

MGM Resorts International  
Form 10-Q  
May 08, 2014  
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**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 March 31, 2014

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**

(Exact name of registrant as specified in its charter)

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

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

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 Exchange 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:

| Class                         | Outstanding as of May 1, 2014 |
|-------------------------------|-------------------------------|
| Common Stock, \$.01 par value | 490,614,933 shares            |

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**MGM RESORTS INTERNATIONAL AND SUBSIDIARIES**

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**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)*

|                                                          | <b>March 31,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|----------------------------------------------------------|---------------------------|------------------------------|
| <b>ASSETS</b>                                            |                           |                              |
| <b>Current assets</b>                                    |                           |                              |
| Cash and cash equivalents                                | \$ 1,114,736              | \$ 1,803,669                 |
| Accounts receivable, net                                 | 492,535                   | 488,217                      |
| Inventories                                              | 101,553                   | 107,907                      |
| Deferred income taxes, net                               |                           | 80,989                       |
| Prepaid expenses and other                               | 261,806                   | 238,657                      |
| Total current assets                                     | 1,970,630                 | 2,719,439                    |
| <b>Property and equipment, net</b>                       | 14,034,075                | 14,055,212                   |
| <b>Other assets</b>                                      |                           |                              |
| Investments in and advances to unconsolidated affiliates | 1,416,664                 | 1,374,836                    |
| Goodwill                                                 | 2,896,542                 | 2,897,442                    |
| Other intangible assets, net                             | 4,451,496                 | 4,511,861                    |
| Other long-term assets, net                              | 581,302                   | 551,395                      |
| Total other assets                                       | 9,346,004                 | 9,335,534                    |
|                                                          | \$ 25,350,709             | \$ 26,110,185                |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>              |                           |                              |
| <b>Current liabilities</b>                               |                           |                              |
| Accounts payable                                         | \$ 220,523                | \$ 241,192                   |
| Income taxes payable                                     | 20,549                    | 14,813                       |
| Deferred income taxes, net                               | 46,642                    |                              |
| Accrued interest on long-term debt                       | 188,281                   | 188,522                      |
| Other accrued liabilities                                | 1,683,569                 | 1,770,801                    |
| Total current liabilities                                | 2,159,564                 | 2,215,328                    |
| <b>Deferred income taxes</b>                             | 2,305,322                 | 2,430,414                    |
| <b>Long-term debt</b>                                    | 12,930,728                | 13,447,230                   |
| <b>Other long-term obligations</b>                       | 132,249                   | 141,590                      |
| <b>Commitments and contingencies (Note 5)</b>            |                           |                              |

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|                                                                                                                           |               |               |
|---------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>Stockholders' equity</b>                                                                                               |               |               |
| Common stock, \$.01 par value: authorized 1,000,000,000 shares; issued and outstanding 490,609,242 and 490,360,628 shares | 4,906         | 4,904         |
| Capital in excess of par value                                                                                            | 4,160,895     | 4,156,680     |
| Retained earnings                                                                                                         | 165,252       | 57,092        |
| Accumulated other comprehensive income                                                                                    | 12,236        | 12,503        |
| <br>Total MGM Resorts International stockholders' equity                                                                  | <br>4,343,289 | <br>4,231,179 |
| Noncontrolling interests                                                                                                  | 3,479,557     | 3,644,444     |
| <br>Total stockholders' equity                                                                                            | <br>7,822,846 | <br>7,875,623 |
|                                                                                                                           | \$ 25,350,709 | \$ 26,110,185 |

*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)*

|                                                    | <b>Three Months Ended<br/>March 31,</b> |              |
|----------------------------------------------------|-----------------------------------------|--------------|
|                                                    | <b>2014</b>                             | <b>2013</b>  |
| <b>Revenues</b>                                    |                                         |              |
| Casino                                             | \$ 1,583,432                            | \$ 1,401,420 |
| Rooms                                              | 452,386                                 | 401,250      |
| Food and beverage                                  | 383,392                                 | 359,882      |
| Entertainment                                      | 133,777                                 | 113,854      |
| Retail                                             | 44,616                                  | 44,707       |
| Other                                              | 125,427                                 | 123,826      |
| Reimbursed costs                                   | 94,975                                  | 90,236       |
|                                                    | 2,818,005                               | 2,535,175    |
| Less: Promotional allowances                       | (187,607)                               | (183,027)    |
|                                                    | 2,630,398                               | 2,352,148    |
| <b>Expenses</b>                                    |                                         |              |
| Casino                                             | 990,834                                 | 875,246      |
| Rooms                                              | 134,238                                 | 127,709      |
| Food and beverage                                  | 220,058                                 | 204,740      |
| Entertainment                                      | 98,937                                  | 83,725       |
| Retail                                             | 23,476                                  | 25,966       |
| Other                                              | 87,577                                  | 85,973       |
| Reimbursed costs                                   | 94,975                                  | 90,236       |
| General and administrative                         | 319,246                                 | 303,901      |
| Corporate expense                                  | 53,351                                  | 46,624       |
| Preopening and start-up expenses                   | 5,636                                   | 2,146        |
| Property transactions, net                         | 558                                     | 8,491        |
| Depreciation and amortization                      | 207,655                                 | 211,918      |
|                                                    | 2,236,541                               | 2,066,675    |
| <b>Income from unconsolidated affiliates</b>       | 18,776                                  | 16,344       |
| <b>Operating income</b>                            | 412,633                                 | 301,817      |
| <b>Non-operating expense:</b>                      |                                         |              |
| Interest expense, net of amounts capitalized       | (209,387)                               | (225,447)    |
| Non-operating items from unconsolidated affiliates | (13,723)                                | (22,079)     |
| Other, net                                         | (1,434)                                 | (1,282)      |
|                                                    | (224,544)                               | (248,808)    |
| <b>Income before income taxes</b>                  | 188,089                                 | 53,009       |

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|                                                                                       |                   |                 |
|---------------------------------------------------------------------------------------|-------------------|-----------------|
| Benefit (provision) for income taxes                                                  | 3,519             | (30,431)        |
| <b>Net income</b>                                                                     | <b>191,608</b>    | <b>22,578</b>   |
| Less: Net income attributable to noncontrolling interests                             | (83,448)          | (16,032)        |
| <b>Net income attributable to MGM Resorts International</b>                           | <b>\$ 108,160</b> | <b>\$ 6,546</b> |
| <b>Net income per share of common stock attributable to MGM Resorts International</b> |                   |                 |
| Basic                                                                                 | \$ 0.22           | \$ 0.01         |
| Diluted                                                                               | \$ 0.21           | \$ 0.01         |

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

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

*(In thousands)*

*(Unaudited)*

|                                                                       | <b>Three Months Ended<br/>March 31,</b> |                 |
|-----------------------------------------------------------------------|-----------------------------------------|-----------------|
|                                                                       | <b>2014</b>                             | <b>2013</b>     |
| <b>Net income</b>                                                     | \$ 191,608                              | \$ 22,578       |
| Other comprehensive income (loss), net of tax:                        |                                         |                 |
| Foreign currency translation adjustment                               | (2,760)                                 | (12,641)        |
| Other                                                                 | 1,250                                   | 115             |
| <b>Other comprehensive loss</b>                                       | <b>(1,510)</b>                          | <b>(12,526)</b> |
| <b>Comprehensive income</b>                                           | <b>190,098</b>                          | <b>10,052</b>   |
| Less: Comprehensive income attributable to noncontrolling interests   | (82,205)                                | (9,827)         |
| <b>Comprehensive income attributable to MGM Resorts International</b> | <b>\$ 107,893</b>                       | <b>\$ 225</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>Three Months Ended<br/>March 31,</b> |                  |
|-----------------------------------------------------------------------------------|-----------------------------------------|------------------|
|                                                                                   | <b>2014</b>                             | <b>2013</b>      |
| <b>Cash flows from operating activities</b>                                       |                                         |                  |
| Net income                                                                        | \$ 191,608                              | \$ 22,578        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                         |                  |
| Depreciation and amortization                                                     | 207,655                                 | 211,918          |
| Amortization of debt discounts, premiums and issuance costs                       | 9,402                                   | 8,366            |
| Loss on retirement of long-term debt                                              |                                         | 24               |
| Provision for doubtful accounts                                                   | 9,834                                   | 13,604           |
| Stock-based compensation                                                          | 8,195                                   | 8,623            |
| Property transactions, net                                                        | 558                                     | 8,491            |
| (Income) loss from unconsolidated affiliates                                      | (5,034)                                 | 6,111            |
| Distributions from unconsolidated affiliates                                      | 3,703                                   | 4,397            |
| Deferred income taxes                                                             | (7,637)                                 | 63,125           |
| Change in operating assets and liabilities:                                       |                                         |                  |
| Accounts receivable                                                               | (14,186)                                | (45,930)         |
| Inventories                                                                       | 6,349                                   | 2,509            |
| Income taxes payable                                                              | 5,736                                   | 2,818            |
| Prepaid expenses and other                                                        | (29,736)                                | (25,872)         |
| Prepaid Cotai land concession premium                                             | (12,945)                                | 1,569            |
| Accounts payable and accrued liabilities                                          | (87,934)                                | (66,476)         |
| Other                                                                             | 5,227                                   | (21,199)         |
| <b>Net cash provided by operating activities</b>                                  | <b>290,795</b>                          | <b>194,656</b>   |
| <b>Cash flows from investing activities</b>                                       |                                         |                  |
| Capital expenditures, net of construction payable                                 | (192,751)                               | (97,415)         |
| Dispositions of property and equipment                                            | 135                                     | 235              |
| Investments in and advances to unconsolidated affiliates                          | (32,175)                                | (6,400)          |
| Distributions from unconsolidated affiliates in excess of earnings                | 497                                     | 103              |
| Investments in treasury securities - maturities longer than 90 days               | (54,064)                                | (60,138)         |
| Proceeds from treasury securities - maturities longer than 90 days                | 63,063                                  | 60,112           |
| Other                                                                             | 1,226                                   | (113)            |
| <b>Net cash used in investing activities</b>                                      | <b>(214,069)</b>                        | <b>(103,616)</b> |
| <b>Cash flows from financing activities</b>                                       |                                         |                  |
| Net repayments under bank credit facilities - maturities of 90 days or less       | (1,735,125)                             | (2,690,000)      |
| Borrowings under bank credit facilities - maturities longer than 90 days          | 1,728,125                               | 2,793,000        |
| Retirement of senior notes                                                        | (508,900)                               |                  |
| Distributions to noncontrolling interest owners                                   | (247,140)                               | (254,659)        |
| Other                                                                             | (1,648)                                 | (863)            |
| <b>Net cash used in financing activities</b>                                      | <b>(764,688)</b>                        | <b>(152,522)</b> |

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|                                                                                          |              |              |
|------------------------------------------------------------------------------------------|--------------|--------------|
| <b>Effect of exchange rate on cash</b>                                                   | (971)        | (1,390)      |
| <b>Cash and cash equivalents</b>                                                         |              |              |
| Net decrease for the period                                                              | (688,933)    | (62,872)     |
| Balance, beginning of period                                                             | 1,803,669    | 1,543,509    |
| Balance, end of period                                                                   | \$ 1,114,736 | \$ 1,480,637 |
| <b>Supplemental cash flow disclosures</b>                                                |              |              |
| Interest paid, net of amounts capitalized                                                | \$ 200,226   | \$ 218,613   |
| Federal, state and foreign income taxes paid, net of refunds                             | 3,864        | 3,736        |
| <b>Non-cash investing and financing activities</b>                                       |              |              |
| Increase in investment in CityCenter related to change in completion guarantee liability | \$ 12,306    | \$           |

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

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### **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, primarily 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. Along with its local partners, the Company owns and operates 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 and operates the MGM Macau resort and casino and the related gaming subconcession and land concession. MGM Grand Paradise has 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 (MGM Cotai). MGM Cotai will be an integrated casino, hotel and entertainment complex with up to 1,600 hotel rooms, 500 gaming tables and 2,500 slots. The total estimated project budget is \$2.9 billion excluding development fees eliminated in consolidation, capitalized interest and land.

The Company owns 50% of CityCenter, located between Bellagio and Monte Carlo. The other 50% of CityCenter is owned by Infinity World Development Corp, 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. See Note 3 for additional information related to CityCenter.

The Company has 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.

The Company seeks to leverage its management expertise and well-recognized brands through domestic and international expansion opportunities. The Company has entered into management agreements for non-gaming hotels, resorts and residential products in the Middle East, North Africa, India, the United States and, through its venture with Diaoyutai State Guesthouse, in the People's Republic of China. In April 2014, the Company entered into a 50/50 limited liability company agreement with Hakkasan Hospitality, Inc., an affiliate of the Hakkasan group, to form MGM Hakkasan Hospitality, LLC, a Nevada limited liability company (MGM Hakkasan) to design, develop and manage luxury non-gaming hotels, resorts and residences under certain brands licensed from the Company and the Hakkasan Group. The Company will contribute all of the management agreements for non-gaming hotels, resorts and residential projects (outside of the greater China region) that are currently under development to MGM Hakkasan. The Company will continue to develop and manage properties in the greater China region through its venture with Diaoyutai State Guesthouse, including the MGM Grand Sanya on Hainan Island, in the People's Republic of China, which opened in early 2012.

The Maryland Video Lottery Facility Location Commission has awarded the Company the license to build and operate a world-class destination resort casino in Prince George's County at National Harbor. Currently, the expected cost to develop and construct MGM National Harbor is approximately \$1.0 billion, excluding capitalized interest and land related costs. The Company expects the resort to include a casino with approximately 3,600 slots, 160 table games including poker; a 300 suite hotel with luxury spa and rooftop pool; high end branded retail; fine and casual dining; a dedicated 3,000 seat theater venue; 35,000 square feet of meeting and event space; and a 5,000 space parking garage.

The Company has two reportable segments: wholly owned domestic resorts and MGM China. See Note 9 for additional information about the Company's segments.

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

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(the terminal sale period). On February 13, 2013, the settlement agreement was further amended to allow the Company to re-apply to the CCC for licensure in New Jersey and to defer expiration of these periods pending the outcome of the licensure process. The Company has submitted its licensure request to the CCC and there can be no assurances that such request will be approved or with respect to the timing of the licensure process. If the CCC denies the Company's licensure request, then the divestiture period will immediately end, and the terminal sale period will immediately begin, which will result in the Company's Borgata interest being disposed of by the trustee pursuant to the terms of the settlement agreement.

The Company consolidates the trust because it is the sole economic beneficiary and accounts for its interest in Borgata under the cost method. The Company reviews its investment carrying value whenever indicators of impairment exist. As of March 31, 2014, the trust had \$94 million of cash and investments, of which \$78 million was 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.

## **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 U.S. generally accepted accounting principles (GAAP) have been condensed or omitted. These consolidated financial statements should be read in conjunction with the Company's 2013 annual consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

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 measurements.** 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, and 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.

The fair value of the Company's treasury securities held by the Borgata trust was measured using Level 2 inputs. See Note 1; and

The Company uses Level 1 inputs for its long-term debt fair value disclosures. See Note 4.

**Income tax provision.** For interim income tax reporting the Company estimates its annual effective tax rate and applies it to its year-to-date ordinary income. The tax effects of unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, are reported in the interim period in which they occur. The Company's effective income tax rate was (1.9%) and 57.4% for the three months ended March 31, 2014 and 2013, respectively.

The Company recognizes deferred tax assets, net of applicable reserves, related to tax loss and credit carryforwards and other 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. Because of the Company's history of recent losses in the United States, the Company does not rely on future United States sourced operating income in assessing the realization of its deferred tax assets. Because MGM China is presently exempt from the Macau 12% complementary tax on gaming profits, the Company believes that payment of the Macau Special Gaming Tax qualifies as a tax paid in lieu of an income tax that is creditable against U.S. taxes. As long as the exemption from Macau's 12% complementary tax on gaming profits continues, the Company will generate excess foreign tax credits on an annual basis. Further, the Company currently estimates that none of the excess foreign credits will be utilized until the exemption expires.

Although the Company's current five-year exemption from the Macau 12% complementary tax on gaming profits ends on December 31, 2016, the Company believes it will be entitled to receive a third five-year exemption from Macau based upon exemptions granted to the Company's competitors in order to ensure non-discriminatory treatment among gaming concessionaires and subconcessionaires. For all periods beyond December 31, 2021, the Company has assumed that it will be paying the Macau 12% complementary tax on gaming profits and will thus not be able to credit the Macau Special Gaming Tax in such years, and has factored that assumption into both the measurement of its foreign deferred tax assets and liabilities as well as its future projections of foreign sourced income. As a result, the Company projects that it will be able to

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realize a benefit, and hence, projects that it will record a deferred tax asset for foreign tax credits, net of valuation allowance ( net deferred foreign tax credit asset ), of approximately \$335 million as of December 31, 2014 and has reflected this assumption in its annual effective tax rate for 2014. Should the Company in a future period actually receive or be able to assume under the law a fourth five-year exemption, an additional valuation allowance would likely need to be provided on some or all of the net deferred foreign tax credit asset, resulting in an increase in the provision for income taxes in such period.

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**Recently issued accounting standards.** During the three months ended March 31, 2014, the Company implemented Financial Accounting Standards Board Accounting Standards Update No. 2013-11 ( ASU 2013-11 ), which is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2013. ASU 2013-11 provides explicit guidance on the financial statement presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. As a result of implementing ASU 2013-11, the Company recorded a reduction in liability for unrecognized tax benefits and a corresponding reduction in deferred tax assets of \$19 million in the three months ended March 31, 2014.

**NOTE 3 INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES**

Investments in and advances to unconsolidated affiliates consisted of the following:

|                                                              | March 31,<br>2014     | December 31,<br>2013 |
|--------------------------------------------------------------|-----------------------|----------------------|
|                                                              | <i>(In thousands)</i> |                      |
| CityCenter Holdings, LLC CityCenter (50%)                    | \$ 1,210,855          | \$ 1,172,087         |
| Elgin Riverboat Resort Riverboat Casino Grand Victoria (50%) | 169,082               | 169,579              |
| Other                                                        | 36,727                | 33,170               |
|                                                              | \$ 1,416,664          | \$ 1,374,836         |

The Company recorded its share of the results of operations of unconsolidated affiliates as follows:

|                                                    | Three Months Ended<br>March 31, |            |
|----------------------------------------------------|---------------------------------|------------|
|                                                    | 2014                            | 2013       |
|                                                    | <i>(In thousands)</i>           |            |
| Income from unconsolidated affiliates              | \$ 18,776                       | \$ 16,344  |
| Preopening and start-up expenses                   | (19)                            | (376)      |
| Non-operating items from unconsolidated affiliates | (13,723)                        | (22,079)   |
|                                                    | \$ 5,034                        | \$ (6,111) |

*CityCenter*

**CityCenter summary financial information.** Summarized balance sheet information for CityCenter is as follows:

|                                                | March 31,<br>2014     | December 31,<br>2013 |
|------------------------------------------------|-----------------------|----------------------|
|                                                | <i>(In thousands)</i> |                      |
| Current assets                                 | \$ 506,884            | \$ 451,058           |
| Property and other assets, net                 | 8,150,228             | 8,261,240            |
| Current liabilities                            | 426,493               | 462,487              |
| Long-term debt and other long-term obligations | 1,683,923             | 1,688,113            |
| Equity                                         | 6,546,696             | 6,561,698            |

Summarized income statement information for CityCenter is as follows:

Three Months Ended

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|                         | March 31,             |             |
|-------------------------|-----------------------|-------------|
|                         | 2014                  | 2013        |
|                         | <i>(In thousands)</i> |             |
| Net revenues            | \$ 336,417            | \$ 315,142  |
| Operating expenses      | (331,454)             | (315,310)   |
| Operating income (loss) | 4,963                 | (168)       |
| Non-operating expense   | (25,165)              | (67,675)    |
| Net loss                | \$ (20,202)           | \$ (67,843) |



**Table of Contents****NOTE 4 LONG-TERM DEBT**

Long-term debt consisted of the following:

|                                                                        | March 31,<br>2014     | December 31,<br>2013 |
|------------------------------------------------------------------------|-----------------------|----------------------|
|                                                                        | <i>(In thousands)</i> |                      |
| Senior credit facility:                                                |                       |                      |
| \$2,765 million (\$2,772 million at December 31, 2013) term loans, net | \$ 2,758,307          | \$ 2,765,041         |
| MGM Grand Paradise credit facility                                     | 553,066               | 553,242              |
| \$508.9 million 5.875% senior notes, due 2014, net                     |                       | 508,848              |
| \$1,450 million 4.25% convertible senior notes, due 2015, net          | 1,454,980             | 1,456,153            |
| \$875 million 6.625% senior notes, due 2015, net                       | 875,862               | 876,022              |
| \$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                          | 497,219               | 496,987              |
| \$743 million 7.625% senior notes, due 2017                            | 743,000               | 743,000              |
| \$475 million 11.375% senior notes, due 2018, net                      | 467,808               | 467,451              |
| \$850 million 8.625% senior notes, due 2019                            | 850,000               | 850,000              |
| \$500 million 5.25% senior notes, due 2020                             | 500,000               | 500,000              |
| \$1,000 million 6.75% senior notes, due 2020                           | 1,000,000             | 1,000,000            |
| \$1,250 million 6.625% senior notes, due 2021                          | 1,250,000             | 1,250,000            |
| \$1,000 million 7.75% senior notes, due 2022                           | 1,000,000             | 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                |
|                                                                        | \$ 12,930,728         | \$ 13,447,230        |

Debt due within one year of the March 31, 2014 balance sheet date is classified as long-term as the Company has both the intent and ability to refinance such amounts on a long-term basis under its senior credit facility.

**Senior credit facility.** At March 31, 2014, the Company's senior credit facility consisted of \$1.2 billion revolving credit facility, a \$1.04 billion term loan A facility, and a \$1.73 billion term loan B facility. The revolving and term loan A facilities bear interest at LIBOR plus an applicable rate determined by the Company's credit rating (2.75% as of March 31, 2014). The term loan B facility bears interest at LIBOR plus 2.50%, with a LIBOR floor of 1.00%. The revolving and term loan A facilities mature in December 2017 and the term loan B facility matures in December 2019. The term loan A and term loan B facilities are subject to scheduled amortization payments on the last day of each calendar quarter in an amount equal to 0.25% of the original principal balance. The Company permanently repaid \$7 million in the first quarter of 2014 in accordance with the scheduled amortization. The Company had \$1.2 billion of available borrowing capacity under its senior credit facility at March 31, 2014. At March 31, 2014, the interest rate on the term loan A was 2.9% and the interest rate on the term loan B was 3.5%.

The land and substantially all of the assets of MGM Grand Las Vegas, Bellagio and The Mirage secure up to \$3.35 billion of obligations outstanding under the senior credit facility. In addition, the land and substantially all of the assets of New York-New York and Gold Strike Tunica secure the entire amount of the senior credit facility and the land and substantially all of the assets of MGM Grand Detroit secure its \$450 million of obligations as a co-borrower under the senior credit facility. In addition, the senior credit facility is secured by a pledge of the equity or limited liability company interests of the subsidiaries that own the pledged properties.

The senior credit facility contains customary representations and warranties and customary affirmative and negative covenants. In addition, the senior credit facility requires the Company and its restricted subsidiaries to maintain a minimum trailing four-quarter EBITDA and limits the ability of the Company and its restricted subsidiaries to make capital expenditures and investments. At March 31, 2014 and June 30, 2014, the Company and its restricted subsidiaries are required to maintain a minimum EBITDA (as defined in the senior credit facility) of \$1.10 billion. The minimum EBITDA increases to \$1.20 billion for September 30, 2014 and December 31, 2014, with periodic increases thereafter. EBITDA for the trailing twelve months ended March 31, 2014, calculated in accordance with the terms of the senior credit facility, was \$1.35 billion. The senior credit facility limits the Company and its restricted subsidiaries to capital expenditures of \$500 million per fiscal year, with unused amounts in any fiscal year rolling over to the next fiscal year, but not any fiscal year thereafter. The Company's total capital expenditures allowable under the senior credit facility for fiscal year 2014, after giving effect to unused amounts from 2013, was \$681 million. In addition,

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the senior credit facility limits the Company's ability to make investments subject to certain thresholds and other important exceptions. As of March 31, 2014, the Company and its restricted subsidiaries were within the limit of capital expenditures and other investments for the calendar year 2014.

The senior credit facility provides for customary events of default, including, without limitation, (i) payment defaults, (ii) covenant defaults, (iii) cross-defaults to certain other indebtedness in excess of specified amounts, (iv) certain events of bankruptcy and insolvency, (v) judgment defaults in excess of specified amounts, (vi) the failure of any loan document by a significant party to be in full force and effect and such circumstance, in the reasonable judgment of the required lenders, is materially adverse to the lenders, or (vii) the security documents cease to create a valid and perfected first priority lien on any material portion of the collateral. In addition, the senior credit facility provides that a cessation of business due to revocation, suspension or loss of any gaming license affecting a specified amount of its revenues or assets, will constitute an event of default.

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**MGM China credit facility.** At March 31, 2014, the MGM China credit facility consisted of approximately \$550 million of term loans and an approximately \$1.45 billion revolving credit facility due October 2017. The credit facility is subject to scheduled amortization payments beginning in 2016. The outstanding balance at March 31, 2014 was comprised solely of term loans. The interest rate on the facility fluctuates annually based on HIBOR plus a margin, which ranges between 1.75% and 2.50%, based on MGM China's leverage ratio. The margin was 1.75% at March 31, 2014. MGM China is a joint and several co-borrower with MGM Grand Paradise. MGM Grand Paradise's interest in the Cotai land use right agreement will become collateral under the MGM China credit facility upon finalization of the appropriate government approvals. The material subsidiaries of MGM China continue to guarantee the facilities, and MGM China, MGM Grand Paradise and their guarantor subsidiaries have granted a security interest in 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 Cotai project.

The 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, in addition to a minimum interest coverage ratio of 2.50 to 1.00. MGM China was in compliance with its credit facility covenants at March 31, 2014.

**Senior notes.** The Company repaid its \$509 million 5.875% senior notes in February 2014 at maturity.

**Senior convertible notes.** In April 2010, the Company issued \$1.15 billion of 4.25% convertible senior notes due 2015 for net proceeds to the Company of \$1.12 billion. The notes are general unsecured obligations of the Company and rank equally in right of payment with the Company's other existing senior unsecured indebtedness. The notes are convertible at an initial conversion rate of approximately 53.83 shares of the Company's common stock per \$1,000 principal amount of the notes, representing an initial conversion price of approximately \$18.58 per share of the Company's common stock. In connection with the offering, the Company entered into capped call transactions to reduce the potential dilution of the Company's stock upon conversion of the notes. The capped call transactions have a cap price equal to approximately \$21.86 per share.

In June 2011, the Company sold an additional \$300 million in aggregate principal amount of 4.25% convertible senior notes due 2015 (the Notes) on terms that were consistent with those governing the Company's existing convertible senior notes due 2015 for a purchase price of 103.805% of the principal amount. The Company received approximately \$311 million in proceeds related to this transaction. The Notes were recorded at fair value determined by the trading price (105.872%) of the Company's existing convertible notes on the date of issuance of the Notes, with the excess over the principal amount recorded as a premium to be recognized over the term of the Notes.

**Fair value of long-term debt.** The estimated fair value of the Company's long-term debt at March 31, 2014 was \$14.7 billion. At December 31, 2013, the estimated fair value of the Company's long-term debt was \$14.9 billion. Fair value was estimated using quoted market prices for the Company's senior notes and senior credit facility. Carrying value of the MGM Grand Paradise credit facility approximates fair value.

## **NOTE 5 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 joins 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.

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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,

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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 219 first-tier Perini subcontractors (including the claims of any lower-tier subcontractors that might have claims through those first-tier subcontractors), with only three 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. Two of the remaining subcontractors are implicated in the defective work at the Harmon. In August 2013, Perini recorded an amended notice of lien reducing its lien to approximately \$167 million.

In November 2012, Perini filed a second amended complaint which, among other things, added claims against the CityCenter defendants of breach of contract (alleging that CityCenter's Owner Controlled Insurance Program (OCIP) failed to provide adequate project insurance for Perini with broad coverages and high limits), and tortious breach of the implied covenant of good faith and fair dealing (alleging improper administration by CityCenter of the OCIP and Builders Risk insurance programs).

In 2013, CityCenter reached a settlement agreement with certain professional service providers against whom it had asserted claims in this litigation for errors or omissions with respect to the CityCenter project, which settlement has been approved by the court. In April 2014, CityCenter settled for \$55 million, net of deductible, its 2008 builder's risk insurance claim for loss and damage with respect to the Harmon's defective condition.

Further, CityCenter and Perini have entered a settlement agreement which resolves most but not all of the components of Perini's non-Harmon-related lien claim against CityCenter. The settlement established a stipulated value for Perini's mechanic's lien, which amount will not be paid until resolution of CityCenter's damages claim for the Harmon and will be offset against any judgment CityCenter obtains against Perini for damages relating to construction of the Harmon. Pursuant to the parties' stipulation, on February 24, 2014, Perini filed a revised lien for \$174 million as the amount claimed by Perini and the remaining Harmon-related subcontractors. The discovery process continues. Trial of the remainder of Perini's lien claim, the remaining subcontractors' claims against CityCenter, and CityCenter's counterclaims against Perini and certain subcontractors for defective work at the Harmon has been rescheduled to commence on September 23, 2014.

CityCenter Owners and the other defendants will continue to vigorously assert and protect their interests in the Perini lawsuit. The Company believes it is probable that the CityCenter Owners and the other defendants will be liable for \$140 million in connection with the non-Harmon settlement agreement and remaining claims in this lawsuit. Amounts determined to be owed would be funded in part under the Company's completion guarantee which is discussed below. The Company does not believe it is reasonably possible it will be liable for any material amount in excess of its estimate of its probable liability. The Company's estimate of its probable liability does not include any offset for amounts that may be recovered on its counterclaims against Perini and certain subcontractors for defective work at the Harmon.

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 CityCenter's extra-judicial settlement process.

**CityCenter completion guarantee.** In October 2013, the Company entered into a third amended and restated completion and cost overrun guarantee, which is collateralized by substantially all of the assets of Circus Circus Las Vegas, as well as certain undeveloped land adjacent to that property. The terms of the amended and restated completion guarantee provide CityCenter the ability to utilize up to \$72 million of net residential proceeds to fund construction costs, or to reimburse the Company for construction costs previously expended. As of March 31, 2014, CityCenter is holding approximately \$72 million in a separate bank account representing the remaining condo proceeds available to fund completion guarantee obligations or be reimbursed to the Company. In accordance with the amended and restated completion guarantee, such amounts may only be used to fund construction lien obligations or to reimburse the Company once the Perini litigation is settled.

As of March 31, 2014, the Company has funded \$721 million under the completion guarantee and has accrued a liability of \$104 million, which includes estimated litigation costs related to the resolution of disputes with contractors concerning the final construction costs and estimated amounts to be paid to contractors through the legal process related to the Perini litigation. The Company does not believe it is reasonably possible it could be liable for amounts in excess of what it has accrued. The Company's estimated obligation has been offset by the \$72 million of condominium proceeds received and held in escrow by CityCenter, which are available to fund construction lien claims upon the resolution of the Perini litigation. Also, the Company's accrual reflects certain estimated offsets to the amounts claimed by the contractors. Moreover, the Company has not accrued for any contingent payments to CityCenter related to the Harmon component.

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**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 that 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

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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 district court presiding over the Perini litigation had previously granted CityCenter's motion to demolish the Harmon, but stayed the demolition to allow CityCenter an opportunity to conduct additional Phase 4 destructive testing at the Harmon following the court's order prohibiting CityCenter's structural engineering expert from extrapolating the results of pre-Phase 4 testing to untested portions of the building.

In May 2013, CityCenter completed additional Phase 4 destructive testing of 468 structural elements at the Harmon, analysis of which data confirmed the existence of a wide variety of construction defects throughout the Harmon tower. In his June 2013 expert report CityCenter's structural engineer opined that the additional test results and extrapolation thereof to untested portions of the building show that after a service-level earthquake (typically defined as an earthquake with a 50% chance of occurring in 30 years), the Harmon can be expected to sustain extensive damage and failure of many structural elements, and in a large earthquake, such as a building code-level earthquake, critical elements of the Harmon are likely to fail and lead to a partial or complete collapse of the tower. In April 2013, Perini's structural engineering expert John A. Martin & Associates (JAMA) had sent a letter to the Building Division which declared in part that JAMA no longer believes that the Harmon Tower can be repaired to a code compliant structure, which condition JAMA attributed to CityCenter's building testing. On July 18, 2013 CityCenter filed a renewed motion with the district court for permission to demolish the Harmon. On August 23, 2013, the court granted CityCenter's motion, and CityCenter commenced planning for demolition of the building. On January 31, 2014, the court revoked its prior authorization of demolition of the Harmon, without prejudice to renewal of the application, on the grounds that CityCenter's non-party builder's risk insurer requested further testing in the building. That request for further testing was withdrawn pursuant to the insurer's settlement of CityCenter's Harmon 2008 policy claim. On April 22, 2014 the court granted CityCenter's renewed application for permission to demolish the Harmon. The Clark County Building Department has issued the first in a series of permits required for demolition of this building. CityCenter is continuing to plan for a controlled deconstruction of the Harmon structure in accordance with the standards set by its expert consultants and the Clark County Building Department.

The Company does not believe it would be responsible for funding any additional remediation efforts under the completion guarantee 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.

**Cotai land concession contract.** MGM Grand Paradise's land concession contract for an approximate 17.8 acre site in Cotai, Macau became effective on January 9, 2013 and has an initial term of 25 years. The total land premium payable to the Macau government for the land concession contract is \$161 million and is composed of a down payment and eight additional semi-annual payments. As of March 31, 2014, MGM China had paid \$86 million of the contract premium recorded within other long-term assets, net. Including interest on the six remaining semi-annual payments, MGM China has approximately \$88 million remaining payable for the land concession contract. 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. Under the terms of the land concession contract, MGM Grand Paradise is required to complete the development of the land by January 2018.

**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 \$500 million, and the amount of available borrowings under the senior credit facility is reduced by any outstanding letters of credit. At March 31, 2014, the Company had provided \$35 million of letters of credit. At March 31, 2014, MGM China had provided \$39 million of guarantees under its credit facility.

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





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

|                                                                                              | Three Months Ended<br>March 31, |          |
|----------------------------------------------------------------------------------------------|---------------------------------|----------|
|                                                                                              | 2014                            | 2013     |
|                                                                                              | (In thousands)                  |          |
| Numerator:                                                                                   |                                 |          |
| Net income attributable to MGM Resorts International basic                                   | \$ 108,160                      | \$ 6,546 |
| Interest on convertible debt, net of tax                                                     | 2,195                           |          |
| Potentially dilutive effect due to MGM China Share Option Plan                               | (132)                           |          |
| Net income attributable to MGM Resorts International diluted                                 | \$ 110,223                      | \$ 6,546 |
| Denominator:                                                                                 |                                 |          |
| Weighted-average common shares outstanding basic                                             | 490,542                         | 489,291  |
| Potential dilution from share-based awards                                                   | 6,453                           | 3,014    |
| Potential dilution from assumed conversion of convertible debt                               | 16,149                          |          |
| Weighted-average common and common equivalent shares diluted                                 | 513,144                         | 492,305  |
| Anti-dilutive share-based awards excluded from the calculation of diluted earnings per share | 2,625                           | 10,974   |

For the three months ended March 31, 2014, potential dilution from the assumed conversion of convertible debt relates to the \$300 million 4.25% senior convertible notes issued in June 2011. The \$1.15 billion 4.25% senior convertible notes issued in April 2010 were excluded from the calculation of diluted earnings per share as their effect would be antidilutive. For the three months ended March 31, 2013, both the \$300 million and \$1.15 billion 4.25% senior convertible notes were excluded from the calculation of diluted earnings per share as their effect would be antidilutive.

**NOTE 7 STOCKHOLDERS EQUITY**

**MGM China dividends.** MGM China paid a \$499 million special dividend in March 2014, of which \$254 million remained within the consolidated entity and \$245 million was distributed to noncontrolling interests. Additionally, in February 2014, MGM China's Board of Directors recommended a final dividend for 2013 of approximately \$128 million, subject to approval at the 2014 annual shareholder meeting.

MGM China paid a \$500 million special dividend in March 2013, of which \$255 million remained within the consolidated entity and \$245 million was distributed to noncontrolling interests.

**Supplemental equity information.** The following table presents the Company's changes in stockholders' equity for the three months ended March 31, 2014:

|                                                               | <b>MGM Resorts<br/>International<br/>Stockholders<br/>Equity</b> | <b>Noncontrolling<br/>Interests<br/>(In thousands)</b> | <b>Total<br/>Stockholders<br/>Equity</b> |
|---------------------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------------|------------------------------------------|
| <b>Balances, January 1, 2014</b>                              | <b>\$ 4,231,179</b>                                              | <b>\$ 3,644,444</b>                                    | <b>\$ 7,875,623</b>                      |
| Net income                                                    | 108,160                                                          | 83,448                                                 | 191,608                                  |
| Foreign currency translation adjustment                       | (1,517)                                                          | (1,243)                                                | (2,760)                                  |
| Other comprehensive income from unconsolidated affiliate, net | 1,250                                                            |                                                        | 1,250                                    |

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|                                                                                  |                     |                     |                     |
|----------------------------------------------------------------------------------|---------------------|---------------------|---------------------|
| Stock-based compensation                                                         | 7,747               | 716                 | 8,463               |
| Change in excess tax benefit from stock-based compensation                       | (7,933)             |                     | (7,933)             |
| Issuance of MGM Resorts common stock pursuant to stock-based compensation awards | (2,869)             |                     | (2,869)             |
| Cash distributions to noncontrolling interest owners                             |                     | (247,561)           | (247,561)           |
| Issuance of PSUs                                                                 | 7,529               |                     | 7,529               |
| Other                                                                            | (257)               | (247)               | (504)               |
| <b>Balances, March 31, 2014</b>                                                  | <b>\$ 4,343,289</b> | <b>\$ 3,479,557</b> | <b>\$ 7,822,846</b> |

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**Accumulated other comprehensive income (loss).** Changes in accumulated other comprehensive income (loss) by component are as follows:

|                                                  | Foreign<br>Currency<br>Translation<br>Adjustment | Other<br>Adjustments<br>(In thousands) | Total     |
|--------------------------------------------------|--------------------------------------------------|----------------------------------------|-----------|
| <b>Balances, January 1, 2014</b>                 | \$ 13,082                                        | \$ (579)                               | \$ 12,503 |
| Current period other comprehensive income (loss) | (1,517)                                          | 1,250                                  | (267)     |
| <b>Balances, March 31, 2014</b>                  | \$ 11,565                                        | \$ 671                                 | \$ 12,236 |

**NOTE 8 STOCK-BASED COMPENSATION**

**2005 Omnibus Incentive Plan.** As of March 31, 2014, the Company had an aggregate of 15 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 three months ended March 31, 2014 is presented below:

Stock options and stock appreciation rights ( SARs )

|                                | Units<br>(000 s) | Weighted<br>Average<br>Exercise<br>Price |
|--------------------------------|------------------|------------------------------------------|
| Outstanding at January 1, 2014 | 16,074           | \$ 15.22                                 |
| Exercised                      | (729)            | 13.77                                    |
| Forfeited or expired           | (115)            | 44.38                                    |
| Outstanding at March 31, 2014  | 15,230           | 15.06                                    |
| Exercisable at March 31, 2014  | 9,643            | 16.19                                    |

Restricted stock units ( RSUs ) and performance share units ( PSUs )

|                              | RSUs             |                                                 | PSUs             |                                                 |                                        |
|------------------------------|------------------|-------------------------------------------------|------------------|-------------------------------------------------|----------------------------------------|
|                              | Units<br>(000 s) | Weighted<br>Average<br>Grant-Date<br>Fair Value | Units<br>(000 s) | Weighted<br>Average<br>Grant-Date<br>Fair Value | Weighted<br>Average<br>Target<br>Price |
| Nonvested at January 1, 2014 | 1,339            | \$ 13.85                                        | 1,055            | \$ 13.91                                        | \$ 16.95                               |
| Granted                      | 3                | 24.29                                           |                  |                                                 |                                        |
| Forfeited                    | (7)              | 12.46                                           |                  |                                                 |                                        |
| Nonvested at March 31, 2014  | 1,335            | 13.88                                           | 1,055            | 13.91                                           | 16.95                                  |

In 2013, the Company began granting PSUs for the portion of any calculated bonus for a Section 16 officer of the Company that is in excess of such officer's base salary (the Bonus PSU Policy). Awards granted under the Bonus PSU Policy have the same terms as PSUs granted under the Omnibus Plan with the exception that as of the grant date the awards will not be subject to forfeiture in the event of the officer's termination. During the three months ended March 31, 2014, the Company granted 265,122 PSUs pursuant to the Bonus PSU Policy with a target price of \$31.72. Such awards are excluded from the table above.



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**MGM China Share Option Plan.** As of March 31, 2014, MGM China had an aggregate of 358 million shares of options available for grant as share-based awards under the MGM China share option plan ( MGM China Plan ). A summary of activity under the MGM China Plan for the three months ended March 31, 2014 is presented below:

*Stock options*

|                                | Units<br>(000 s) | Weighted<br>Average<br>Exercise<br>Price |
|--------------------------------|------------------|------------------------------------------|
| Outstanding at January 1, 2014 | 16,916           | \$ 2.06                                  |
| Granted                        | 700              | 4.16                                     |
| Exercised                      | (228)            | 1.88                                     |
| Forfeited or expired           | (200)            | 2.54                                     |
| Outstanding at March 31, 2014  | 17,188           | 2.14                                     |
| Exercisable at March 31, 2014  | 6,493            | 1.98                                     |

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

|                                          | Three Months Ended<br>March 31,<br>2014      2013<br>(In thousands) |          |
|------------------------------------------|---------------------------------------------------------------------|----------|
| Compensation cost:                       |                                                                     |          |
| Omnibus Plan                             | \$ 7,002                                                            | \$ 7,260 |
| MGM China Plan                           | 1,461                                                               | 1,680    |
| Total compensation cost                  | 8,463                                                               | 8,940    |
| Less: Reimbursed costs and other         | (268)                                                               | (317)    |
| Compensation cost recognized as expense  | 8,195                                                               | 8,623    |
| Less: Related tax benefit                | (2,317)                                                             |          |
| Compensation expense, net of tax benefit | \$ 5,878                                                            | \$ 8,623 |

**NOTE 9 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 and certain other corporate operations and management services 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

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defined as earnings before interest and other non-operating income (expense), taxes, depreciation and amortization, preopening and start-up expenses and property transactions, net.

The following tables present the Company's segment information:

|                                 | <b>Three Months Ended<br/>March 31,</b> |              |
|---------------------------------|-----------------------------------------|--------------|
|                                 | <b>2014</b>                             | <b>2013</b>  |
|                                 | <i>(In thousands)</i>                   |              |
| <b>Net Revenues:</b>            |                                         |              |
| Wholly owned domestic resorts   | \$ 1,570,234                            | \$ 1,489,188 |
| MGM China                       | 941,448                                 | 747,557      |
| Reportable segment net revenues | 2,511,682                               | 2,236,745    |
| Corporate and other             | 118,716                                 | 115,403      |
|                                 | \$ 2,630,398                            | \$ 2,352,148 |

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### Adjusted EBITDA:

|                               |            |            |
|-------------------------------|------------|------------|
| Wholly owned domestic resorts | \$ 402,846 | \$ 361,037 |
| MGM China                     | 240,725    | 180,455    |

|                                             |          |          |
|---------------------------------------------|----------|----------|
| Reportable segment Adjusted Property EBITDA | 643,571  | 541,492  |
| Corporate and other                         | (17,089) | (17,120) |

626,482 524,372

### Other operating expense:

|                                  |           |           |
|----------------------------------|-----------|-----------|
| Preopening and start-up expenses | (5,636)   | (2,146)   |
| Property transactions, net       | (558)     | (8,491)   |
| Depreciation and amortization    | (207,655) | (211,918) |

|                  |         |         |
|------------------|---------|---------|
| Operating income | 412,633 | 301,817 |
|------------------|---------|---------|

### Non-operating expense:

|                                                    |           |           |
|----------------------------------------------------|-----------|-----------|
| Interest expense, net of amounts capitalized       | (209,387) | (225,447) |
| Non-operating items from unconsolidated affiliates | (13,723)  | (22,079)  |
| Other, net                                         | (1,434)   | (1,282)   |

(224,544) (248,808)

|                                      |         |          |
|--------------------------------------|---------|----------|
| Income before income taxes           | 188,089 | 53,009   |
| Benefit (provision) for income taxes | 3,519   | (30,431) |

|                                                           |          |          |
|-----------------------------------------------------------|----------|----------|
| Net income                                                | 191,608  | 22,578   |
| Less: Net income attributable to noncontrolling interests | (83,448) | (16,032) |

|                                                      |            |          |
|------------------------------------------------------|------------|----------|
| Net income attributable to MGM Resorts International | \$ 108,160 | \$ 6,546 |
|------------------------------------------------------|------------|----------|

## NOTE 10 RELATED PARTY TRANSACTIONS

**MGM China.** 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 \$43 million in 2014 with a 20% increase per annum during the agreement term. During the three months ended March 31, 2014 and 2013, MGM China incurred total license fees of \$16 million and \$13 million, 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 for MGM Cotai is subject to a cap of \$24 million in 2014, which will increase by 10% per annum for each year during the term of the agreement. For the three months ended March 31, 2013, MGM China incurred \$15 million of fees to MGM Branding and Development related to development services. Such amount was eliminated in consolidation. No fee was incurred during the three months ended March 31, 2014.

An entity owned by Ms. Pansy Ho received distributions of \$3 million and \$10 million, respectively, during the three months ended March 31, 2014 and 2013 in connection with the ownership of a noncontrolling interest in MGM Branding and Development Holdings, Ltd.





**Table of Contents****NOTE 11 CONDENSED CONSOLIDATING FINANCIAL INFORMATION**

The Company's domestic subsidiaries, excluding certain minor subsidiaries, its domestic insurance subsidiaries and MGM Grand Detroit, LLC, have fully and unconditionally guaranteed, on a joint and several basis, payment of the senior credit facility and the outstanding debt securities. The Company's international subsidiaries, including MGM China, are not guarantors of such indebtedness. Separate condensed financial statement information for the subsidiary guarantors and non-guarantors as of March 31, 2014 and December 31, 2013 and for the three months ended March 31, 2014 and 2013 are presented below. Within the Condensed Consolidating Statements of Cash Flows for the period ending March 31, 2014, the Company has presented net changes in intercompany accounts as investing activities if the applicable entities have a net asset in intercompany accounts, and as a financing activity if the applicable entities have a net intercompany liability balance.

**CONDENSED CONSOLIDATING BALANCE SHEET INFORMATION**

|                                                          | Parent        | Guarantor<br>Subsidiaries | At March 31, 2014<br>Non-Guarantor<br>Subsidiaries<br>(In thousands) | Elimination     | Consolidated  |
|----------------------------------------------------------|---------------|---------------------------|----------------------------------------------------------------------|-----------------|---------------|
| Current assets                                           | \$ 219,451    | \$ 901,839                | \$ 849,624                                                           | \$ (284)        | \$ 1,970,630  |
| Property and equipment, net                              |               | 12,493,347                | 1,552,700                                                            | (11,972)        | 14,034,075    |
| Investments in subsidiaries                              | 20,024,280    | 3,832,773                 |                                                                      | (23,857,053)    |               |
| Investments in and advances to unconsolidated affiliates |               | 1,384,048                 | 7,616                                                                | 25,000          | 1,416,664     |
| Intercompany accounts                                    |               | 1,718,624                 |                                                                      | (1,718,624)     |               |
| Other non-current assets                                 | 149,548       | 553,409                   | 7,226,383                                                            |                 | 7,929,340     |
|                                                          | \$ 20,393,279 | \$ 20,884,040             | \$ 9,636,323                                                         | \$ (25,562,933) | \$ 25,350,709 |
| Current liabilities                                      | \$ 391,719    | \$ 952,792                | \$ 815,337                                                           | \$ (284)        | \$ 2,159,564  |
| Intercompany accounts                                    | 1,656,756     |                           | 61,868                                                               | (1,718,624)     |               |
| Deferred income taxes                                    | 1,995,682     |                           | 309,640                                                              |                 | 2,305,322     |
| Long-term debt                                           | 11,924,713    | 4,837                     | 1,001,178                                                            |                 | 12,930,728    |
| Other long-term obligations                              | 81,120        | 50,080                    | 1,049                                                                |                 | 132,249       |
| Total liabilities                                        | 16,049,990    | 1,007,709                 | 2,189,072                                                            | (1,718,908)     | 17,527,863    |
| MGM Resorts stockholders' equity                         | 4,343,289     | 19,876,331                | 3,967,694                                                            | (23,844,025)    | 4,343,289     |
| Noncontrolling interests                                 |               |                           | 3,479,557                                                            |                 | 3,479,557     |
| Total stockholders' equity                               | 4,343,289     | 19,876,331                | 7,447,251                                                            | (23,844,025)    | 7,822,846     |
|                                                          | \$ 20,393,279 | \$ 20,884,040             | \$ 9,636,323                                                         | \$ (25,562,933) | \$ 25,350,709 |

|                                                          | Parent        | Guarantor<br>Subsidiaries | At December 31, 2013<br>Non-Guarantor<br>Subsidiaries<br>(In thousands) | Elimination     | Consolidated  |
|----------------------------------------------------------|---------------|---------------------------|-------------------------------------------------------------------------|-----------------|---------------|
| Current assets                                           | \$ 494,296    | \$ 903,537                | \$ 1,322,170                                                            | \$ (564)        | \$ 2,719,439  |
| Property and equipment, net                              |               | 12,552,828                | 1,514,356                                                               | (11,972)        | 14,055,212    |
| Investments in subsidiaries                              | 20,017,270    | 4,037,168                 |                                                                         | (24,054,438)    |               |
| Investments in and advances to unconsolidated affiliates |               | 1,367,071                 | 7,765                                                                   |                 | 1,374,836     |
| Other non-current assets                                 | 167,552       | 542,259                   | 7,250,887                                                               |                 | 7,960,698     |
|                                                          | \$ 20,679,118 | \$ 19,402,863             | \$ 10,095,178                                                           | \$ (24,066,974) | \$ 26,110,185 |

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|                                  |               |               |               |                 |               |
|----------------------------------|---------------|---------------|---------------|-----------------|---------------|
| Current liabilities              | \$ 340,343    | \$ 959,118    | \$ 941,431    | \$ (25,564)     | \$ 2,215,328  |
| Intercompany accounts            | 1,446,952     | (1,470,305)   | 23,353        |                 |               |
| Deferred income taxes            | 2,120,676     |               | 309,738       |                 | 2,430,414     |
| Long-term debt                   | 12,441,112    | 4,836         | 1,001,282     |                 | 13,447,230    |
| Other long-term obligations      | 98,856        | 41,758        | 976           |                 | 141,590       |
| Total liabilities                | 16,447,939    | (464,593)     | 2,276,780     | (25,564)        | 18,234,562    |
| MGM Resorts stockholders' equity | 4,231,179     | 19,867,456    | 4,173,954     | (24,041,410)    | 4,231,179     |
| Noncontrolling interests         |               |               | 3,644,444     |                 | 3,644,444     |
| Total stockholders' equity       | 4,231,179     | 19,867,456    | 7,818,398     | (24,041,410)    | 7,875,623     |
|                                  | \$ 20,679,118 | \$ 19,402,863 | \$ 10,095,178 | \$ (24,066,974) | \$ 26,110,185 |

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

|                                                                       | Three Months Ended March 31, 2014 |                           |                                                 |              |              |
|-----------------------------------------------------------------------|-----------------------------------|---------------------------|-------------------------------------------------|--------------|--------------|
|                                                                       | Parent                            | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries<br>(In thousands) | Elimination  | Consolidated |
| Net revenues                                                          | \$                                | \$ 1,556,329              | \$ 1,074,662                                    | \$ (593)     | \$ 2,630,398 |
| Equity in subsidiaries earnings                                       | 306,971                           | 93,369                    |                                                 | (400,340)    |              |
| Expenses:                                                             |                                   |                           |                                                 |              |              |
| Casino and hotel operations                                           | 1,254                             | 921,974                   | 727,460                                         | (593)        | 1,650,095    |
| General and administrative                                            | 1,112                             | 260,640                   | 57,494                                          |              | 319,246      |
| Corporate expense                                                     | 16,739                            | 33,586                    | 3,026                                           |              | 53,351       |
| Preopening and start-up expenses                                      |                                   | 1,991                     | 3,645                                           |              | 5,636        |
| Property transactions, net                                            |                                   | 494                       | 64                                              |              | 558          |
| Depreciation and amortization                                         |                                   | 128,075                   | 79,580                                          |              | 207,655      |
|                                                                       | 19,105                            | 1,346,760                 | 871,269                                         | (593)        | 2,236,541    |
| Income from unconsolidated affiliates                                 |                                   | 18,723                    | 53                                              |              | 18,776       |
| Operating income (loss)                                               | 287,866                           | 321,661                   | 203,446                                         | (400,340)    | 412,633      |
| Interest expense, net of amounts capitalized                          | (200,897)                         | (104)                     | (8,386)                                         |              | (209,387)    |
| Other, net                                                            | 18,590                            | (14,363)                  | (19,384)                                        |              | (15,157)     |
| Income (loss) before income taxes                                     | 105,559                           | 307,194                   | 175,676                                         | (400,340)    | 188,089      |
| Benefit (provision) for income taxes                                  | 2,601                             | 1,641                     | (723)                                           |              | 3,519        |
| Net income (loss)                                                     | 108,160                           | 308,835                   | 174,953                                         | (400,340)    | 191,608      |
| Less: Net income attributable to noncontrolling interests             |                                   |                           | (83,448)                                        |              | (83,448)     |
| Net income (loss) attributable to MGM Resorts International           | \$ 108,160                        | \$ 308,835                | \$ 91,505                                       | \$ (400,340) | \$ 108,160   |
| Net income (loss)                                                     | \$ 108,160                        | \$ 308,835                | \$ 174,953                                      | \$ (400,340) | \$ 191,608   |
| Other comprehensive income (loss), net of tax:                        |                                   |                           |                                                 |              |              |
| Foreign currency translation adjustment                               | (1,517)                           | (1,517)                   | (2,760)                                         | 3,034        | (2,760)      |
| Other                                                                 | 1,250                             | 1,250                     |                                                 | (1,250)      | 1,250        |
| Other comprehensive income (loss)                                     | (267)                             | (267)                     | (2,760)                                         | 1,784        | (1,510)      |
| Comprehensive income (loss)                                           | 107,893                           | 308,568                   | 172,193                                         | (398,556)    | 190,098      |
| Less: Comprehensive income attributable to noncontrolling interests   |                                   |                           | (82,205)                                        |              | (82,205)     |
| Comprehensive income (loss) attributable to MGM Resorts International | \$ 107,893                        | \$ 308,568                | \$ 89,988                                       | \$ (398,556) | \$ 107,893   |

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

|                                                                             | Three Months Ended March 31, 2014 |                           |                                                 |             |              |
|-----------------------------------------------------------------------------|-----------------------------------|---------------------------|-------------------------------------------------|-------------|--------------|
|                                                                             | Parent                            | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries<br>(In thousands) | Elimination | Consolidated |
| <b>Cash flows from operating activities</b>                                 |                                   |                           |                                                 |             |              |
| Net cash provided by (used in) operating activities                         | \$ (186,046)                      | \$ 301,590                | \$ 150,251                                      | \$ 25,000   | \$ 290,795   |
| <b>Cash flows from investing activities</b>                                 |                                   |                           |                                                 |             |              |
| Capital expenditures, net of construction payable                           |                                   | (69,530)                  | (123,221)                                       |             | (192,751)    |
| Dispositions of property and equipment                                      |                                   | 69                        | 66                                              |             | 135          |
| Investments in and advances to unconsolidated affiliates                    | (5,200)                           | (1,975)                   |                                                 | (25,000)    | (32,175)     |
| Distributions from unconsolidated affiliates in excess of earnings          |                                   | 497                       |                                                 |             | 497          |
| Investments in treasury securities - maturities longer than 90 days         |                                   | (54,064)                  |                                                 |             | (54,064)     |
| Proceeds from treasury securities - maturities longer than 90 days          |                                   | 63,063                    |                                                 |             | 63,063       |
| Intercompany transactions                                                   |                                   | (248,319)                 |                                                 | 248,319     |              |
| Other                                                                       |                                   | 1,226                     |                                                 |             | 1,226        |
| Net cash provided by (used in) investing activities                         | (5,200)                           | (309,033)                 | (123,155)                                       | 223,319     | (214,069)    |
| <b>Cash flows from financing activities</b>                                 |                                   |                           |                                                 |             |              |
| Net repayments under bank credit facilities - maturities of 90 days or less | (1,285,125)                       |                           | (450,000)                                       |             | (1,735,125)  |
| Borrowings under bank credit facilities - maturities longer than 90 days    | 1,278,125                         |                           | 450,000                                         |             | 1,728,125    |
| Retirement of senior notes                                                  | (508,900)                         |                           |                                                 |             | (508,900)    |
| Intercompany transactions                                                   | 515,595                           | (9,057)                   | (258,219)                                       | (248,319)   |              |
| Distributions to noncontrolling interest owners                             |                                   |                           | (247,140)                                       |             | (247,140)    |
| Other                                                                       | (1,202)                           |                           | (446)                                           |             | (1,648)      |
| Net cash used in financing activities                                       | (1,507)                           | (9,057)                   | (505,805)                                       | (248,319)   | (764,688)    |
| <b>Effect of exchange rate on cash</b>                                      |                                   |                           | (971)                                           |             | (971)        |
| <b>Cash and cash equivalents</b>                                            |                                   |                           |                                                 |             |              |
| Net decrease for the period                                                 | (192,753)                         | (16,500)                  | (479,680)                                       |             | (688,933)    |
| Balance, beginning of period                                                | 378,660                           | 237,457                   | 1,187,552                                       |             | 1,803,669    |
| Balance, end of period                                                      | \$ 185,907                        | \$ 220,957                | \$ 707,872                                      | \$          | \$ 1,114,736 |

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

|                                                                       | Three Months Ended March 31, 2013 |                           |                                                 |              |              |
|-----------------------------------------------------------------------|-----------------------------------|---------------------------|-------------------------------------------------|--------------|--------------|
|                                                                       | Parent                            | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries<br>(In thousands) | Elimination  | Consolidated |
| Net revenues                                                          | \$                                | \$ 1,463,965              | \$ 888,662                                      | \$ (479)     | \$ 2,352,148 |
| Equity in subsidiaries earnings                                       | 183,423                           | 29,986                    |                                                 | (213,409)    |              |
| Expenses:                                                             |                                   |                           |                                                 |              |              |
| Casino and hotel operations                                           | 1,510                             | 886,083                   | 606,481                                         | (479)        | 1,493,595    |
| General and administrative                                            | 1,090                             | 251,549                   | 51,262                                          |              | 303,901      |
| Corporate expense                                                     | 14,808                            | 27,739                    | 4,077                                           |              | 46,624       |
| Preopening and start-up expenses                                      |                                   | (228)                     | 2,374                                           |              | 2,146        |
| Property transactions, net                                            |                                   | 8,295                     | 196                                             |              | 8,491        |
| Depreciation and amortization                                         |                                   | 127,831                   | 84,087                                          |              | 211,918      |
|                                                                       | 17,408                            | 1,301,269                 | 748,477                                         | (479)        | 2,066,675    |
| Income from unconsolidated affiliates                                 |                                   | 16,338                    | 6                                               |              | 16,344       |
| Operating income (loss)                                               | 166,015                           | 209,020                   | 140,191                                         | (213,409)    | 301,817      |
| Interest expense, net of amounts capitalized                          | (208,683)                         | (2,985)                   | (13,779)                                        |              | (225,447)    |
| Other, net                                                            | 15,166                            | (22,818)                  | (15,709)                                        |              | (23,361)     |
| Income (loss) before income taxes                                     | (27,502)                          | 183,217                   | 110,703                                         | (213,409)    | 53,009       |
| Benefit (provision) for income taxes                                  | 34,048                            | 1,457                     | (65,936)                                        |              | (30,431)     |
| Net income (loss)                                                     | 6,546                             | 184,674                   | 44,767                                          | (213,409)    | 22,578       |
| Less: Net income attributable to noncontrolling interests             |                                   |                           | (16,032)                                        |              | (16,032)     |
| Net income (loss) attributable to MGM Resorts International           | \$ 6,546                          | \$ 184,674                | \$ 28,735                                       | \$ (213,409) | \$ 6,546     |
| Net income (loss)                                                     | \$ 6,546                          | \$ 184,674                | \$ 44,767                                       | \$ (213,409) | \$ 22,578    |
| Other comprehensive income (loss), net of tax:                        |                                   |                           |                                                 |              |              |
| Foreign currency translation adjustment                               | (6,436)                           | (6,436)                   | (12,641)                                        | 12,872       | (12,641)     |
| Other                                                                 | 115                               | 115                       |                                                 | (115)        | 115          |
| Other comprehensive income (loss)                                     | (6,321)                           | (6,321)                   | (12,641)                                        | 12,757       | (12,526)     |
| Comprehensive income (loss)                                           | 225                               | 178,353                   | 32,126                                          | (200,652)    | 10,052       |
| Less: Comprehensive income attributable to noncontrolling interests   |                                   |                           | (9,827)                                         |              | (9,827)      |
| Comprehensive income (loss) attributable to MGM Resorts International | \$ 225                            | \$ 178,353                | \$ 22,299                                       | \$ (200,652) | \$ 225       |

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

|                                                                             | Three Months Ended March 31, 2013 |                           |                                                 |             |              |
|-----------------------------------------------------------------------------|-----------------------------------|---------------------------|-------------------------------------------------|-------------|--------------|
|                                                                             | Parent                            | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries<br>(In thousands) | Elimination | Consolidated |
| <b>Cash flows from operating activities</b>                                 |                                   |                           |                                                 |             |              |
| Net cash provided by (used in) operating activities                         | \$ (203,987)                      | \$ 198,580                | \$ 200,063                                      | \$          | \$ 194,656   |
| <b>Cash flows from investing activities</b>                                 |                                   |                           |                                                 |             |              |
| Capital expenditures, net of construction payable                           |                                   | (51,766)                  | (45,649)                                        |             | (97,415)     |
| Dispositions of property and equipment                                      |                                   | 108                       | 127                                             |             | 235          |
| Investments in and advances to unconsolidated affiliates                    | (6,400)                           |                           |                                                 |             | (6,400)      |
| Distributions from unconsolidated affiliates in excess of earnings          |                                   | 103                       |                                                 |             | 103          |
| Investments in treasury securities - maturities longer than 90 days         |                                   | (60,138)                  |                                                 |             | (60,138)     |
| Proceeds from treasury securities - maturities longer than 90 days          |                                   | 60,112                    |                                                 |             | 60,112       |
| Other                                                                       |                                   | (113)                     |                                                 |             | (113)        |
| Net cash used in investing activities                                       | (6,400)                           | (51,694)                  | (45,522)                                        |             | (103,616)    |
| <b>Cash flows from financing activities</b>                                 |                                   |                           |                                                 |             |              |
| Net repayments under bank credit facilities - maturities of 90 days or less | (2,240,000)                       |                           | (450,000)                                       |             | (2,690,000)  |
| Borrowings under bank credit facilities - maturities longer than 90 days    | 2,343,000                         |                           | 450,000                                         |             | 2,793,000    |
| Intercompany transactions                                                   | 474,764                           | (200,367)                 | (274,397)                                       |             |              |
| Distributions to noncontrolling interest owners                             |                                   |                           | (254,659)                                       |             | (254,659)    |
| Other                                                                       | (583)                             |                           | (280)                                           |             | (863)        |
| Net cash provided by (used in) financing activities                         | 577,181                           | (200,367)                 | (529,336)                                       |             | (152,522)    |
| <b>Effect of exchange rate on cash</b>                                      |                                   |                           | (1,390)                                         |             | (1,390)      |
| <b>Cash and cash equivalents</b>                                            |                                   |                           |                                                 |             |              |
| Net increase (decrease) for the period                                      | 366,794                           | (53,481)                  | (376,185)                                       |             | (62,872)     |
| Balance, beginning of period                                                | 254,385                           | 226,242                   | 1,062,882                                       |             | 1,543,509    |
| Balance, end of period                                                      | \$ 621,179                        | \$ 172,761                | \$ 686,697                                      | \$          | \$ 1,480,637 |

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### **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, 2013, which were included in our Form 10-K, filed with the Securities and Exchange Commission on March 3, 2014. 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 capital expenditures and provide excess cash flow for future development. We make significant investments in our resorts through newly remodeled hotel rooms, restaurants, entertainment and nightlife offerings as well as other new features and amenities.

Results of operations from our wholly owned domestic resorts in the first quarter of 2014 improved compared to the first quarter of 2013 primarily as a result of increased hotel revenues as general economic conditions continue to improve. During the three months ended March 31, 2014, visitor volume to Las Vegas increased 5.3% and the average daily Las Vegas Strip room rate increased 10.6% compared to the same period in the prior year, as reported by the Las Vegas Convention and Visitors Authority. We expect our resorts to benefit from a continued trend of improvements in general economic conditions in 2014.

In Macau, results of operations also improved in the first quarter of 2014 compared to the prior year period as a result of strong gaming volumes benefiting from economic growth in China. Despite concerns about the sustainability of economic growth in China, we expect the Macau market to continue to grow as a result of a large and growing Asian middle class and infrastructure improvements expected to facilitate more convenient travel to and within Macau. According to statistics published by the Statistics Census Service of the Macau government, visitor arrivals were 8 million in the first quarter 2014, a 9% increase compared to the first quarter of 2013. Gross casino revenues for the Macau market increased 20% in the first quarter of 2014, with increases in both high-end ( VIP ) and main floor volumes.

Our results of operations are affected by decisions we make related to our capital allocation, our access to capital and our cost of capital. While we continue to be focused on improving our financial position, we are also dedicated to capitalizing on development opportunities. In Macau, we plan to spend approximately \$2.9 billion, excluding development fees eliminated in consolidation, capitalized interest and land related costs, to develop a resort and casino featuring up to 1,600 hotel rooms, 500 gaming tables, and 2,500 slots built on an approximately 17.8 acre site in Cotai, Macau ( MGM Cotai ).

In December 2013, our subsidiary MGM National Harbor, LLC ( MGM National Harbor ) was awarded the license to operate the sixth and final casino under current statutes in the State of Maryland by the Maryland Video Lottery Facility Location Commission to build and operate a world-class destination resort casino in Prince George's County at National Harbor. We currently expect the cost to develop and construct MGM National Harbor to be approximately \$1.0 billion, excluding capitalized interest and land related costs. We expect that the resort will include a casino with approximately 3,600 slots and 160 table games including poker; a 300-suite hotel with luxury spa and rooftop pool; high-end branded retail; fine and casual dining; a dedicated 3,000 seat theater venue; 35,000 square feet of meeting and event space; and a 5,000-space parking structure.

Our subsidiary MGM Springfield is the only remaining applicant for the casino license in Region B, Western Massachusetts, one of three licensing regions designated by legislation. In December 2013, a unanimous vote from the Massachusetts Gaming Commission ( MGC ) found us to be a suitable candidate for a casino license in Massachusetts. Our subsidiary has since submitted to the MGC a completed license application for the next phase of the licensing process. The MGC is presently scheduled to make a determination on our application in June 2014; however, there can be no assurance that the MGC will ultimately award us the license on terms acceptable to us or at all, or that they will not postpone such determination. MGM Springfield is proposed for 14.5 acres of land between Union and State streets, and Columbus Avenue and Main Street. We currently expect the cost to develop and construct MGM Springfield to be approximately \$690 million, excluding capitalized interest and land related costs.

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Under consideration before the Massachusetts Supreme Judicial Court (the Court ) is the constitutionality of a proposed ballot initiative that would prohibit local casinos, slot parlors and other wagering in Massachusetts. A decision from the Court as to whether the ballot initiative will appear on the November 2014 ballot is expected in July 2014,



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although no assurance can be made on the timing of any such decision. If we are determined to be the winner of the Region B, Western Massachusetts license in June 2014, we have requested that the MGC delay the final award and payment of licensing fees until the earlier of a favorable Court ruling or the failure of the ballot initiative to pass in the November 2014 elections. If the MGC does not grant our request, we may be required to pay the license fee and other financial obligations associated with the development of MGM Springfield in June 2014 and thereafter, or forego the license. To the extent we make any such payments, we believe we would have claim to a refund, however, there can be no assurance that we will receive a refund of these amounts if the ballot initiative is successful.

In 2013, we formed a 50/50 limited liability company, Las Vegas Arena Company, LLC ( LVA ), with a subsidiary of Anschutz Entertainment Group, Inc. (a leader in sports, entertainment, and promotions) to design, construct, and operate an arena on a parcel of our land located between Frank Sinatra Drive and New York-New York, adjacent to the Las Vegas Strip. The proposed arena is anticipated to seat between 18,000 and 20,000 people and is currently scheduled to be completed in 2016. Such development is estimated to cost approximately \$350 million, excluding capitalized interest and land related costs, and is contingent on LVA obtaining permanent financing.

### *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 market to different customer groups and utilize our significant convention and meeting facilities to maximize hotel occupancy and 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. As a result of our leveraged business model, our operating results are significantly affected by our ability to generate operating revenues. Also, 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 generally.

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 18% to 22% of table games drop and our normal slots hold percentage is in the range of 8.0% 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*

We own 51% and have 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 and is in the process of developing a gaming resort in Cotai. 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.

Revenues at MGM Macau are generated from three primary customer segments in the Macau gaming market: VIP casino gaming operations, main floor gaming operations, and slot machine operations. 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 gaming promoters. A significant portion of our VIP volume is generated through the use of gaming promoters. Gaming promoters introduce VIP gaming players to MGM Macau, assist these customers with travel arrangements, and extend gaming credit to these players. In exchange for their services, gaming promoters are compensated through payment of commission. In-house VIP players also typically receive a commission based on the program in which they participate. The main floor gaming operation in Macau is also referred to as the mass gaming operation. MGM Macau main floor operations

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primarily consist of walk-in and day trip visitors. Unlike VIP players, main floor players do not receive commissions. The profit contribution from the main floor segment exceeds the VIP segment due to commission costs paid to gaming promoters. Gaming revenues from the main gaming floors have grown significantly in recent years and we believe this segment represents the most potential for sustainable growth in the future.

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 promoters

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clients in order to determine VIP gaming play. Gaming promoter commissions are based on either a percentage of actual win plus a monthly complimentary allowance based on a percentage of the rolling chip turnover their customers generate, or a percentage of the rolling chip turnover plus discounted offerings on nongaming amenities. The estimated portion of the gaming promoter payments that represent amounts passed through to VIP customers is recorded as a reduction of casino revenue, and the estimated portion retained by the gaming promoter for its compensation is recorded as casino expense. In-house VIP commissions are based on a percentage of rolling chip turnover and are recorded as a reduction of casino revenue.

Main floor table games wagers at MGM Macau are conducted by the use of cash chips. In addition to purchasing cash chips at gaming tables, main floor customers may also purchase cash chips at the casino cage. As a result of recent significant increases in cash chips purchased at the casino cage, we now adjust main floor table games drop to include such purchases in order to more meaningfully reflect main floor table games volume and hold percentage. MGM Macau's main floor normal table games hold percentage, as calculated on this basis, is in the range of 22% to 25% of table games drop. Slots hold percentage at MGM Macau is in the range of 5% to 6% of slots handle.

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 calculated as rolling chips purchased plus rolling chips exchanged less rolling chips returned. Turnover provides a basis for measuring VIP casino win percentage. Win for VIP gaming operations at MGM Macau is in the range of 2.7% to 3.0% of turnover.

### *Corporate and other*

Corporate and other includes our investments in unconsolidated affiliates 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 includes 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 and management services.** 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, which operates the resort.

We seek to leverage our management expertise and well-recognized brands through domestic and international expansion opportunities. We have entered into management agreements for non-gaming hotels, resorts and residential products in the Middle East, North Africa, India, the United States and, through our venture with Diaoyutai State Guesthouse, in the People's Republic of China. In April 2014, we entered into a 50/50 limited liability company agreement with Hakkasan Hospitality, Inc., an affiliate of the Hakkasan group, to form MGM Hakkasan Hospitality, LLC, a Nevada limited liability company (MGM Hakkasan), to design, develop and manage luxury non-gaming hotels, resorts and residences under certain brands licensed from us and the Hakkasan Group. We will contribute all of the management agreements for non-gaming hotels, resorts and residential projects (outside of the greater China region) that are currently under development to MGM Hakkasan. We will continue to develop and manage properties in the greater China region through our venture with Diaoyutai State Guesthouse, including the MGM Grand Sanya on Hainan Island, in the People's Republic of China, which opened 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 owns the other 50% of Borgata and also operates the resort. Our interest is held in trust and was offered for sale pursuant to our amended settlement agreement with the New Jersey Division of Gaming Enforcement and approved by the New Jersey Casino Control Commission (CCC). The terms of the amended settlement agreement previously mandated the sale by March 2014. We had the right to direct the sale through March 2013 (the divestiture period), subject to approval of the CCC, and the trustee was responsible for selling the trust property during the following 12-month period (the terminal sale period). On February 13, 2013, the settlement agreement was further amended to allow us to re-apply to the CCC for licensure in New Jersey and to defer expiration of these periods pending the outcome of the licensure process. If the CCC denies our licensure request, then the divestiture period will immediately end, and the terminal sale period will immediately begin, which will result in our Borgata interest being disposed of by the trustee pursuant to the terms of the settlement agreement.

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 March 31, 2014, the trust had \$94 million of cash and investments, of which \$78 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.

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### Results of Operations

The following discussion is based on our consolidated financial statements for the three months ended March 31, 2014 and 2013.

#### Summary Financial Results

The following table summarizes our financial results:

|                                                      | Three Months Ended<br>March 31, |              |
|------------------------------------------------------|---------------------------------|--------------|
|                                                      | 2014                            | 2013         |
|                                                      | (In thousands)                  |              |
| Net revenues                                         | \$ 2,630,398                    | \$ 2,352,148 |
| Operating income                                     | 412,633                         | 301,817      |
| Net income                                           | 191,608                         | 22,578       |
| Net income attributable to MGM Resorts International | 108,160                         | 6,546        |

Consolidated net revenue for the three months ended March 31, 2014 increased 12% over the prior year quarter driven by a 13% increase in casino revenue and a 13% increase in rooms revenue. See below for additional information related to segment revenues.

Consolidated operating income of \$413 million for the three months ended March 31, 2014 benefited from increased revenues at our wholly owned domestic resorts and MGM China. Corporate expense increased 14% to \$53 million for the first quarter of 2014 due to an increase in personnel costs and professional fees. In the prior year quarter, operating income was negatively impacted by \$8 million related to disposals recorded in Property transactions, net.

#### Operating Results Detailed Segment Information

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

|                                             | Three Months Ended<br>March 31, |              |
|---------------------------------------------|---------------------------------|--------------|
|                                             | 2014                            | 2013         |
|                                             | (In thousands)                  |              |
| Net revenues:                               |                                 |              |
| Wholly owned domestic resorts               | \$ 1,570,234                    | \$ 1,489,188 |
| MGM China                                   | 941,448                         | 747,557      |
| Reportable segment net revenues             | 2,511,682                       | 2,236,745    |
| Corporate and other                         | 118,716                         | 115,403      |
|                                             | \$ 2,630,398                    | \$ 2,352,148 |
| Adjusted EBITDA:                            |                                 |              |
| Wholly owned domestic resorts               | \$ 402,846                      | \$ 361,037   |
| MGM China                                   | 240,725                         | 180,455      |
| Reportable segment Adjusted Property EBITDA | 643,571                         | 541,492      |
| Corporate and other                         | (17,089)                        | (17,120)     |
|                                             | \$ 626,482                      | \$ 524,372   |



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

|                                 | <b>Three Months Ended<br/>March 31,</b> |              |
|---------------------------------|-----------------------------------------|--------------|
|                                 | <b>2014</b>                             | <b>2013</b>  |
|                                 | <i>(In thousands)</i>                   |              |
| Casino revenue:                 |                                         |              |
| Table games                     | \$ 232,508                              | \$ 239,593   |
| Slots                           | 400,562                                 | 408,034      |
| Other                           | 18,689                                  | 16,407       |
| Casino revenue                  | 651,759                                 | 664,034      |
| Non-casino revenue:             |                                         |              |
| Rooms                           | 436,665                                 | 387,843      |
| Food and beverage               | 360,113                                 | 339,034      |
| Entertainment, retail and other | 279,873                                 | 256,425      |
| Non-casino revenue              | 1,076,651                               | 983,302      |
|                                 | 1,728,410                               | 1,647,336    |
| Less: Promotional allowances    | (158,176)                               | (158,148)    |
|                                 | \$ 1,570,234                            | \$ 1,489,188 |

Net revenue related to wholly owned domestic resorts for the first quarter of 2014 increased 5% compared to the prior year first quarter due primarily to increases in rooms, food and beverage and entertainment revenue which were partially offset by a decrease in casino revenue.

Casino revenue related to wholly owned domestic resorts decreased 2% compared to the prior year quarter, due to a decrease in table games hold percentage and a small decrease in slots revenue. Table games hold percentage in the first quarter of 2014 was 20.8% compared to 21.9% for the prior year quarter. Slots revenue increased 1% compared to the prior year quarter at our Las Vegas Strip resorts, but decreased 5% at our other wholly owned domestic resorts.

Rooms revenue in the first quarter of 2014 increased 13%, with a 14% increase in Las Vegas Strip REVPAR. The following table shows key hotel statistics for our Las Vegas Strip resorts.

|                                     | <b>Three Months Ended<br/>March 31,</b> |             |
|-------------------------------------|-----------------------------------------|-------------|
|                                     | <b>2014</b>                             | <b>2013</b> |
| Occupancy                           | 92%                                     | 90%         |
| Average Daily Rate (ADR)            | \$ 147                                  | \$ 132      |
| Revenue per Available Room (REVPAR) | \$ 135                                  | \$ 118      |

Food and beverage revenue increased 6% compared to the prior year due to an increase in convention and banquet revenue and the opening of several new outlets. Entertainment revenue increased 18% as a result of the opening of the Michael Jackson ONE Cirque du Soleil production show at Mandalay Bay in June 2013, which replaced the Lion King which closed in December 2011.

Adjusted Property EBITDA at our wholly owned domestic resorts increased 12% compared to the first quarter of 2013 primarily as a result of the increase in rooms revenue and improved rooms margins. Adjusted Property EBITDA margin increased by approximately 150 basis points from the prior year quarter to 25.7%.

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**MGM China.** The following table presents detailed net revenue for MGM China:

|                              | <b>Three Months Ended<br/>March 31,</b> |             |
|------------------------------|-----------------------------------------|-------------|
|                              | <b>2014</b>                             | <b>2013</b> |
|                              | <i>(In thousands)</i>                   |             |
| Casino revenue, net:         |                                         |             |
| VIP table games              | \$ 549,938                              | \$ 453,011  |
| Main floor table games       | 302,196                                 | 208,929     |
| Slots                        | 79,540                                  | 75,447      |
| Casino revenue, net          | 931,674                                 | 737,387     |
| Non-casino revenue           | 37,785                                  | 33,946      |
|                              | 969,459                                 | 771,333     |
| Less: Promotional allowances | (28,011)                                | (23,776)    |
|                              | \$ 941,448                              | \$ 747,557  |

Net revenue for MGM China increased 26% primarily as a result of increases in VIP table games revenue and main floor table games revenue of 21% and 45%, respectively. VIP table games turnover increased 12% from the prior year quarter and VIP table games hold percentage increased to 3.0% in the current quarter from 2.8% in the prior year quarter. Main floor table games volume increased 31% compared to the prior year quarter and hold percentage increased to 24.7% in the current year quarter from 22.3% in the prior year quarter. Slots revenue increased 5% compared to the prior year quarter due to a 12% increase in slots volume. Main floor table games revenues and slots revenues benefited from overall Macau market growth.

MGM China's Adjusted EBITDA for the quarter ended March 31, 2014 was \$241 million, a 33% increase compared to \$180 million in the prior year quarter. Branding fee expense was \$16 million in the current year quarter and \$13 million in the prior year quarter. Gaming promoter commissions for the quarter ended March 31, 2014 were \$370 million compared to \$303 million in the prior year, a 22% increase resulting directly from the increase in VIP table games win. Adjusted EBITDA margin increased approximately 140 basis points to 25.6% in the current year quarter, and benefited from an increase in main floor table games revenues.

**Corporate and other.** Corporate and other revenue includes revenues from other corporate operations, management services and reimbursed costs revenue primarily related to our CityCenter management agreement. Corporate and other Adjusted EBITDA loss for the first quarter of 2014 was flat compared to the prior year period. Our share of operating income from CityCenter increased in the current year quarter, partially offset by an increase in corporate expense as discussed above.

*Operating Results Income from Unconsolidated Affiliates*

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

|            | <b>Three Months Ended<br/>March 31,</b> |             |
|------------|-----------------------------------------|-------------|
|            | <b>2014</b>                             | <b>2013</b> |
|            | <i>(In thousands)</i>                   |             |
| CityCenter | \$ 14,046                               | \$ 11,695   |
| Other      | 4,730                                   | 4,649       |
|            | \$ 18,776                               | \$ 16,344   |



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Our share of CityCenter's operating income, including certain basis difference adjustments, for the three months ended March 31, 2014 increased to \$14 million due to improved operating results. CityCenter's operating income benefited from an increase in revenues and strong margins related to its hotel operations. Aria's hotel revenue increased 14% and Vdara's hotel revenue increased 20% as a result of increases in REVPAR of 14% and 21%, respectively. This was partially offset by a decrease in gaming revenues. Aria's table games volume decreased 8% compared to the prior year quarter and table games hold percentage decreased to 26.8% in the current year quarter from 28.3% in the prior year quarter.

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### *Non-operating Results*

**Interest expense.** Interest expense decreased \$16 million to \$209 million in the first quarter of 2014, due to the repricing of the term loan B facility in May 2013 as well as the repayment of the \$509 million 5.875% senior notes in February 2014 at maturity and the repayment of the \$462 million 6.75% senior notes and \$150 million 7.625% senior subordinated debentures at maturity during 2013. We had minimal capitalized interest in the first quarter of 2014 and 2013.

**Non-operating items from unconsolidated affiliates.** Non-operating charges from unconsolidated affiliates decreased for the three months ended March 31, 2014 due to a decrease in interest expense at CityCenter as a result of debt restructuring transactions that occurred in October 2013.

**Income taxes.** We recorded an income tax benefit of \$4 million and an income tax provision of \$30 million for the three months ended March 31, 2014 and 2013, respectively. The provision recorded during the three months ended March 31, 2013 was primarily the result of non-recurring taxation events recorded during the quarter including the re-measurement of the net deferred tax liability of MGM Grand Paradise, resulting in a provision for income taxes of \$65 million, offset by a \$38 million reduction in provision for the settlement of all 2003 and 2004 issues under appeal with the IRS. No non-recurring taxation events were recorded for the three months ended March 31, 2014. Rather, the income tax benefit booked for the three months ended March 31, 2014 is primarily the result of assumptions made in our annual effective tax rate calculation regarding the realization of a portion of our foreign tax credit deferred tax asset in future years. See Note 2 in the accompanying financial statements for further discussion of our annual effective tax rate assumptions regarding projected foreign tax credit usage and valuation allowance.

### *Non-GAAP Measures*

Adjusted EBITDA is earnings before interest and other non-operating income (expense), taxes, depreciation and amortization, preopening and start-up expenses and property transactions, net. 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 and hospitality industry, and 2) a principal basis for valuation of gaming and hospitality 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 will depend 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, 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 wholly owned domestic resorts operating 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.

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

|                                                           | Three Months Ended<br>March 31, |            |
|-----------------------------------------------------------|---------------------------------|------------|
|                                                           | 2014                            | 2013       |
|                                                           | (In thousands)                  |            |
| Adjusted EBITDA                                           | \$ 626,482                      | \$ 524,372 |
| Preopening and start-up expenses                          | (5,636)                         | (2,146)    |
| Property transactions, net                                | (558)                           | (8,491)    |
| Depreciation and amortization                             | (207,655)                       | (211,918)  |
| Operating income                                          | 412,633                         | 301,817    |
| Non-operating expense                                     |                                 |            |
| Interest expense, net of amounts capitalized              | (209,387)                       | (225,447)  |
| Other, net                                                | (15,157)                        | (23,361)   |
|                                                           | (224,544)                       | (248,808)  |
| Income before income taxes                                | 188,089                         | 53,009     |
| Benefit (provision) for income taxes                      | 3,519                           | (30,431)   |
| Net income                                                | 191,608                         | 22,578     |
| Less: Net income attributable to noncontrolling interests | (83,448)                        | (16,032)   |
| Net income attributable to MGM Resorts International      | \$ 108,160                      | \$ 6,546   |

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

|                                 | Three Months Ended March 31, 2014 |                                        |                                                    |                                     |                    |
|---------------------------------|-----------------------------------|----------------------------------------|----------------------------------------------------|-------------------------------------|--------------------|
|                                 | 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                        | \$ 81,851                         | \$                                     | \$ (21)                                            | \$ 23,319                           | \$ 105,149         |
| MGM Grand Las Vegas             | 40,932                            | 197                                    | (8)                                                | 21,112                              | 62,233             |
| Mandalay Bay                    | 34,411                            | 802                                    | (2)                                                | 20,789                              | 56,000             |
| The Mirage                      | 22,592                            |                                        | 147                                                | 12,680                              | 35,419             |
| Luxor                           | 8,807                             | 3                                      | (1)                                                | 9,169                               | 17,978             |
| New York-New York               | 20,887                            | 55                                     | 244                                                | 4,441                               | 25,627             |
| Excalibur                       | 15,455                            |                                        | (1)                                                | 3,436                               | 18,890             |
| Monte Carlo                     | 14,014                            | 915                                    | 3                                                  | 4,963                               | 19,895             |
| Circus Circus Las Vegas         | 1,537                             |                                        | (11)                                               | 3,783                               | 5,309              |
| MGM Grand Detroit               | 27,654                            |                                        |                                                    | 5,712                               | 33,366             |
| Beau Rivage                     | 8,166                             |                                        |                                                    | 6,475                               | 14,641             |
| Gold Strike Tunica              | 6,365                             |                                        |                                                    | 3,202                               | 9,567              |
| Other resort operations         | (1,769)                           |                                        |                                                    | 541                                 | (1,228)            |
| Wholly owned domestic resorts   | 280,902                           | 1,972                                  | 350                                                | 119,622                             | 402,846            |
| MGM China                       | 164,589                           | 2,408                                  | (104)                                              | 73,832                              | 240,725            |
| CityCenter (50%)                | 14,046                            |                                        |                                                    |                                     | 14,046             |
| Other unconsolidated resorts    | 4,711                             | 19                                     |                                                    |                                     | 4,730              |
| Management and other operations | 16,961                            |                                        |                                                    | 2,891                               | 19,852             |
|                                 | 481,209                           | 4,399                                  | 246                                                | 196,345                             | 682,199            |
| Stock compensation              | (6,699)                           |                                        |                                                    |                                     | (6,699)            |
| Corporate                       | (61,877)                          | 1,237                                  | 312                                                | 11,310                              | (49,018)           |
|                                 | \$ 412,633                        | \$ 5,636                               | \$ 558                                             | \$ 207,655                          | \$ 626,482         |

|                         | Three Months Ended March 31, 2013 |                                           |                                                    |                                     |                    |
|-------------------------|-----------------------------------|-------------------------------------------|----------------------------------------------------|-------------------------------------|--------------------|
|                         | Operating<br>Income<br>(Loss)     | Preopening<br>and<br>Start-up<br>Expenses | Property<br>Transactions,<br>Net<br>(In thousands) | Depreciation<br>and<br>Amortization | Adjusted<br>EBITDA |
| Bellagio                | \$ 66,392                         | \$                                        | \$ 4                                               | \$ 23,183                           | \$ 89,579          |
| MGM Grand Las Vegas     | 40,972                            |                                           | 666                                                | 20,367                              | 62,005             |
| Mandalay Bay            | 20,822                            | (604)                                     | 582                                                | 18,614                              | 39,414             |
| The Mirage              | 13,550                            |                                           | 4,154                                              | 12,457                              | 30,161             |
| Luxor                   | 3,775                             |                                           | 3,179                                              | 8,620                               | 15,574             |
| New York-New York       | 17,737                            |                                           | 31                                                 | 5,632                               | 23,400             |
| Excalibur               | 11,162                            |                                           |                                                    | 3,947                               | 15,109             |
| Monte Carlo             | 12,858                            |                                           | (12)                                               | 4,640                               | 17,486             |
| Circus Circus Las Vegas | (389)                             |                                           |                                                    | 4,946                               | 4,557              |
| MGM Grand Detroit       | 34,371                            |                                           |                                                    | 5,282                               | 39,653             |
| Beau Rivage             | 6,427                             |                                           | (298)                                              | 7,744                               | 13,873             |
| Gold Strike Tunica      | 6,820                             |                                           | (13)                                               | 3,180                               | 9,987              |
| Other resort operations | (328)                             |                                           | (1)                                                | 568                                 | 239                |

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|                                 |            |          |          |            |            |
|---------------------------------|------------|----------|----------|------------|------------|
| Wholly owned domestic resorts   | 234,169    | (604)    | 8,292    | 119,180    | 361,037    |
| MGM China                       | 99,117     | 2,374    | 195      | 78,769     | 180,455    |
| CityCenter (50%)                | 11,319     | 376      |          |            | 11,695     |
| Other unconsolidated resorts    | 4,649      |          |          |            | 4,649      |
| Management and other operations | 12,783     |          | 4        | 2,974      | 15,761     |
|                                 | 362,037    | 2,146    | 8,491    | 200,923    | 573,597    |
| Stock compensation              | (6,943)    |          |          |            | (6,943)    |
| Corporate                       | (53,277)   |          |          | 10,995     | (42,282)   |
|                                 | \$ 301,817 | \$ 2,146 | \$ 8,491 | \$ 211,918 | \$ 524,372 |

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### **Liquidity and Capital Resources**

#### *Cash Flows*

At March 31, 2014, we held cash and cash equivalents of \$1.1 billion, of which \$556 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 \$291 million for the three months ended March 31, 2014, compared to cash provided by operating activities of \$195 million in the prior year period and benefited from an improvement in operating margins at our wholly owned domestic resorts. Operating cash flows related to MGM China were \$160 million in the current year period compared to \$173 million in the prior year period. MGM China's operating cash flow was negatively affected by changes in working capital primarily related to accounts receivable and short-term gaming liabilities in the current year quarter. In the three months ended March 31, 2014, operating cash flows also benefited from a decrease in interest payments.

**Investing activities.** We had capital expenditures of \$193 million for the three months ended March 31, 2014, of which \$120 million related to MGM China. Capital expenditures at MGM China included \$110 million related to the construction of MGM Cotai. Capital expenditures at our wholly owned domestic resorts included expenditures for a remodel of the front façades of New York-New York and Monte Carlo, a gaming salon remodel and a marquee replacement.

We had capital expenditures of \$97 million in the three months ended March 31, 2013, including \$44 million at MGM China, excluding development fees eliminated in consolidation. Capital expenditures at MGM China included \$28 million related to the construction of MGM Cotai. Capital expenditures also included various room remodels, restaurant remodels, and entertainment venue remodels. Most of the costs capitalized related to materials, external labor costs and furniture and fixtures.

For the three months ended March 31, 2014 and 2013, investments and advances to unconsolidated affiliates primarily represent investments in CityCenter.

Investing activities includes activity related to investments of cash held by our trust holding our 50% ownership in Borgata.

**Financing activities.** During the three months ended March 31, 2014, we repaid net debt of \$516 million, which included the repayment of the \$509 million 5.875% senior notes at maturity on February 27, 2014. During the three months ended March 31, 2013, we borrowed net debt of \$103 million, which included a \$110 million draw on our senior credit facility revolver on March 28, 2013, which was used to repay a portion of our \$462 million 6.75% senior notes at maturity on April 1, 2013.

MGM China paid a \$499 million dividend in March 2014, of which \$254 million remained within the consolidated entity and \$245 million was distributed to noncontrolling interests. MGM China paid a \$500 million dividend in March 2013, of which \$255 million remained within the consolidated entity and \$245 million was distributed to noncontrolling interests.

#### *Other Factors Affecting Liquidity*

**Anticipated uses of cash.** As of March 31, 2014, we had \$12.9 billion of indebtedness, including \$2.8 billion of borrowings outstanding under our \$4.0 billion senior credit facility and \$553 million outstanding under the \$2.0 billion MGM China credit facility. As of March 31, 2014, we have \$28 million of scheduled amortization payments related to the term loan A and term loan B facilities under our senior credit facility, and an estimated \$797 million of cash interest payments based on current outstanding debt and applicable interest rates, within the next twelve months.

In addition, we expect to make the following capital investments during the full year 2014:

\$350 million in capital expenditures at our wholly owned domestic resorts and corporate entities;

\$75 million investment in our arena project, subject to the project obtaining permanent financing;

\$170 million in capital expenditures including land costs related to the MGM National Harbor project; and

If we are awarded the license in Massachusetts, \$210 million including an initial license fee, construction costs (including an initial deposit), and land acquisition costs.

During 2014, MGM China expects to spend approximately \$70 million in capital improvements at MGM Macau and \$500 million on the MGM Cotai project, excluding capitalized interest and land.

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. Future capital expenditures could vary from our current expectations depending on the progress of our development efforts and the structure of our ownership interests in future developments.

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**Cotai land concession.** MGM Grand Paradise's land concession contract for an approximate 17.8 acre site in Cotai, Macau became effective on January 9, 2013 and has an initial term of 25 years. The total land premium payable to the Macau government for the land concession contract is \$161 million and is composed of a down payment and eight additional semi-annual payments. As of March 31, 2014, MGM China had paid \$86 million of the contract premium. MGM China is expected to pay a semi-annual installment of approximately \$15 million, including interest, in July 2014. 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.

**MGM China dividend policy.** In February 2014, as part of its regular dividend policy, MGM China's Board of Directors announced it will recommend a final dividend for 2013 of \$128 million to MGM China shareholders subject to approval at the 2014 annual shareholders meeting.

**CityCenter completion guarantee.** In October 2013, we entered into a third amended and restated completion and cost overrun guarantee, which is collateralized by substantially all of the assets of Circus Circus Las Vegas, as well as certain undeveloped land adjacent to that property. The terms of the amended and restated completion guarantee provide CityCenter the ability to utilize up to \$72 million of net residential proceeds to fund construction costs, or to reimburse us for construction costs previously expended. As of March 31, 2014, CityCenter is holding approximately \$72 million in a separate bank account representing the remaining condo proceeds available to fund completion guarantee obligations or be reimbursed to us. In accordance with the amended and restated completion guarantee, such amounts may only be used to fund construction lien obligations or to reimburse us once the Perini litigation is settled.

As of March 31, 2014, we had funded \$721 million under the completion guarantee and had accrued a liability of \$104 million, which includes estimated litigation costs related to the resolution of disputes with contractors concerning the final construction costs and estimated amounts to be paid to contractors through the legal process related to the Perini litigation. We do not believe it is reasonably possible it could be liable for amounts in excess of what it has accrued. Our estimated obligation has been offset by the \$72 million of condominium proceeds received and held in escrow by CityCenter, which are available to fund construction lien claims upon the resolution of the Perini litigation. Also, our accrual reflects certain estimated offsets to the amounts claimed by the contractors. Moreover, we have not accrued for any contingent payments to CityCenter related to the Harmon component.

**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, 2013. There have been no significant changes in our critical accounting policies and estimates since year end.

**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. We do not hold or issue financial instruments for trading purposes and do not enter into derivative transactions that would be considered speculative positions.

As of March 31, 2014, variable rate borrowings represented 26% of our total borrowings. Assuming a 100 basis-point increase in LIBOR (in the case of the term B facility, over the 1% floor specified in our senior credit facility), our annual interest cost would change by \$28 million based on gross amounts outstanding at March 31, 2014. Assuming a 100 basis-point increase in HIBOR for the MGM Grand Paradise credit facility, our annual interest cost would change by \$6 million based on amounts outstanding at March 31, 2014. The following table provides additional information about our gross long-term debt subject to changes in interest rates:

|                       | 2014 | 2015     | 2016     | Debt maturing in |        | Thereafter | Total    | Fair Value<br>March 31,<br>2014 |
|-----------------------|------|----------|----------|------------------|--------|------------|----------|---------------------------------|
|                       |      |          |          | 2017             | 2018   |            |          |                                 |
|                       |      |          |          | (In millions)    |        |            |          |                                 |
| Fixed rate            | \$   | \$ 2,325 | \$ 1,476 | \$ 743           | \$ 475 | \$ 4,605   | \$ 9,624 | \$ 11,361                       |
| Average interest rate | N/A  | 5.1%     | 8.2%     | 7.6%             | 11.4%  | 7.1%       | 7.1%     |                                 |



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|                       |       |       |        |          |       |          |          |          |
|-----------------------|-------|-------|--------|----------|-------|----------|----------|----------|
| Variable rate         | \$ 21 | \$ 28 | \$ 166 | \$ 1,440 | \$ 18 | \$ 1,645 | \$ 3,318 | \$ 3,317 |
| Average interest rate | 3.3%  | 3.3%  | 2.2%   | 2.6%     | 3.5%  | 3.5%     | 3.1%     |          |

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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 United States, 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 the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as anticipates, intends, plans, seeks, believes, estimates, expects, may and 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, our expectations with respect to improvements in the global economy, amounts we will pay in capital expenditures and investments, and the opening and development of new resorts. 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:

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;

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;

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 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

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to expire on March 31, 2020;

our ability to build and open our development in Cotai by January 2018;

the dependence of MGM Macau upon gaming promoters for a significant portion of gaming revenues in Macau;

extreme weather conditions or climate change may cause property damage or interrupt business;

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 potential occurrence of impairments to goodwill, indefinite-lived intangible assets or long-lived assets which could negatively affect future profits;

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 in other entities through partnerships, joint ventures or otherwise, including CityCenter, decreases our ability to manage risk;

the fact that future construction or development projects will be susceptible to substantial development and construction risks;

the fact that our insurance coverage may not be adequate to cover all possible losses that our properties could suffer, 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;

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;

the risks associated with doing business outside of the United States and the impact of any potential violations of the Foreign Corrupt Practices Act or other similar anti-corruption laws;

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risks related to pending claims that have been, or future claims that may be brought against us;

the fact that a significant portion of our labor force is covered by collective bargaining agreements;

the sensitivity of our business to energy prices and a rise in energy prices could harm our operating results;

the potential that failure to maintain the integrity of our computer systems and 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;

increases in gaming taxes and fees in the jurisdictions in which we operate;

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; and

the risks associated with doing business outside of the United States.

Any forward-looking statement made by us in this Form 10-Q speaks only as of the date on which it is made. 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 all of them. 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. If we update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements.

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 (as such term is defined in Rules 13(a)-15(e) and 15d-15(e) under the Exchange Act) were effective as of March 31, 2014 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(b) under the Exchange Act conducted under the supervision and participation of the principal executive officer and principal financial officer along with company management.

Except as noted below, during the quarter ended March 31, 2014, 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.

During the quarter ended March 31, 2014, we implemented a new enterprise application for a significant portion of the human resources and payroll functions at our corporate entities and wholly owned domestic resorts. In connection with this change, the Company has modified, as appropriate, the design and operation of certain internal controls over financial reporting that were impacted by this change.

**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, 2013. There have been no significant developments in any of the cases disclosed in our Annual Report on Form 10-K during the three months ended March 31, 2014, except as noted below:

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**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.

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In April 2010, Perini served an amended complaint in this case which joins 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 219 first-tier Perini subcontractors (including the claims of any lower-tier subcontractors that might have claims through those first-tier subcontractors), with only three 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. Two of the remaining subcontractors are implicated in the defective work at the Harmon. In August 2013, Perini recorded an amended notice of lien reducing its lien to approximately \$167 million.

In November 2012, Perini filed a second amended complaint which, among other things, added claims against the CityCenter defendants of breach of contract (alleging that CityCenter's Owner Controlled Insurance Program (OCIP) failed to provide adequate project insurance for Perini with broad coverages and high limits), and tortious breach of the implied covenant of good faith and fair dealing (alleging improper administration by CityCenter of the OCIP and Builders Risk insurance programs).

In 2013, CityCenter reached a settlement agreement with certain professional service providers against whom it had asserted claims in this litigation for errors or omissions with respect to the CityCenter project, which settlement has been approved by the court. In April 2014, CityCenter settled for \$55 million, net of deductible, its 2008 builder's risk insurance claim for loss and damage with respect to the Harmon's defective condition.

Further, CityCenter and Perini have entered a settlement agreement which resolves most but not all of the components of Perini's non-Harmon-related lien claim against CityCenter. The settlement established a stipulated value for Perini's mechanic's lien, which amount will not be paid until resolution of CityCenter's damages claim for the Harmon and will be offset against any judgment CityCenter obtains against Perini for damages relating to construction of the Harmon. Pursuant to the parties' stipulation, on February 24, 2014, Perini filed a revised lien for \$174 million as the amount claimed by Perini and the remaining Harmon-related subcontractors. The discovery process continues. Trial of the remainder of Perini's lien claim, the remaining subcontractors' claims against CityCenter, and CityCenter's counterclaims against Perini and certain subcontractors for defective work at the Harmon has been rescheduled to commence on September 23, 2014.

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 refer to Note 5 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 CityCenter's extra-judicial settlement process.

**Securities and derivative litigation.** In 2009 various shareholders filed six lawsuits in Nevada federal and state court against the Company and various of its former and current directors and officers alleging federal securities laws violations and/or related breaches of fiduciary duties in connection with statements allegedly made by the defendants during the period August 2007 through the date of such lawsuit filings in 2009 (the class period). In general, the lawsuits assert the same or similar allegations, including that during the relevant period defendants artificially inflated the Company's common stock price by knowingly making materially false and misleading statements and omissions to the investing public about the Company's financial statements and condition, operations, CityCenter, and the intrinsic value of the Company's common stock; that these alleged misstatements and omissions thereby enabled certain Company insiders to derive personal profit from the sale of Company common stock to the public; that defendants caused plaintiffs and other shareholders to purchase Company common stock at artificially inflated prices; and that defendants imprudently implemented a share repurchase program to the detriment of the Company. The lawsuits seek unspecified compensatory damages, restitution and disgorgement of alleged profits and/or attorneys' fees and costs in amounts to be proven at trial, as well as injunctive relief related to corporate governance. There have been no significant developments to the lawsuits disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013, except as noted below:

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*In re MGM MIRAGE Derivative Litigation. Mario Guerrero v. James J. Murren, et al.* (Case No. 2:09-cv-01815-KJD-RJJ, filed September 14, 2009, U.S. District Court for the District of Nevada); *Regina Shamberger v. J. Terrence Lanni, et al.* (Case No. 2:09-cv-01817-PMP-GWF, filed September 14, 2009, U.S. District Court for the District of Nevada), filed September 14, 2009. These purported shareholder derivative actions involve the same former and current director and officer defendants as those in the consolidated state court derivative actions, and also name the Company as a nominal defendant. They make factual allegations similar to those alleged in the state court actions, asserting claims of, among other things, breach of fiduciary duty by defendants' asserted improper financial reporting, insider selling and misappropriation of information; waste of corporate assets; and unjust enrichment. In June 2010, the plaintiffs in these two actions made a joint motion for consolidation and appointment of lead plaintiffs and lead counsel. In March 2011, on stipulation of both plaintiffs and without opposition from the defendants, the two actions were consolidated under the caption *In re MGM MIRAGE Derivative Litigation*. In March 2011, with the stipulation of all parties, the court ordered that defendants need not respond to the complaints currently on file pending the disposition of the motions to dismiss in *In re MGM MIRAGE Securities Litigation*, without prejudice to either side's right to seek to lift the stay at an earlier time. By the terms of the court's order, the stay expired in November 2013, and in April 2014 the court issued an order that denied plaintiff's request to extend the stay. In March 2014 plaintiff Regina Shamberger filed a Notice of Voluntary Dismissal by which she withdrew from the action. Further, in March 2014 all defendants moved to dismiss plaintiff's complaint on the grounds that a) plaintiff failed to make a pre-suit demand on the Company's Board of Directors and is collaterally stopped from asserting that a pre-suit demand would have been futile; b) even if collateral estoppel was not applicable, plaintiff failed to plead with particularity specific facts that, if true, would give rise to a reasonable inference that a pre-suit demand would have been futile; and c) plaintiff failed to state a claim for which relief may be granted. This motion to dismiss is pending.

### **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, 2013. There have been no material changes to those factors for the three months ended March 31, 2014.

### **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 March 31, 2014. The maximum number of shares available for repurchase under our May 2008 repurchase program was 20 million as of March 31, 2014.

### **Item 6. Exhibits**

- 10.1 Form of Performance Share Units Agreement of the Company, effective for bonus awards granted in March 2014 and thereafter.
- 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 March 31, 2014 formatted in eXtensible Business Reporting Language: (i) Consolidated Balance Sheets at March 31, 2014 (unaudited) and December 31, 2013 (audited); (ii) Unaudited Consolidated Statements of Operations for the three months ended March 31, 2014 and 2013; (iii) Unaudited Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2014 and 2013; (iv) Unaudited Consolidated Statements of Cash Flows for the three months ended March 31, 2014 and 2013; and (v) Condensed Notes to the Unaudited Consolidated Financial Statements.



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**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: May 7, 2014

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

Date: May 7, 2014

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