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)

x **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

o **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

(Exact name of registrant as specified in its charter)

Delaware	**88-0215232**
(State or other jurisdiction of incorporation or organization)	(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 x No o

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 x No o

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 x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

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

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

Class	**Outstanding at November 1, 2012**
Common Stock, $.01 par value	489,201,152 shares

Table of Contents

MGM RESORTS INTERNATIONAL AND SUBSIDIARIES

FORM 10-Q

I N D E X

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, 2012	December 31, 2011
ASSETS		
Current assets		
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
Property and equipment, net	14,765,349	14,866,644
Other assets		
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
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
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
Deferred income taxes	2,527,828	2,502,096
Long-term debt	13,825,451	13,470,167
Other long-term obligations	186,725	167,027

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 September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Revenues				
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
Expenses				
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
Income (loss) from unconsolidated affiliates	(37,943)	539	(45,266)	95,909
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)
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)
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
Income (loss) per share of common stock attributable to MGM Resorts International								
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 September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Net income (loss)	$ (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)
Comprehensive income (loss)	(151,834)	(110,103)	(415,574)	3,247,846
Less: Comprehensive income attributable to noncontrolling interests	(27,838)	(15,439)	(121,735)	(22,493)
Comprehensive income (loss) attributable to MGM Resorts International	$ (179,672)	$ (125,542)	$ (537,309)	$ 3,225,353

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)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Cash flows from operating activities		
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
Cash flows from investing activities		
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
Cash flows from financing activities		
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

Effect of exchange rate on cash		1,093		(333)
Cash and cash equivalents				
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
Supplemental cash flow disclosures				
Interest paid, net of amounts capitalized	$	734,096	$	713,960
Federal, state and foreign income taxes paid, net of refunds		6,539		(171,032)
Non-cash investing and financing activities				
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.

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):

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

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 September 30,		Nine Months Ended 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 Ended September 30, 2011 (In thousands, except per 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, 2012	December 31, 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

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

	Three Months Ended September 30,		Nine Months Ended 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, 2012	December 31, 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

Summary results of operations for CityCenter are provided below:

	Three Months Ended September 30,		Nine Months Ended 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, 2012	December 31, 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

$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 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.

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 complementary 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 September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands)			

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 International Stockholders Equity	Noncontrolling Interests	Total Stockholders Equity
		(In thousands)	
Balances, January 1, 2012	$ 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
Balances, September 30, 2012	$ 5,553,270	$ 3,712,233	$ 9,265,503

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

	Shares (000 s)		Average Exercise 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 (000 s)		Weighted Average Grant-Date 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 (000 s)		Weighted Average Exercise 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 September 30,				Nine Months Ended 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				