MGM MIRAGE
Form 10-Q
May 11, 2009

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**UNITED STATES**
**SECURITIES & EXCHANGE COMMISSION**
**Washington, D.C. 20549**
**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended March 31, 2009**

**OR**

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

**For the transition period from _____ to _____**

**Commission File No. 001-10362**

**MGM MIRAGE**

(Exact name of registrant as specified in its charter)

| Delaware | 88-0215232 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

3600 Las Vegas Boulevard South, Las Vegas, Nevada 89109

(Address of principal executive offices - Zip Code)

(702) 693-7120

(Registrant s telephone number, including area code)

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or 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. (Check one):

| Large accelerated filer þ | Accelerated filer o | Non-accelerated filer o | Smaller reporting company o |
|---|---|---|---|
| | | (Do not check if a smaller reporting company) | |

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

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

| Class | Outstanding at May 5, 2009 |
| --- | --- |
| Common Stock, $.01 par value | 276,557,345 shares |

**MGM MIRAGE AND SUBSIDIARIES**
**FORM 10-Q**
**I N D E X**


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**Part I. FINANCIAL INFORMATION**
**Item 1. Financial Statements**

**MGM MIRAGE AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
***(In thousands, except share data)***
***(Unaudited)***

| | March 31, 2009 | December 31, 2008 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 1,365,581 | $ 295,644 |
| Accounts receivable, net | 449,468 | 303,416 |
| Inventories | 102,828 | 111,505 |
| Income tax receivable | | 64,685 |
| Deferred income taxes | 53,424 | 63,153 |
| Prepaid expenses and other | 119,563 | 155,652 |
| Assets held for sale | | 538,975 |
| Total current assets | 2,090,864 | 1,533,030 |
| **Property and equipment, net** | 16,067,874 | 16,289,154 |
| **Other assets** | | |
| Investments in and advances to unconsolidated affiliates | 4,689,120 | 4,642,865 |
| Goodwill | 86,353 | 86,353 |
| Other intangible assets, net | 346,441 | 347,209 |
| Deposits and other assets, net | 560,997 | 376,105 |
| Total other assets | 5,682,911 | 5,452,532 |
| | $ 23,841,649 | $ 23,274,716 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable | $ 113,237 | $ 142,693 |
| Construction payable | 26,880 | 45,103 |
| Income taxes payable | 177,400 | |
| Current portion of long-term debt | 14,356,492 | 1,047,614 |
| Accrued interest on long-term debt | 176,049 | 187,597 |
| Other accrued liabilities | 1,165,070 | 1,549,296 |
| Liabilities related to assets held for sale | | 30,273 |
| Total current liabilities | 16,015,128 | 3,002,576 |

| | | |
|---|---|---|
| **Deferred income taxes** | 3,340,759 | 3,441,198 |
| **Long-term debt** | 3,990 | 12,416,552 |
| **Other long-term obligations** | 391,606 | 440,029 |
| | | |
| **Commitments and contingencies (Note 6)** | | |
| | | |
| **Stockholders equity** | | |
| Common stock, $.01 par value: authorized 600,000,000 shares; | | |
| Issued 369,334,372 and 369,283,995 shares; outstanding | | |
| 276,557,345 and 276,506,968 shares | 3,693 | 3,693 |
| Capital in excess of par value | 4,027,260 | 4,018,410 |
| Treasury stock, at cost (92,777,027 shares) | (3,355,963) | (3,355,963) |
| Retained earnings | 3,470,321 | 3,365,122 |
| Accumulated other comprehensive loss | (55,145) | (56,901) |
| | | |
| Total stockholders equity | 4,090,166 | 3,974,361 |
| | | |
| | $ 23,841,649 | $ 23,274,716 |

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

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**MGM MIRAGE AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME**
***(In thousands, except per share amounts)***
***(Unaudited)***

| | Three Months Ended March 31, | |
|---|---|---|
| | **2009** | **2008** |
| **Revenues** | | |
| Casino | $ 664,727 | $ 790,464 |
| Rooms | 355,044 | 518,741 |
| Food and beverage | 338,397 | 402,392 |
| Entertainment | 118,057 | 134,838 |
| Retail | 47,949 | 64,037 |
| Other | 137,373 | 147,973 |
| | 1,661,547 | 2,058,445 |
| Less: Promotional allowances | (162,752) | (174,812) |
| | 1,498,795 | 1,883,633 |
| **Expenses** | | |
| Casino | 375,517 | 416,563 |
| Rooms | 110,827 | 136,797 |
| Food and beverage | 194,327 | 236,272 |
| Entertainment | 87,742 | 95,664 |
| Retail | 31,621 | 43,164 |
| Other | 83,806 | 92,564 |
| General and administrative | 260,797 | 320,374 |
| Corporate expense | 24,361 | 32,450 |
| Preopening and start-up expenses | 8,071 | 5,164 |
| Restructuring costs | 443 | 329 |
| Property transactions, net | (195,125) | 2,776 |
| Depreciation and amortization | 176,858 | 194,339 |
| | 1,159,245 | 1,576,456 |
| **Income from unconsolidated affiliates** | 15,549 | 34,111 |
| **Operating income** | 355,099 | 341,288 |
| **Non-operating income (expense)** | | |
| Interest income | 4,382 | 3,466 |
| Interest expense, net | (171,636) | (149,789) |
| Non-operating items from unconsolidated affiliates | (11,131) | (9,891) |
| Other, net | (1,338) | 230 |

| | | |
|---|---|---|
| | (179,723) | (155,984) |
| **Income before income taxes** | 175,376 | 185,304 |
| Provision for income taxes | (70,177) | (66,958) |
| **Net income** | $ 105,199 | $ 118,346 |
| **Earnings per share of common stock** | | |
| Basic | $ 0.38 | $ 0.41 |
| Diluted | $ 0.38 | $ 0.40 |

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

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**MGM MIRAGE AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
***(In thousands)***
***(Unaudited)***

| | Three Months Ended March 31, | |
|---|---|---|
| | **2009** | **2008** |
| **Cash flows from operating activities** | | |
| Net income | $ 105,199 | $ 118,346 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 176,858 | 194,339 |
| Amortization of debt discounts, premiums and issuance costs | 8,200 | 631 |
| Provision for doubtful accounts | 15,290 | 14,140 |
| Stock-based compensation | 8,734 | 11,203 |
| Business interruption insurance lost profits | (15,115) | |
| Business interruption insurance cost recovery | | (25,377) |
| Property transactions, net | (195,125) | 2,776 |
| Income from unconsolidated affiliates | 3,463 | (19,414) |
| Distributions from unconsolidated affiliates | 20,453 | 39,134 |
| Deferred income taxes | (90,794) | (2,934) |
| Change in current assets and liabilities: | | |
| Accounts receivable | (14,892) | 15,772 |
| Inventories | 5,552 | 1,973 |
| Income taxes receivable and payable | 239,856 | (263,090) |
| Prepaid expenses and other | (33,021) | (29,690) |
| Accounts payable and accrued liabilities | (94,607) | (187,635) |
| Business interruption insurance recoveries | 8,959 | 10,439 |
| Other | (14,747) | (4,935) |
| Net cash provided by (used in) operating activities | 134,263 | (124,322) |
| **Cash flows from investing activities** | | |
| Capital expenditures, net of construction payable | (58,507) | (249,343) |
| Proceeds from sale of Treasure Island, net | 589,587 | |
| Advance to Infinity World | (100,000) | |
| Investments in and advances to unconsolidated affiliates | (383,590) | (227,184) |
| Property damage insurance recoveries | 2,542 | 11,361 |
| Other | (3,807) | (8,498) |
| Net cash provided by (used in) investing activities | 46,225 | (473,664) |
| **Cash flows from financing activities** | | |
| Net borrowings (repayments) under bank credit facilities maturities of 90 days or less | (3,490,000) | 506,550 |
| Borrowings under bank credit facilities maturities longer than 90 days | 6,606,892 | 3,030,000 |

| | | |
|---|---|---|
| Repayments under bank credit facilities maturities longer than 90 days | (2,220,000) | (1,750,000) |
| Retirement of senior notes | | (180,442) |
| Debt issuance costs | (21,895) | |
| Issuance of common stock upon exercise of stock awards | 632 | 6,395 |
| Purchases of common stock | | (1,107,166) |
| Excess tax benefits from stock-based compensation | | 7,072 |
| Other | (334) | (96) |
| Net cash provided by financing activities | 875,295 | 512,313 |
| **Cash and cash equivalents** | | |
| Net increase (decrease) for the period | 1,055,783 | (85,673) |
| Change in cash related to assets held for sale | 14,154 | 1,028 |
| Balance, beginning of period | 295,644 | 412,390 |
| Balance, end of period | $ 1,365,581 | $ 327,745 |
| **Supplemental cash flow disclosures** | | |
| Interest paid, net of amounts capitalized | $ 174,984 | $ 208,290 |
| Federal, state and foreign income taxes paid, net of refunds | | 324,319 |
| **Non-cash investing and financing activities** | | |
| Note receivable related to sale of Treasure Island, net | $ 154,257 | $ |

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

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**MGM MIRAGE AND SUBSIDIARIES**
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited)***
**NOTE 1 ORGANIZATION AND BASIS OF PRESENTATION**

**Organization.** MGM MIRAGE (the Company ) is a Delaware corporation, incorporated on January 29, 1986. As of March 31, 2009, approximately 54% of the outstanding shares of the Company s common stock were owned by Tracinda Corporation, a Nevada corporation wholly owned by Kirk Kerkorian. MGM MIRAGE acts largely as a holding company and, through wholly-owned subsidiaries, owns and/or operates casino resorts.

The Company owns and operates the following casino resorts in Las Vegas, Nevada: Bellagio, MGM Grand Las Vegas, Mandalay Bay, The Mirage, Luxor, New York-New York, Excalibur, Monte Carlo, Circus Circus Las Vegas and Slots-A-Fun. Operations at MGM Grand Las Vegas include management of The Signature at MGM Grand Las Vegas, a condominium-hotel consisting of over 1,500 units. Other Nevada operations include Circus Circus Reno, Gold Strike in Jean, and Railroad Pass in Henderson. The Company has a 50% investment in Silver Legacy in Reno, which is adjacent to Circus Circus Reno. The Company also owns Shadow Creek, an exclusive world-class golf course located approximately ten miles north of its Las Vegas Strip resorts, and Primm Valley Golf Club at the California/Nevada state line. The Company owns land for future development on the North Las Vegas Strip. See Note 6 for the status of the Company s joint venture project with Kerzner International and Istithmar planned for this site. In March 2009, the Company completed the sale of Treasure Island ( TI ) to Ruffin Acquisition, LLC see further discussion in Note 3.

The Company is a 50% owner of CityCenter, a mixed-use development on the Las Vegas Strip, between Bellagio and Monte Carlo. The other 50% of CityCenter is owned by Infinity World Development Corp ( Infinity World ), a wholly-owned subsidiary of Dubai World, a Dubai, United Arab Emirates government decree entity. The Company is managing the development of CityCenter and will manage the operations of CityCenter for a fee. CityCenter will feature a 4,000-room casino resort designed by world-famous architect Cesar Pelli; two 400-room non-gaming boutique hotels, one of which will be managed by luxury hotelier Mandarin Oriental; approximately 425,000 square feet of retail shops, dining and entertainment venues; and approximately 2.1 million square feet of residential space in approximately 2,400 luxury condominium and condominium-hotel units in multiple towers. CityCenter is expected to open in late 2009, except the opening of The Harmon Hotel & Spa has been postponed until such time as the Company and Infinity World mutually agree to proceed with its completion. The Company anticipates the total cost of CityCenter, excluding costs of completing The Harmon Hotel & Spa, to be $8.5 billion, including preopening costs of $0.2 billion and financing costs of $0.3 billion.

The Company and its local partners own and operate MGM Grand Detroit in downtown Detroit, Michigan. The Company also owns and operates two resorts in Mississippi Beau Rivage in Biloxi, which includes the Fallen Oak golf course, and Gold Strike Tunica.

The Company has 50% interests in three resorts outside of Nevada Grand Victoria, Borgata and MGM Grand Macau (through its 50% ownership of MGM Grand Paradise Limited). Grand Victoria is a riverboat in Elgin, Illinois an affiliate of Hyatt Gaming owns the other 50% of Grand Victoria and also operates the resort. Borgata is a casino resort 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. MGM Grand Macau is a casino resort in Macau S.A.R. Pansy Ho Chiu-King owns the other 50% of MGM Grand Paradise Limited.

The Company owns additional land adjacent to Borgata, a portion of which consists of common roads, landscaping and master plan improvements, a portion of which is being utilized by Borgata, and a portion of which is planned for a wholly-owned development, MGM Grand Atlantic City that development is currently postponed. This project will remain postponed until such time as general economic conditions and the Company s financial position improve.

**Financial statement impact of the Monte Carlo fire.** The Company maintains insurance for both property damage and business interruption relating to catastrophic events, such as the rooftop fire at Monte Carlo in January 2008. Business interruption coverage covers lost profits and other costs incurred during the closure period and up to six months following re-opening.

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Non-refundable insurance recoveries received in excess of the net book value of damaged assets, clean-up and demolition costs, and post-event costs are recognized as income in the period received or committed based on the Company s estimate of the total claim for property damage and business interruption compared to the recoveries received at that time. All post-event costs and expected recoveries are recorded net within General and administrative expenses, except for depreciation of non-damaged assets, which is classified as Depreciation and amortization. Gains on insurance recoveries related to business interruption are recorded within General and administrative expenses and gains related to property damage are recorded with Property transactions, net.

Insurance recoveries are classified in the statement of cash flows based on the coverage to which they relate. Recoveries related to business interruption are classified as operating cash flows and recoveries related to property damage are classified as investing cash flows. However, the Company s insurance policy includes undifferentiated coverage for both property damage and business interruption. Therefore, the Company classifies insurance recoveries as being related to property damage until the full amount of damaged assets and demolition costs are recovered and classifies additional recoveries up to the amount of the post-event costs incurred as being related to business interruption. Insurance recoveries beyond that amount are classified as operating or investing cash flows based on the Company s estimated allocation of the total claim.

As of March 31, 2009, the Company had received $62 million of proceeds from its insurance carriers related to the Monte Carlo fire and had settled its final claim for a total of $74 million. The Company had a receivable of $12 million from its insurance carriers at March 31, 2009.

The following table shows the net pre-tax impact on the statements of income for insurance recoveries from the Monte Carlo fire:

| **Three months ended March 31,** | **2009** | **2008** |
|---|---|---|
| | ***(In thousands)*** | |
| Reduction of general and administrative expense | $15,115 | $ |
| Reduction of property transactions, net | 7,186 | |

**Fair value measurement.** The Company adopted statement of Financial Accounting Standards No. 157, Fair Value Measurements ( SFAS 157 ) for financial assets and liabilities on January 1, 2008 and for non-financial assets and liabilities on January 1, 2009. The adoption of SFAS 157 for non-financial assets and liabilities did not have a material impact on the Company s financial statements. The Company accounts for its financial assets and liabilities and non-financial assets and liabilities required to be measured at fair value in accordance with SFAS 157 and measures fair value using 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 Company s significant financial assets and liabilities accounted for at fair value are:

1) Marketable securities held in connection with the Company s deferred compensation and supplemental executive retirement plans, and the plans corresponding liabilities. As of March 31, 2009, the assets and liabilities related to these plans each totaled $4 million, measured entirely using Level 1 inputs.

2) The Company s investment in The M Resort LLC convertible note and embedded call option. The fair value of the convertible note was measured using Level 2 inputs. The fair value of the embedded call option was measured using Level 3 inputs. See Note 8 for the valuation adjustment recognized during 2009.

3) The completion guarantee provided in connection with the CityCenter credit facility, discussed in Notes 4 and 6, which fair value was measured using Level 3 inputs. There was no change in fair value since December 31, 2008.

**Basis of presentation.** As permitted by the rules and regulations of the Securities and Exchange Commission, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These consolidated financial statements should be read in conjunction with the Company s 2008 annual consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

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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 financial position as of March 31, 2009 and the results of its operations and cash flows for the three month periods ended March 31, 2009 and 2008. The results of operations for such periods are not necessarily indicative of the results to be expected for the full year.

**NOTE 2 LIQUIDITY AND FINANCIAL POSITION**

The Company has significant indebtedness and significant financial commitments in 2009. As of March 31, 2009, the Company had approximately $14.4 billion of total debt. The Company is uncertain as to whether it will be able to generate cash flows from operations or through asset dispositions to fund its 2009 financial commitments and cannot provide any assurances that it will be able to raise additional capital to fund its anticipated expenditures in 2009.

In late February 2009, the Company borrowed $842 million under its senior credit facility, which amount represented after giving effect to $93 million in outstanding letters of credit the total amount of unused borrowing capacity available under its $7.0 billion senior credit facility. In connection with the waivers and amendments, discussed below, the Company repaid $300 million on March 17, 2009 and $100 million on April 29, 2009 under the senior credit facility. Such amounts are not available for reborrowing without the consent of the lenders. The Company has no other existing sources of borrowing availability, except to the extent it pays down further amounts outstanding under the senior credit facility.

As of March 31, 2009, the Company was not in compliance with its financial covenants under its senior credit facility. On March 16, 2009, the Company entered into an amendment and waiver to its senior credit facility, which provided for, among other conditions, a waiver of the requirement that the Company comply with such financial covenants through May 15, 2009. In addition to the March 16, 2009 amendment and waiver, the Company entered into certain subsequent amendments to the senior credit facility allowing for additional investments in CityCenter and, on April 29, 2009, the Company entered into a further amendment and waiver through June 30, 2009 which provided for the following:

The Company was able to fulfill its remaining equity commitment to CityCenter through the issuance of an irrevocable letter of credit in the amount of $224 million and entered into a revised completion guarantee;

The Company granted security interests in the assets of Gold Strike Tunica and certain undeveloped land of the Las Vegas Strip, subject to gaming and other approvals, to secure debt under the facility in an amount up to $300 million;

MGM Grand Detroit, which is a co-borrower under the senior credit facility, agreed to grant the lenders a security interest in its assets to secure its borrowings under the facility, subject to gaming and other approvals.

Following expiration of the current waiver on June 30, 2009, the Company will be subject to an event of default related to the noncompliance with financial covenants under the senior credit facility at March 31, 2009. Under the terms of the senior credit facility, noncompliance with such financial covenants is an event of default, under which the lenders (with a vote of more than 50% of the lenders) may exercise any or all of the following remedies:

Terminate their commitments to fund additional borrowings;

Require cash collateral for outstanding letters of credit;

Demand immediate repayment of all outstanding borrowings under the senior credit facility;

Decline to release subsidiary guarantees, which would impact the Company s ability to execute asset dispositions.

In addition, there are provisions in the Company s indentures governing its senior and senior subordinated notes under which a) the event of default under the senior secured credit facility, or b) the remedies under an event of default under the senior credit facility, would cause an event of default under the relevant senior and senior

subordinated notes, which would allow holders of the Company s senior and senior subordinated notes to demand immediate repayment and decline to release subsidiary guarantees. If the lenders exercise any or all such rights, the Company may determine to seek relief through a filing under the U.S. Bankruptcy Code.

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The conditions and events described above raise a substantial doubt about the Company s ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability of assets or the amounts of liabilities that may result should the Company be unable to continue as a going concern. Management s plans in regard to these matters are described below.

The Company intends to work with its lenders to obtain additional waivers or amendments prior to June 30, 2009 to address future noncompliance with the senior credit facility; however, the Company can provide no assurance that it will be able to secure such waivers or amendments. The Company has also retained the services of outside advisors to assist the Company in instituting and implementing any required programs to accomplish management s objectives. The Company is evaluating the possibility of a) disposing of certain assets, b) raising additional debt and/or equity capital, and c) modifying or extending its long-term debt. However, there can be no assurance that the Company will be successful in achieving its objectives.

**NOTE 3 ASSETS HELD FOR SALE**

The assets and liabilities of TI were classified as held for sale as of December 31, 2008. However, the results of its operations were not classified as discontinued operations because the Company expects to continue to receive significant cash flows from customer migration.

On March 20, 2009, the Company closed the sale of the TI to Ruffin Acquisition, LLC. At closing, the Company received $600 million in cash proceeds and a $175 million secured note bearing interest at 10% payable not later than 36 months after closing. Ruffin Acquisition, LLC exercised its option, provided for by an amendment to the purchase agreement, to prepay the note on or before April 30, 2009 and receive a $20 million discount on the purchase price. In connection with the sale of TI, including the transfer of all of the membership interest in TI, TI was released as a guarantor of the outstanding indebtedness of the Company and its subsidiaries. The Company recognized a pre-tax gain of $190 million on the sale, which is included within Property transactions, net in the accompanying consolidated statements of income for the three month period ended March 31, 2009.

The following table summarizes the assets and liabilities related to TI classified as assets held for sale and liabilities related to assets held for sale in the accompanying consolidated balance sheet for the year ended December 31, 2008:

| | December 31, 2008 (In thousands) |
|---|---|
| Cash | $ 14,154 |
| Accounts receivable, net | 9,962 |
| Inventories | 3,069 |
| Prepaid expenses and other | 3,459 |
| Total current assets | 30,644 |
| Property and equipment, net | 494,807 |
| Goodwill | 7,781 |
| Other assets, net | 5,743 |
| Total assets | 538,975 |
| Accounts payable | 4,162 |
| Other current liabilities | 26,111 |
| Total current liabilities | 30,273 |
| Other long-term obligations | |

| | | |
|---|---|---|
| Total liabilities | | 30,273 |
| Net assets | $ | 508,702 |

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

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

| | March 31, 2009 | December 31, 2008 |
|---|---|---|
| | *(In thousands)* | |
| CityCenter Holdings, LLC CityCenter (50%) | $ 3,637,237 | $3,581,188 |
| Marina District Development Company Borgata (50%) | 472,399 | 474,171 |
| Elgin Riverboat Resort Riverboat Casino Grand Victoria (50%) | 293,986 | 296,746 |
| MGM Grand Paradise Limited Macau (50%) | 242,614 | 252,060 |
| Circus and Eldorado Joint Venture Silver Legacy (50%) | 29,511 | 27,912 |
| Other | 13,373 | 10,788 |
| | $ 4,689,120 | $4,642,865 |

During the first quarter of 2009, the Company made payments of $437 million to CityCenter, of which $100 million was Infinity World s share of equity contributions. Therefore, the Company recorded a receivable for the $100 million it paid on behalf of Infinity World within Accounts receivable, net in the accompanying consolidated balance sheet at March 31, 2009.

As of March 31, 2009, the Company was required to make additional equity contributions of up to $394 million in accordance with CityCenter s senior secured credit facility. The Company s share of such required equity commitments are recorded as Other accrued liabilities in the accompanying consolidated balance sheets, with a corresponding increase to its investment balance when initially recorded in 2008. In April 2009, the Company funded an additional $70 million, of which $35 million was Infinity World s share, leaving a remaining balance of $359 million. In conjunction with the amendments discussed below, in April 2009 Infinity World agreed to fund the $135 million previously funded on its behalf by the Company and the Company agreed to fund its remaining equity contributions of $224 million through irrevocable letters of credit.

In April 2009, the Company and Dubai World entered into an amended and restated joint venture agreement. Also in April 2009, CityCenter and its lenders entered into an amendment to the bank credit facility. The key terms of the amendment to the CityCenter credit facility included the following:

Reduce the maximum amount of the credit facility to $1.8 billion;

Change the maturity date from April 2013 to June 2012 and increase the pricing of the facility;

Require the entire amount of remaining equity contributions to be funded through irrevocable letters of credit at the closing, and require the lenders to fund the remaining $800 million of the credit facility at the closing;

Amend the funding order such that future funding is pro rata between the equity contributions and the amounts available under the credit facility, with the equity contributions drawn from the letters of credit;

Amend the completion guarantees to a) relieve Dubai World of its completion guarantee as amounts are funded from its letter of credit, and b) require an unlimited completion and cost overrun guarantee from the Company, secured by its interests in the assets of Circus Circus Las Vegas and certain adjacent undeveloped land.

The key terms of the amendment to the joint venture agreement included the following:

Provide for funding under the letters of credit to be drawn as follows: Infinity World for the first $135 million, the Company for the next $224 million and Infinity World for the final $359 million.

Amend the provisions for distributions to allow the first $494 million of available distributions to be distributed on a priority basis to Infinity World, with the next $494 million of distributions made to the Company, and distributions shared equally thereafter.

The Company is currently evaluating the impact of the amendments to the CityCenter joint venture agreement on its assessment of the consolidation criteria under Financial Accounting Standards Board Interpretation No. 46(R).

On March 22, 2009, Infinity World filed a lawsuit against the Company that sought judicial relief from Infinity World s contractual funding obligations to CityCenter on several grounds, which the company contested. The lawsuit was dismissed with prejudice in conjunction with the amended and restated joint venture agreement.

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During each of the three months ended March 31, 2009 and 2008, the Company incurred $13 million of costs reimbursable by CityCenter, primarily employee compensation, residential sales costs, and certain allocated costs. Such costs are recorded as Other operating expenses, and the reimbursement of such costs is recorded as Other revenue, in the accompanying consolidated statements of income.

The Company evaluates its investments in unconsolidated affiliates for impairment when events or changes in circumstances indicate that the carrying value of such investment may have experienced an other-than-temporary decline in value. If such conditions exist, the Company compares the estimated fair value of the investment to its carrying value to determine if an impairment is indicated and determines whether such impairment is other-than-temporary based on its assessment of relevant factors. The Company estimates fair value using a discounted cash flow analysis. At March 31, 2009, the Company reviewed its CityCenter investment for impairment. The Company s discounted cash flow analysis for CityCenter utilized Level 3 inputs under SFAS 157 including, a) estimated future cash outflows for construction and maintenance expenditures and future cash inflows from operations and residential sales of CityCenter and b) market indicators of discount rates and terminal year capitalization rates. Based on its analysis, the Company determined that no impairment charge was necessary at March 31, 2009.

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

| **Three months ended March 31,** | **2009** | **2008** |
|---|---|---|
| | ***(In thousands)*** | |
| Income from unconsolidated affiliates | $ 15,549 | $ 34,111 |
| Preopening and start-up expenses | (7,881) | (4,806) |
| Non-operating items from unconsolidated affiliates | (11,131) | (9,891) |
| | $ (3,463) | $ 19,414 |

**NOTE 5 LONG-TERM DEBT**

Long-term debt consisted of the following:

| | **March 31, 2009** | **December 31, 2008** |
|---|---|---|
| | ***(In thousands)*** | |
| Senior credit facility | $ 6,606,892 | $ 5,710,000 |
| $226.3 million 6.5% senior notes, due 2009, net | 226,553 | 226,720 |
| $820 million 6% senior notes, due 2009, net | 820,599 | 820,894 |
| $297.6 million 9.375% senior subordinated notes, due 2010, net | 304,097 | 305,893 |
| $782 million 8.5% senior notes, due 2010, net | 781,340 | 781,223 |
| $400 million 8.375% senior subordinated notes, due 2011 | 400,000 | 400,000 |
| $128.7 million 6.375% senior notes, due 2011, net | 129,338 | 129,399 |
| $544.7 million 6.75% senior notes, due 2012 | 544,650 | 544,650 |
| $150 million 7.625% senior subordinated debentures, due 2013, net | 153,772 | 153,960 |
| $484.2 million 6.75% senior notes, due 2013 | 484,226 | 484,226 |
| $750 million 13% senior secured notes, due 2013, net | 701,261 | 699,440 |
| $508.9 million 5.875% senior notes, due 2014, net | 507,381 | 507,304 |
| $875 million 6.625% senior notes, due 2015, net | 878,611 | 878,728 |
| $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 |
| $100 million 7.25% senior debentures, due 2017, net | 85,813 | 85,537 |
| $743 million 7.625% senior notes, due 2017 | 743,000 | 743,000 |
| Floating rate convertible senior debentures, due 2033 | 8,472 | 8,472 |
| $0.5 million 7% debentures, due 2036, net | 573 | 573 |

| | | |
|---|---|---|
| $4.3 million 6.7% debentures, due 2096 | 4,265 | 4,265 |
| Other notes | 3,990 | 4,233 |
| | 14,360,482 | 13,464,166 |
| Less: Current portion | (14,356,492) | (1,047,614) |
| | $ 3,990 | $ 12,416,552 |

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The $7.0 billion senior credit facility, consists of a term loan facility of $2.5 billion and a revolving credit facility of $4.5 billion and matures in 2011. The weighted average interest rate on outstanding borrowings under the senior credit facility at March 31, 2009 and December 31, 2008 was 4.8% and 3.4%, respectively. As discussed in Note 2, the Company has drawn down the entire amount of available borrowings under the senior credit facility.

As discussed in Note 2, the Company was not in compliance with the financial covenants required under its senior credit facility as of March 31, 2009. The Company s current amendment and waiver under the senior credit facility provides for a waiver of the requirement that the Company comply with the financial covenants at March 31, 2009 through June 30, 2009. In the event of default the lenders may, among other remedies, demand immediate repayment of all outstanding borrowings under the senior credit facility. Amounts outstanding under the Company s senior credit facility have been classified as current liabilities as of March 31, 2009 because the Company has not obtained a waiver beyond one year of the balance sheet date. In addition, the Company s senior and senior subordinated notes have been classified as current liabilities due to cross-default provisions included in the respective indentures covering these obligations.

Interest expense, net consisted of the following:

| **Three months ended March 31,** | **2009** | **2008** |
|---|---|---|
| | ***(In thousands)*** | |
| Total interest incurred | $ 239,830 | $ 189,067 |
| Interest capitalized | (68,194) | (39,278) |
| | $ 171,636 | $ 149,789 |

Under the Company s 13% senior secured notes due 2013, upon consummation of an asset sale, such as the sale of TI described in Note 3, the Company must either a) reinvest the net after-tax proceeds, which can include committed capital expenditures, or b) make an offer to repurchase a corresponding amount of senior secured notes at par plus accrued interest.

The Company s long-term debt obligations contain customary covenants requiring the Company to maintain certain financial ratios. At March 31, 2009, the Company was required to maintain a maximum leverage ratio (debt to EBITDA, as defined) of 7.5:1 and a minimum coverage ratio (EBITDA to interest charges, as defined) of 2.0:1. At March 31, 2009, the Company s leverage and interest coverage ratios were 7.9:1 and 2.4:1, respectively. As discussed above and in Note 2, the Company has obtained a waiver of the requirement to comply with these financial covenants through June 30, 2009.

**NOTE 6 COMMITMENTS AND CONTINGENCIES**

**Mashantucket Pequot Tribal Nation**. The Company entered into a series of agreements to implement a strategic alliance with the Mashantucket Pequot Tribal Nation ( MPTN ), which owns and operates Foxwoods Casino Resort in Mashantucket, Connecticut. The Company and MPTN have formed a jointly owned company Unity Gaming, LLC to acquire or develop future gaming and non-gaming enterprises. Under certain circumstances, the Company will provide a loan of up to $200 million to finance a portion of MPTN s investment in future joint projects.

**Kerzner/Istithmar Joint Venture**. In September 2007, the Company entered into a definitive agreement with Kerzner International and Istithmar forming a joint venture to develop a multi-billion dollar integrated resort to be located on the southwest corner of Las Vegas Boulevard and Sahara Avenue. In September 2008, the Company and its partners agreed to defer additional design and pre-construction activities and amended their joint venture agreement accordingly. In April 2009, the Company funded its $13 million share of pre-development costs to date, and was relieved of its obligation to contribute land to the joint venture. Either partner now has the right to dissolve the joint venture at any time and the design and pre-construction activities will remain postponed until such time as the partners agree to move forward with the project. The Company does not expect to move forward with this project until general economic conditions and the Company s financial position improve.

**CityCenter completion guarantee.** As discussed in Note 4, in April 2009 the Company entered into a new completion guarantee in conjunction with the CityCenter credit facility. The completion guarantee provides for

additional contingent funding of construction costs in the event such funding is necessary to complete the project, and is secured by the Company s interests in the assets of Circus Circus Las Vegas and certain adjacent undeveloped land. At March 31, 2009, the Company had recorded a liability of $205 million, classified as Other long-term obligations in the accompanying consolidated balance sheets, equal to the fair value of its previous partial completion guarantee. The Company will measure the fair value of its new completion guarantee in the second quarter of 2009.

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**Other guarantees.** The Company is party to various guarantee contracts in the normal course of business, which are generally supported by letters of credit issued by financial institutions. The Company s senior credit facility limits the amount of letters of credit that can be issued to $250 million, and the amount of available borrowings under the senior credit facility is reduced by any outstanding letters of credit. At March 31, 2009, the Company had provided $93 million of total letters of credit, including $50 million to support bonds issued by the Economic Development Corporation of the City of Detroit, which are recorded as a liability of the Company. As discussed in Note 4, in April 2009 the Company funded its remaining equity contributions to CityCenter of $224 million through an irrevocable letter of credit, which does not count against the $250 million limit described above. Though not subject to a letter of credit, the Company has an agreement with the Nevada Gaming Control Board to maintain $112 million of availability under its senior credit facility to support normal bankroll requirements at the Company s Nevada operations. Due to the fact that the Company borrowed the remaining available funds under its senior credit facility as described in Note 2, the Company has established separate bank accounts to hold a minimum of $112 million to support its obligation under the bankroll requirements.

**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 or results of operations.

**NOTE 7 INCOME PER SHARE OF COMMON STOCK**

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

| **Three months ended March 31,** | **2009** | **2008** |
|---|---|---|
| | ***(In thousands)*** | |
| Weighted-average common shares outstanding (used in the calculation of basic earnings per share) | 276,556 | 288,943 |
| Potential dilution from stock options and restricted stock | 214 | 9,457 |
| Weighted-average common and common equivalent shares (used in the calculation of diluted earnings per share) | 276,770 | 298,400 |

Approximately 24.6 million and 3.6 million stock options, stock appreciation rights and restricted stock units were excluded from the calculation of diluted earnings per share in the three months ended March 31, 2009 and 2008, respectively, since including these awards would have been anti-dilutive.

**NOTE 8 COMPREHENSIVE INCOME**

Comprehensive income consisted of the following:

| **Three months ended March 31,** | **2009** | **2008** |
|---|---|---|
| | ***(In thousands)*** | |
| Net income | $ 105,199 | $ 118,346 |
| Valuation adjustment to M Resort note, net of taxes | 962 | |
| Currency translation adjustments | 629 | (3,222) |
| Other | 165 | |
| | $ 106,955 | $ 115,124 |

**NOTE 9 STOCKHOLDERS EQUITY**

**Tender Offer**. In February 2008, the Company and a wholly-owned subsidiary of Dubai World completed a joint tender offer to purchase 15 million shares of Company common stock at a price of $80 per share. The Company purchased 8.5 million shares at a total purchase price of $680 million.

**Stock repurchases**. In addition to the tender offer, the Company repurchased 7.0 million shares of common stock in the three months ended March 31, 2008, at a total cost of $427 million. The Company did not repurchase common stock during the three months ended March 31, 2009. At March 31, 2009, the Company had 20 million shares available for repurchase under its May 2008 authorization.

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**NOTE 10 STOCK-BASED COMPENSATION**

**Activity under share-based payment plans.** As of March 31, 2009, the aggregate number of share-based awards available for grant under the Company s omnibus incentive plan was 18 million. A summary of activity under the Company s share-based payment plans for the three months ended March 31, 2009 is presented below:

*Stock options and stock appreciation rights ( SARs )*

| | Shares (000 s) | Weighted Average Exercise Price |
|---|---|---|
| Outstanding at January 1, 2009 | 25,210 | $26.98 |
| Granted | 74 | 16.10 |
| Exercised | (53) | 12.74 |
| Forfeited or expired | (1,362) | 27.22 |
| Outstanding at March 31, 2009 | 23,869 | 26.95 |
| Exercisable at March 31, 2009 | 15,328 | 23.37 |

As of March 31, 2009, there was a total of $48 million of unamortized compensation related to stock options and stock appreciation rights expected to vest, which is expected to be recognized over a weighted-average period of 2.0 years.

*Restricted stock units ( RSUs )*

| | Shares (000 s) | Weighted Average Grant-Date Fair Value |
|---|---|---|
| Nonvested at January 1, 2009 | 1,054 | $18.93 |
| Granted | 6 | 16.10 |
| Vested | | |
| Forfeited | (25) | 18.94 |
| Nonvested at March 31, 2009 | 1,035 | 18.92 |

As of March 31, 2009, there was a total of $67 million of unamortized compensation related to RSUs which is expected to be recognized over a weighted-average period of 2.2 years. Certain RSUs granted to certain corporate executives are subject to certain performance requirements determined by the Committee.

The following table includes additional information related to stock options and SARs:

| Three months ended March 31, | 2009 | 2008 |
|---|---|---|
| | *(In thousands)* | |
| Intrinsic value of stock options and SARs exercised | $169 | $22,871 |
| Income tax benefit from stock options and SARs exercised | 59 | 7,967 |
| Proceeds from stock option exercises | 632 | 6,395 |

**Recognition of compensation cost.** Compensation cost was recognized as follows:

| Three months ended March 31, | 2009 | 2008 |
|---|---|---|
| | *(In thousands)* | |

| | | |
|---|---|---|
| Compensation cost: | | |
| Stock options and SARs | $ 5,347 | $ 12,609 |
| RSUs | 5,099 | |
| Total compensation cost | 10,446 | 12,609 |
| Less: CityCenter reimbursed cost | (1,689) | (1,367) |
| Less: Compensation cost capitalized | (23) | (39) |
| Compensation cost recognized as expense | 8,734 | 11,203 |
| Less: Related tax benefit | (3,018) | (3,847) |
| Compensation expense, net of tax benefit | $ 5,716 | $ 7,356 |

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Compensation cost for stock options and SARs is based on the fair value of each award, measured by applying the Black-Scholes model on the date of grant, using the following weighted-average assumptions:

| Three months ended March 31, | 2009 | 2008 |
|---|---|---|
| Expected volatility | 74% | 37% |
| Expected term | 4.7 years | 4.5 years |
| Expected dividend yield | 0% | 0% |
| Risk-free interest rate | 1.6% | 2.5% |
| Forfeiture rate | 3.4% | 3.4% |
| Weighted-average fair value of options granted | $ 9.46 | $22.79 |

Expected volatility is based in part on historical volatility and in part on implied volatility based on traded options on the Company s stock. The expected term considers the contractual term of the option as well as historical exercise and forfeiture behavior. The risk-free interest rate is based on the rates in effect on the grant date for U.S. Treasury instruments with maturities matching the relevant expected term of the award.

**NOTE 11 PROPERTY TRANSACTIONS, NET**

Net property transactions consisted of the following:

| Three months ended March 31, | 2009 | 2008 |
|---|---|---|
| | *(In thousands)* | |
| Write-downs and impairments | $ 2,028 | $ 2,643 |
| Insurance recoveries | (7,186) | |
| Demolition costs | | 84 |
| Gain on sale of TI | (190,370) | |
| Net losses on sale or disposal of fixed assets | 403 | 49 |
| | $ (195,125) | $ 2,776 |

Write-downs and impairments in 2009 primarily related to the write-off of several abandoned capital projects. Insurance recoveries related to the Monte Carlo fire See Note 1. Write-downs and impairments in 2008 primarily related to a damaged marquee sign at Bellagio and assets written off in conjunction with retail store changes at Mandalay Bay.

**NOTE 12 CONSOLIDATING CONDENSED FINANCIAL INFORMATION**

The Company s subsidiaries (excluding MGM Grand Detroit, LLC and certain minor subsidiaries) have fully and unconditionally guaranteed, on a joint and several basis, payment of the senior credit facility, the senior notes and the senior subordinated notes. Separate condensed financial statement information for the subsidiary guarantors and non-guarantors as of March 31, 2009 and December 31, 2008 and for the three month periods ended March 31, 2009 and 2008 is as follows:

**CONDENSED CONSOLIDATING BALANCE SHEET INFORMATION**

| | At March 31, 2009 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elimination | Consolidated |
| | | | *(In thousands)* | | |
| Current assets | $ 1,269,979 | $ 715,033 | $ 105,852 | $ | $ 2,090,864 |
| Property and equipment, net | | 15,353,735 | 726,111 | (11,972) | 16,067,874 |
| Investments in subsidiaries | 19,216,985 | 635,564 | | (19,852,549) | |
| Investments in and advances to unconsolidated affiliates | | 4,441,570 | 247,550 | | 4,689,120 |

| | | | | | |
|---|---|---|---|---|---|
| Other non-current assets | 297,494 | 581,439 | 114,858 | | 993,791 |
| | $ 20,784,458 | $ 21,727,341 | $ 1,194,371 | $ (19,864,521) | $ 23,841,649 |
| Current liabilities | $ 730,120 | $ 844,083 | $ 84,433 | $ | $ 1,658,636 |
| Current portion of long-term debt | 13,048,209 | 912,883 | 395,400 | | 14,356,492 |
| Intercompany accounts | (748,248) | 670,411 | 77,837 | | |
| Deferred income taxes | 3,340,759 | | | | 3,340,759 |
| Long-term debt | | 3,990 | | | 3,990 |
| Other long-term obligations | 323,452 | 67,017 | 1,137 | | 391,606 |
| Stockholders equity | 4,090,166 | 19,228,957 | 635,564 | (19,864,521) | 4,090,166 |
| | $ 20,784,458 | $ 21,727,341 | $ 1,194,371 | $ (19,864,521) | $ 23,841,649 |

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| | At December 31, 2008 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elimination | Consolidated |
| | | | *(In thousands)* | | |
| Current assets | $ 126,009 | $ 1,346,094 | $ 60,927 | $ | $ 1,533,030 |
| Property and equipment, net | | 15,564,669 | 736,457 | (11,972) | 16,289,154 |
| Investments in subsidiaries | 18,920,844 | 625,790 | | (19,546,634) | |
| Investments in and advances to unconsolidated affiliates | | 4,389,058 | 253,807 | | 4,642,865 |
| Other non-current assets | 194,793 | 500,717 | 114,157 | | 809,667 |
| | $ 19,241,646 | $ 22,426,328 | $ 1,165,348 | $ (19,558,606) | $ 23,274,716 |
| Current liabilities | $ 863,038 | $ 1,055,921 | $ 36,003 | $ | $ 1,954,962 |
| Current portion of long-term debt | 820,894 | 226,720 | | | 1,047,614 |
| Intercompany accounts | (1,501,070) | 1,451,897 | 49,173 | | |
| Deferred income taxes | 3,441,198 | | | | 3,441,198 |
| Long-term debt | 11,320,620 | 692,332 | 403,600 | | 12,416,552 |
| Other long-term obligations | 322,605 | 66,642 | 50,782 | | 440,029 |
| Stockholders equity | 3,974,361 | 18,932,816 | 625,790 | (19,558,606) | 3,974,361 |
| | $ 19,241,646 | $ 22,426,328 | $ 1,165,348 | $ (19,558,606) | $ 23,274,716 |

**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS INFORMATION**

| | For the Three Months Ended March 31, 2009 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elimination | Consolidated |
| | | | *(In thousands)* | | |
| Net revenues | $ | $ 1,355,077 | $ 143,718 | $ | $ 1,498,795 |
| Equity in subsidiaries earnings | 321,923 | 15,047 | | (336,970) | |
| Expenses: | | | | | |
| Casino and hotel operations | 3,382 | 803,682 | 76,776 | | 883,840 |
| General and administrative | 1,866 | 235,323 | 23,608 | | 260,797 |
| Corporate expense | 6,385 | 17,964 | 12 | | 24,361 |
| Preopening and start-up expenses | 466 | 7,605 | | | 8,071 |
| Restructuring costs | | 443 | | | 443 |
| Property transactions, net | | (195,125) | | | (195,125) |
| Depreciation and amortization | 1,183 | 164,960 | 10,715 | | 176,858 |
| | 13,282 | 1,034,852 | 111,111 | | 1,159,245 |
| Income from unconsolidated affiliates | | 19,152 | (3,603) | | 15,549 |

| | | | | | |
|---|---|---|---|---|---|
| Operating income | 308,641 | 354,424 | 29,004 | (336,970) | 355,099 |
| Interest income (expense), net | (151,715) | (12,054) | (3,485) | | (167,254) |
| Other, net | 12,944 | (16,206) | (9,207) | | (12,469) |
| Income before income taxes | 169,870 | 326,164 | 16,312 | (336,970) | 175,376 |
| Provision for income taxes | (64,671) | (4,241) | (1,265) | | (70,177) |
| Net income | $ 105,199 | $ 321,923 | $ 15,047 | $ (336,970) | $ 105,199 |

| | For the Three Months Ended March 31, 2008 | | | | |
|---|---|---|---|---|---|
| | **Parent** | **Guarantor Subsidiaries** | **Non-Guarantor Subsidiaries** | **Elimination** | **Consolidated** |
| | | | ***(In thousands)*** | | |
| Net revenues | $ | $ 1,733,987 | $ 149,646 | $ | $ 1,883,633 |
| Equity in subsidiaries earnings | 306,733 | 18,920 | | (325,653) | |
| Expenses: | | | | | |
| Casino and hotel operations | 3,762 | 932,979 | 84,283 | | 1,021,024 |
| General and administrative | 2,725 | 289,396 | 28,253 | | 320,374 |
| Corporate expense | 4,431 | 27,629 | 390 | | 32,450 |
| Preopening and start-up expenses | | 4,970 | 194 | | 5,164 |
| Restructuring costs | | 329 | | | 329 |
| Property transactions, net | (280) | 3,048 | 8 | | 2,776 |
| Depreciation and amortization | 449 | 179,539 | 14,351 | | 194,339 |
| | 11,087 | 1,437,890 | 127,479 | | 1,576,456 |
| Income from unconsolidated affiliates | | 24,218 | 9,893 | | 34,111 |
| Operating income | 295,646 | 339,235 | 32,060 | (325,653) | 341,288 |
| Interest income (expense), net | (119,861) | (22,268) | (4,194) | | (146,323) |
| Other, net | 3,815 | (5,853) | (7,623) | | (9,661) |
| Income before income taxes | 179,600 | 311,114 | 20,243 | (325,653) | 185,304 |
| Provision for income taxes | (61,254) | (4,381) | (1,323) | | (66,958) |
| Net income | $ 118,346 | $ 306,733 | $ 18,920 | $ (325,653) | $ 118,346 |

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**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION**

| | For the Three Months Ended March 31, 2009 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elimination | Consolidated |
| | | *(In thousands)* | | | |
| **Cash flows from operating activities** | | | | | |
| Net cash provided by (used in) operating activities | $ (104,874) | $ 208,090 | $ 31,047 | $ | $ 134,263 |
| **Cash flows from investing activities** | | | | | |
| Capital expenditures, net | | (58,140) | (367) | | (58,507) |
| Proceeds from sale of Treasure Island, net | | 589,587 | | | 589,587 |
| Advance to Infinity World | | (100,000) | | | (100,000) |
| Investments in and advances to unconsolidated affiliates | | (383,590) | | | (383,590) |
| Property damage insurance recoveries | | 2,542 | | | 2,542 |
| Other | | (3,807) | | | (3,807) |
| Net cash provided by (used in) investing activities | | 46,592 | (367) | | 46,225 |
| **Cash flows from financing activities** | | | | | |
| Net borrowings (repayments) under bank credit facilities maturities of 90 days or less | (3,276,400) | | (213,600) | | (3,490,000) |
| Borrowings under bank credit facilities maturities longer than 90 days | 6,211,492 | | 395,400 | | 6,606,892 |
| Repayments under bank credit facilities maturities longer than 90 days | (2,030,000) | | (190,000) | | (2,220,000) |
| Debt issuance costs | (21,895) | | | | (21,895) |
| Issuance of common stock upon exercise of stock options | 632 | | | | 632 |
| Intercompany accounts | 338,524 | (363,028) | 24,504 | | |
| Other | (334) | 15 | (15) | | (334) |
| Net cash provided by (used in) financing activities | 1,222,019 | (363,013) | 16,289 | | 875,295 |

| | | | | | |
|---|---|---|---|---|---|
| **Cash and cash equivalents** | | | | | |
| Net increase (decrease) for the period | 1,117,145 | (108,331) | 46,969 | | 1,055,783 |
| Change in cash related to assets held for sale | | 14,154 | | | 14,154 |
| Balance, beginning of period | (2,444) | 267,602 | 30,486 | | 295,644 |
| Balance, end of period | $ 1,114,701 | $ 173,425 | $ 77,455 | $ | $ 1,365,581 |

| | For the Three Months Ended March 31, 2008 | | | | |
|---|---|---|---|---|---|
| | **Parent** | **Guarantor Subsidiaries** | **Non-Guarantor Subsidiaries** | **Elimination** | **Consolidated** |
| | | | ***(In thousands)*** | | |
| **Cash flows from operating activities** | | | | | |
| Net cash provided by (used in) operating activities | $ (499,102) | $ 370,585 | $ 4,195 | $ | $ (124,322) |
| **Cash flows from investing activities** | | | | | |
| Capital expenditures, net | | (243,933) | (5,410) | | (249,343) |
| Investments in and advances to unconsolidated affiliates | | (227,184) | | | (227,184) |
| Property damage insurance recoveries | | 11,361 | | | 11,361 |
| Other | | (8,498) | | | (8,498) |
| Net cash provided by (used in) investing activities | | (468,254) | (5,410) | | (473,664) |
| **Cash flows from financing activities** | | | | | |
| Net borrowings (repayments) under bank credit facilities maturities of 90 days or less | 521,000 | | (14,450) | | 506,550 |
| Borrowings under bank credit facilities maturities longer than 90 days | 3,030,000 | | | | 3,030,000 |
| Repayments under bank credit facilities maturities longer than 90 days | (1,750,000) | | | | (1,750,000) |
| Retirement of senior notes | | (180,442) | | | (180,442) |
| Issuance of common stock upon exercise of stock options | 6,395 | | | | 6,395 |
| Repurchase of common stock | (1,107,166) | | | | (1,107,166) |
| | 7,072 | | | | 7,072 |

| | | | | | |
|---|---|---|---|---|---|
| Excess tax benefits from exercise of stock options | | | | | |
| Intercompany accounts | (169,478) | 153,497 | 15,981 | | |
| Other | | (82) | (14) | | (96) |
| Net cash provided by (used in) financing activities | 537,823 | (27,027) | 1,517 | | 512,313 |
| **Cash and cash equivalents** | | | | | |
| Net increase (decrease) for the period | 38,721 | (124,696) | 302 | | (85,673) |
| Change in cash related to assets held for sale | | 1,028 | | | 1,028 |
| Balance, beginning of period | 17,289 | 360,403 | 34,698 | | 412,390 |
| Balance, end of period | $ 56,010 | $ 236,735 | $ 35,000 | $ | $ 327,745 |

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

**Executive Overview**

*Liquidity and Financial Position*

We have significant indebtedness and significant financial commitments in 2009. As of March 31, 2009, we had approximately $14.4 billion of total debt. We are uncertain as to whether we will be able to generate cash flows from operations or other sources to fund our 2009 financial commitments and cannot provide any assurances that we will be able to raise additional capital to fund our anticipated expenditures in 2009.

In late February 2009, we borrowed $842 million under our senior credit facility, which amount represented after giving effect to $93 million in outstanding letters of credit the total amount of unused borrowing capacity available under our $7.0 billion senior credit facility. In connection with the waivers and amendments, discussed below, we repaid $300 million on March 17, 2009 and $100 million on April 29, 2009 under the senior credit facility. Such amounts are not available for reborrowing without the consent of the lenders. We have no other existing sources of borrowing availability, except to the extent we pay down further amounts outstanding under the senior credit facility.

As of March 31, 2009, we were not in compliance with the financial covenants under our senior credit facility. On March 16, 2009, we entered into an amendment and waiver to our senior credit facility, which provided for, among other conditions, a waiver of the requirement that we comply with such financial covenants through May 15, 2009. In addition to the March 16, 2009 amendment and waiver, we entered into certain subsequent amendments to the senior credit facility allowing for additional investments in CityCenter and, on April 29, 2009, we entered into a further amendment and waiver through June 30, 2009 which provided for the following:

We were able to fulfill our remaining equity commitment to CityCenter through the issuance of an irrevocable letter of credit in the amount of $224 million and entered into a revised completion guarantee to CityCenter;

We granted security interests in the assets of Gold Strike Tunica and certain undeveloped land on the Las Vegas Strip, subject to gaming and other approvals, to secure debt under the facility in an amount up to $300 million;

MGM Grand Detroit, which is a co-borrower under the senior credit facility, agreed to grant the lenders a security interest in its assets to secure its borrowings under the facility, subject to gaming and other approvals.

Following expiration of the current waiver on June 30, 2009, we will be subject to an event of default related to the noncompliance with financial covenants under the senior credit facility at March 31, 2009. Under the terms of the senior credit facility, noncompliance with such financial covenants is an event of default, under which the lenders (with a vote of more than 50% of the lenders) may exercise any or all of the following remedies:

Terminate their commitments to fund additional borrowings;

Require cash collateral for outstanding letters of credit;

Demand immediate repayment of all outstanding borrowings under the senior credit facility;

Decline to release subsidiary guarantees, which would impact our ability to execute asset dispositions.

In addition, there are provisions in our indentures governing our senior and senior subordinated notes under which a) the event of default under the senior secured credit facility, or b) the remedies under an event of default under the senior credit facility, would cause an event of default under the relevant senior and senior subordinated notes, which would allow holders of our senior and senior subordinated notes to demand immediate repayment and decline to release subsidiary guarantees. If the lenders exercise any or all such rights, we may determine to seek relief through a filing under the U.S. Bankruptcy Code.

The conditions and events described above raise a substantial doubt about our ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments to reflect the possible

future effects on the recoverability of assets or the amounts of liabilities that may result should we be unable to continue as a going concern. Management s plans in regard to these matters are described below.

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We intend to work with our lenders to obtain additional waivers or amendments prior to June 30, 2009 to address future noncompliance with the senior credit facility; however, we can provide no assurance that we will be able to secure such waivers or amendments. We have also retained the services of outside advisors to assist us in instituting and implementing any required programs to accomplish management s objectives. We are evaluating the possibility of a) disposing of certain assets, b) raising additional debt and/or equity capital, and c) modifying or extending our long-term debt. However, there can be no assurance that we will be successful in achieving our objectives.

*Current Operations*

At March 31, 2009, our primary operations consisted of 16 wholly-owned casino resorts and 50% investments in four other casino resorts, including:

| | |
|---|---|
| Las Vegas, Nevada: | Bellagio, MGM Grand Las Vegas, Mandalay Bay, Mirage, Luxor, New York-New York, Excalibur, Monte Carlo, Circus Circus Las Vegas, and Slots-A-Fun. |
| Other: | Circus Circus Reno and Silver Legacy (50% owned) in Reno, Nevada; Gold Strike in Jean, Nevada; Railroad Pass in Henderson, Nevada; MGM Grand Detroit; Beau Rivage in Biloxi, Mississippi and Gold Strike Tunica in Tunica, Mississippi; Borgata (50% owned) in Atlantic City, New Jersey; Grand Victoria (50% owned) in Elgin, Illinois; and MGM Grand Macau (50% owned). |

Other operations include the Shadow Creek golf course in North Las Vegas; the Primm Valley Golf Club at the California state line; and Fallen Oak golf course in Saucier, Mississippi. In March 2009, we completed the sale of TI see Other Factors Affecting Liquidity.

We own 50% of CityCenter, currently under development on a 67-acre site on the Las Vegas Strip, between Bellagio and Monte Carlo. Infinity World Development Corp ( Infinity World ), a wholly-owned subsidiary of Dubai World, a Dubai, United Arab Emirates government decree entity, owns the other 50% of CityCenter. CityCenter will feature a 4,000-room casino resort designed by world-famous architect Cesar Pelli; two 400-room non-gaming boutique hotels, one of which will be managed by luxury hotelier Mandarin Oriental; approximately 425,000 square feet of retail shops, dining and entertainment venues; and approximately 2.1 million square feet of residential space in approximately 2,400 luxury condominium and condominium-hotel units in multiple towers. CityCenter is expected to open in late 2009, except the opening of The Harmon Hotel & Spa has been postponed until such time as the Company and Infinity World mutually agree to proceed with its completion, and the development of the approximately 200 Harmon residential units has been cancelled. We are serving as the developer of CityCenter and, upon completion of construction, we will manage CityCenter for a fee.

Our primary business is the ownership and operation of casino resorts, which includes offering gaming, hotel, dining, entertainment, retail and other resort amenities. Over half of our net revenue is derived from non-gaming activities, a higher percentage than many of our competitors, as our operating philosophy is to provide a complete resort experience for our guests, including non-gaming amenities which command above market prices based on their quality. Our significant convention and meeting facilities allow us 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. We believe that we own several of the premier casino resorts in the world and have continually reinvested in our resorts to maintain our competitive advantage.

As a resort-based company, our operating results are highly dependent on the volume of customers at our resorts, which in turn impacts the price we can charge for our hotel rooms and other amenities. We also generate a significant portion of our operating income from high-end gaming customers, which can cause variability in our results. Key performance indicators related to revenue are:

- Casino 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 win percentage is in the range of 18% to 22% of table games drop and our normal slots win percentage is in the range of 6.5% to 7.5% of slots handle;

Rooms revenue indicators hotel occupancy (volume indicator); average daily rate ( ADR, price indicator); revenue per available room ( REVPAR ), a summary measure of hotel results combining ADR and occupancy rate.

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Most of our revenue is essentially cash-based, through customers wagering with cash or paying for non-gaming services with cash or credit cards. Our resorts generate significant operating cash flow. Our industry is capital intensive and we rely heavily on the ability of our resorts to generate operating cash flow to repay debt financing, fund maintenance capital expenditures, and provide excess cash for future development.

We generate a majority of our net revenues and operating income from our resorts in Las Vegas, Nevada, which exposes us to certain risks outside of our control, such as competition from other recently opened or expanded Las Vegas resorts, and the impact from expansion of gaming in California. We are also exposed to risks related to tourism and the general economy, including national and global economic conditions and terrorist attacks or other global events.

Our results of operations do not tend to be seasonal in nature, though a variety of factors may affect the results of any interim period, including the timing of major Las Vegas conventions, the amount and timing of marketing and special events for our high-end customers, and the level of play during major holidays, including New Year and Chinese New Year. We market to different customer segments to manage our hotel occupancy, such as targeting large conventions to ensure mid-week occupancy. Our results do not depend on key individual customers, though our success in marketing to customer groups, such as convention customers, or the financial health of customer segments, such as business travelers or high-end gaming customers from a particular country or region, can impact our results. In addition, our operating income is significantly impacted by room rates we are able to yield at our resorts.

*Impact of Current Economic Conditions and Credit Markets on Results of Operations*

The current state of the United States economy has negatively impacted our results of operations since 2008 and we expect these impacts to continue during 2009. The decrease in liquidity in the credit markets which began in late 2007 and accelerated in late 2008 has also significantly impacted our Company.

We believe recent economic conditions and our customers inability to access near-term credit has led to a shift in spending from discretionary items to fundamental costs like housing, as witnessed in broader indications of consumer behavior such as the declining sales trends in automobile and other retail sales and other discretionary spending in sectors like restaurants. We believe these factors have impacted our customers willingness to plan vacations and conventions and their level of spending while at our resorts. Other conditions currently or recently present in the economic environment are conditions which tend to negatively impact our results, such as:

Weak housing market and significant declines in housing prices and related home equity;

Weaknesses in employment and increases in unemployment;

Decreases in air capacity to Las Vegas; and

Decreases in equity market value, which impacted many of our customers.

Given the uncertainty in the economy and the unprecedented nature of the situation with the financial and credit markets, forecasting future results has become very difficult. In addition, leading indicators such as forward room bookings are difficult to assess, as our booking window has shortened significantly due to consumer uncertainty. Businesses and consumers appear to have altered their spending patterns which may lead to further decreases in visitor volumes and customer spending including convention and conference customers cancelling or postponing their events.

Because of these economic conditions, we have increasingly focused on managing costs. For example, we have reduced our salaried management positions; we did not pay discretionary bonuses in 2008 due to not meeting our internal profit targets; we suspended Company contributions to our 401(k) plan and our nonqualified deferred compensation plans; we rescinded cost of living increases for non-union employees; and we have been managing staffing levels across all our resorts. The average number of full-time equivalents at our resorts decreased 16% for the first quarter of 2009 versus the 2008 first quarter. We continue to review costs at the corporate and operating levels to identify further opportunities for cost reductions.

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Additionally, our results of operations are impacted by decisions we make related to our capital allocation, our access to capital, and our cost of capital all of which are impacted by the uncertain state of the global economy and the continued instability in the capital markets. For example:

In connection with the September 2008 and March 2009 amendments to our bank credit facility we will incur higher interest costs;

Our November 2008 senior secured notes offering was completed at a higher interest rate than our existing fixed-rate indebtedness;

We will incur high interest costs as a result of the additional borrowings under our senior credit facility discussed above;

In February and March 2009, all of the major credit rating agencies Moody s, Standard & Poors, and Fitch downgraded the rating on our long-term debt. These rating downgrades may make it more difficult to obtain debt financing or may increase the cost of our future debt financing; and

Based on our current financial situation, we may be required to alter our working capital management practices to, for instance, post cash collateral for purchases or pay vendors on different terms than we have in the past.

**Results of Operations**

The following discussion is based on our consolidated financial statements for the three months ended March 2009 and 2008. In addition to the pervasive economic factors discussed above, comparability of our results was impacted by the closure of Monte Carlo from January 25, 2008 through February 14, 2008 due to a rooftop fire. Monte Carlo earned operating income of $23 million for the three months ended March 31, 2009, which included $22 million of insurance recovery income, compared to $8 million for the three months ended March 31, 2008.

Our net revenue decreased 20% compared to the prior year. Revenues were negatively impacted by increased convention cancellations and continued decline in discretionary spending due to the weakened economy. The convention cancellations forced the Company to shift hotel business to the leisure segment at lower rates to maximize occupancy levels. Gaming and other sources of revenue continues to be impacted by lower visitor spending and reduced occupancy at our resorts during the first quarter of 2009. Our regional resorts generally performed better relative to the Las Vegas Strip resorts. Operating income increased 49% at MGM Grand Detroit and 24% at the Company s Mississippi resorts compared to the prior year.

Operating income for the first quarter of 2009 was $355 million compared to $341 million in the first quarter of 2008. The current year results include a pre-tax gain of $190 million on the TI sale and $22 million of insurance recoveries related to the Monte Carlo fire. Operating income decreased 56% excluding these items and the impact from higher preopening expenses and other property transactions. On a comparable basis, our operating margin decreased to 10% from 19% in the 2008 first quarter, and was significantly impacted by lower average room rates and the sharp drop in convention volumes in the early part of the quarter. As discussed above, we have implemented many cost saving measures which have partially alleviated the pressure on our operating margins driven by the decreased revenues.

*Operating Results Detailed Revenue Information*

The following table presents details of our net revenues:

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | 2009 | Percentage Change | 2008 |
| | | *(In thousands)* | |
| Casino revenue, net: | | | |
| Table games | $ 243,973 | (21%) | $ 308,348 |
| Slots | 397,333 | (12%) | 453,665 |

| | | | |
|---|---|---|---|
| Other | 23,421 | (18%) | 28,451 |
| Casino revenue, net | 664,727 | (16%) | 790,464 |
| Non-casino revenue: | | | |
| Rooms | 355,044 | (32%) | 518,741 |
| Food and beverage | 338,397 | (16%) | 402,392 |
| Entertainment, retail and other | 303,379 | (13%) | 346,848 |
| Non-casino revenue | 996,820 | (21%) | 1,267,981 |
| | 1,661,547 | (19%) | 2,058,445 |
| Less: Promotional allowances | (162,752) | (7%) | (174,812) |
| | $ 1,498,795 | (20%) | $ 1,883,633 |

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Table games volume, excluding baccarat, decreased 20% compared to the prior year; the high-end of the gaming market was more resilient, with baccarat volume down only 1%. Table games hold percentages were near the top end of the Company s normal range in both periods, and slightly lower in 2009. Slots revenue decreased 18% on the Las Vegas Strip. Slots revenue only decreased 6% at our regional resorts.

Room revenues decreased 32% overall, with a 34% decrease in Las Vegas Strip REVPAR. We had 49,000 more room nights available company-wide, 45,000 on the Las Vegas Strip, mostly attributable to the prior year Monte Carlo fire. The following table shows key hotel statistics for our Las Vegas Strip resorts:

| **Three months ended March 31,** | **2009** | **2008** |
|---|---|---|
| Occupancy % | 87% | 93% |
| Average Daily Rate (ADR) | $ 117 | $ 165 |
| Revenue per Available Room (REVPAR) | $ 102 | $ 154 |

Food and beverage revenue declined 16%, a large portion of which related to a reduction in convention and banquet business. Entertainment revenue declined 12%, mainly related to a reduction in revenue generated from Cirque du Soleil production shows coupled with a reduction in convention-related production revenue. Other revenue declined 7% due to a decline in attraction revenue and a reduction in spa and salon sales.

*Operating Results Details of Certain Charges*

Preopening and start-up expenses were $8 million in the 2009 quarter versus $5 million in 2008. The current year amount consists largely of our portion of CityCenter s preopening expenses.

Property transactions, net consisted of the following:

| **Three months ended March 31,** | **2009** | **2008** |
|---|---|---|
| | ***(In thousands)*** | |
| Write-downs and impairments | $ 2,028 | $ 2,643 |
| Insurance recoveries | (7,186) | |
| Demolition costs | | 84 |
| Gain on sale of TI | (190,370) | |
| Net (gains) losses on sale or disposal of fixed assets | 403 | 49 |
| | $ (195,125) | $ 2,776 |

Write-downs and impairments in 2009 primarily related to the write-off of several abandoned capital projects. Insurance recoveries relate to property damage income for the Monte Carlo fire. Write-downs and impairments in 2008 primarily related to a damaged marquee sign at Bellagio and assets written off in conjunction with retail store changes at Mandalay Bay.

*Operating Results Income from Unconsolidated Affiliates*

Income from unconsolidated affiliates decreased by $19 million in the quarter related to reductions in income at MGM Grand Macau and Borgata.

*Non-operating Results*

Net interest expense increased to $172 million in the 2009 first quarter from $150 million in the 2008 period. Gross interest expense increased by $51 million due to an increase in total debt outstanding, higher borrowing rates under our senior credit facility, the 13% interest rate on our senior secured notes issued in October 2008, and interest related to our CityCenter delayed equity contributions. Capitalized interest increased to $68 million from $39 million in 2008 due to additional interest capitalized on our CityCenter investment and capitalized interest related to our CityCenter delayed equity contribution.

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**Liquidity and Capital Resources**

*Cash Flows Operating Activities*

Cash provided by operating activities was $134 million for the three months ended March 31, 2009, compared to cash used in operations of $124 million in the prior year period. The prior year period included a significant income tax payment made in the first quarter of 2008 related to the contribution of CityCenter to a joint venture. At March 31, 2009, we held cash and cash equivalents of $1.4 billion.

*Cash Flows Investing Activities*

Capital expenditures of $59 million in 2009 were primarily maintenance capital expenditures and our portion of the construction costs related to the people mover connecting Monte Carlo and Bellagio to CityCenter. In the 2008 quarter, capital expenditures primarily consisted of room remodel costs, primarily at The Mirage, TI, and Excalibur; trailing payments on the construction of MGM Grand Detroit; payments for corporate aircraft; payments for the showroom *Believe* at Luxor; and other routine capital expenditures.

During the first quarter of 2009, we received $590 million of net proceeds from the sale of TI and funded $437 million to CityCenter, of which $100 million was funded on behalf of Infinity World.

*Cash Flows Financing Activities*

In the quarter ended March 31, 2009, we borrowed net debt of $897 million. During the first quarter of 2008, we completed, along with a wholly-owned subsidiary of Dubai World, a joint tender offer to purchase 15 million shares of the Company s common stock at a price of $80 per share. We purchased 8.5 million shares at a total purchase price of $680 million. In addition, we repurchased 7 million shares of our common stock on the open market at a cost of $427 million during the three months ended March 31, 2008, and we repaid $180 million of 6.75% senior notes at maturity in February 2008.

*Other Factors Affecting Liquidity*

**Long-term debt payable in 2009**. We have $226 million of principal of senior notes due in July 2009 and $820 million of principal of senior notes due in October 2009.

**City Center**. In April 2009, we and Dubai World entered into an amended and restated joint venture agreement. Also in April 2009, CityCenter and its lenders entered into an amendment to the bank credit facility. Under the terms of these agreements, CityCenter s lenders funded the full $1.8 billion credit facility and we and Dubai World funded our remaining equity contributions through irrevocable letters of credit, our portion of which totaled $224 million. Construction expenditures will be funded by the credit facility and the letters of credit on a pro rata basis. The letters of credit will be drawn as follows: Infinity World for the first $135 million, our portion for the next $224 million and Infinity World for the final $359 million. Under the amended joint venture agreement the provisions for distributions allow the first $494 million of available distributions to be distributed on a priority basis to Infinity World, with the next $494 million of distributions made to us, and distributions shared equally thereafter.

In conjunction with these amendments, the completion guarantees were also amended to a) relieve Dubai World of its completion guarantee as amounts are funded from its letter of credit, and b) require an unlimited completion and cost overrun guarantee from us, secured by our interests in the assets of Circus Circus Las Vegas and certain adjacent undeveloped land.

**Sale of TI.** On March 20, 2009, we closed the sale of the TI to Ruffin Acquisition, LLC. At closing, we received $600 million in cash proceeds and a $175 million secured note bearing interest at 10% payable not later than 36 months after closing. Ruffin Acquisition exercised its option, provided for by an amendment to the purchase agreement, to prepay the note on or before April 30, 2009 and receive a $20 million discount on the purchase price. In connection with the sale of TI, TI was released as a guarantor of the outstanding indebtedness of the Company and its subsidiaries. Under the terms of our 13% senior secured notes, within 360 days of the receipt of the proceeds from the TI sale we must either invest such proceeds in qualifying investments, which includes capital expenditures, or offer to repurchase the senior notes at par.

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**Market Risk**

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

As of March 31, 2009, long-term variable rate borrowings represented approximately 46% of our total borrowings. Assuming a 100 basis-point change in LIBOR at March 31, 2009, our annual interest cost would change by approximately $66 million. The following table provides additional information about our long-term debt subject to changes in interest rates.

| | Debt maturing in, | | | | | | | Fair Value March 31, |
|---|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 | Thereafter | Total | 2009 |
| | | | | *(In millions)* | | | | |
| Fixed rate | $1,048 | $1,087 | $ 531 | $ 545 | $1,339 | $3,195 | $7,745 | $3,149 |
| Average interest rate | 6.1% | 8.7% | 7.9% | 6.8% | 10.1% | 7.0% | 7.7% | |
| Variable rate | $ | $ | $6,607 | $ | $ | $ | $6,607 | $3,303 |
| Average interest rate | N/A | N/A | 4.8% | N/A | N/A | N/A | 4.8% | |

**Forward-looking Statements**

(Cautionary Statements Under the Private Securities Litigation Reform Act of 1995)

This Form 10-Q contains some forward-looking statements. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They contain words such as anticipate, estimate, expect, project, intend, plan, b may, could, might and other words or phrases of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, new projects, future performance, the outcome of contingencies such as legal proceedings and future financial results. From time to time, we also provide oral or written forward-looking statements in our Forms 10-K, Annual Reports to Stockholders, Forms 8-K, press releases and other materials we release to the public. Any or all of our forward-looking statements in this Form 10-Q and in any other public statements we make may turn out to be wrong. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Many factors mentioned in this Form 10-Q for example, government regulation and the competitive environment will be important in determining our future results. Consequently, no forward-looking statement can be guaranteed. Our actual future results may differ materially.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our Forms 10-K, 10-Q and 8-K reports to the Securities and Exchange Commission. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

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.

**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.

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**Item 4. Controls and Procedures**

Our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) have concluded that the design and operation of our disclosure controls and procedures are effective as of March 31, 2009. This conclusion is based on an evaluation conducted under the supervision and with the participation of Company management. Disclosure controls and procedures are those controls and procedures which ensure that information required to be disclosed in this filing is accumulated and communicated to management and is recorded, processed, summarized and reported in a timely manner and in accordance with Securities and Exchange Commission rules and regulations.

During the quarter ended March 31, 2009, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Part II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

For a complete description of the facts and circumstances surrounding material litigation we are a party to, see our Annual Report on Form 10-K for the year ended December 31, 2008. There have been no significant developments in any of the cases disclosed in our Form 10-K in the three months ended March 31, 2009.

**Item 1A. Risk Factors**

A complete 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, 2008. There have been no material changes to those factors in the three months ended March 31, 2009.

**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, 2009. The maximum number of available for repurchase as under our May 2008 repurchase program was 20 million as of March 31, 2009.

**Item 6. Exhibits**

10.1 Amended and Restated Limited Liability Company Agreement of CityCenter Holdings, LLC, dated April 29, 2009, by and between Project CC, LLC and Infinity World Development Corp. (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated April 29, 2009 (the April 2009 8-K )).

10.2 Amendment No. 1 to the Sponsor Contribution Agreement, dated April 29, 2009, among MGM MIRAGE, CityCenter Holdings, LLC and Bank of America, N.A. (incorporated by reference to Exhibit 10.2 to the April 2009 8-K).

10.3 Amended and Restated Sponsor Completion Guarantee, dated April 29, 2009, among MGM MIRAGE, CityCenter Holdings, LLC and Bank of America, N.A. (incorporated by reference to Exhibit 10.3 to the April 2009 8-K).

10.4 Amendment No. 5 and Waiver, dated April 29, 2009, by and among MGM MIRAGE, as borrower; MGM Grand Detroit, LLC, as co-borrower; the Lenders and Co-Documentation Agents named therein; Bank of America, N.A., as Administrative Agent; the Royal Bank of Scotland PLC, as Syndication Agent; Bank of America Securities LLC and The Royal Bank of Scotland PLC, as Joint Lead Arrangers; and Bank of America Securities LLC, The Royal Bank of Scotland PLC, J.P. Morgan Securities Inc., Citibank North America, Inc. and Deutsche Bank Securities Inc. as Joint Book Managers (incorporated by reference to Exhibit 10.4 to the April 2009 8-K).

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10.5 Amendment No. 4, dated April 9, 2009, to the Fifth Amended and Restated Loan Agreement dated as of October 3, 2006, by and among MGM MIRAGE, as borrower; MGM Grand Detroit, LLC, as co-borrower; the Lenders and Co-Documentation Agents named therein; Bank of America, N.A., as Administrative Agent; the Royal Bank of Scotland PLC, as Syndication Agent; Bank of America Securities LLC and The Royal Bank of Scotland PLC, as Joint Lead Arrangers; and Bank of America Securities LLC, The Royal Bank of Scotland PLC, J.P. Morgan Securities Inc., Citibank North America, Inc. and Deutsche Bank Securities Inc. as Joint Book Managers. (incorporated by reference to Exhibit 10 to the Company s Current Report on Form 8-K dated April 9, 2009).

10.6 Amendment No. 3, dated March 26, 2009, to the Fifth Amended and Restated Loan Agreement dated as of October 3, 2006, by and among MGM MIRAGE, as borrower; MGM Grand Detroit, LLC, as co-borrower; the Lenders and Co-Documentation Agents named therein; Bank of America, N.A., as Administrative Agent; the Royal Bank of Scotland PLC, as Syndication Agent; Bank of America Securities LLC and The Royal Bank of Scotland PLC, as Joint Lead Arrangers; and Bank of America Securities LLC, The Royal Bank of Scotland PLC, J.P. Morgan Securities Inc., Citibank North America, Inc. and Deutsche Bank Securities Inc. as Joint Book Managers. (incorporated by reference to Exhibit 10 to the Company s Current Report on Form 8-K dated March 26, 2009).

10.7 Amendment No. 2 and Waiver, dated March 16, 2009, to the Fifth Amended and Restated Loan Agreement dated as of October 3, 2006, by and among MGM MIRAGE, as borrower; MGM Grand Detroit, LLC, as co-borrower; the Lenders and Co-Documentation Agents named therein; Bank of America, N.A., as Administrative Agent; the Royal Bank of Scotland PLC, as Syndication Agent; Bank of America Securities LLC and The Royal Bank of Scotland PLC, as Joint Lead Arrangers; and Bank of America Securities LLC, The Royal Bank of Scotland PLC, J.P. Morgan Securities Inc., Citibank North America, Inc. and Deutsche Bank Securities Inc. as Joint Book Managers. (incorporated by reference to Exhibit 10 to the Company s Current Report on Form 8-K dated March 16, 2009).

10.8 Amended and Restated 2005 Omnibus Incentive Plan. (incorporated by reference to Exhibit 10 to the Company s Current Report on Form 8-K dated April 3, 2009).

10.9 Employment Agreement, effective as of April 6, 2009, between the Company and James J. Murren. (incorporated by reference to Exhibit 10 to the Company s Current Report on Form 8-K/A dated April 6, 2009).

10.10 Amendment No. 2, dated April 29, 2009, to the Operating Agreement of IKM JV, LLC (incorporate by reference to Exhibit 10 to the Company s Current Report on Form 8-K dated April 29, 2009).

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.

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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 MIRAGE

Date: May 11, 2009

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

Date: May 11, 2009

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