1.3 billion revolver (\$360 million of which has not been extended and matures in February 2014) and had approximately \$855 million of available borrowing capacity. In connection with the amendment and subsequent repayment of the non-extending loans, the Company recorded a loss on early retirement of debt of \$59 million related to previously recorded discounts and certain debt issuance costs.

Interest on the non-extending portion of the senior credit facility is based on a LIBOR margin of 5.00%, with a LIBOR floor of 2.00%, and a base rate margin of 4.00%, with a base rate floor of 4.00%. Interest on the extending loans is subject to a LIBOR floor of 1% and a pricing grid based upon collateral coverage levels. The interest rate on extending loans was 5% at September 30, 2012 and interest on non-extending revolving loans was 7%. The weighted average interest rate on outstanding borrowings under the senior credit facility at September 30, 2012 and December 31, 2011 was 5.2% and 7.0%, respectively.

The senior credit facility allows the Company to refinance indebtedness maturing prior to February 23, 2015 but limits its ability to prepay later maturing indebtedness until the extended facilities are paid in full. The Company may issue unsecured debt, equity-linked and equity securities to refinance its outstanding indebtedness; however, the Company is required to use net proceeds from certain indebtedness issued in amounts in excess of \$250 million (excluding amounts used to refinance indebtedness) to ratably prepay the credit facilities in an amount equal to 50% of the net cash proceeds of such excess. The Company is no longer required to use net proceeds from equity offerings to prepay the senior credit facility in connection with the restatement of the senior credit facility. In addition, the Company agreed to deliver a mortgage, limited in amount to comply with indenture restrictions, encumbering the Beau Rivage. The Company delivered such mortgage in March 2012.

At September 30, 2012, the Company is required to maintain a minimum trailing twelve month consolidated EBITDA (as defined in the agreement governing its senior credit facility) of \$1.2 billion for each of the quarters of 2012, increasing to \$1.25 billion at March 31, 2013, to \$1.3 billion at June 30, 2013, and to \$1.4 billion at March 31, 2014. EBITDA for the trailing twelve months ended September 30, 2012 calculated in accordance with the terms of the senior credit facility was \$1.26 billion. Additionally, the Company and its restricted subsidiaries are limited to \$500 million of annual capital expenditures (as defined) during 2012. The Company was in compliance with the maximum capital expenditures and minimum EBITDA covenants at September 30, 2012.

Substantially all of the assets of MGM Grand Detroit serve as collateral to secure its \$450 million obligation outstanding as a co-borrower under the Company's senior credit facility. In addition, substantially all of the assets of Gold Strike Tunica, substantially all of the assets of Beau Rivage and certain land across from the Luxor serve as collateral to secure up to \$578 million of obligations outstanding under the Company's senior credit facility.

**MGM Grand Paradise credit facility.** As discussed below, MGM China and MGM Grand Paradise amended and extended the MGM Grand Paradise credit facility in October 2012. As of September 30, 2012, MGM Grand Paradise's credit facility was comprised of approximately \$539

## Edgar Filing: MGM Resorts International - Form 10-Q

million in term loans and a \$400 million revolving loan. The outstanding balance of MGM Grand Paradise's credit facility at September 30, 2012 was comprised solely of term loans. Scheduled amortization on the term loans began in July 2012 and a lump sum payment of approximately \$276 million was due upon final maturity in July 2015. Interest on the term loan facility was based on HIBOR plus a margin ranging between 3% and 4.5%, based on MGM Grand Paradise's adjusted leverage ratio, as defined in the credit facility agreement. As of September 30, 2012, the credit facility was denominated entirely in Hong Kong dollars and interest was based on a margin of 3%, plus HIBOR.

At September 30, 2012, MGM Grand Paradise was required to maintain a specified adjusted leverage ratio, as defined, at the end of each quarter while the loans are outstanding. The adjusted leverage ratio is required to be no greater than 3.50 to 1.00. In addition, MGM Grand Paradise was required to maintain a debt service coverage ratio (as defined in the agreement governing its credit facility) of no less than 1.50 to 1.00 at each quarter end. At September 30, 2012, MGM Grand Paradise was in compliance with its adjusted leverage ratio and debt service coverage ratio.

Table of Contents

**Amended and restated MGM China credit facility.** In October 2012, MGM China and MGM Grand Paradise, as co-borrowers, entered into an amended and restated credit facility agreement which consists of \$550 million of term loans and a \$1.45 billion revolving credit facility due October 2017. The interest rate on the facility will fluctuate annually based on HIBOR plus a margin, set at 2.5% for the first six months and ranging between 1.75% and 2.5% thereafter based on MGM China's leverage ratio. Under the amended and restated credit facility agreement, MGM China has become a joint and several co-borrower with MGM Grand Paradise. The material subsidiaries of MGM China continue to guarantee the facilities, and MGM China, MGM Grand Paradise and their guarantor subsidiaries have granted security on substantially all of their assets to secure the amended facilities. The credit facility will be used for general corporate purposes and for the development of the proposed Cotai development.

The amended and restated MGM China credit facility agreement contains customary representations and warranties, events of default, affirmative covenants and negative covenants, which impose restrictions on, among other things, the ability of MGM China and its subsidiaries to make investments, pay dividends and sell assets, and to incur additional debt and additional liens. MGM China is also required to maintain compliance with a maximum consolidated total leverage ratio of 4.50 to 1.00 prior to the first anniversary of the MGM Cotai opening date and 4.00 to 1.00 thereafter and a minimum interest coverage ratio of 2.50 to 1.00.

**Senior and senior secured notes.** During 2012, the Company issued the following senior notes:

- \$850 million of 8.625% senior notes due 2019 for net proceeds of \$836 million;
- \$1.0 billion of 7.75% senior notes due 2022 for net proceeds of \$986 million; and
- \$1.0 billion of 6.75% senior notes due 2020 for net proceeds of \$986 million.

The notes are unsecured and otherwise rank equally in right of payment with the Company's existing and future senior indebtedness. In September 2012, the Company repaid the \$535 million of outstanding principal amount of its 6.75% senior notes at maturity.

Substantially all of the assets of New York-New York serve as collateral for the Company's 13% senior secured notes due 2013, substantially all of the assets of Bellagio and The Mirage serve as collateral for the Company's 10.375% senior secured notes due 2014 and the 11.125% senior secured notes due 2017 and substantially all of the assets of MGM Grand serve as collateral for the Company's 9.00% senior secured notes due 2020. Upon the issuance of the 10.375%, 11.125% and 9.00% notes, the holders of the Company's 13% senior secured notes due 2013 obtained an equal and ratable lien in all collateral securing these notes. In addition, the holders of the Company's 13% senior secured notes obtained an equal and ratable lien in the Beau Rivage collateral upon the issuance of such collateral.

**Fair value of long-term debt.** The estimated fair value of the Company's long-term debt at September 30, 2012 was approximately \$14.8 billion. At December 31, 2011, the estimated fair value of the Company's long-term debt was approximately \$13.7 billion. Fair value was estimated using quoted market prices for the Company's senior notes, senior subordinated notes and senior credit facility. Carrying value of the MGM Grand Paradise credit facility approximates fair value.

**NOTE 6 COMMITMENTS AND CONTINGENCIES**

**CityCenter construction litigation.** In March 2010, Perini Building Company, Inc. ( Perini ), general contractor for CityCenter, filed a lawsuit in the Eighth Judicial District Court for Clark County, State of Nevada, against MGM MIRAGE Design Group (a wholly owned subsidiary of the Company which was the original party to the Perini construction agreement) and certain direct or indirect subsidiaries of CityCenter Holdings, LLC (the CityCenter Owners ). Perini asserted that CityCenter was substantially completed, but the defendants failed to pay Perini approximately \$490 million allegedly due and owing under the construction agreement for labor, equipment and materials expended on CityCenter. The complaint further charged the defendants with failure to provide timely and complete design documents, late delivery to Perini of design changes, mismanagement of the change order process, obstruction of Perini's ability to complete the Harmon component, and fraudulent inducement of Perini to compromise significant amounts due for its general conditions. The complaint advanced claims for breach of contract, breach of the implied covenant of good faith and fair dealing, tortious breach of the implied covenant of good faith and fair dealing, unjust enrichment and promissory estoppel, and fraud and intentional misrepresentation. Perini seeks compensatory damages, punitive damages, attorneys' fees and costs.

In April 2010, Perini served an amended complaint in this case which joined as defendants many owners of CityCenter residential condominium units (the Condo Owner Defendants ), added a count for foreclosure of Perini's recorded master mechanic's lien against the CityCenter property in the amount of approximately \$491 million, and asserted the priority of this mechanic's lien over the interests of the CityCenter Owners, the Condo Owner Defendants and CityCenter lenders in the CityCenter property.

Table of Contents

The CityCenter Owners and the other defendants dispute Perini's allegations, and contend that the defendants are entitled to substantial amounts from Perini, including offsets against amounts claimed to be owed to Perini and its subcontractors and damages based on breach of their contractual and other duties to CityCenter, duplicative payment requests, non-conforming work, lack of proof of alleged work performance, defective work related to the Harmon, property damage and Perini's failure to perform its obligations to pay certain subcontractors and to prevent filing of liens against CityCenter. Parallel to the court litigation, CityCenter management conducted an extra-judicial program for settlement of CityCenter subcontractor claims. CityCenter has resolved the claims of 215 first-tier Perini subcontractors (including the claims of any lower-tier subcontractors that might have claims through those first-tier subcontractors), with only seven remaining for further proceedings along with trial of Perini's claims and CityCenter's Harmon-related counterclaim and other claims by CityCenter against Perini and its parent guarantor, Tutor Perini. Three of the remaining subcontractors are implicated in the defective work at the Harmon. In August 2012, Perini recorded an amended notice of lien reducing its lien to approximately \$191 million.

Perini made a motion for partial summary judgment as to the validity and enforceability of its mechanic's lien. After hearing on the motion, on July 9, 2012 the court granted Perini's motion. The court ruled that Perini's notice of lien and the amended notices of lien recorded constitute a valid and enforceable mechanic's lien subject to at some point a determination of the amount of the lien and whether the lien is frivolous, overstated, or an appropriate setoff is due as a result of the counterclaims that CityCenter has made in this litigation.

In late 2011, CityCenter filed a motion with the district court seeking permission to demolish the Harmon and to set a timetable for completion of all testing prior to the building's demolition based on a retained structural engineer's July 2011 conclusion that [i]n a code-level earthquake, using either the permitted or current code specified loads, it is likely that critical structural members in the tower will fail and become incapable of supporting gravity loads, leading to a partial or complete collapse of the tower, and in light thereof, the Clark County Building Division's demand for a plan of action to abate the potential for structural collapse of the Harmon in the event of a code-level earthquake.

Following an evidentiary hearing that spanned several days in March and July 2012, on July 19, 2012 the court ruled that an adequate opportunity for investigation and observation of the Harmon had occurred and granted CityCenter's motion to demolish the Harmon subject to delivery of a jury instruction at trial that such demolition was CityCenter's business decision and not itself evidence of any construction defect or safety issue at the Harmon. CityCenter presented live testimony at the hearing from its structural engineering experts on pervasive defects in the Harmon, as well as, at the court's express request, a statistician on the use of extrapolation to make conclusions about defects at untested sites in the building based on demonstrated defects at tested sites.

On July 27, 2012, the court ruled that at the Harmon trial CityCenter's structural engineer would not be permitted to present his findings and conclusions about defects and needed repairs at untested sites in the Harmon building based on his extrapolation from extensive data and analysis at tested sites, which comprised 27% of the Harmon's most critical structural elements. Among other grounds, the court opined that the engineer should have used a random number generator to select test sites. Furthermore, the court refused to accept that the extensive testing and analysis conducted was a sufficient basis for extrapolation he performed. On October 25, 2012 CityCenter filed with the Nevada Supreme Court an emergency petition for writ of mandamus contesting the district court's ruling. The Nevada Supreme Court accepted the petition on October 29, 2012 and set a briefing schedule regarding same.

Table of Contents

By order entered October 29, 2012, the district court revoked the previously granted permission to demolish the Harmon and granted in part CityCenter's motion for permission to conduct additional testing at the Harmon designed to address the court's extrapolation evidentiary ruling. However, the order was expressly subject to several conditions concerning the manner in which the remainder of the case proceedings would be conducted, including severance of the trial relating to lien claims of Perini and the remaining contractors from trial of the Harmon counterclaims. The district court granted a temporary 30-day stay of case proceedings (except for discovery relating to percipient non-expert witnesses) to allow the Nevada Supreme Court to decide the extrapolation evidentiary issue. CityCenter anticipates that the Nevada Supreme Court will not have ruled on the writ within the 30-day period, in which circumstance CityCenter expects to file a petition to extend the stay and challenge the October 29, 2012 ruling.

The court has set a trial date of June 24, 2013. Under the October 29, 2012 order, acceptance or rejection of which by CityCenter has been stayed for 30 days by the district court's temporary stay order, all claims and defenses related to any construction defects at the Harmon would be severed from the trial scheduled to commence on June 24, 2013, and the date for trial of the Harmon construction defects would be determined at a later unspecified date. Discovery is in process, subject to the district court's temporary stay order referred to above. The CityCenter Owners and the other defendants will continue to vigorously assert and protect their interests in the Perini lawsuit. The Company believes that a loss with respect to Perini's punitive damages claim is neither probable nor reasonably possible.

Please see below for further discussion on the Company's completion guarantee obligation which may be impacted by the outcome of the above litigation and the joint venture's extra-judicial settlement process.

**CityCenter completion guarantee.** In January 2011, the Company entered into an amended completion and cost overrun guarantee. Consistent with the terms of the previous completion guarantee, the terms of the amended completion guarantee provide for the ability to utilize the then remaining \$124 million of net residential proceeds to fund construction costs, or to reimburse the Company for construction costs previously expended, though the timing of receipt of such proceeds is uncertain. The completion guarantee is collateralized by substantially all of the assets of Circus Circus Las Vegas, as well as certain undeveloped land adjacent to that property.

As of September 30, 2012, the Company has funded \$682 million under the completion guarantee. The Company has recorded a receivable from CityCenter of \$99 million related to these amounts, which represents amounts reimbursable to the Company from CityCenter from future residential proceeds. The Company has a remaining estimated net obligation under the completion guarantee of \$59 million which includes estimated litigation costs related to the resolution of disputes with contractors as to the final construction costs and estimated amounts to be paid to contractors through the legal process related to the Perini litigation. The Company's accrual also reflects certain estimated offsets to the amounts claimed by the contractors. CityCenter has reached settlement agreements with all but seven of Perini's first-tier subcontractors. However, significant disputes remain with the general contractor and the remaining subcontractors. Amounts claimed by such parties exceed amounts included in the Company's completion guarantee accrual by approximately \$154 million, as such amounts exceed the Company's best estimate of its liability. Moreover, the Company has not accrued for any contingent payments to CityCenter related to the Harmon Hotel & Spa component, which will not be completed using the building as it now stands.

Table of Contents

**Harmon demolition.** In response to a request by the Clark County Building Division (the Building Division ), CityCenter engaged an engineer to conduct an analysis, based on all available information, as to the structural stability of the Harmon under building-code-specified load combinations. On July 11, 2011, that engineer submitted the results of his analysis of the Harmon tower and podium in its current as-built condition. The engineer opined, among other things, that [i]n a code-level earthquake, using either the permitted or current code specified loads, it is likely that critical structural members in the tower will fail and become incapable of supporting gravity loads, leading to a partial or complete collapse of the tower. There is missing or misplaced reinforcing steel in columns, beams, shear walls, and transfer walls throughout the structure of the tower below the twenty-first floor. Based on this engineering opinion, the Building Division requested a plan of action from CityCenter. CityCenter informed the Building Division it decided to abate the potential for structural collapse of the Harmon in the event of a code-level earthquake by demolishing the building, and enclosed a plan of action for demolition by implosion prepared by LVI Environmental Services of Nevada, Inc ( LVI ). CityCenter also advised that prior to undertaking the demolition plan of action, it would seek relief from a standing order of the district court judge presiding over the Perini litigation that prohibits alteration or destruction of the building without court approval. In addition, CityCenter supplied the foundational data for the engineering conclusions stated in the July 11, 2011 letter declaring the Harmon s structural instability in the event of a code-level earthquake. On November 22, 2011, the Building Division required that CityCenter submit a plan to abate the code deficiencies discovered in the Harmon tower.

In December 2011, CityCenter resubmitted to the Building Division the plan of abatement action prepared by LVI which was first submitted on August 15, 2011, and met with the Building Division about the requirements necessary to obtain demolition permits and approvals. As discussed above, the timing of the demolition of the Harmon is subject to rulings in the Perini litigation.

The Company does not believe it would be responsible for funding under the completion guarantee any additional remediation efforts that might be required with respect to the Harmon; however, the Company s view is based on a number of developing factors, including with respect to on-going litigation with CityCenter s contractors, actions by local officials and other developments related to the CityCenter venture, all of which are subject to change. CityCenter s revolving credit facility provides that certain demolition or repair expenses may be funded only from (i) member contributions designated for demolition of the Harmon, (ii) the proceeds of certain specified extraordinary receipts (which include any proceeds from the Perini litigation) or (iii) cash or cash equivalents in an amount not to exceed \$30 million in the aggregate. Based on current estimates, which are subject to change, the Company believes the demolition of the Harmon would cost approximately \$32 million.

**Sales and use tax on complimentary meals.** In March 2008, the Nevada Supreme Court ruled, in a case involving another gaming company, that food and non-alcoholic beverages purchased for use in providing complimentary meals to customers and to employees were exempt from use tax. The Company had previously paid use tax on these items and has generally filed for refunds for the periods from January 2001 to February 2008 related to this matter. The Company is claiming the exemption on sales and use tax returns for



Table of Contents

periods after February 2008 in light of this Nevada Supreme Court decision and has not accrued or paid any sales or use tax for those periods. In February 2012, the Nevada Department of Taxation asserted that customer complimentary meals and employee meals are subject to sales tax on a prospective basis commencing February 15, 2012. In July 2012, the Nevada Department of Taxation announced that sales taxes applicable to such meals are due and payable without penalty or interest at the earlier of certain regulatory, judicial or legislative events or June 30, 2013. The Nevada Department of Taxation's position stems from a Nevada Tax Commission decision concerning another gaming company which states that complimentary meals provided to customers are subject to sales tax at the retail value of the meal and employee meals are subject to sales tax at the cost of the meal. The other gaming company filed in Clark County District Court a petition for judicial review of the Nevada Tax Commission decision. The District Court recently issued a ruling in such case holding that complimentary meals provided to customers were subject to sales tax, while meals provided to employees were not subject to sales tax. The Company anticipates that this decision will be appealed to the Nevada Supreme Court. The Company continues to disagree with the Nevada Department of Taxation assertions. Based on an analysis of the facts and circumstances as of the date of these financial statements, the Company does not believe it is probable it will incur a liability with respect to such assertions. Any reasonably possible range of loss would not be material to the Company's financial statements as of September 30, 2012.

**Cotai land concession contract.** On October 18, 2012, MGM Grand Paradise formally accepted the terms and conditions of a land concession contract from the government of Macau to develop a resort and casino on an approximately 17.8 acre site in Cotai, Macau. The land concession contract will not become effective until the Macau government publishes it in the Official Gazette of Macau. The total land premium payable to the Macau government for the land concession contract is approximately \$161 million and is composed of a down payment and eight additional semi-annual payments. In October 2012, MGM China paid approximately \$56 million as the initial down payment of the contract premium. In addition, MGM Grand Paradise is required to pay the Macau government approximately \$269,000 per year in rent during the course of development of the land and approximately \$681,000 per year in rent once the development is completed. The annual rent is subject to review by the Macau government every five years.

**Other guarantees.** The Company is party to various guarantee contracts in the normal course of business, which are generally supported by letters of credit issued by financial institutions. The Company's senior credit facility limits the amount of letters of credit that can be issued to \$250 million, and the amount of available borrowings under the senior credit facility is reduced by any outstanding letters of credit. At September 30, 2012, the Company had provided \$37 million of total letters of credit. At September 30, 2012, MGM China guaranteed approximately \$39 million of debt under the MGM Grand Paradise credit facility.

**Other litigation.** The Company is a party to various other legal proceedings, most of which relate to routine matters incidental to its business. Management does not believe that the outcome of such other proceedings will have a material adverse effect on the Company's financial position, results of operations or cash flows.

**NOTE 7 INCOME (LOSS) PER SHARE OF COMMON STOCK**

The weighted-average number of common and common equivalent shares used in the calculation of basic and diluted income (loss) per share consisted of the following:

| Three Months Ended<br>September 30, |      | Nine Months Ended<br>September 30, |      |
|-------------------------------------|------|------------------------------------|------|
| 2012                                | 2011 | 2012                               | 2011 |
| (In thousands)                      |      |                                    |      |

Edgar Filing: MGM Resorts International - Form 10-Q

**Numerator:**

|   |    |           |    |           |    |           |    |           |
|---|----|-----------|----|-----------|----|-----------|----|-----------|
| Net income (loss) attributable to MGM Resorts International - basic   | \$ | (181,159) | \$ | (123,786) | \$ | (543,864) | \$ | 3,228,328 |
| Interest on convertible debt, net of tax                              |    |           |    |           |    |           |    | 28,141    |
| Net income (loss) attributable to MGM Resorts International - diluted | \$ | (181,159) | \$ | (123,786) | \$ | (543,864) | \$ | 3,256,469 |

**Denominator:**

|  |  |         |  |         |  |         |  |         |
|--|--|---------|--|---------|--|---------|--|---------|
| Weighted-average common shares outstanding - basic   |  | 488,945 |  | 488,636 |  | 488,913 |  | 488,595 |
| Potential dilution from share-based awards   |  |         |  |         |  |         |  | 1,773   |
| Potential dilution from assumed conversion of convertible debt                               |  |         |  |         |  |         |  | 68,176  |
| Weighted-average common and common equivalent shares - diluted                               |  | 488,945 |  | 488,636 |  | 488,913 |  | 558,544 |
| Anti-dilutive share-based awards excluded from the calculation of diluted earnings per share |  | 22,993  |  | 28,791  |  | 22,993  |  | 19,900  |

Table of Contents**NOTE 8 STOCKHOLDERS EQUITY AND NONCONTROLLING INTERESTS**

**Noncontrolling interests.** As discussed in Note 3, the Company became the controlling shareholder of MGM China and began consolidating MGM China in its financial statements as of June 3, 2011. The noncontrolling interests in MGM China and other minor subsidiaries are presented as a separate component of stockholders' equity in the Company's consolidated balance sheets and the net income attributable to noncontrolling interests is presented on the Company's consolidated statements of operations.

**MGM China dividend.** MGM China paid an approximately \$400 million dividend in March 2012, of which approximately \$204 million remained within the consolidated entity and approximately \$196 million was distributed to noncontrolling interests.

**Supplemental equity information.** The following table presents the Company's changes in stockholders' equity for the nine months ended September 30, 2012:

|  | MGM Resorts<br>International<br>Stockholders<br>Equity | Noncontrolling<br>Interests<br>(In thousands) | Total<br>Stockholders<br>Equity |
|--|--|---|---------------------------------|
| <b>Balances, January 1, 2012</b>                                     | \$ 6,086,578   | \$ 3,795,644                                  | \$ 9,882,222                    |
| Net income (loss)  | (543,864)  | 115,449                                       | (428,415)                       |
| Currency translation adjustment                                      | 6,555  | 6,286   | 12,841                          |
| Stock-based compensation   | 31,175   | 2,025   | 33,200                          |
| Change in excess tax benefit from stock-based compensation           | (26,455)   |   | (26,455)                        |
| Issuance of common stock pursuant to stock-based compensation awards | (721)  |   | (721)                           |
| Cash distributions to noncontrolling interest owners                 |  | (207,171)                                     | (207,171)                       |
| Other  | 2  |   | 2                               |
| <b>Balances, September 30, 2012</b>                                  | <b>\$ 5,553,270</b>                                    | <b>\$ 3,712,233</b>                           | <b>\$ 9,265,503</b>             |

**NOTE 9 STOCK-BASED COMPENSATION**

**2005 Omnibus Incentive Plan.** As of September 30, 2012, the Company had an aggregate of approximately 16 million shares of common stock available for grant as share-based awards under the Company's omnibus incentive plan ( Omnibus Plan ). A summary of activity under the Company's share-based payment plans for the nine months ended September 30, 2012 is presented below:

Stock options and stock appreciation rights ( SARs )

Weighted

Edgar Filing: MGM Resorts International - Form 10-Q

|                                   | Shares<br>(000 s) | Average<br>Exercise<br>Price |
|-----------------------------------|-------------------|------------------------------|
| Outstanding at January 1, 2012    | 30,320            | \$ 20.18                     |
| Granted                           | 258               | 12.33                        |
| Exercised                         | (832)             | 12.16                        |
| Forfeited or expired              | (7,930)           | 33.70                        |
| Outstanding at September 30, 2012 | 21,816            | 15.48                        |
| Exercisable at September 30, 2012 | 13,533            | 18.30                        |

Restricted Stock Units ( RSUs )

|                                 | Shares<br>(000 s) | Weighted<br>Average<br>Grant-Date<br>Fair Value |
|---------------------------------|-------------------|---|
| Nonvested at January 1, 2012    | 1,181             | \$ 11.15  |
| Granted                         | 109               | 10.82   |
| Vested                          | (71)              | 18.69   |
| Forfeited                       | (42)              | 12.49   |
| Nonvested at September 30, 2012 | 1,177             | 10.62   |

Table of Contents

**MGM China Share Option Plan.** As of September 30, 2012, MGM China had an aggregate of approximately 1.1 billion shares of options available for grant as share-based awards ( MGM China Plan ). A summary of activity under the MGM China Plan for the nine months ended September 30, 2012 is presented below:

Stock options

|                                   | Shares<br>(000 s) | Weighted<br>Average<br>Exercise<br>Price |
|-----------------------------------|-------------------|--|
| Outstanding at January 1, 2012    | 19,260            | \$ 1.99                                  |
| Granted                           | 955               | 1.78                                     |
| Forfeited or expired              | (930)             | 2.01                                     |
| Outstanding at September 30, 2012 | 19,285            | 1.98                                     |
| Exercisable at September 30, 2012 | 4,543             | 2.00                                     |

**Recognition of compensation cost.** Compensation cost for both the Omnibus Plan and MGM China Plan was recognized as follows:

|  | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |           |
|--|-------------------------------------|----------|------------------------------------|-----------|
|  | 2012                                | 2011     | 2012                               | 2011      |
|  | (In thousands)                      |          |                                    |           |
| Compensation cost:                       |                                     |          |                                    |           |
| Stock options and SARs                   | \$ 5,504                            | \$ 5,650 | \$ 17,984                          | \$ 17,307 |
| RSUs                                     | 3,408                               | 4,148    | 11,084                             | 12,906    |
| MGM China Plan                           | 1,437                               | 1,347    | 4,132                              | 1,748     |
| Total compensation cost                  | 10,349                              | 11,145   | 33,200                             | 31,961    |
| Less: CityCenter reimbursed costs        | (1,013)                             | (1,091)  | (3,068)                            | (3,300)   |
| Compensation cost recognized as expense  | 9,336                               | 10,054   | 30,132                             | 28,661    |
| Less: Related tax benefit                | (108)                               | (3,031)  | (525)                              | (9,368)   |
| Compensation expense, net of tax benefit | \$ 9,228                            | \$ 7,023 | \$ 29,607                          | \$ 19,293 |

**NOTE 10 PROPERTY TRANSACTIONS, NET**

Property transactions, net includes:

|   | Three Months Ended<br>September 30, |        | Nine Months Ended<br>September 30, |        |
|---|-------------------------------------|--------|------------------------------------|--------|
|   | 2012                                | 2011   | 2012                               | 2011   |
|   | (In thousands)                      |        |                                    |        |
| Grand Victoria investment impairment charge | \$                                  | \$     | \$ 85,009                          | \$     |
| Circus Circus Reno impairment charge        |                                     | 79,658 |                                    | 79,658 |

## Edgar Filing: MGM Resorts International - Form 10-Q

|                                  |          |           |           |           |
|----------------------------------|----------|-----------|-----------|-----------|
| Other property transactions, net | 5,803    | 2,179     | 12,178    | 3,170     |
|                                  | \$ 5,803 | \$ 81,837 | \$ 97,187 | \$ 82,828 |

See Note 4 for discussion of the Grand Victoria investment impairment charge.

At September 30, 2011, the Company reviewed the carrying value of its Circus Circus Reno long-lived assets for impairment using revised operating forecasts developed by management for that resort in the third quarter of 2011. Due to current and forecasted market conditions and results of operations through September 30, 2011 being lower than previous forecasts, the Company recorded a non-cash impairment charge of \$80 million in the third quarter of 2011 related to a writedown of Circus Circus Reno's long-lived assets. The Company's discounted cash flow analysis for Circus Circus Reno included estimated future cash inflows from operations and estimated future cash outflows for capital expenditures utilizing an estimated discount rate and terminal year capitalization rate.

Other property transactions for the three and nine months ended September 30, 2012 and 2011 include miscellaneous asset disposals and demolition costs.

Table of Contents**NOTE 11 SEGMENT INFORMATION**

The Company's management views each of its casino resorts as an operating segment. Operating segments are aggregated based on their similar economic characteristics, types of customers, types of services and products provided, the regulatory environments in which they operate, and their management and reporting structure. The Company's principal operating activities occur in two geographic regions: the United States and Macau S.A.R. The Company has aggregated its operations into two reportable segments based on the similar characteristics of the operating segments within the regions in which they operate: wholly owned domestic resorts and MGM China. The Company's operations related to investments in unconsolidated affiliates, MGM Hospitality, and certain other corporate and management operations have not been identified as separate reportable segments; therefore, these operations are included in corporate and other in the following segment disclosures to reconcile to consolidated results.

The Company's management utilizes Adjusted Property EBITDA as the primary profit measure for its reportable segments. Adjusted Property EBITDA is a non-GAAP measure defined as Adjusted EBITDA before corporate expense and stock compensation expense related to the MGM Resorts stock option plan, which are not allocated to the reportable segments. MGM China recognizes stock compensation expense related to its stock compensation plan which is included in the calculation of Adjusted EBITDA for MGM China. Adjusted EBITDA is a non-GAAP measure defined as earnings before interest and other non-operating income (expense), taxes, depreciation and amortization, preopening and start-up expenses, property transactions, net and the gain on the MGM China transaction.

The following table presents the Company's segment information:

|  | Three Months Ended<br>September 30, |              | Nine Months Ended<br>September 30, |              |
|--|-------------------------------------|--------------|------------------------------------|--------------|
|  | 2012                                | 2011         | 2012                               | 2011         |
|  | (In thousands)                      |              |                                    |              |
| <b>Net Revenues:</b>                         |                                     |              |                                    |              |
| Wholly owned domestic resorts                | \$ 1,486,155                        | \$ 1,509,375 | \$ 4,470,981                       | \$ 4,421,113 |
| MGM China                                    | 665,074                             | 623,050      | 2,076,460                          | 816,034      |
| Reportable segment net revenues              | 2,151,229                           | 2,132,425    | 6,547,441                          | 5,237,147    |
| Corporate and other                          | 103,749                             | 101,162      | 318,892                            | 315,276      |
|  | \$ 2,254,978                        | \$ 2,233,587 | \$ 6,866,333                       | \$ 5,552,423 |
| <b>Adjusted EBITDA:</b>                      |                                     |              |                                    |              |
| Wholly owned domestic resorts                | \$ 324,764                          | \$ 347,594   | \$ 990,894                         | \$ 978,942   |
| MGM China                                    | 152,491                             | 139,326      | 503,572                            | 185,748      |
| Reportable segment                           |                                     |              |                                    |              |
| Adjusted Property EBITDA                     | 477,255                             | 486,920      | 1,494,466                          | 1,164,690    |
| Corporate and other                          | (104,872)                           | (42,989)     | (190,266)                          | (32,760)     |
|  | 372,383                             | 443,931      | 1,304,200                          | 1,131,930    |
| <b>Other operating income (expense):</b>     |                                     |              |                                    |              |
| Preopening and start-up expenses             | (765)                               |              | (765)                              | 316          |
| Property transactions, net                   | (5,803)                             | (81,837)     | (97,187)                           | (82,828)     |
| Gain on MGM China transaction                |                                     |              |                                    | 3,496,005    |
| Depreciation and amortization                | (228,414)                           | (249,520)    | (700,866)                          | (579,384)    |
| Operating income                             | 137,401                             | 112,574      | 505,382                            | 3,966,039    |
| <b>Non-operating income (expense):</b>       |                                     |              |                                    |              |
| Interest expense, net of amounts capitalized | (275,771)                           | (272,542)    | (836,436)                          | (812,680)    |
|  | (20,901)                            | (24,692)     | (68,603)                           | (92,984)     |

Edgar Filing: MGM Resorts International - Form 10-Q

Non-operating items from unconsolidated affiliates

|  |              |              |              |              |
|--|--------------|--------------|--------------|--------------|
| Other, net   | 2,012        | (1,595)      | (55,518)     | (18,567)     |
|  | (294,660)    | (298,829)    | (960,557)    | (924,231)    |
| <b>Income (loss) before income taxes</b>                           | (157,259)    | (186,255)    | (455,175)    | 3,041,808    |
| Benefit for income taxes   | 2,585        | 79,680       | 26,760       | 212,437      |
| <b>Net income (loss)</b>   | (154,674)    | (106,575)    | (428,415)    | 3,254,245    |
| Less: Net income attributable to noncontrolling interests          | (26,485)     | (17,211)     | (115,449)    | (25,917)     |
| <b>Net income (loss) attributable to MGM Resorts International</b> | \$ (181,159) | \$ (123,786) | \$ (543,864) | \$ 3,228,328 |



Table of Contents

**NOTE 12 RELATED PARTY TRANSACTIONS**

**MGM China.** In connection with the MGM China IPO, MGM Branding and Development Holdings, Ltd. (together with its subsidiary MGM Development Services, Ltd. (MGM Branding and Development)), an entity included in the Company's consolidated financial statements in which Ms. Pansy Ho indirectly holds a noncontrolling interest, entered into a brand license agreement with MGM China. MGM China pays a license fee to MGM Branding and Development equal to 1.75% of MGM China's consolidated net revenue, subject to an annual cap of \$30 million in 2012, increasing by 20% per annum for each subsequent calendar year during the term of the agreement. In the three months ended September 30, 2012 and 2011, total license fees of \$5 million and \$11 million, respectively, were incurred by MGM China. In the nine months ended September 30, 2012 and 2011, MGM China incurred \$30 million and \$14 million of license fees, respectively. Such amounts have been eliminated in consolidation.

MGM China also entered into a development services agreement with MGM Branding and Development to provide certain development services to MGM China in connection with future expansion of existing projects and development of future resort gaming projects. Such services are subject to a development fee which is calculated separately for each resort casino property upon commencement of development. For each such property, the fee is 2.625% of project costs, to be paid in installments as certain benchmarks are achieved. Project costs are the total costs incurred for the design, development and construction of the casino, casino hotel, integrated resort and other related sites associated with each project, including costs of construction, fixtures and fittings, signage, gaming and other supplies and equipment and all costs associated with the opening of the business to be conducted at each project but excluding the cost of land and gaming concessions and financing costs. The development fee is subject to an annual cap of \$20 million per annum for the initial financial year for each project, which amount shall increase by 10% per annum for each succeeding financial year during the term of the agreement. In the nine months ended September 30, 2012, MGM China incurred \$6 million of fees to MGM Branding and Development related to development services. Such amount is eliminated in consolidation.

Table of Contents**NOTE 13 CONDENSED CONSOLIDATING FINANCIAL INFORMATION**

The Company's domestic subsidiaries, excluding certain minor subsidiaries, its domestic insurance subsidiaries and MGM Grand Detroit, LLC and its subsidiaries, have fully and unconditionally guaranteed, on a joint and several basis, payment of the senior credit facility, the senior notes, senior secured notes and the senior subordinated notes. The Company's international subsidiaries, including MGM China, are not guarantors of such indebtedness. The Company has corrected certain prior year amounts in the current year's presentation to properly reflect the Company's investment in its proportionate share of subsidiaries' net assets, which had previously reflected the entire share of subsidiaries' net assets and to properly reflect the other non-current assets, allocations of income tax and presentation of intercompany balances between the parent and the subsidiaries as required by Regulation S-X, Rule 3-10. The Company has determined that the impact of these corrections is immaterial. Separate condensed financial statement information for the subsidiary guarantors and non-guarantors as of September 30, 2012 and December 31, 2011 and for the three and nine month periods ended September 30, 2012 and 2011 is as follows:

**CONDENSED CONSOLIDATING BALANCE SHEET INFORMATION**

|  | <b>At September 30, 2012</b> |                                   |  |                    |                     |
|--|------------------------------|-----------------------------------|--|--------------------|---------------------|
|  | <b>Parent</b>                | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries<br/>(In thousands)</b> | <b>Elimination</b> | <b>Consolidated</b> |
| Current assets   | \$ 1,070,116                 | \$ 891,110                        | \$ 1,386,934   | \$ (343)           | \$ 3,347,817        |
| Property and equipment, net                              |                              | 13,459,359                        | 1,317,962  | (11,972)           | 14,765,349          |
| Investments in subsidiaries                              | 20,550,628                   | 4,222,904                         |  | (24,773,532)       |                     |
| Investments in and advances to unconsolidated affiliates |                              | 1,481,499                         | 7,163  |                    | 1,488,662           |
| Other non-current assets                                 | 159,914                      | 654,154                           | 7,415,465  |                    | 8,229,533           |
|  | \$ 21,780,658                | \$ 20,709,026                     | \$ 10,127,524  | \$ (24,785,847)    | \$ 27,831,361       |
| Current liabilities                                      | \$ 355,199                   | \$ 970,051                        | \$ 708,947   | \$ (8,343)         | \$ 2,025,854        |
| Intercompany accounts                                    | 768,407                      | (850,156)                         | 81,749   |                    |                     |
| Deferred income taxes                                    | 2,278,428                    |                                   | 249,400  |                    | 2,527,828           |
| Long-term debt   | 12,680,404                   | 155,654                           | 989,393  |                    | 13,825,451          |
| Other long-term obligations                              | 144,950                      | 41,114                            | 661  |                    | 186,725             |
| Total liabilities  | 16,227,388                   | 316,663                           | 2,030,150  | (8,343)            | 18,565,858          |
| MGM Resorts stockholders' equity                         | 5,553,270                    | 20,392,363                        | 4,385,141  | (24,777,504)       | 5,553,270           |
| Noncontrolling interests                                 |                              |                                   | 3,712,233  |                    | 3,712,233           |
| Total stockholders' equity                               | 5,553,270                    | 20,392,363                        | 8,097,374  | (24,777,504)       | 9,265,503           |
|  | \$ 21,780,658                | \$ 20,709,026                     | \$ 10,127,524  | \$ (24,785,847)    | \$ 27,831,361       |

|  | <b>At December 31, 2011</b> |                                   |  |                    |                     |
|--|-----------------------------|-----------------------------------|--|--------------------|---------------------|
|  | <b>Parent</b>               | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries<br/>(In thousands)</b> | <b>Elimination</b> | <b>Consolidated</b> |
| Current assets   | \$ 889,748                  | \$ 972,309                        | \$ 951,414   | \$ (751)           | \$ 2,812,720        |
| Property and equipment, net                              |                             | 13,567,922                        | 1,310,694  | (11,972)           | 14,866,644          |
| Investments in subsidiaries                              | 20,336,482                  | 4,135,039                         |  | (24,471,521)       |                     |
| Investments in and advances to unconsolidated affiliates |                             | 1,628,420                         | 7,152  |                    | 1,635,572           |
| Other non-current assets                                 | 146,515                     | 658,089                           | 7,646,736  |                    | 8,451,340           |
|  | \$ 21,372,745               | \$ 20,961,779                     | \$ 9,915,996   | \$ (24,484,244)    | \$ 27,766,276       |

Edgar Filing: MGM Resorts International - Form 10-Q

|                                 |               |               |              |                 |               |
|---------------------------------|---------------|---------------|--------------|-----------------|---------------|
| Current liabilities             | \$ 280,232    | \$ 950,724    | \$ 514,559   | \$ (751)        | \$ 1,744,764  |
| Intercompany accounts           | 334,454       | (377,756)     | 43,302       |                 |               |
| Deferred income taxes           | 2,237,628     |               | 264,468      |                 | 2,502,096     |
| Long-term debt                  | 12,310,634    | 157,221       | 1,002,312    |                 | 13,470,167    |
| Other long-term obligations     | 123,219       | 43,300        | 508          |                 | 167,027       |
| Total liabilities               | 15,286,167    | 773,489       | 1,825,149    | (751)           | 17,884,054    |
| MGM Resorts stockholders equity | 6,086,578     | 20,188,290    | 4,295,203    | (24,483,493)    | 6,086,578     |
| Noncontrolling interests        |               |               | 3,795,644    |                 | 3,795,644     |
| Total stockholders equity       | 6,086,578     | 20,188,290    | 8,090,847    | (24,483,493)    | 9,882,222     |
|                                 | \$ 21,372,745 | \$ 20,961,779 | \$ 9,915,996 | \$ (24,484,244) | \$ 27,766,276 |

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME INFORMATION**

|   | Three Months Ended September 30, 2012 |                           |   |             |              |              |
|---|---------------------------------------|---------------------------|---|-------------|--------------|--------------|
|   | Parent                                | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries<br>(In thousands) | Elimination | Consolidated |              |
| Net revenues  | \$                                    | \$ 1,450,101              | \$ 805,535  | \$ (658)    | \$ 2,254,978 |              |
| Equity in subsidiaries earnings                                       |                                       | 89,705                    | 47,759  | (137,464)   |              |              |
| Expenses:   |                                       |                           |   |             |              |              |
| Casino and hotel operations   |                                       | 1,676                     | 904,578   | 556,958     | (658)        | 1,462,554    |
| General and administrative  |                                       | 1,853                     | 265,040   | 52,213      |              | 319,106      |
| Corporate expense   |                                       | 14,390                    | 48,524  | 8,078       | (8,000)      | 62,992       |
| Preopening and start-up expenses                                      |                                       |                           | 124   | 641         |              | 765          |
| Property transactions, net  |                                       |                           | 5,319   | 484         |              | 5,803        |
| Depreciation and amortization   |                                       |                           | 128,466   | 99,948      |              | 228,414      |
|   |                                       | 17,919                    | 1,352,051   | 718,322     | (8,658)      | 2,079,634    |
| Income (loss) from unconsolidated affiliates                          |                                       |                           | (37,919)  | (24)        |              | (37,943)     |
| Operating income (loss)   |                                       | 71,786                    | 107,890   | 87,189      | (129,464)    | 137,401      |
| Interest expense, net of amounts capitalized                          |                                       | (261,094)                 | (2,730)   | (11,947)    |              | (275,771)    |
| Other, net  |                                       | 6,904                     | (20,170)  | (5,623)     |              | (18,889)     |
| Income (loss) before income taxes                                     |                                       | (182,404)                 | 84,990  | 69,619      | (129,464)    | (157,259)    |
| Benefit (provision) for income taxes                                  |                                       | 1,245                     | 1,436   | (96)        |              | 2,585        |
| Net income (loss)   |                                       | (181,159)                 | 86,426  | 69,523      | (129,464)    | (154,674)    |
| Less: net income attributable to noncontrolling interests             |                                       |                           |   | (26,485)    |              | (26,485)     |
| Net income (loss) attributable to MGM Resorts International           | \$                                    | (181,159)                 | \$ 86,426   | \$ 43,038   | \$ (129,464) | \$ (181,159) |
| Net income (loss)   | \$                                    | (181,159)                 | \$ 86,426   | \$ 69,523   | \$ (129,464) | \$ (154,674) |
| Other comprehensive income, net of tax:                               |                                       |                           |   |             |              |              |
| Foreign currency translation adjustment                               |                                       | 1,487                     | 1,487   | 2,840       | (2,974)      | 2,840        |
| Other comprehensive income  |                                       | 1,487                     | 1,487   | 2,840       | (2,974)      | 2,840        |
| Comprehensive income (loss)   |                                       | (179,672)                 | 87,913  | 72,363      | (132,438)    | (151,834)    |
| Less: comprehensive income attributable to noncontrolling interests   |                                       |                           |   | (27,838)    |              | (27,838)     |
| Comprehensive income (loss) attributable to MGM Resorts International | \$                                    | (179,672)                 | \$ 87,913   | \$ 44,525   | \$ (132,438) | \$ (179,672) |

Table of Contents

## Nine Months Ended September 30, 2012

|   | Parent       | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries<br>(In thousands) | Elimination  | Consolidated |
|---|--------------|---------------------------|---|--------------|--------------|
| Net revenues  | \$           | \$ 4,356,937              | \$ 2,510,591  | \$ (1,195)   | \$ 6,866,333 |
| Equity in subsidiaries earnings                                       | 317,428      | 160,260                   |   | (477,688)    |              |
| Expenses:   |              |                           |   |              |              |
| Casino and hotel operations   | 5,919        | 2,733,100                 | 1,699,378   | (1,195)      | 4,437,202    |
| General and administrative  | 5,683        | 771,581                   | 154,609   |              | 931,873      |
| Corporate expense   | 46,719       | 101,216                   | 7,857   | (8,000)      | 147,792      |
| Preopening and start-up expenses                                      |              | 124                       | 641   |              | 765          |
| Property transactions, net  |              | 94,356                    | 2,831   |              | 97,187       |
| Depreciation and amortization   |              | 389,651                   | 311,215   |              | 700,866      |
|   | 58,321       | 4,090,028                 | 2,176,531   | (9,195)      | 6,315,685    |
| Loss from unconsolidated affiliates                                   |              | (45,131)                  | (135)   |              | (45,266)     |
| Operating income (loss)   | 259,107      | 382,038                   | 333,925   | (469,688)    | 505,382      |
| Interest expense, net of amounts capitalized                          | (791,003)    | (8,238)                   | (37,195)  |              | (836,436)    |
| Other, net  | (23,811)     | (66,909)                  | (33,401)  |              | (124,121)    |
| Income (loss) before income taxes                                     | (555,707)    | 306,891                   | 263,329   | (469,688)    | (455,175)    |
| Benefit for income taxes  | 11,843       | 463                       | 14,454  |              | 26,760       |
| Net income (loss)   | (543,864)    | 307,354                   | 277,783   | (469,688)    | (428,415)    |
| Less: net income attributable to noncontrolling interests             |              |                           | (115,449)   |              | (115,449)    |
| Net income (loss) attributable to MGM Resorts International           | \$ (543,864) | \$ 307,354                | \$ 162,334  | \$ (469,688) | \$ (543,864) |
| Net income (loss)   | \$ (543,864) | \$ 307,354                | \$ 277,783  | \$ (469,688) | \$ (428,415) |
| Other comprehensive income, net of tax:                               |              |                           |   |              |              |
| Foreign currency translation adjustment                               | 6,555        | 6,555                     | 12,841  | (13,110)     | 12,841       |
| Other comprehensive income  | 6,555        | 6,555                     | 12,841  | (13,110)     | 12,841       |
| Comprehensive income (loss)   | (537,309)    | 313,909                   | 290,624   | (482,798)    | (415,574)    |
| Less: comprehensive income attributable to noncontrolling interests   |              |                           | (121,735)   |              | (121,735)    |
| Comprehensive income (loss) attributable to MGM Resorts International | \$ (537,309) | \$ 313,909                | \$ 168,889  | \$ (482,798) | \$ (537,309) |

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION**

|   | Nine Months Ended September 30, 2012 |                           |   |             |              |
|---|--------------------------------------|---------------------------|---|-------------|--------------|
|   | Parent                               | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries<br>(In thousands) | Elimination | Consolidated |
| <b>Cash flows from operating activities</b>                                 |                                      |                           |   |             |              |
| Net cash provided by (used in) operating activities                         | \$ (655,726)                         | \$ 771,165                | \$ 771,823  | \$          | \$ 887,262   |
| <b>Cash flows from investing activities</b>                                 |                                      |                           |   |             |              |
| Capital expenditures, net of construction payable                           |                                      | (254,852)                 | (61,905)  |             | (316,757)    |
| Investments in and advances to unconsolidated affiliates                    | (37,000)                             |                           |   |             | (37,000)     |
| Distributions from unconsolidated affiliates in excess of earnings          |                                      | 1,347                     |   |             | 1,347        |
| Investments in treasury securities - maturities longer than 90 days         |                                      | (195,313)                 |   |             | (195,313)    |
| Proceeds from treasury securities - maturities longer than 90 days          |                                      | 225,301                   |   |             | 225,301      |
| Other   |                                      | (1,086)                   | 101   |             | (985)        |
| Net cash used in investing activities                                       | (37,000)                             | (224,603)                 | (61,804)  |             | (323,407)    |
| <b>Cash flows from financing activities</b>                                 |                                      |                           |   |             |              |
| Net repayments under bank credit facilities - maturities of 90 days or less | (192,100)                            |                           | (13,826)  |             | (205,926)    |
| Borrowings under bank credit facilities - maturities longer than 90 days    |                                      |                           | 900,000   |             | 900,000      |
| Repayments under bank credit facilities - maturities longer than 90 days    | (1,834,128)                          |                           | (900,000)   |             | (2,734,128)  |
| Issuance of senior notes  | 2,850,000                            |                           |   |             | 2,850,000    |
| Retirement of senior notes  | (534,650)                            |                           |   |             | (534,650)    |
| Debt issuance costs   | (54,459)                             |                           |   |             | (54,459)     |
| Intercompany accounts   | 591,602                              | (548,791)                 | (42,811)  |             |              |
| Distributions to noncontrolling interest owners                             |                                      |                           | (206,806)   |             | (206,806)    |
| Other   | (843)                                | (833)                     | (57)  |             | (1,733)      |
| Net cash provided by (used in) financing activities                         | 825,422                              | (549,624)                 | (263,500)   |             | 12,298       |
| <b>Effect of exchange rate on cash</b>                                      |                                      |                           | 1,093   |             | 1,093        |
| <b>Cash and cash equivalents</b>  |                                      |                           |   |             |              |
| Net increase (decrease) for the period                                      | 132,696                              | (3,062)                   | 447,612   |             | 577,246      |
| Balance, beginning of period  | 795,326                              | 230,888                   | 839,699   |             | 1,865,913    |
| Balance, end of period  | \$ 928,022                           | \$ 227,826                | \$ 1,287,311  | \$          | \$ 2,443,159 |

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME INFORMATION**

|   | Three Months Ended September 30, 2011 |                           |   |             |              |              |
|---|---------------------------------------|---------------------------|---|-------------|--------------|--------------|
|   | Parent                                | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries<br>(In thousands) | Elimination | Consolidated |              |
| Net revenues  | \$                                    | \$ 1,472,128              | \$ 763,030  | \$ (1,571)  | \$ 2,233,587 |              |
| Equity in subsidiaries earnings                                       |                                       | 51,408                    | 27,027  | (78,435)    |              |              |
| Expenses:   |                                       |                           |   |             |              |              |
| Casino and hotel operations   |                                       | 2,122                     | 914,727   | 527,345     | (1,571)      | 1,442,623    |
| General and administrative  |                                       | 2,520                     | 254,130   | 47,399      |              | 304,049      |
| Corporate expense   |                                       | 15,619                    | 27,250  | 654         |              | 43,523       |
| Property transactions, net  |                                       |                           | 81,538  | 299         |              | 81,837       |
| Depreciation and amortization   |                                       |                           | 141,337   | 108,183     |              | 249,520      |
|   |                                       | 20,261                    | 1,418,982   | 683,880     | (1,571)      | 2,121,552    |
| Income (loss) from unconsolidated affiliates                          |                                       |                           | 630   | (91)        |              | 539          |
| Operating income (loss)   |                                       | 31,147                    | 80,803  | 79,059      | (78,435)     | 112,574      |
| Interest expense  |                                       | (254,149)                 | (4,771)   | (13,622)    |              | (272,542)    |
| Other, net  |                                       | 13,012                    | (24,750)  | (14,549)    |              | (26,287)     |
| Income (loss) before income taxes                                     |                                       | (209,990)                 | 51,282  | 50,888      | (78,435)     | (186,255)    |
| Benefit (provision) for income taxes                                  |                                       | 86,204                    | (3,021)   | (3,503)     |              | 79,680       |
| Net income (loss)   |                                       | (123,786)                 | 48,261  | 47,385      | (78,435)     | (106,575)    |
| Less: net income attributable to noncontrolling interests             |                                       |                           |   | (17,211)    |              | (17,211)     |
| Net income (loss) attributable to MGM Resorts International           | \$                                    | (123,786)                 | \$ 48,261   | \$ 30,174   | \$ (78,435)  | \$ (123,786) |
| Net income (loss)   | \$                                    | (123,786)                 | \$ 48,261   | \$ 47,385   | \$ (78,435)  | \$ (106,575) |
| Other comprehensive loss, net of tax:                                 |                                       |                           |   |             |              |              |
| Foreign currency translation adjustment                               |                                       | (1,756)                   | (1,756)   | (3,528)     | 3,512        | (3,528)      |
| Other comprehensive loss  |                                       | (1,756)                   | (1,756)   | (3,528)     | 3,512        | (3,528)      |
| Comprehensive income (loss)   |                                       | (125,542)                 | 46,505  | 43,857      | (74,923)     | (110,103)    |
| Less: comprehensive income attributable to noncontrolling interests   |                                       |                           |   | (15,439)    |              | (15,439)     |
| Comprehensive income (loss) attributable to MGM Resorts International | \$                                    | (125,542)                 | \$ 46,505   | \$ 28,418   | \$ (74,923)  | \$ (125,542) |

Table of Contents

## Nine Months Ended September 30, 2011

|   | Parent       | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries<br>(In thousands) | Elimination    | Consolidated |
|---|--------------|---------------------------|---|----------------|--------------|
| Net revenues  | \$           | \$ 4,308,495              | \$ 1,245,499  | \$ (1,571)     | \$ 5,552,423 |
| Equity in subsidiaries earnings                                       | 3,802,141    | 3,649,901                 |   | (7,452,042)    |              |
| Expenses:   |              |                           |   |                |              |
| Casino and hotel operations   | 7,416        | 2,701,141                 | 814,199   | (1,571)        | 3,521,185    |
| General and administrative  | 7,388        | 761,949                   | 105,856   |                | 875,193      |
| Corporate expense   | 46,743       | 72,732                    | 549   |                | 120,024      |
| Preopening and start-up expenses                                      |              | (316)                     |   |                | (316)        |
| Property transactions, net  |              | 82,149                    | 679   |                | 82,828       |
| Gain on MGM China transaction   |              |                           | (3,496,005)   |                | (3,496,005)  |
| Depreciation and amortization   |              | 424,696                   | 154,688   |                | 579,384      |
|   | 61,547       | 4,042,351                 | (2,420,034)   | (1,571)        | 1,682,293    |
| Income (loss) from unconsolidated affiliates                          |              |                           |   |                |              |
|   |              | (19,089)                  | 114,998   |                | 95,909       |
| Operating income (loss)   | 3,740,594    | 3,896,956                 | 3,780,531   | (7,452,042)    | 3,966,039    |
| Interest expense  | (766,992)    | (14,416)                  | (31,272)  |                | (812,680)    |
| Other, net  | 24,776       | (86,951)                  | (49,376)  |                | (111,551)    |
| Income (loss) before income taxes                                     | 2,998,378    | 3,795,589                 | 3,699,883   | (7,452,042)    | 3,041,808    |
| Benefit (provision) for income taxes                                  | 229,950      | (3,106)                   | (14,407)  |                | 212,437      |
| Net income (loss)   | 3,228,328    | 3,792,483                 | 3,685,476   | (7,452,042)    | 3,254,245    |
| Less: net income attributable to noncontrolling interests             |              |                           | (25,917)  |                | (25,917)     |
| Net income (loss) attributable to MGM Resorts International           | \$ 3,228,328 | \$ 3,792,483              | \$ 3,659,559  | \$ (7,452,042) | \$ 3,228,328 |
| Net income (loss)   | \$ 3,228,328 | \$ 3,792,483              | \$ 3,685,476  | \$ (7,452,042) | \$ 3,254,245 |
| Other comprehensive loss, net of tax:                                 |              |                           |   |                |              |
| Foreign currency translation adjustment                               | (2,938)      | (2,938)                   | (6,362)   | 5,876          | (6,362)      |
| Other   | (37)         | (37)                      |   | 37             | (37)         |
| Other comprehensive loss  | (2,975)      | (2,975)                   | (6,362)   | 5,913          | (6,399)      |
| Comprehensive income (loss)   | 3,225,353    | 3,789,508                 | 3,679,114   | (7,446,129)    | 3,247,846    |
| Less: comprehensive income attributable to noncontrolling interests   |              |                           | (22,493)  |                | (22,493)     |
| Comprehensive income (loss) attributable to MGM Resorts International | \$ 3,225,353 | \$ 3,789,508              | \$ 3,656,621  | \$ (7,446,129) | \$ 3,225,353 |



Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION**

|  | Nine Months Ended September 30, 2011 |                           |   |             |              |
|--|--------------------------------------|---------------------------|---|-------------|--------------|
|  | Parent                               | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries<br>(In thousands) | Elimination | Consolidated |
| <b>Cash flows from operating activities</b>  |                                      |                           |   |             |              |
| Net cash provided by (used in) operating activities                                      | \$ (442,532)                         | \$ 719,590                | \$ 203,982  | \$          | \$ 481,040   |
| <b>Cash flows from investing activities</b>  |                                      |                           |   |             |              |
| Capital expenditures, net of construction payable  |                                      | (156,525)                 | (19,799)  |             | (176,324)    |
| Acquisition of MGM China, net of cash paid   |                                      |                           | 407,046   |             | 407,046      |
| Investments in and advances to unconsolidated affiliates                                 | (71,000)                             | (36,648)                  |   |             | (107,648)    |
| Distributions from unconsolidated affiliates in excess of earnings                       |                                      | 3,077                     |   |             | 3,077        |
| Investments in treasury securities-maturities longer than 90 days                        |                                      | (240,239)                 |   |             | (240,239)    |
| Proceeds from treasury securities-maturities longer than 90 days                         |                                      | 240,070                   |   |             | 240,070      |
| Other  |                                      | (145)                     | 40  |             | (105)        |
| Net cash provided by (used in) investing activities                                      | (71,000)                             | (190,410)                 | 387,287   |             | 125,877      |
| <b>Cash flows from financing activities</b>  |                                      |                           |   |             |              |
| Net (repayments) borrowings under bank credit facilities - maturities of 90 days or less | 34,391                               |                           | (473,271)   |             | (438,880)    |
| Borrowings under bank credit facilities maturities longer than 90 days                   | 4,492,866                            |                           | 1,282,119   |             | 5,774,985    |
| Repayments under bank credit facilities maturities longer than 90 days                   | (3,668,257)                          |                           | (900,000)   |             | (4,568,257)  |
| Issuance of senior notes   | 311,415                              |                           |   |             | 311,415      |
| Retirement of senior notes   | (356,700)                            | (8,436)                   |   |             | (365,136)    |
| Intercompany accounts  | 632,911                              | (592,450)                 | (40,461)  |             |              |
| Other  | (777)                                | (946)                     | (2,827)   |             | (4,550)      |
| Net cash provided by (used in) financing activities                                      | 1,445,849                            | (601,832)                 | (134,440)   |             | 709,577      |
| <b>Effect of exchange rate on cash</b>   |                                      |                           | (333)   |             | (333)        |
| <b>Cash and cash equivalents</b>   |                                      |                           |   |             |              |
| Net increase (decrease) for the period   | 932,317                              | (72,652)                  | 456,496   |             | 1,316,161    |
| Balance, beginning of period   | 72,457                               | 278,801                   | 147,706   |             | 498,964      |
| Balance, end of period   | \$ 1,004,774                         | \$ 206,149                | \$ 604,202  | \$          | \$ 1,815,125 |

Table of Contents

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This management's discussion and analysis of financial condition and results of operations ( MD&A ) contains forward-looking statements that involve risks and uncertainties. Please see Cautionary Statement Concerning Forward-Looking Statements for a discussion of the uncertainties, risks and assumptions that may cause our actual results to differ materially from those discussed in the forward-looking statements. This discussion should be read in conjunction with our historical financial statements and related notes thereto and the other disclosures contained elsewhere in this Quarterly Report on Form 10-Q, and the audited consolidated financial statements and notes for the fiscal year ended December 31, 2011, which were included in our Form 10-K, filed with the SEC on February 29, 2012. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods. MGM Resorts International together with its subsidiaries may be referred to as we, us or our. MGM China Holdings Limited together with its subsidiaries is referred to as MGM China.

**Executive Overview**

Our primary business is the ownership and operation of casino resorts, which includes offering gaming, hotel, convention, dining, entertainment, retail and other resort amenities. We believe that we own and invest in several of the premier casino resorts in the world and have continually reinvested in our resorts to maintain our competitive advantage. Most of our revenue is cash-based, through customers wagering with cash or paying for non-gaming services with cash or credit cards. We rely heavily on the ability of our resorts to generate operating cash flow to repay debt financings, fund maintenance capital expenditures and provide cash for future development. Our results of operations are affected by decisions we make related to our capital allocation, our access to capital and our cost of capital. Our access to lower cost capital has improved, and over the next few years we remain committed to further deleveraging our balance sheet and improving our credit profile.

Our results of operations do not tend to be seasonal in nature, though a variety of factors may affect the results of any interim period, including the timing of major Las Vegas conventions, the amount and timing of marketing and special events for our high-end customers and the level of play during major holidays, including New Year and Chinese New Year. Our results do not depend on key individual customers, although our success in marketing to customer groups, such as convention customers, or the financial health of customer segments, such as business travelers or high-end gaming customers from a particular country or region, can affect our results. Certain of our resorts earn significant revenues from the high-end gaming business, which may lead to variability in our results.

We have two reportable segments that are based on the regions in which we operate: wholly owned domestic resorts and MGM China. We currently operate 15 wholly owned resorts in the United States. MGM China's operations consist of the MGM Macau resort and casino and the development of a gaming resort in Cotai. We have additional business activities including investments in unconsolidated affiliates, our MGM Hospitality operations and certain other corporate and management operations. CityCenter is our most significant unconsolidated affiliate, which we also manage for a fee. Our operations which have not been segregated into separate reportable segments are reported as corporate and other operations in our reconciliations of segment results to consolidated results.

*Wholly Owned Domestic Resorts*

Over half of the net revenue from our wholly owned domestic resorts is derived from non-gaming operations including hotel, food and beverage, entertainment and other non-gaming amenities. We utilize our significant convention and meeting facilities to maximize hotel occupancy and

## Edgar Filing: MGM Resorts International - Form 10-Q

customer volumes during off-peak times such as mid-week or during traditionally slower leisure travel periods, which also leads to better labor utilization. Our operating results are highly dependent on the volume of customers at our resorts, which in turn affects the price we can charge for our hotel rooms and other amenities. We market to different customer segments to manage our hotel occupancy, such as targeting large conventions to increase mid-week occupancy.

We generate a significant portion of our revenue from our wholly owned domestic resorts in Las Vegas, Nevada, which exposes us to certain risks, such as increased competition from new or expanded Las Vegas resorts, and from the expansion of gaming in the United States.

While adverse conditions in the economic environment affected our operating results in recent years, we believe positive trends, such as increased visitation and consumer spending, will continue. However, we believe that certain aspects of the current economy, such as continued weaknesses in employment and the housing market, will limit economic growth in the United States and temper our recovery. Because of these economic conditions, we have increasingly focused on managing costs and staffing levels across all our resorts and will continue to strive to achieve additional operating efficiencies. However, as a result of our leveraged business model, our operating results are significantly affected by our ability to generate operating revenues.

Table of Contents

Key performance indicators related to gaming and hotel revenue at our wholly owned domestic resorts are:

- Gaming revenue indicators table games drop and slots handle (volume indicators); win or hold percentage, which is not fully controllable by us. Our normal table games hold percentage is in the range of 19% to 23% of table games drop and our normal slots hold percentage is in the range of 7.5% to 8.5% of slots handle; and
- Hotel revenue indicators hotel occupancy (a volume indicator); average daily rate (ADR, a price indicator); and revenue per available room (REVPAR, a summary measure of hotel results, combining ADR and occupancy rate). Our calculation of ADR, which is the average price of occupied rooms per day, includes the impact of complimentary rooms. Complimentary room rates are determined based on an analysis of retail or cash rates for each customer segment and each type of room product to estimate complimentary rates which are consistent with retail rates. Complimentary rates are reviewed at least annually and on an interim basis if there are significant changes in market conditions. Because the mix of rooms provided on a complimentary basis, particularly to casino customers, includes a disproportionate suite component, the composite ADR including complimentary rooms is slightly higher than the ADR for cash rooms, reflecting the higher retail value of suites.

*MGM China*

On June 3, 2011, we and Ms. Ho, Pansy Catilina Chiu King ( Ms. Pansy Ho ) completed a reorganization of the capital structure and the initial public offering of 760 million shares of MGM China on The Stock Exchange of Hong Kong Limited (the IPO ), representing 20% of the post issuance base capital stock of MGM China, at an offer price of HKD 15.34 per share. Pursuant to this reorganization, we acquired, through a wholly owned subsidiary, an additional 1% of the overall capital stock of MGM China for HKD 15.34 per share, or approximately \$75 million, and thereby became the owner of 51% of MGM China, which owns MGM Grand Paradise, S.A. ( MGM Grand Paradise ), the Macau company that owns the MGM Macau resort and casino ( MGM Macau ) and the related gaming subconcession and land concession and is in the process of developing a gaming resort in Cotai.

Through the acquisition of the additional 1% interest of MGM China, we obtained a controlling interest and were required to consolidate MGM China as of June 3, 2011. Prior to the IPO, we held a 50% interest in MGM Grand Paradise, which was accounted for under the equity method. The acquisition of the controlling financial interest was accounted for as a business combination and we recognized 100% of the assets, liabilities and noncontrolling interests of MGM China at fair value at the date of acquisition. The fair value of the equity of MGM China was determined by the IPO transaction price and equaled approximately \$7.5 billion. The carrying value of our equity method investment was significantly less than our share of the fair value of MGM China, resulting in a \$3.5 billion gain on the acquisition.

We believe our investment in MGM China plays an important role in extending our reach internationally and will foster future growth and profitability. Asia is the fastest-growing gaming market in the world and Macau is the world's largest gaming destination in terms of revenue, and has continued to grow over the past few years despite the global economic downturn.

Our MGM China operations primarily consist of MGM Macau. Revenues at MGM Macau are generated primarily from gaming operations made up of two distinct market segments: main floor and high-end (VIP). MGM Macau main floor operations consist of both table games and slot machines offered to the public, which usually consists of walk-in and day trip visitors. VIP players play mostly in dedicated VIP rooms or designated gaming areas. VIP customers can be further divided into customers sourced by in-house VIP programs and those sourced through

## Edgar Filing: MGM Resorts International - Form 10-Q

gaming promoters. A significant portion of our VIP volume is generated through the use of gaming promoters, also known as junket operators. These operators introduce high-end gaming players to MGM Macau, assist these customers with travel arrangements and extend gaming credit to these players.

VIP gaming at MGM Macau is conducted by the use of special purpose nonnegotiable gaming chips called rolling chips. Gaming promoters purchase these rolling chips from MGM Macau and in turn they sell these chips to their players. The rolling chips allow MGM Macau to track the amount of wagering conducted by each gaming promoter's clients in order to determine VIP gaming play. In exchange for the gaming promoters' services, MGM Macau pays them either through rolling chip turnover-based commissions or through revenue-sharing arrangements. The estimated portion of the gaming promoter payments that represent amounts passed through to VIP customers is recorded net against casino revenue, and the estimated portion retained by the gaming promoter for its compensation is recorded to casino expense.

Table of Contents

In addition to the key performance indicators used by our wholly owned domestic resorts, MGM Macau utilizes turnover, which is the sum of rolling chip wagers won by MGM Macau (rolling chips purchased plus rolling chips exchanged less rolling chips returned). Turnover provides a basis for measuring VIP casino win percentage. Normal win for VIP gaming operations at MGM Macau is in the range of 2.7% to 3.0% of turnover. MGM Macau's main floor historical table games hold percentage is in the range of 20% to 30% of table games drop. Normal slots hold percentage at MGM Macau is in the range of 5.5% to 7.5% of slots handle.

*Corporate and Other*

Corporate and other includes our investments in unconsolidated affiliates, MGM Hospitality and certain management and other operations.

**CityCenter.** We own 50% of CityCenter. The other 50% of CityCenter is owned by Infinity World Development Corp ( Infinity World ), a wholly owned subsidiary of Dubai World, a Dubai, United Arab Emirates government decree entity. CityCenter consists of Aria, a casino resort; Mandarin Oriental Las Vegas, a non-gaming boutique hotel; Crystals, a retail and entertainment district; and Vdara, a luxury condominium-hotel. In addition, CityCenter features residential units in the Residences at Mandarin Oriental and Veer. We receive a management fee of 2% of revenues for the management of Aria and Vdara, and 5% of EBITDA (as defined in the agreements governing our management of Aria and Vdara). In addition, we receive an annual fee of \$3 million for the management of Crystals.

**Other unconsolidated affiliates.** We also own 50% interests in Grand Victoria and Silver Legacy. Grand Victoria is a riverboat casino in Elgin, Illinois; an affiliate of Hyatt Gaming owns the other 50% of Grand Victoria and also operates the resort. Silver Legacy is located in Reno, adjacent to Circus Circus Reno, and the other 50% is owned by Eldorado LLC.

**MGM Hospitality.** MGM Hospitality seeks to leverage our management expertise and well-recognized brands through strategic partnerships and international expansion opportunities. We have entered into management agreements for hotels in the Middle East, North Africa, India and, through its joint venture with Diaoyutai State Guesthouse, The People's Republic of China. MGM Hospitality opened its first resort, MGM Grand Sanya on Hainan Island, The People's Republic of China in early 2012.

**Borgata.** We have a 50% economic interest in Borgata Hotel Casino & Spa ( Borgata ) located on Renaissance Pointe in the Marina area of Atlantic City, New Jersey. Boyd Gaming Corporation ( Boyd ) owns the other 50% of Borgata and also operates the resort. Our interest is held in trust and is currently offered for sale pursuant to our amended settlement agreement with the New Jersey Department of Gaming Enforcement ( DGE ) and approved by the New Jersey Casino Control Commission ( CCC ). The terms of the amended settlement agreement mandate the sale by March 2014. We have the right to direct the sale through March 2013, subject to approval of the CCC, and the trustee is responsible for selling the trust property during the following 12-month period.

We consolidate the trust because we are the sole economic beneficiary and we account for our interest in Borgata under the cost method. As of September 30, 2012, the trust had \$149 million of cash and investments, of which \$120 million is held in U.S. treasury securities with maturities greater than three months but less than one year, and is recorded within Prepaid expenses and other. For the three and nine months ended September 30, 2012, \$12 million and \$38 million, respectively, were withdrawn from the trust account for the payment of property taxes and interest on our senior credit facility, as authorized in accordance with the terms of the trust agreement.

**Results of Operations**

The following discussion is based on our consolidated financial statements for the three and nine months ended September 30, 2012 and 2011.

*Summary Financial Results*

The following table summarizes our financial results:

|  | Three Months Ended<br>September 30, |              | Nine Months Ended<br>September 30, |              |
|--|-------------------------------------|--------------|------------------------------------|--------------|
|  | 2012                                | 2011         | 2012                               | 2011         |
|  | (In thousands)                      |              |                                    |              |
| Net revenues   | \$ 2,254,978                        | \$ 2,233,587 | \$ 6,866,333                       | \$ 5,552,423 |
| Operating income   | 137,401                             | 112,574      | 505,382                            | 3,966,039    |
| Net income (loss)  | (154,674)                           | (106,575)    | (428,415)                          | 3,254,245    |
| Net income (loss) attributable to MGM<br>Resorts International | (181,159)                           | (123,786)    | (543,864)                          | 3,228,328    |

## Edgar Filing: MGM Resorts International - Form 10-Q

### Table of Contents

Our results of operations include the results of MGM China on a consolidated basis following the June 3, 2011 date of acquisition. Prior to that date, results of operations of MGM Macau were reflected under the equity method of accounting. See Operating Results Income (loss) from Unconsolidated Affiliates.

Consolidated net revenue for the three months ended September 30, 2012 increased 1% driven by a 7% increase in MGM China net revenue. Net revenue for the year-to-date period increased 24%, primarily due to the consolidation of MGM China. See section below for additional information related to segment revenues.

Consolidated operating income was \$137 million for the three months ended September 30, 2012 compared to \$113 million for the three months ended September 30, 2011. Operating income in the current year quarter was affected by \$18 million related to our share of a CityCenter residential inventory impairment charge and \$16 million related to costs CityCenter accrued for the Harmon demolition. The current year quarter results benefited from improved operating results at MGM China. Operating income in the prior year was affected by an \$80 million impairment charge related to Circus Circus Reno.

Consolidated operating income was \$505 million for the year-to-date period ended September 30, 2012 and was impacted by the items noted above. Consolidated operating income of \$4.0 billion for the nine months ended September 30, 2011 was affected by the items above and also by \$26 million related to our share of a CityCenter residential inventory impairment charge and a gain of \$3.5 billion related to the MGM China transaction, both in the second quarter of 2011.

Corporate expense increased 45% to \$63 million for the third quarter of 2012 and increased 23% to \$148 million for the year-to-date period primarily as a result of additional legal and professional services and as a result of costs associated with development efforts in Maryland, Massachusetts and Toronto.

Depreciation and amortization in the third quarter of 2012 decreased \$21 million from 2011, partially due to certain assets becoming fully depreciated and also impacted by lower expense at MGM China resulting from the accelerated amortization of its customer list intangible asset. Depreciation for the year-to-date period increased to \$701 million and included \$283 million of depreciation and amortization for MGM China.

### *Operating Results Detailed Segment Information*

The following table presents net revenue and Adjusted EBITDA by reportable segment. Management uses Adjusted Property EBITDA as the primary profit measure for our reportable segments. See Non-GAAP Measures for additional Adjusted EBITDA information:

|               | Three Months Ended<br>September 30, |      | Nine Months Ended<br>September 30, |      |
|---------------|-------------------------------------|------|------------------------------------|------|
|               | 2012                                | 2011 | 2012                               | 2011 |
| Net revenues: | (In thousands)                      |      |                                    |      |



Edgar Filing: MGM Resorts International - Form 10-Q

|   |    |           |    |           |    |           |    |           |
|---|----|-----------|----|-----------|----|-----------|----|-----------|
| Wholly owned domestic resorts               | \$ | 1,486,155 | \$ | 1,509,375 | \$ | 4,470,981 | \$ | 4,421,113 |
| MGM China                                   |    | 665,074   |    | 623,050   |    | 2,076,460 |    | 816,034   |
| Reportable segment net revenues             |    | 2,151,229 |    | 2,132,425 |    | 6,547,441 |    | 5,237,147 |
| Corporate and other                         |    | 103,749   |    | 101,162   |    | 318,892   |    | 315,276   |
|   | \$ | 2,254,978 | \$ | 2,233,587 | \$ | 6,866,333 | \$ | 5,552,423 |
| Adjusted EBITDA:                            |    |           |    |           |    |           |    |           |
| Wholly owned domestic resorts               | \$ | 324,764   | \$ | 347,594   | \$ | 990,894   | \$ | 978,942   |
| MGM China                                   |    | 152,491   |    | 139,326   |    | 503,572   |    | 185,748   |
| Reportable segment Adjusted Property EBITDA |    | 477,255   |    | 486,920   |    | 1,494,466 |    | 1,164,690 |
| Corporate and other                         |    | (104,872) |    | (42,989)  |    | (190,266) |    | (32,760)  |
|   | \$ | 372,383   | \$ | 443,931   | \$ | 1,304,200 | \$ | 1,131,930 |

See below for detailed discussion of segment results related to our wholly owned domestic operations and MGM China. Corporate and other revenue includes revenues from MGM Hospitality and management operations and reimbursed revenue primarily related to our CityCenter management agreement. Adjusted EBITDA loss related to corporate and other for the three month period increased primarily as a result of our share of CityCenter residential impairment and accrued Harmon demolition costs at CityCenter as discussed above and an increase in corporate expense. For the nine month period, corporate and other Adjusted EBITDA loss increased due to these factors and MGM Macau being recorded as an equity method investment prior to June 3, 2011. The nine month period increase was offset in part by the inclusion of our share of a CityCenter residential impairment charge in the second quarter of 2011, as described above.

Edgar Filing: MGM Resorts International - Form 10-Q

Table of Contents

**Wholly owned domestic resorts.** The following table presents detailed net revenue at our wholly owned domestic resorts:

|                                    | Three Months Ended<br>September 30,<br>Percentage<br>Change |      |              | Nine Months Ended<br>September 30,<br>Percentage<br>Change |      |              |
|------------------------------------|---|------|--------------|--|------|--------------|
|                                    | 2012  |      | 2011         | 2012   |      | 2011         |
| (In thousands)                     |   |      |              |  |      |              |
| Casino revenue, net:               |   |      |              |  |      |              |
| Table games                        | \$ 204,286  | 2%   | \$ 199,502   | \$ 588,531   | 4%   | \$ 566,629   |
| Slots                              | 417,107   | 1%   | 414,202      | 1,241,349  | 3%   | 1,210,423    |
| Other                              | 17,860  | 18%  | 15,152       | 52,822   | 6%   | 49,667       |
| Casino revenue, net                | 639,253   | 2%   | 628,856      | 1,882,702  | 3%   | 1,826,719    |
| Non-casino revenue:                |   |      |              |  |      |              |
| Rooms                              | 378,994   | (3)% | 390,649      | 1,163,038  | 1%   | 1,151,486    |
| Food and beverage                  | 342,242   | (2)% | 349,813      | 1,068,537  | 2%   | 1,048,323    |
| Entertainment, retail and<br>other | 285,043   | (6)% | 301,781      | 835,866  | (3)% | 861,025      |
| Non-casino revenue                 | 1,006,279   | (3)% | 1,042,243    | 3,067,441  | 0%   | 3,060,834    |
|                                    | 1,645,532   | (2)% | 1,671,099    | 4,950,143  | 1%   | 4,887,553    |
| Less: Promotional<br>allowances    | (159,377)   | (1)% | (161,724)    | (479,162)  | 3%   | (466,440)    |
|                                    | \$ 1,486,155  | (2)% | \$ 1,509,375 | \$ 4,470,981   | 1%   | \$ 4,421,113 |

Net revenue related to wholly owned domestic resorts for the third quarter of 2012 decreased 2% compared to the prior year third quarter primarily due to a decrease in non-casino revenue. Casino revenue increased primarily due to a 2% increase in table games revenue. Table games hold percentage was 20.4% in the current year quarter and 19.5% in the prior year quarter. Slot revenue was up 1% for the third quarter.

Net revenue related to wholly owned domestic resorts increased 1% for the year-to-date period, driven by an increase in casino revenue. Table games revenue increased 4% for the year-to-date period with a hold percentage of 18.9% compared to 18.5% for the prior year period. Slots revenue increased 3% on a year-to-date basis.

Rooms revenue in the third quarter of 2012 decreased 3%, with a 2% decrease in Las Vegas Strip REVPAR. Rooms revenue for the 2012 year-to-date period increased 1% with a 2% increase in Las Vegas Strip REVPAR. The following table shows key hotel statistics for our Las Vegas Strip resorts:

|                                     | Three Months Ended<br>September 30, |     |      | Nine Months Ended<br>September 30, |     |      |
|-------------------------------------|-------------------------------------|-----|------|------------------------------------|-----|------|
|                                     | 2012                                |     | 2011 | 2012                               |     | 2011 |
| Occupancy                           |                                     | 92% |      | 95%                                | 92% | 92%  |
| Average Daily Rate (ADR)            | \$                                  | 124 | \$   | 124                                | \$  | 126  |
| Revenue per Available Room (REVPAR) |                                     | 114 |      | 117                                |     | 116  |

Adjusted Property EBITDA for wholly owned domestic resorts decreased 7% compared to the third quarter of 2011 primarily due to lower non-casino revenues. Adjusted Property EBITDA for Bellagio was negatively affected by a significantly lower than normal table games hold percentage and Adjusted Property EBITDA for The Mirage was positively affected by a significantly higher than normal hold percentage.

Edgar Filing: MGM Resorts International - Form 10-Q

Adjusted Property EBITDA for wholly owned domestic resorts increased 1% for the year-to-date period.

Table of Contents

**MGM China.** The following table presents summary financial results for MGM China beginning on June 3, 2011. Prior to June 3, 2011, the results of MGM Macau were accounted for under the equity method of accounting:

|                  | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |            |
|------------------|-------------------------------------|------------|------------------------------------|------------|
|                  | 2012                                | 2011       | 2012                               | 2011       |
|                  | (In thousands)                      |            |                                    |            |
| Net revenues     | \$ 665,074                          | \$ 623,050 | \$ 2,076,460                       | \$ 816,034 |
| Operating income | 60,527                              | 40,788     | 218,869                            | 60,236     |
| Net income       | 56,820                              | 29,594     | 217,102                            | 45,109     |

For the three months ended September 30, 2012, net revenue for MGM China was \$665 million, a 7% increase over the prior year quarter, driven by increases in volume for main floor table games and slots of 10% and 37%, respectively. VIP table games turnover decreased 5% from the prior year quarter, while hold percentage was 3.0% in the current year quarter compared to 2.9% in the prior year quarter. MGM China's operating income was \$61 million for the three months ended September 30, 2012 and Adjusted EBITDA was \$152 million. Branding fee expense was \$5 million in the current year quarter, as the annual branding fee cap was reached in August, compared to \$11 million in the prior year quarter. Adding back the branding fees in both periods, Adjusted EBITDA increased 5%.

Net revenue for MGM China for the nine month period ended September 30, 2012 was \$2.1 billion, a 10% increase over MGM Macau's prior year results, driven by increases in volume for main floor table games and slots of 10% and 34%, respectively. VIP table games turnover decreased 2% from the prior year, while hold percentage was 3.1% in the current year compared to 3.0% in the prior year period. MGM China's operating income was \$219 million for the nine month period ended September 30, 2012 and Adjusted EBITDA was \$504 million, which included \$30 million of branding fee expense. Branding fees expense was \$14 million in the prior year-to-date period. Adding back the branding fees in both periods, Adjusted EBITDA increased 14% over MGM Macau's prior year results for the nine month period ended September 30, 2012.

*Operating Results Details of Certain Charges*

Property transactions, net consisted of the following:

|   | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|---|-------------------------------------|-----------|------------------------------------|-----------|
|   | 2012                                | 2011      | 2012                               | 2011      |
|   | (In thousands)                      |           |                                    |           |
| Grand Victoria investment impairment charge | \$                                  | \$        | \$ 85,009                          | \$        |
| Circus Circus Reno impairment charge        |                                     | 79,658    |                                    | 79,658    |
| Other property transactions, net            | 5,803                               | 2,179     | 12,178                             | 3,170     |
|   | \$ 5,803                            | \$ 81,837 | \$ 97,187                          | \$ 82,828 |

**Grand Victoria.** At June 30, 2012, we reviewed the carrying value of our Grand Victoria investment for impairment due to a decrease in operating results at the property and the loss of market share as a result of the opening of a new riverboat casino in the Illinois market, as well as a decrease in forecasted cash flows for 2013 through 2015. We used a discounted cash flow analysis to determine the estimated fair value from

## Edgar Filing: MGM Resorts International - Form 10-Q

a market participant's point of view. Key assumptions included in the analysis were estimates of future cash flows including outflows for capital expenditures, a long-term growth rate of 2% and a discount rate of 10.5%. As a result of the discounted cash flow analysis, we determined that it was necessary to record an other-than-temporary impairment charge of \$85 million based on an estimated fair value of \$205 million for our 50% interest. We intend to and believe we will be able to retain our investment in Grand Victoria; however, due to the extent of the shortfall and our assessment of the uncertainty of fully recovering our investment, we determined that the impairment was other-than-temporary.

**Circus Circus Reno.** At September 30, 2011 we reviewed the carrying value of our Circus Circus Reno long-lived assets for impairment using revised operating forecasts developed by management for that resort in the third quarter of 2011. Due to then current and forecasted market conditions and results of operations through September 30, 2011 being lower than previous forecasts, we recorded a non-cash impairment charge of \$80 million in the third quarter of 2011 related to a writedown of Circus Circus Reno's long-lived assets. Our discounted cash flow analysis for Circus Circus Reno included estimated future cash inflows from operations and estimated future cash outflows for capital expenditures utilizing an estimated discount rate and terminal year capitalization rate.

Table of Contents

Other property transactions for the three and nine months ended September 30, 2012 and 2011 include miscellaneous asset disposals and demolition costs.

*Operating Results Income (loss) from Unconsolidated Affiliates*

The following table summarizes information related to our income (loss) from unconsolidated affiliates:

|            | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |             |
|------------|-------------------------------------|------------|------------------------------------|-------------|
|            | 2012                                | 2011       | 2012                               | 2011        |
|            | (In thousands)                      |            |                                    |             |
| CityCenter | \$ (42,814)                         | \$ (7,723) | \$ (60,745)                        | \$ (46,029) |
| MGM Macau  |                                     |            |                                    | 115,219     |
| Other      | 4,871                               | 8,262      | 15,479                             | 26,719      |
|            | \$ (37,943)                         | \$ 539     | \$ (45,266)                        | \$ 95,909   |

As previously discussed, we ceased recording MGM Macau activity within income (loss) from unconsolidated affiliates under the equity method of accounting in June 2011.

Our share of CityCenter's operating loss for the three months ended September 30, 2012 increased compared to the prior year quarter. CityCenter recorded a \$36 million residential impairment charge and \$32 million of estimated accrued costs for the demolition of Harmon during the third quarter of 2012. We recognized 50%, or \$34 million, related to these items. CityCenter's table games hold was 29.3% for the current year quarter compared to 25.5% in the prior year quarter.

Our share of CityCenter's operating loss for the nine months ended September 30, 2012 increased as a result of the items discussed above. In addition, the prior year second quarter included a residential impairment charge. We recognized 50% of such impairment charge, resulting in a pre-tax impairment charge of approximately \$26 million. Table games hold for CityCenter for the nine months ended September 30, 2012 was 23.0% compared to 27.4% in the prior year period.

*Non-operating Results*

**Interest expense.** Interest expense increased to \$276 million in the third quarter of 2012 compared to \$273 million in the prior year quarter. We had minimal capitalized interest in the third quarter of 2012 and no capitalized interest in the third quarter of 2011. Interest expense increased to \$836 million for the 2012 year-to-date period compared to \$813 million for the prior year-to-date period. Interest expense increased mainly as a result of \$17 million related to MGM China.

**Non-operating items from unconsolidated affiliates.** Non-operating charges from unconsolidated affiliates decreased \$4 million for the three months ended September 30, 2012 related to a decrease in non-operating items at CityCenter and we ceased recording our share of the results of Silver Legacy as of December 31, 2011. Non-operating charges from unconsolidated affiliates also decreased for the nine months ended September 30, 2012 primarily due to a decrease in our share of non-operating items related to CityCenter and the impact of MGM Macau ceasing to be recorded as an equity method investment beginning in June 2011. CityCenter non-operating items in the year-to-date period included \$4 million and \$12 million in 2012 and 2011, respectively, for certain costs incurred to restructure its debt and the write-off of debt issuance costs.

**Other, net.** In connection with the amendment of our senior credit facility as further discussed in **Principal Debt Arrangements** and subsequent repayment of the non-extending loans, we recorded a loss on early retirement of debt of \$59 million in the first quarter of 2012 related to previously recorded discounts and certain debt issuance costs. **Other, net** in the second quarter of 2011 included a \$6 million loss related to the loss on derivative associated with the issuance of the convertible notes in June 2011 and \$8 million in costs associated with the MGM China IPO.

**Income taxes.** We began recording a valuation allowance for U.S. deferred tax assets generated in the current year resulting in reductions in benefit for income taxes of \$55 million and \$236 million for the three and nine months ended September 30, 2012, respectively. In addition, MGM Grand Paradise reached an agreement with the Macau government in June 2012 to settle the 12% complementary tax that would otherwise be due by its shareholders on distributions of its gaming profits by paying a flat annual payment during the period covered by the agreement. Benefit for income taxes for the nine months ended September 30, 2012 increased by a net \$15 million as a result of reversing previously accrued complementary taxes of \$19 million and recording the \$4 million cumulative annual payment that was made in June 2012. See Note 2 in the accompanying financial statements for further discussion of the valuation allowance and complementary tax.

Table of Contents*Non-GAAP Measures*

Adjusted EBITDA is earnings before interest and other non-operating income (expense), taxes, depreciation and amortization, preopening and start-up expenses, property transactions, net and the gain on the MGM China transaction. Adjusted Property EBITDA is Adjusted EBITDA before corporate expense and stock compensation expense related to the MGM Resorts stock option plan, which is not allocated to each property. MGM China recognizes stock compensation expense related to its stock compensation plan which is included in the calculation of Adjusted EBITDA for MGM China. Adjusted EBITDA information is presented solely as a supplemental disclosure to reported GAAP measures because management believes these measures are 1) widely used measures of operating performance in the gaming industry, and 2) a principal basis for valuation of gaming companies.

We believe that while items excluded from Adjusted EBITDA and Adjusted Property EBITDA may be recurring in nature and should not be disregarded in evaluation of our earnings performance, it is useful to exclude such items when analyzing current results and trends compared to other periods because these items can vary significantly depending on specific underlying transactions or events that may not be comparable between the periods being presented. Also, we believe excluded items may not relate specifically to current operating trends or be indicative of future results. For example, preopening and start-up expenses will be significantly different in periods when we are developing and constructing a major expansion project and dependent on where the current period lies within the development cycle, as well as the size and scope of the project(s). Property transactions, net includes normal recurring disposals and gains and losses on sales of assets related to specific assets within our resorts, but also includes gains or losses on sales of an entire operating resort or a group of resorts and impairment charges on entire asset groups or investments in unconsolidated affiliates, which may not be comparable period over period. In addition, capital allocation, tax planning, financing and stock compensation awards are all managed at the corporate level. Therefore, we use Adjusted Property EBITDA as the primary measure of our operating resorts performance.

Adjusted EBITDA or Adjusted Property EBITDA should not be construed as an alternative to operating income or net income, as an indicator of our performance; or as an alternative to cash flows from operating activities, as a measure of liquidity; or as any other measure determined in accordance with generally accepted accounting principles. We have significant uses of cash flows, including capital expenditures, interest payments, taxes and debt principal repayments, which are not reflected in Adjusted EBITDA. Also, other companies in the gaming and hospitality industries that report Adjusted EBITDA information may calculate Adjusted EBITDA in a different manner.

The following table presents a reconciliation of Adjusted EBITDA to net income (loss):

|  | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |              |
|--|-------------------------------------|------------|------------------------------------|--------------|
|  | 2012                                | 2011       | 2012                               | 2011         |
|  | (In thousands)                      |            |                                    |              |
| Adjusted EBITDA                              | \$ 372,383                          | \$ 443,931 | \$ 1,304,200                       | \$ 1,131,930 |
| Preopening and start-up expenses             | (765)                               |            | (765)                              | 316          |
| Property transactions, net                   | (5,803)                             | (81,837)   | (97,187)                           | (82,828)     |
| Gain on MGM China transaction                |                                     |            |                                    | 3,496,005    |
| Depreciation and amortization                | (228,414)                           | (249,520)  | (700,866)                          | (579,384)    |
| Operating income                             | 137,401                             | 112,574    | 505,382                            | 3,966,039    |
| Non-operating income (expense)               |                                     |            |                                    |              |
| Interest expense, net of amounts capitalized | (275,771)                           | (272,542)  | (836,436)                          | (812,680)    |
| Other, net                                   | (18,889)                            | (26,287)   | (124,121)                          | (111,551)    |



Edgar Filing: MGM Resorts International - Form 10-Q

|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| Income (loss) before income taxes                           | (157,259)    | (186,255)    | (455,175)    | 3,041,808    |
| Benefit for income taxes                                    | 2,585        | 79,680       | 26,760       | 212,437      |
| Net income (loss)   | (154,674)    | (106,575)    | (428,415)    | 3,254,245    |
| Less: net income attributable to noncontrolling interests   | (26,485)     | (17,211)     | (115,449)    | (25,917)     |
| Net income (loss) attributable to MGM Resorts International | \$ (181,159) | \$ (123,786) | \$ (543,864) | \$ 3,228,328 |

Edgar Filing: MGM Resorts International - Form 10-Q

Table of Contents

The following tables present reconciliations of operating income (loss) to Adjusted Property EBITDA for individual resorts and Adjusted EBITDA:

|                                 | Three Months Ended September 30, 2012 |  |  |                                     |                    |
|---------------------------------|---------------------------------------|--|--|-------------------------------------|--------------------|
|                                 | Operating<br>Income (Loss)            | Preopening<br>and Start-up<br>Expenses | Property<br>Transactions,<br>Net<br>(In thousands) | Depreciation<br>and<br>Amortization | Adjusted<br>EBITDA |
| Bellagio                        | \$ 30,454                             |  | \$ 52  | \$ 23,627                           | \$ 54,133          |
| MGM Grand Las Vegas             | 24,375                                |  | 3,497  | 20,506                              | 48,378             |
| Mandalay Bay                    | 15,251                                |  | 392  | 18,749                              | 34,392             |
| The Mirage                      | 25,949                                |  | 541  | 13,017                              | 39,507             |
| Luxor                           | 6,076                                 |  | 765  | 8,876                               | 15,717             |
| New York-New York               | 15,619                                |  | 148  | 5,187                               | 20,954             |
| Excalibur                       | 11,016                                |  |  | 4,378                               | 15,394             |
| Monte Carlo                     | 8,332                                 |  | 9  | 4,809                               | 13,150             |
| Circus Circus Las Vegas         | 3,541                                 |  |  | 4,781                               | 8,322              |
| MGM Grand Detroit               | 30,206                                | 641                                    | 37   | 8,380                               | 39,264             |
| Beau Rivage                     | 15,129                                |  | (78)   | 7,671                               | 22,722             |
| Gold Strike Tunica              | 7,825                                 |  | 1  | 3,215                               | 11,041             |
| Other resort operations         | 1,176                                 |  | (8)  | 622                                 | 1,790              |
| Wholly owned domestic resorts   | 194,949                               | 641                                    | 5,356  | 123,818                             | 324,764            |
| MGM China                       | 60,527                                |  | 426  | 91,538                              | 152,491            |
| CityCenter (50%)                | (42,938)                              | 124                                    |  |                                     | (42,814)           |
| Other unconsolidated resorts    | 4,871                                 |  |  |                                     | 4,871              |
| Management and other operations | (3,574)                               |  |  | 3,165                               | (409)              |
|                                 | 213,835                               | 765                                    | 5,782  | 218,521                             | 438,903            |
| Stock compensation              | (7,897)                               |  |  |                                     | (7,897)            |
| Corporate                       | (68,537)                              |  | 21   | 9,893                               | (58,623)           |
|                                 | \$ 137,401                            | \$ 765                                 | \$ 5,803   | \$ 228,414                          | \$ 372,383         |

|                               | Three Months Ended September 30, 2011 |  |  |                                     |                    |
|-------------------------------|---------------------------------------|--|--|-------------------------------------|--------------------|
|                               | Operating<br>Income (Loss)            | Preopening<br>and Start-up<br>Expenses | Property<br>Transactions,<br>Net<br>(In thousands) | Depreciation<br>and<br>Amortization | Adjusted<br>EBITDA |
| Bellagio                      | \$ 50,943                             |  | \$ 503   | \$ 22,805                           | \$ 74,251          |
| MGM Grand Las Vegas           | 22,945                                |  | 1  | 19,275                              | 42,221             |
| Mandalay Bay                  | 19,313                                |  | 53   | 22,006                              | 41,372             |
| The Mirage                    | 6,708                                 |  | 1,291  | 17,407                              | 25,406             |
| Luxor                         | 11,775                                |  | 2  | 9,288                               | 21,065             |
| New York-New York             | 17,043                                |  |  | 5,695                               | 22,738             |
| Excalibur                     | 12,477                                |  | 13   | 4,973                               | 17,463             |
| Monte Carlo                   | 9,209                                 |  | 5  | 5,252                               | 14,466             |
| Circus Circus Las Vegas       | 4,192                                 |  | 2  | 4,704                               | 8,898              |
| MGM Grand Detroit             | 29,991                                |  |  | 9,906                               | 39,897             |
| Beau Rivage                   | 15,614                                |  | (7)  | 9,894                               | 25,501             |
| Gold Strike Tunica            | 10,083                                |  |  | 3,381                               | 13,464             |
| Other resort operations       | (79,990)                              |  | 79,658   | 1,184                               | 852                |
| Wholly owned domestic resorts | 130,303                               |  | 81,521   | 135,770                             | 347,594            |
| MGM China                     | 40,788                                |  | 294  | 98,244                              | 139,326            |

Edgar Filing: MGM Resorts International - Form 10-Q

|                                 |            |           |            |  |            |
|---------------------------------|------------|-----------|------------|--|------------|
| CityCenter (50%)                | (7,723)    |           |            |  | (7,723)    |
| Other unconsolidated resorts    | 8,262      |           |            |  | 8,262      |
| Management and other operations | 1,000      | 6         | 3,631      |  | 4,637      |
|                                 | 172,630    | 81,821    | 237,645    |  | 492,096    |
| Stock compensation              | (8,707)    |           |            |  | (8,707)    |
| Corporate                       | (51,349)   | 16        | 11,875     |  | (39,458)   |
|                                 | \$ 112,574 | \$ 81,837 | \$ 249,520 |  | \$ 443,931 |

Edgar Filing: MGM Resorts International - Form 10-Q

Table of Contents

|                                 | Nine Months Ended September 30, 2012 |  |  |                                     |                    |
|---------------------------------|--------------------------------------|--|--|-------------------------------------|--------------------|
|                                 | Operating<br>Income (Loss)           | Preopening<br>and Start-up<br>Expenses | Property<br>Transactions,<br>Net<br>(In thousands) | Depreciation<br>and<br>Amortization | Adjusted<br>EBITDA |
| Bellagio                        | \$ 135,874                           |  | \$ 406   | \$ 71,649                           | \$ 207,929         |
| MGM Grand Las Vegas             | 50,796                               |  | 4,627  | 59,312                              | 114,735            |
| Mandalay Bay                    | 60,817                               |  | 937  | 58,851                              | 120,605            |
| The Mirage                      | 52,691                               |  | 611  | 38,691                              | 91,993             |
| Luxor                           | 23,691                               |  | 950  | 26,785                              | 51,426             |
| New York-New York               | 52,318                               |  | 391  | 16,220                              | 68,929             |
| Excalibur                       | 35,407                               |  | 3  | 13,288                              | 48,698             |
| Monte Carlo                     | 29,235                               |  | 567  | 14,752                              | 44,554             |
| Circus Circus Las Vegas         | 7,079                                |  | 77   | 14,455                              | 21,611             |
| MGM Grand Detroit               | 94,975                               | 641                                    | 921  | 28,303                              | 124,840            |
| Beau Rivage                     | 36,252                               |  | (70)   | 22,991                              | 59,173             |
| Gold Strike Tunica              | 23,758                               |  | 3  | 9,901                               | 33,662             |
| Other resort operations         | 958                                  |  | (22)   | 1,803                               | 2,739              |
| Wholly owned domestic resorts   | 603,851                              | 641                                    | 9,401  | 377,001                             | 990,894            |
| MGM China                       | 218,869                              |  | 1,890  | 282,813                             | 503,572            |
| CityCenter (50%)                | (60,869)                             | 124                                    |  |                                     | (60,745)           |
| Other unconsolidated resorts    | 15,479                               |  |  |                                     | 15,479             |
| Management and other operations | 3,692                                |  |  | 10,702                              | 14,394             |
|                                 | 781,022                              | 765                                    | 11,291   | 670,516                             | 1,463,594          |
| Stock compensation              | (25,998)                             |  |  |                                     | (25,998)           |
| Corporate                       | (249,642)                            |  | 85,896   | 30,350                              | (133,396)          |
|                                 | \$ 505,382                           | \$ 765                                 | \$ 97,187  | \$ 700,866                          | \$ 1,304,200       |

|                                 | Nine Months Ended September 30, 2011 |  |   |                                     |                    |
|---------------------------------|--------------------------------------|--|---|-------------------------------------|--------------------|
|                                 | Operating<br>Income (Loss)           | Preopening<br>and Start-up<br>Expenses | Gain on<br>MGM China<br>Transaction &<br>Property<br>Transactions,<br>Net<br>(In thousands) | Depreciation<br>and<br>Amortization | Adjusted<br>EBITDA |
| Bellagio                        | \$ 132,489                           |  | \$ 820  | \$ 72,213                           | \$ 205,522         |
| MGM Grand Las Vegas             | 56,837                               |  | 1   | 57,808                              | 114,646            |
| Mandalay Bay                    | 63,365                               |  | 69  | 65,983                              | 129,417            |
| The Mirage                      | 35,123                               |  | 1,330   | 45,692                              | 82,145             |
| Luxor                           | 31,599                               |  | 8   | 28,413                              | 60,020             |
| New York-New York               | 48,325                               |  | (85)  | 17,849                              | 66,089             |
| Excalibur                       | 36,530                               |  | 223   | 15,221                              | 51,974             |
| Monte Carlo                     | 26,690                               |  | 33  | 17,147                              | 43,870             |
| Circus Circus Las Vegas         | 6,343                                |  | (6)   | 14,187                              | 20,524             |
| MGM Grand Detroit               | 95,820                               |  | 372   | 29,401                              | 125,593            |
| Beau Rivage                     | 25,764                               |  | 51  | 32,110                              | 57,925             |
| Gold Strike Tunica              | 11,028                               |  |   | 10,191                              | 21,219             |
| Other resort operations         | (83,323)                             |  | 79,675  | 3,646                               | (2)                |
| Wholly owned domestic resorts   | 486,590                              |  | 82,491  | 409,861                             | 978,942            |
| MGM China                       | 60,236                               |  | 307   | 125,205                             | 185,748            |
| MGM Macau (50%)                 | 115,219                              |  |   |                                     | 115,219            |
| CityCenter (50%)                | (46,029)                             |  |   |                                     | (46,029)           |
| Other unconsolidated resorts    | 26,719                               |  |   |                                     | 26,719             |
| Management and other operations | (4,289)                              | (316)                                  | 1   | 10,763                              | 6,159              |
|                                 | 638,446                              | (316)                                  | 82,799  | 545,829                             | 1,266,758          |

Edgar Filing: MGM Resorts International - Form 10-Q

|                    |              |          |                |             |              |           |
|--------------------|--------------|----------|----------------|-------------|--------------|-----------|
| Stock compensation | (26,912)     |          |                |             |              | (26,912)  |
| Corporate          | 3,354,505    |          |                | (3,495,976) | 33,555       | (107,916) |
|                    | \$ 3,966,039 | \$ (316) | \$ (3,413,177) | \$ 579,384  | \$ 1,131,930 |           |

Table of Contents

**Liquidity and Capital Resources**

*Cash Flows*

Our consolidated cash flows include the results of MGM China beginning on June 3, 2011. At September 30, 2012, we held cash and cash equivalents of \$2.4 billion, of which \$936 million related to MGM China.

**Operating activities.** Trends in our operating cash flows tend to follow trends in operating income, excluding non-cash charges, but can be affected by changes in working capital, the timing of significant tax payments or refunds and by distributions from unconsolidated affiliates. Cash provided by operating activities was \$887 million for the nine months ended September 30, 2012, compared to cash provided by operating activities of \$481 million in the prior year period. Operating cash flows related to MGM China were \$685 million in the current year period compared to \$118 million in the approximately four-month prior year period. Operating cash flow in the current period at MGM China benefited from a significant increase in cash related to outstanding casino chips. In addition, we received net tax refunds of approximately \$171 million in the nine months ended September 30, 2011.

**Investing activities.** We had capital expenditures of \$317 million in the nine months ended September 30, 2012, including \$51 million at MGM China. Our capital expenditures included \$77 million of expenditures related to the room remodel at MGM Grand; \$43 million of aircraft acquisition costs, and capital expenditures at various resorts including restaurant remodels, entertainment venue remodels and theater renovations. Most of the costs capitalized related to furniture and fixtures, materials and external labor costs. We had capital expenditures of \$176 million in the nine months ended September 30, 2011 including \$14 million at MGM China. Capital expenditures at our wholly owned domestic resorts in the prior year period related mainly to room and restaurant remodels, theater renovations and slot machine purchases at various resorts and a remodel of the high limit slots area at Bellagio.

In the nine months ended September 30, 2012, we made investments and advances of \$37 million to CityCenter pursuant to the completion guarantee. In the nine months ended September 30, 2011, we made investments and advances of \$108 million to CityCenter, of which \$37 million related to a required equity contribution in connection with CityCenter's first quarter 2011 financing transactions and \$71 million related to payments made pursuant to our completion guarantee.

During the nine months ended September 30, 2012, our New Jersey trust received proceeds of \$225 million from treasury securities with maturities greater than 90 days and reinvested \$195 million in treasury securities with maturities greater than 90 days. In the nine months ended September 30, 2011, our New Jersey trust received proceeds of \$240 million from treasury securities with maturities greater than 90 days and reinvested \$240 million in treasury securities with maturities greater than 90 days.

During the nine months ended September 30, 2011, we paid approximately \$75 million to acquire an additional 1% interest in MGM China and acquired cash of \$482 million from MGM China.

## Edgar Filing: MGM Resorts International - Form 10-Q

**Financing activities.** We repaid \$2.0 billion under our senior credit facility and MGM China repaid approximately \$14 million under its credit facility in the nine months ended September 30, 2012. In the nine months ended September 30, 2012, we issued the following senior notes:

- \$850 million of 8.625% senior notes due 2019 for net proceeds of \$836 million;
- \$1.0 billion of 7.75% senior notes due 2022 for net proceeds of \$986 million; and
- \$1.0 billion of 6.75% senior notes due 2020 for net proceeds of \$986 million.

In the nine months ended September 30, 2012, we repaid the approximately \$535 million outstanding principal amount of our 6.75% senior notes due 2012 at maturity.

MGM China paid a \$400 million dividend in March 2012, of which approximately \$204 million remained within the consolidated entity and approximately \$196 million was distributed to noncontrolling interests.

In late September 2011, we borrowed \$879 million under our senior credit facility to increase our capacity for issuing additional secured indebtedness; these borrowings were repaid immediately after quarter end. Excluding such borrowing, we repaid \$20 million under the senior credit facility for the nine months ended September 30, 2011. MGM China repaid \$91 million under its credit facility for the period from June 3, 2011 through September 30, 2011. In addition, we repaid the \$325 million outstanding principal amount of our 8.375% senior subordinated notes due 2011 at maturity. In the 2011 nine month period, we issued \$300 million of 4.25% convertible senior notes due 2015 at a premium for net proceeds of \$311 million, which were used to pay down borrowings under our senior credit facility.

Table of Contents

*Other Factors Affecting Liquidity*

**CityCenter completion guarantee.** In January 2011, we entered into an amended completion and cost overrun guarantee. Consistent with the terms of the previous completion guarantee, the terms of the amended completion guarantee provide for the ability to utilize the then remaining \$124 million of net residential proceeds to fund construction costs, or to reimburse us for construction costs previously expended, though the timing of receipt of such proceeds is uncertain. The completion guarantee is collateralized by substantially all of the assets of Circus Circus Las Vegas, as well as certain undeveloped land adjacent to that property.

As of September 30, 2012, we had funded \$682 million under the completion guarantee. We had recorded a receivable from CityCenter of \$99 million related to these amounts, which represents amounts reimbursable to us from CityCenter from future residential proceeds. We had a remaining estimated net obligation under the completion guarantee of \$59 million which includes estimated litigation costs related to the resolution of disputes with contractors as to the final construction costs and estimated amounts to be paid to contractors through the legal process related to the Perini litigation. Our accrual also reflects certain estimated offsets to the amounts claimed by the contractors. CityCenter has reached settlement agreements with all but seven of Perini's first-tier subcontractors. However, significant disputes remain with the general contractor and the remaining subcontractors. Amounts claimed by such parties exceed amounts included in our completion guarantee accrual by approximately \$154 million, as such amounts exceed our best estimate of our liability. Moreover, we have not accrued for any contingent payments to CityCenter related to the Harmon Hotel & Spa component, which will not be completed using the building as it now stands. See Note 6 in the accompanying financial statements for discussion of the status of the Harmon.

We do not believe we would be responsible for funding under the completion guarantee any additional remediation efforts that might be required with respect to the Harmon; however, our view is based on a number of developing factors, including with respect to on-going litigation with CityCenter's contractors, actions by local officials and other developments related to the CityCenter venture, all of which are subject to change. CityCenter's revolving credit facility provides that certain demolition or repair expenses may be funded only from (i) member contributions designated for demolition of the Harmon, (ii) the proceeds of certain specified extraordinary receipts (which include any proceeds from the Perini litigation) or (iii) cash or cash equivalents in an amount not to exceed \$30 million in the aggregate. Based on current estimates, which are subject to change, we believe the demolition of the Harmon would cost approximately \$32 million.

**Near term anticipated uses of cash.** We have significant outstanding debt and contractual obligations in addition to planned capital expenditures. We expect to meet our debt obligations and planned capital expenditure requirements with future anticipated operating cash flows, cash and cash equivalents, and available borrowings under our senior credit facility.

Excluding MGM China, through September 30, 2013 we have \$612 million of principal amount of long-term debt maturing and estimate approximately \$1.0 billion of cash interest payments based on current outstanding debt and applicable interest rates. In addition, we expect to spend approximately \$90- \$100 million for the remainder of 2012 related to capital expenditures at our domestic operations for total capital expenditures of approximately \$355- \$365 million for the year ended December 31, 2012, which includes expenditures for room remodels, theater renovations, aircraft, information technology and slot machine purchases. Our capital expenditures fluctuate depending on our decisions with respect to strategic capital investments in new or existing resorts and the timing of capital investments to maintain the quality of our resorts, the amounts of which can vary depending on timing of larger remodel projects related to our public spaces and hotel rooms. Capital expenditures related to expansion and development efforts have not been significant during 2012. However, such costs could increase significantly in future periods depending on the progress of our development efforts and the structure of our ownership interests in such developments. In accordance with our senior credit facility covenants, we and our restricted subsidiaries are limited to annual capital expenditures (as defined in the agreement governing our senior credit facility) of \$500 million in 2012 and \$600 million in 2013. While we have not completed our budgeting process for 2013 which requires approval of our board of directors, we expect that capital expenditures at our wholly owned domestic resorts in 2013 will be similar to the amounts invested in 2012.



## Edgar Filing: MGM Resorts International - Form 10-Q

As of September 30, 2012, MGM China had cash and cash equivalents of \$936 million and long-term debt of approximately \$539 million. For the nine months ended September 30, 2012, MGM China had approximately \$51 million in capital expenditures.

On October 18, 2012, MGM Grand Paradise formally accepted the terms and conditions of a land concession contract from the government of Macau to develop an approximately \$2.5 billion resort and casino featuring approximately 1,600 hotel rooms, 500 gaming tables, and 2,500 slots built on an approximately 17.8 acre site in Cotai, Macau. The land concession contract will not become effective until the Macau government publishes it in the Official Gazette of Macau. The total land premium payable to the Macau

Table of Contents

government for the land concession contract is approximately \$161 million. MGM China paid approximately \$56 million as the initial payment of the contract premium. The land premium is composed of a down payment and eight additional semi-annual payments. In addition, MGM Grand Paradise is required to pay the Macau government approximately \$269,000 per year in rent during the course of development of the land and approximately \$681,000 per year in rent once the development is completed. The annual rent is subject to review by the Macau government every five years. MGM China has made significant progress in getting its construction team in place as well as continuing to refine and enhance its designs and is well prepared to commence construction on the project. See below for information related to the MGM China amended and extended credit facility.

*Principal Debt Arrangements*

Our long-term debt consists of publicly held senior, senior secured, senior subordinated, convertible senior notes and our senior credit facility. A detailed description is provided in our Annual Report on Form 10-K for the period ended December 31, 2011.

Our senior credit facility was amended and restated in February 2012, and loans and revolving commitments aggregating approximately \$1.8 billion (the extending loans ) were extended to February 2015. In accordance with the amendment, we repaid \$409 million of outstanding loans to extending lenders. In March 2012, an additional \$24 million in term loans were extended and we repaid the remaining non-extending term loans with the proceeds from our \$1.0 billion senior notes offering. At September 30, 2012, the senior credit facility consisted of approximately \$820 million in term loans and a \$1.3 billion revolver (\$360 million of which has not been extended and matures in February 2014).

Interest on the non-extending revolving loans of the senior credit facility is based on a LIBOR margin of 5.00%, with a LIBOR floor of 2.00%, a base rate margin of 4.00% and a base rate floor of 4.00%. Interest on the extending loans is subject to a LIBOR floor of 1% and a pricing grid based upon collateral coverage levels. The interest rate on extending loans was 5% at September 30, 2012 and interest on non-extending revolving loans was 7%. The weighted average interest rate on outstanding borrowings under the senior credit facility at September 30, 2012 and December 31, 2011 was 5.2% and 7.0%, respectively.

The senior credit facility allows us to refinance indebtedness maturing prior to February 23, 2015 but limits our ability to prepay later maturing indebtedness until the extended facilities are paid in full. We may issue unsecured debt, equity-linked and equity securities to refinance our outstanding indebtedness; however, we are required to use net proceeds from certain indebtedness issued in amounts in excess of \$250 million (excluding amounts used to refinance indebtedness) to ratably prepay the credit facilities in an amount equal to 50% of the net cash proceeds of such excess. We are no longer required to use net proceeds from equity offerings to prepay the senior credit facility in connection with the restatement of the senior credit facility. In addition, we agreed to deliver a mortgage, limited in amount to comply with the indenture restrictions, encumbering the Beau Rivage. We delivered the mortgage in March 2012. Upon the issuance of the mortgage, the holders of our 13% senior secured notes due 2013 obtained an equal and ratable lien in the collateral. Substantially all of the assets of MGM Grand Detroit serve as collateral to secure the \$450 million obligation outstanding as a co-borrower under our senior credit facility. In addition, substantially all of the assets of Gold Strike Tunica, substantially all of the assets of Beau Rivage and certain land across from the Luxor serve as collateral to secure up to \$578 million of obligations outstanding under the senior credit facility.

**Amended and restated MGM China credit facility.** In October 2012, MGM China and MGM Grand Paradise, as co-borrowers, entered into an amended and restated credit facility agreement which consists of \$550 million of term loans and a \$1.45 billion revolving credit facility due October 2017. The interest rate on the facility will fluctuate annually based on HIBOR plus a margin, set at 2.5% for the first six months and ranging between 1.75% and 2.5% thereafter based on MGM China's leverage ratio. Under the amended and restated facilities agreement, MGM China has become a joint and several co-borrower with MGM Grand Paradise, S.A. The material subsidiaries of MGM China continue to

## Edgar Filing: MGM Resorts International - Form 10-Q

guarantee the facilities, and MGM China, MGM Grand Paradise, S.A. and their guarantor subsidiaries have granted security on substantially all of their assets to secure the amended facilities. The credit facility will be used for general corporate purposes and for the development of the proposed Cotai development.

The amended and restated MGM China credit facility contains customary representations and warranties, events of default, affirmative covenants and negative covenants, which impose restrictions on, among other things, the ability of MGM China and its subsidiaries to make investments, pay dividends and sell assets, and to incur additional debt and additional liens. MGM China is also required to maintain compliance with a maximum consolidated total leverage ratio of 4.50 to 1.00 prior to the first anniversary of the MGM Cotai opening date and 4.00 to 1.00 thereafter and a minimum interest coverage ratio of 2.50 to 1.00.

Table of Contents**Critical Accounting Policies and Estimates**

A complete discussion of our critical accounting policies and estimates is included in our Form 10-K for the fiscal year ended December 31, 2011. There have been no significant changes in our critical accounting policies and estimates since year end.

**Impairment of long-lived assets.** At September 30, 2012, we did not identify circumstances that existed that would indicate the carrying value of our long-lived assets may not be recoverable; therefore, we did not review any of our long-lived asset groups generally our operating resorts for impairment as of September 30, 2012. Historically, the undiscounted cash flows of our significant long-lived assets have exceeded their carrying values by a substantial margin.

**Market Risk**

In addition to the inherent risks associated with our normal operations, we are also exposed to additional market risks. Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates and foreign currency exchange rates. Our primary exposure to market risk is interest rate risk associated with our variable rate long-term debt. We attempt to limit our exposure to interest rate risk by managing the mix of our long-term fixed rate borrowings and short-term borrowings under our bank credit facilities. A change in interest rates generally does not have an impact upon our future earnings and cash flow for fixed-rate debt instruments. As fixed-rate debt matures, however, and if additional debt is acquired to fund the debt repayment, future earnings and cash flow may be affected by changes in interest rates. This effect would be realized in the periods subsequent to the periods when the debt matures.

As of September 30, 2012, variable rate borrowings represented approximately 13% of our total borrowings. Assuming a 100 basis-point increase in our interest rate on loans outstanding under our senior credit facility (primarily based on LIBOR plus applicable margins subject to certain LIBOR floors) our annual interest cost would increase by approximately \$13 million based on gross amounts outstanding at September 30, 2012. Assuming a 100 basis-point increase in the interest rate on loans outstanding under the MGM Grand Paradise credit facility (primarily based on HIBOR plus applicable margins), our annual interest cost would change by approximately \$5 million based on amounts outstanding at September 30, 2012.

|                       | 2012  | 2013     | 2014     | Debt maturing in, |          |          | Thereafter | Total              | Fair Value |
|-----------------------|-------|----------|----------|-------------------|----------|----------|------------|--------------------|------------|
|                       |       |          |          | 2015              | 2016     |          |            | September 30, 2012 |            |
|                       |       |          |          | (In millions)     |          |          |            |                    |            |
| Fixed rate            | \$    | \$ 1,362 | \$ 1,159 | \$ 2,325          | \$ 1,476 | \$ 5,768 | \$ 12,090  | \$ 12,989          |            |
| Average interest rate | N/A   | 10.3%    | 8.4%     | 5.1%              | 8.2%     | 8.7%     | 8.1%       |                    |            |
| Variable rate         | \$ 14 | \$ 83    | \$ 231   | \$ 1,481          | \$       | \$       | \$ 1,809   | \$ 1,797           |            |
| Average interest rate | 3.2%  | 3.2%     | 5.2%     | 4.6%              | N/A      | N/A      | 4.6%       |                    |            |

## Edgar Filing: MGM Resorts International - Form 10-Q

In addition to the risk associated with our variable interest rate debt, we are also exposed to risks related to changes in foreign currency exchange rates, mainly related to MGM China and to our operations at MGM Macau. While recent fluctuations in exchange rates have been minimal, potential changes in policy by governments or fluctuations in the economies of the U.S., Macau or Hong Kong could cause variability in these exchange rates.

### Cautionary Statement Concerning Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Exchange Act. Forward-looking statements can be identified by words such as anticipates, intends, plans, seeks, believes, estimates, expects, will, similar references to future periods. Examples of forward-looking statements include, but are not limited to, statements we make regarding our ability to generate significant cash flow, potential economic recoveries, amounts we will invest in capital expenditures, the opening of strategic resort developments, amounts we will pay under the CityCenter completion guarantee and the development of a gaming resort in Cotai. The foregoing is not a complete list of all forward-looking statements we make.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Therefore, we caution you against relying on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

## Edgar Filing: MGM Resorts International - Form 10-Q

### Table of Contents

- our substantial indebtedness and significant financial commitments could adversely affect our development options and financial results and impact our ability to satisfy our obligations;
- current and future economic and credit market conditions could adversely affect our ability to service or refinance our indebtedness and to make planned expenditures and investments;
- restrictions and limitations in the agreements governing our senior credit facility and other senior indebtedness could significantly affect our ability to operate our business, as well as significantly affect our liquidity;
- significant competition we face with respect to destination travel locations generally and with respect to our peers in the industries in which we compete;
- restrictions on our ability to have any interest or involvement in gaming business in China, Macau, Hong Kong and Taiwan, other than through MGM China;
- the fact that our businesses are subject to extensive regulation and the cost of compliance or failure to comply with such regulations could adversely affect our business;
- the impact on our business of economic and market conditions in the markets in which we operate and in the locations in which our customers reside;
- the ability of the Macau Government to terminate MGM Grand Paradise's gaming subconcession under certain circumstances without compensating MGM Grand Paradise or refuse to grant MGM Grand Paradise an extension of the subconcession, which is scheduled to expire on March 31, 2020;
- extreme weather conditions or climate change may cause property damage or interrupt business;
- the sensitivity of our business to energy prices and a rise in energy prices could harm our operating results;
- the concentration of our major gaming resorts on the Las Vegas Strip;
- the fact that we extend credit to a large portion of our customers and we may not be able to collect gaming receivables;
- the dependence of MGM Macau upon gaming junket operators for a significant portion of gaming revenues in Macau;
- the susceptibility of leisure and business travel, especially travel by air, to global geopolitical events, such as terrorist attacks or acts of war or hostility;
- the fact that investing through partnerships or joint ventures including CityCenter decreases our ability to manage risk;
- the fact that our insurance coverage may not be adequate to cover all possible losses that our properties could suffer. In addition, our insurance costs may increase and we may not be able to obtain similar insurance coverage in the future;
- the fact that CityCenter has decided to abate the potential for structural collapse of the Harmon in the event of a code-level earthquake by demolishing the building, which exposes us to risks prior to or in connection with the demolition process;
- risks related to pending claims that have been, or future claims that may be brought against us;

## Edgar Filing: MGM Resorts International - Form 10-Q

- the fact that Tracinda Corporation owns a significant amount of our common stock and may have interests that differ from the interests of other holders of our stock;
- the potential for conflicts of interest to arise because certain of our directors and officers are also directors of MGM China, which is now a publicly traded company listed on the Hong Kong Stock Exchange;
- the risks associated with doing business outside of the United States;
- the fact that a significant portion of our labor force is covered by collective bargaining agreements;
- the potential that failure to maintain the integrity of internal customer information could result in damage of reputation and/or subject us to fines, payment of damages, lawsuits or other restrictions on our use or transfer of data;
- the potential occurrence of impairments to goodwill, indefinite-lived intangible assets or long-lived assets which could negatively affect future profits; and
- the fact that a failure to protect our trademarks could have a negative impact on the value of our brand names and adversely affect our business.

Any forward-looking statement made by us in this Form 10-Q speaks only as of the date on which it is made. Other factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict or identify all such factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law. You are advised, however, to consult any further disclosures we make on related subjects in our Forms 10-K, 10-Q and 8-K reports and our other filings with the Securities and Exchange Commission. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

Table of Contents

You should also be aware that while we from time to time communicate with securities analysts, we do not disclose to them any material non-public information, internal forecasts or other confidential business information. Therefore, you should not assume that we agree with any statement or report issued by any analyst, irrespective of the content of the statement or report. To the extent that reports issued by securities analysts contain projections, forecasts or opinions, those reports are not our responsibility and are not endorsed by us.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We incorporate by reference the information appearing under **Market Risk** in Part I, Item 2 of this Form 10-Q.

**Item 4. Controls and Procedures**

Our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) have concluded that our disclosure controls and procedures were effective as of September 30, 2012 to provide reasonable assurance that information required to be disclosed in the Company's reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and regulations and to provide that such information is accumulated and communicated to management to allow timely decisions regarding required disclosures. This conclusion is based on an evaluation as required by Rule 13a-15(e) under the Exchange Act conducted under the supervision and participation of the principal executive officer and principal financial officer along with company management.

During the quarter ended September 30, 2012, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Part II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

For a complete description of the facts and circumstances surrounding material litigation we are a party to, see our Annual Report on Form 10-K for the year ended December 31, 2011. There have been no significant developments in any of the cases disclosed in our Form 10-K in the nine months ended September 30, 2012, except as follows:

**CityCenter construction litigation.** In March 2010, Perini Building Company, Inc. ( Perini ), general contractor for CityCenter, filed a lawsuit in the Eighth Judicial District Court for Clark County, State of Nevada, against MGM MIRAGE Design Group (a wholly owned subsidiary of the Company which was the original party to the Perini construction agreement) and certain direct or indirect subsidiaries of CityCenter Holdings, LLC (the CityCenter Owners ). Perini asserted that CityCenter was substantially completed, but the defendants failed to pay Perini approximately



## Edgar Filing: MGM Resorts International - Form 10-Q

\$490 million allegedly due and owing under the construction agreement for labor, equipment and materials expended on CityCenter. The complaint further charged the defendants with failure to provide timely and complete design documents, late delivery to Perini of design changes, mismanagement of the change order process, obstruction of Perini's ability to complete the Harmon component, and fraudulent inducement of Perini to compromise significant amounts due for its general conditions. The complaint advanced claims for breach of contract, breach of the implied covenant of good faith and fair dealing, tortious breach of the implied covenant of good faith and fair dealing, unjust enrichment and promissory estoppel, and fraud and intentional misrepresentation. Perini seeks compensatory damages, punitive damages, attorneys' fees and costs.

In April 2010, Perini served an amended complaint in this case which joined as defendants many owners of CityCenter residential condominium units (the Condo Owner Defendants), added a count for foreclosure of Perini's recorded master mechanic's lien against the CityCenter property in the amount of approximately \$491 million, and asserted the priority of this mechanic's lien over the interests of the CityCenter Owners, the Condo Owner Defendants and CityCenter lenders in the CityCenter property.

The CityCenter Owners and the other defendants dispute Perini's allegations, and contend that the defendants are entitled to substantial amounts from Perini, including offsets against amounts claimed to be owed to Perini and its subcontractors and damages based on breach of their contractual and other duties to CityCenter, duplicative payment requests, non-conforming work, lack of proof of alleged work performance, defective work related to the Harmon, property damage and Perini's failure to perform its obligations to pay certain subcontractors and to prevent filing of liens against CityCenter. Parallel to the court litigation, CityCenter management conducted an extra-judicial program for settlement of CityCenter subcontractor claims. CityCenter has resolved the claims of 215 first-tier Perini subcontractors (including the claims of any lower-tier subcontractors that might have claims through those first-tier subcontractors), with only seven remaining for further proceedings along with trial of Perini's claims and CityCenter's Harmon-related counterclaim and other claims by CityCenter against Perini and its parent guarantor, Tutor Perini. Three of the remaining subcontractors are implicated in the defective work at the Harmon. In August 2012, Perini recorded an amended notice of lien reducing its lien to approximately \$191 million.

Table of Contents

Perini made a motion for partial summary judgment as to the validity and enforceability of its mechanic's lien. After hearing on the motion, on July 9, 2012 the court granted Perini's motion. The court ruled that Perini's notice of lien and the amended notices of lien recorded constitute a valid and enforceable mechanic's lien subject to at some point a determination of the amount of the lien and whether the lien is frivolous, overstated, or an appropriate setoff is due as a result of the counterclaims that CityCenter has made in this litigation.

In late 2011, CityCenter filed a motion with the district court seeking permission to demolish the Harmon and to set a timetable for completion of all testing prior to the building's demolition based on a retained structural engineer's July 2011 conclusion that [i]n a code-level earthquake, using either the permitted or current code specified loads, it is likely that critical structural members in the tower will fail and become incapable of supporting gravity loads, leading to a partial or complete collapse of the tower, and in light thereof, the Clark County Building Division's demand for a plan of action to abate the potential for structural collapse of the Harmon in the event of a code-level earthquake.

Following an evidentiary hearing that spanned several days in March and July 2012, on July 19, 2012 the court ruled that an adequate opportunity for investigation and observation of the Harmon had occurred and granted CityCenter's motion to demolish the Harmon subject to delivery of a jury instruction at trial that such demolition was CityCenter's business decision and not itself evidence of any construction defect or safety issue at the Harmon. CityCenter presented live testimony at the hearing from its structural engineering experts on pervasive defects in the Harmon, as well as, at the court's express request, a statistician on the use of extrapolation to make conclusions about defects at untested sites in the building based on demonstrated defects at tested sites.

On July 27, 2012, the court ruled that at the Harmon trial CityCenter's structural engineer would not be permitted to present his findings and conclusions about defects and needed repairs at untested sites in the Harmon building based on his extrapolation from extensive data and analysis at tested sites, which comprised 27% of the Harmon's most critical structural elements. Among other grounds, the court opined that the engineer should have used a random number generator to select test sites. Furthermore, the court refused to accept that the extensive testing and analysis conducted was a sufficient basis for extrapolation he performed. On October 25, 2012 CityCenter filed with the Nevada Supreme Court an emergency petition for writ of mandamus contesting the district court's ruling. The Nevada Supreme Court accepted the petition on October 29, 2012 and set a briefing schedule regarding same.

By order entered October 29, 2012, the district court revoked the previously granted permission to demolish the Harmon and granted in part CityCenter's motion for permission to conduct additional testing at the Harmon designed to address the court's extrapolation evidentiary ruling. However, the order was expressly subject to several conditions concerning the manner in which the remainder of the case proceedings would be conducted, including severance of the trial relating to lien claims of Perini and the remaining contractors from trial of the Harmon counterclaims. The district court granted a temporary 30-day stay of case proceedings (except for discovery relating to percipient non-expert witnesses) to allow the Nevada Supreme Court to decide the extrapolation evidentiary issue. CityCenter anticipates that the Nevada Supreme Court will not have ruled on the writ within the 30-day period, in which circumstance CityCenter expects to file a petition to extend the stay and challenge the October 29, 2012 ruling.

The court has set a trial date of June 24, 2013. Under the October 29, 2012 order, acceptance or rejection of which by CityCenter has been stayed for 30 days by the district court's temporary stay order, all claims and defenses related to any construction defects at the Harmon would be severed from the trial scheduled to commence on June 24, 2013, and the date for trial of the Harmon construction defects would be determined at a later unspecified date. Discovery is in process, subject to the district court's temporary stay order referred to above. The CityCenter Owners and the other defendants will continue to vigorously assert and protect their interests in the Perini lawsuit. The Company believes that a loss with respect to Perini's punitive damages claim is neither probable nor reasonably possible.

## Edgar Filing: MGM Resorts International - Form 10-Q

Please refer to Note 6 in the accompanying consolidated financial statements for further discussion on the Company's completion guarantee obligation which may be impacted by the outcome of the above litigation and the joint venture's extra-judicial settlement process.

Table of Contents

**Securities and derivative litigation.** In re MGM MIRAGE Securities Litigation, Case No. 2:09-cv-01558-GMN-LRL. In November 2009, the U.S. District Court for Nevada consolidated the Robert Lowinger v. MGM MIRAGE, et al. (Case No. 2:09-cv-01558-RCL-LRL, filed August 19, 2009) and Khachatur Hovhannisyan v. MGM MIRAGE, et al. (Case No. 2:09-cv-02011-LRH-RJJ, filed October 19, 2009) putative class actions under the caption In re MGM MIRAGE Securities Litigation. On March 27, 2012, the court issued an order which granted the defendant's motion to dismiss plaintiffs' consolidated complaint without prejudice, and allowed plaintiffs an opportunity to file an amended complaint. On April 17, 2012 plaintiffs filed an amended complaint which substantially repeats but reorganizes their substantive allegations and asserts the same claims as raised in the original complaint. On May 30, 2012 defendants filed a joint motion to dismiss plaintiffs' amended complaint. The motion is pending. Defendants will continue to vigorously defend against plaintiffs' claims and intend to file a motion to dismiss the amended complaint.

On May 15, 2012 the court in the consolidated state court derivative actions of Sanjay Israni v. Robert H. Baldwin, et al., Eighth Judicial District Court, Case No. A-10-619411, and Charles Kim v. James J. Murren, et al., Eighth Judicial District Court, Case No. A-09-599937, entered an order that granted defendants' motion to dismiss the complaint without leave to amend, and an order that dismissed plaintiffs' consolidated amended complaint with prejudice. On June 14, 2012 plaintiffs filed a notice of appeal of the district court ruling to the Nevada Supreme Court. The appeal is pending.

**E-Mail Link Corp. v. Treasure Island, LLC, et al.** United States District Court for the District of Nevada, Case No. 2:11-cv-01433-ECR-GWF. Plaintiff in this action alleged that defendants directly and indirectly infringed U.S. Patent No. 7,840,176 which patent plaintiff claimed it owned concerning a method of information distribution involving a broadcast channel and a bi-directional communication channel claimed to be used in defendants' customer communications. By order entered September 25, 2012 the federal district court granted defendants' motion to dismiss the case on the grounds that the disputed patent was unenforceable, and denied plaintiff's motion for leave to file an amended complaint.

**Item 1A. Risk Factors**

A description of certain factors that may affect our future results and risk factors is set forth in our Annual Report on Form 10-K for the year ended December 31, 2011. There have been no material changes to those factors for the nine months ended September 30, 2012.

Table of Contents

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Our share repurchases are only conducted under repurchase programs approved by our Board of Directors and publicly announced. We did not repurchase shares of our common stock during the quarter ended September 30, 2012. The maximum number of shares available for repurchase under our May 2008 repurchase program was 20 million as of September 30, 2012.

**Item 6. Exhibits**

4.1 Indenture, dated as of September 19, 2012, among MGM Resorts International, the guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on September 19, 2012).

4.2 Registration Rights Agreement, dated as of September 19, 2012, among MGM Resorts International, the guarantors named therein, Merrill Lynch, Pierce, Fenner & Smith Incorporated and the initial purchasers named therein (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on September 19, 2012).

31.1 Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a).

31.2 Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a).

32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.

32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.

101 The following information from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 formatted in eXtensible Business Reporting Language: (i) Consolidated Balance Sheets at September 30, 2012 (unaudited) and December 31, 2011 (audited); (ii) Unaudited Consolidated Statements of Operations for the three and nine months ended September 30, 2012 and 2011; (iii) Unaudited Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2012 and 2011; (iv) Unaudited Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011; and (v) Condensed Notes to the Unaudited Consolidated Financial Statements.



Table of Contents

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MGM Resorts International

Date: November 8, 2012

By:

/s/ JAMES J. MURREN  
James J. Murren  
Chairman of the Board, Chief Executive Officer  
and President  
(Principal Executive Officer)

Date: November 8, 2012

/s/ DANIEL J. D ARRIGO  
Daniel J. D Arrigo  
Executive Vice President, Chief Financial Officer  
and Treasurer  
(Principal Financial Officer)