



**MGM RESORTS**  
INTERNATIONAL®

WELCOME TO THE SHOW

ANNUAL REPORT 2016



## DEAR SHAREHOLDERS,

In 2016, MGM Resorts reported consolidated Net Revenue of \$9.5 billion, Net Income attributable to MGM Resorts of \$1.1 billion, and Adjusted Property EBITDA of \$3.1 billion. Our domestic resorts achieved Net Revenue of \$7.1 billion and Adjusted Property EBITDA of \$2.1 billion, an increase year-over-year of 9% and 22%, respectively. CityCenter resort operations experienced a record year with strong financial performance campus-wide and completed the sale of The Shops at Crystals for \$1.1 billion, resulting in a \$540 million dividend to MGM Resorts. In August, we acquired the remaining 50% interest in Borgata, and in December opened MGM National Harbor, expanding our presence on the East Coast. In Macau, MGM China continues to shine earning Net Revenue and Adjusted EBITDA of \$1.9 billion and \$521 million, respectively. In September, MGM purchased an additional 5% stake in MGM China—increasing its ownership to 56% and is a direct reflection of our continued confidence in the future of the Macau marketplace and the ongoing success of MGM China as we expand into Cotai in 2017.

MGM Resorts International has evolved into one of the world's leading entertainment companies, widely regarded for creating unforgettable experiences through our iconic suite of resort brands. This success is rooted in a deeply held belief that the desire for fun and enjoyment is more than a pastime, it's a fundamental human need. It's born of our refusal to accept the status quo and our passion for delivering with excellence. It also stems from our commitment to corporate responsibility that ensures the greatest possible return to you, our shareholders. So with each new endeavor, we ask ourselves: Will it endure? Is it transformational to the destination? Does it meet the standard of discipline required to deliver greater value?

This past year, we celebrated several new and exciting additions that met both our high creative standards and our commitment to fiscal responsibility. We also accomplished many strategic objectives that strengthened our balance sheet, assured our leading position in new markets and further cemented our reputation among the most recognizable hospitality brands in the U.S. and around the world.





## ANCHORING OUR LEADERSHIP IN ENTERTAINMENT

MGM Resorts continues to invest in targeted opportunities to elevate the customer experience and drive visitation to our destinations. We expanded our spectrum of live entertainment with the opening of the highly awarded T-Mobile Arena and Park Theater at Monte Carlo in Las Vegas and The Theater at MGM National Harbor in Maryland. These additions to our portfolio, along with our enduring partnerships with Cirque du Soleil, AEG and Live Nation, solidify our dominance as the leader in live entertainment.

## INNOVATING TO CREATE VALUE

On April 25, 2016, MGM Growth Properties (“MGP”) completed its \$1.2 billion initial public offering, and has become a leading publicly traded real estate investment trust (“REIT”), majority controlled by MGM Resorts, and engaged in the acquisition, ownership, and leasing of large scale hospitality and leisure assets. The successful formation of MGP highlights the significant underlying value of MGM Resorts’ irreplaceable assets and brings numerous strategic and financial benefits, including deleveraging our balance sheet and enhancing our financial flexibility to execute on our growth strategy.

## CONTINUOUS IMPROVEMENT DRIVES OPERATIONAL EXCELLENCE

The success of the Profit Growth Plan and the transformation from within the organization to embrace our “One Company, One Culture” vision has fundamentally changed the way we operate our business, as demonstrated by our improved operating efficiency since the launch of the plan in mid-2015. In 2016, our domestic resorts produced same-store Adjusted Property EBITDA margins of approximately 30%, an improvement of over 500 basis points since 2014. The plan showcases our persistence to drive continuous improvement throughout all aspects of the Company and remain the industry leader in innovation and operational excellence.

## DEVELOPMENT DRIVES MARKET DOMINANCE

Looking forward, we are excited about the highly anticipated unveiling of our second property in Asia, MGM COTAI, opening in the second half of 2017. This incredible property, designed as the “jewelry box” of Cotai, will offer approximately 1,500 hotel rooms and suites, retail and food and beverage offerings as well as the first international Mansion at MGM for the ultimate luxury experience. In addition, MGM COTAI will offer Asia’s first versatile theater and a Spectacle to wow every guest who steps foot in the resort. MGM MACAU and MGM COTAI each possess distinct characteristics that will enhance Macau’s diversified offerings and bring more innovative forms of entertainment to this growing, global tourism destination. Expanding our presence on the East Coast in the United States, MGM Springfield – our dynamic development in western Massachusetts—continues to progress as planned with an anticipated opening in late 2018. Sure to ignite a cultural and economic renaissance in this historic New England town, the approximately two-million-square-foot development combines new construction with revived historic buildings and offers more than 125,000 square feet of gaming space, a 250-room boutique hotel along Main Street with spa services, engaging dining and diverse retail.



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## TODAY: A STRONGER COMPANY

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A strong operational foundation built through our Profit Growth Plan, the successful initial public offering of MGM Growth Properties, our disciplined approach to value-generating opportunities and our focus on reducing leverage have significantly improved the Company's financial position and resulted in a more sustainable, enduring organization. This has resulted in upgrades to our corporate credit rating by the Big Three rating agencies—Moody's, Standard & Poor's and Fitch Ratings. Your Company's keen focus in executing on these strategic milestones has created a path to free cash flow and returning value to you, our shareholders, and is exemplified by the Company's adoption of a quarterly dividend policy with the first dividend of \$0.11 per share paid on March 15, 2017.

As we expand our presence across the U.S. and around the world, our reputation as a leading corporate citizen continues to grow. We are once again named among FORTUNE® Magazine's Most Admired Companies® and we remain committed to the fundamental imperative of helping build and strengthen the communities in which we operate through our commitments to corporate social responsibility, diversity and inclusion. I'd like to thank our shareholders for their continued support and acknowledge the dedication it takes from each of our 77,000 employees to make MGM Resorts a leader in global hospitality. The future has never been more exciting.

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Jim Murren  
*Chairman and Chief Executive Officer*



## 2016 Annual Report — Financial Section

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## SELECTED FINANCIAL DATA

The following reflects selected historical financial data that should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K. The historical results are not necessarily indicative of the results of operations to be expected in the future.

|   | 2016   | 2015          | 2014          | 2013          | 2012          |
|---|--|---------------|---------------|---------------|---------------|
|   | <i>(In thousands, except per share data)</i> |               |               |               |               |
| Net revenues .....  | \$ 9,455,123                                 | \$ 9,190,068  | \$ 10,081,984 | \$ 9,809,663  | \$ 9,160,844  |
| Operating income (loss) .....   | 2,079,787                                    | (156,232)     | 1,323,538     | 1,137,281     | 121,351       |
| Net income (loss) .....   | 1,236,878                                    | (1,039,649)   | 127,178       | 41,374        | (1,616,912)   |
| Net income (loss) attributable to MGM<br>Resorts International .....                | 1,101,440                                    | (447,720)     | (149,873)     | (171,734)     | (1,767,691)   |
| Earnings per share of common stock<br>attributable to MGM Resorts<br>International: |  |               |               |               |               |
| Basic:  |  |               |               |               |               |
| Net income (loss) per share .....   | \$ 1.94                                      | \$ (0.82)     | \$ (0.31)     | \$ (0.35)     | \$ (3.62)     |
| Weighted average number of shares ...   | 568,134                                      | 542,873       | 490,875       | 489,661       | 488,988       |
| Diluted:  |  |               |               |               |               |
| Net income (loss) per share .....   | \$ 1.92                                      | \$ (0.82)     | \$ (0.31)     | \$ (0.35)     | \$ (3.62)     |
| Weighted average number of shares ...   | 573,317                                      | 542,873       | 490,875       | 489,661       | 488,988       |
| At-year end:  |  |               |               |               |               |
| Total assets .....  | \$ 28,173,301                                | \$ 25,215,178 | \$ 26,593,914 | \$ 25,961,843 | \$ 26,157,799 |
| Total debt, including capital leases .....  | 13,000,792                                   | 12,713,416    | 14,063,563    | 13,326,441    | 13,462,968    |
| Stockholders’ equity .....  | 9,969,312                                    | 7,764,427     | 7,628,274     | 7,860,495     | 8,116,016     |
| MGM Resorts International<br>stockholders’ equity .....                             | 6,220,180                                    | 5,119,927     | 4,090,917     | 4,216,051     | 4,365,548     |
| MGM Resorts International<br>stockholders’ equity per share .....                   | \$ 10.83                                     | \$ 9.06       | \$ 8.33       | \$ 8.60       | \$ 8.92       |
| Number of shares outstanding .....  | 574,124                                      | 564,839       | 491,292       | 490,361       | 489,234       |

The following events/transactions affect the year-to-year comparability of the selected financial data presented above:

### Acquisitions, Dispositions, and MGP Transaction

- In 2016, we recorded a \$401 million gain for our share of CityCenter’s gain on the sale of the Shops at Crystals (“Crystals”). The gain included \$200 million representing our share of the gain recorded by CityCenter and \$201 million representing the reversal of certain basis differences. The basis differences primarily related to other-than-temporary impairment charges recorded on our investment in CityCenter that were allocated to Crystals’ building assets.
- In 2016, we received proceeds of \$1.2 billion and paid \$75 million in issuance costs in connection with MGP’s IPO. See Note 1 to the accompanying consolidated financial statements for additional information.
- In 2016, we recorded a gain of \$430 million on the acquisition of Boyd Gaming’s ownership interest in Borgata. Upon acquisition of Borgata on August 1, 2016, we began consolidating the results of Borgata and ceased recording of Borgata’s results as an equity method investment.
- In 2016, we opened MGM National Harbor, an integrated casino, hotel and entertainment resort in Prince George’s County at National Harbor, which is a waterfront development located on the Potomac River just outside of Washington, D.C.

## Other

- In 2012, we recorded non-cash impairment charges of \$85 million related to our investment in Grand Victoria, \$65 million related to our investment in Borgata, \$366 million related to our land on the north end of the Las Vegas Strip, \$167 million related to our Atlantic City land and \$47 million for the South Jersey Transportation Authority special revenue bonds we hold.
- In 2012, we recorded a charge of \$18 million related to our share of the CityCenter residential real estate impairment charge and a charge of \$16 million related to our share of CityCenter's Harmon demolition costs.
- In 2012, we recorded a \$563 million loss on debt retirement in connection with the February 2012 amendment and restatement of our senior credit facility and in connection with our December 2012 refinancing transactions.
- In 2013, we recorded non-cash impairment charges of \$37 million related to our investment in Grand Victoria, \$20 million related to our land in Jean and Sloan, Nevada, and \$45 million related to corporate buildings expected to be removed from service.
- In 2013, we recorded a \$70 million loss for our share of CityCenter's non-operating loss on retirement of long-term debt, primarily consisting of premiums associated with the redemption of the existing first and second lien notes as well as the write-off of previously unamortized debt issuance costs and a gain of \$12 million related to our share of Silver Legacy's non-operating gain on retirement of long-term debt.
- In 2014, we recorded a non-cash impairment charge of \$29 million related to our investment in Grand Victoria.
- In 2015, we recorded non-cash impairment charges of \$1.5 billion to reduce the historical carrying value of goodwill related to the MGM China reporting unit and \$17 million related to our investment in Grand Victoria.
- In 2015, we recorded an \$80 million gain for our share of CityCenter's gain resulting from the final resolution of its construction litigation and related settlements.
- In 2015, we recorded a gain of \$23 million related to the sale of Circus Circus Reno and our 50% interest in Silver Legacy and associated real property.
- In 2016, we recorded a \$22 million loss related to our redemption of outstanding 7.50% senior notes due 2016 and 10% senior notes due 2016, and a \$16 million loss on the early retirement of debt related to outstanding 7.625% senior notes due 2017.
- In 2016, we recorded a \$28 million loss on debt retirement in connection with the amendment and restatement of our senior credit facility.
- In 2016, we recorded a \$152 million expense related to our strategic decision to exit the fully bundled sales system of NV Energy, which included \$13 million related to our share of CityCenter's portion of the payment.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Executive Overview

Our primary business is the ownership and operation of casino resorts, which offer gaming, hotel, convention, dining, entertainment, retail and other resort amenities. We own or invest in several of the finest casino resorts in the world and we continually reinvest in our resorts to maintain our competitive advantage. Most of our revenue is cash-based, through customers wagering with cash or paying for non-gaming services with cash or credit cards. We rely heavily on the ability of our resorts to generate operating cash flow to fund capital expenditures, provide excess cash flow for future development and repay debt financings. We make significant investments in our resorts through newly remodeled hotel rooms, restaurants, entertainment and nightlife offerings, as well as other new features and amenities.

During the year ended December 31, 2016, Las Vegas visitor volume increased 1%, Las Vegas Strip REVPAR increased 6% and Las Vegas Strip gaming revenue increased by less than 1% compared to the prior year period according to information published by the Las Vegas Convention and Visitors Authority. Results of operations for our domestic resorts during 2016 benefited from an increase in operating margins resulting from increases in gaming revenue and REVPAR, and the results of our Profit Growth Plan, discussed below. Our rooms revenue benefited from increased visitation to the Las Vegas market and robust convention business at our Las Vegas Strip resorts, which allowed us to yield higher room rates across our portfolio of resorts.

Gross gaming revenues in the Macau market decreased 3% in 2016 compared to 2015, and gross gaming revenues decreased 34% in 2015 compared to 2014. As a significant number of MGM Macau's customers are from mainland China, we believe operating results were negatively affected by economic conditions in mainland China as well as certain policy initiatives in mainland China and Macau. Specifically, a continuing slowdown in China's economic growth rate, the Chinese government's restrictions on travel and cross-border currency transactions, new compliance regulations for gaming promoters and gaming operators enacted by the Macau government and implemented in late 2015 and in 2016 and a ban on mobile phone usage at gaming tables in an attempt to eliminate "proxy" bets have all negatively affected MGM Macau's high-end customers and the gaming promoters with which we conduct our VIP casino gaming operations. In addition, the Chinese government's anti-corruption campaign has changed consumption patterns and affected the propensity of our clients to spend on certain areas like gaming or luxury items. The Macau government also implemented a full main floor casino smoking ban in October 2014. These factors led to a continued decrease in gross gaming revenues for the Macau market beginning in the second half of 2014 and lasted into 2016 primarily impacting VIP casino gaming operations and, to a lesser extent, main floor operations throughout the Macau market. Despite concerns over the recent events and the sustainability of economic growth in China, we expect the Macau market to grow on a long-term basis due to further development, penetration of the mainland China market and infrastructure improvements expected to facilitate more convenient travel to and within Macau, and we believe recent trends reflect stabilization within the Macau market. According to statistics published by the Statistics and Census Service of the Macau Government, after several quarters of declines in visitation throughout 2015, visitor arrivals increased slightly by 1% and overnight visitors increased 10% in 2016 compared to 2015. Additionally, gross gaming revenue increased year over year in each of the months from August 2016 through December 2016.

Our results of operations are affected by decisions we make related to our capital allocation, our access to capital and our cost of capital. While we continue to be focused on improving our financial position, we are also dedicated to capitalizing on development opportunities. In Macau, we estimate costs to develop MGM Cotai will be approximately \$3.3 billion, excluding development fees eliminated in consolidation, capitalized interest and land related costs. MGM Cotai is a casino resort with capacity for up to 500 gaming tables and up to 1,500 slots, and featuring approximately 1,500 hotel rooms, built on an approximately 18 acre site on the Cotai Strip in Macau. The actual number of gaming tables allocated to MGM Cotai will be determined by the Macau government prior to opening, and such allocation is expected to be less than our 500 gaming table capacity. MGM Cotai is expected to open in the second half of 2017.



We were awarded a casino license to build and operate MGM Springfield in Springfield, Massachusetts. MGM Springfield will be developed on approximately 14 acres of land in downtown Springfield. MGM's plans for the resort currently include a casino with approximately 3,000 slots and 100 table games including poker; a 250-room hotel; 100,000 square feet of retail and restaurant space; 44,000 square feet of meeting and event space; and a 3,375-space parking garage; with an expected development and construction cost of approximately \$865 million, excluding capitalized interest and land-related costs. Construction of MGM Springfield is expected to be completed in late 2018.

In August 2015, we announced the implementation of a Profit Growth Plan for sustained growth and margin enhancement. The Profit Growth Plan's initiatives focused on improving business processes to leverage our scale for greater efficiency and lower costs, and to identify areas of opportunity to organically drive incremental revenue growth. The Profit Growth Plan included a large number of initiatives to optimize operations and we continue to explore additional opportunities to drive further improvement. In June 2016, we announced that we expect to achieve approximately \$400 million of annualized Adjusted EBITDA benefit compared to our baseline, which we expect to be fully realized by the end of 2017.

#### *Formation and Initial Public Offering of MGP*

On April 25, 2016, MGM Growth Properties LLC ("MGP") completed its IPO of 57,500,000 of its Class A shares representing limited liability company interests (inclusive of the full exercise by the underwriters of their option to purchase 7,500,000 Class A shares) at an initial offering price of \$21 per share. MGP used the proceeds from the IPO to purchase Operating Partnership units in MGM Growth Properties Operating Partnership LP (the "Operating Partnership"), to which we contributed the real estate assets associated with The Mirage, Mandalay Bay, Luxor, New York-New York, Monte Carlo, Excalibur, The Park, Gold Strike Tunica, MGM Grand Detroit and Beau Rivage in exchange for Operating Partnership units in the Operating Partnership in connection with the IPO.

MGP is organized as an umbrella partnership REIT (commonly referred to as an "UPREIT") structure in which substantially all of its assets are owned by, and substantially all of its businesses are conducted through the Operating Partnership. MGP contributed the proceeds from the IPO to the Operating Partnership in exchange for 26.7% of the units in the Operating Partnership. The general partner of the Operating Partnership is also a wholly-owned subsidiary of MGP. As a result, MGP controls and consolidates the Operating Partnership. MGP has two classes of authorized and outstanding voting common shares (collectively, the "shares"): Class A shares and a single Class B share. We own MGP's Class B share, which does not provide its holder any rights to profits or losses or any rights to receive distributions from operations of MGP or upon liquidation or winding up of MGP. MGP's Class A shareholders are entitled to one vote per share, while we, as the owner of the Class B share, are entitled to an amount of votes representing a majority of the total voting power of MGP's shares so long as our and our controlled affiliates' (excluding MGP) aggregate beneficial ownership of the combined economic interests in MGP and the Operating Partnership does not fall below 30%. As such, we control MGP through our majority voting rights and consolidate MGP in our financial results. Subsequent to our acquisition of Borgata and subsequent contribution of Borgata's real estate assets to MGP as discussed below, our ownership in the Operating Partnership, increased from 73.3% to 76.3%. As a result of the Borgata transaction, MGP's ownership in the Operating Partnership was correspondingly reduced from 26.7% to 23.7%.

In connection with the formation of MGP, we borrowed \$4.0 billion under certain bridge facilities, the proceeds of which were used to repay outstanding obligations under our prior senior credit facility and to redeem our 7.5% senior notes due 2016 and our 10% senior notes due 2016. The bridge facilities were subsequently assumed by the Operating Partnership pursuant to the master contribution agreement. The Operating Partnership repaid the bridge facilities with a combination of proceeds from certain financing transactions and the proceeds from the IPO.

### *Acquisition of Borgata Hotel Casino & Spa*

On August 1, 2016, we completed the acquisition of Boyd Gaming Corporation's ("Boyd Gaming") ownership interest in Borgata, at which time Borgata became a consolidated subsidiary of ours. Accordingly, we recorded a gain of approximately \$430 million as a result of the acquisition of Borgata and resulting consolidation of Borgata, which we previously accounted for under the equity method. See Note 4 in the accompanying consolidated financial statements for additional information. Following completion of the acquisition, MGP subsequently acquired Borgata's real property from a subsidiary of ours in exchange for MGP's assumption of \$545 million of indebtedness from our subsidiary and the issuance of \$27.4 million Operating Partnership units to our subsidiary. In connection with the Borgata transaction, we borrowed \$545 million under certain bridge facilities, which were subsequently contributed to the Operating Partnership. The Operating Partnership repaid the bridge facilities with a combination of cash on hand and a draw down on their revolving credit facility, which it subsequently refinanced with proceeds from its offering of its 4.5% senior notes due 2026. Pursuant to an amendment to the master lease, MGP leased back the real property of Borgata to a subsidiary of ours and as a result, initial rent payments to MGP increased by \$100 million, prorated for the remainder of the first lease year after the Borgata transaction. Consistent with the master lease terms, 90% of this rent is fixed and will contractually grow at 2% per year until 2022.

### *Reportable Segments*

We have two reportable segments: domestic resorts and MGM China. We currently own and operate 14 resorts in the United States. MGM China's operations consist of MGM Macau resort and the development of MGM Cotai on the Cotai Strip in Macau. We have additional business activities including investments in unconsolidated affiliates, and certain other corporate and management operations. CityCenter is our most significant unconsolidated affiliate, which we also manage for a fee. Our operations that are not segregated into separate reportable segments are reported as "corporate and other" operations in our reconciliations of segment results to consolidated results.

**Domestic resorts.** At December 31, 2016, our domestic resorts consisted of the following casino resorts:

|                    |   |
|--------------------|---|
| Las Vegas, Nevada: | Bellagio, MGM Grand Las Vegas (including The Signature), Mandalay Bay (including Delano and Four Seasons), The Mirage, Luxor, New York-New York, Excalibur, Monte Carlo and Circus Circus Las Vegas.                      |
| Other:             | MGM Grand Detroit in Detroit, Michigan; Beau Rivage in Biloxi, Mississippi; Gold Strike Tunica in Tunica, Mississippi; Borgata in Atlantic City, New Jersey; and MGM National Harbor in Prince George's County, Maryland. |

Over half of the net revenue from our domestic resorts is derived from non-gaming operations including hotel, food and beverage, entertainment and other non-gaming amenities. We market to different customer groups and utilize our significant convention and meeting facilities to maximize hotel occupancy and customer volumes which also leads to better labor utilization. Our operating results are highly dependent on demand for our services, and the volume of customers at our resorts, which in turn affects the price we can charge for our hotel rooms and other amenities. Also, we generate a significant portion of our revenue from our domestic resorts in Las Vegas, Nevada, which exposes us to certain risks, such as increased competition from new or expanded Las Vegas resorts, and from the expansion of gaming in the United States generally.

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

- Gaming revenue indicators: table games drop and slots handle (volume indicators); "win" or "hold" percentage, which is not fully controllable by us. Our normal table games hold percentage is in the range of 19% to 23% of table games drop and our normal slots hold percentage is in the range of 8.5% to 9% of slots handle; and

- Hotel revenue indicators: hotel occupancy (a volume indicator); average daily rate (“ADR,” a price indicator); and revenue per available room (“REVPAR,” a summary measure of hotel results, combining ADR and occupancy rate). Our calculation of ADR, which is the average price of occupied rooms per day, includes the impact of complimentary rooms. Complimentary room rates are determined based on an analysis of retail or “cash” rates for each customer segment and each type of room product to estimate complimentary rates which are consistent with retail rates. Complimentary rates are reviewed at least annually and on an interim basis if there are significant changes in market conditions. Because the mix of rooms provided on a complimentary basis, particularly to casino customers, includes a disproportionate suite component, the composite ADR including complimentary rooms is slightly higher than the ADR for cash rooms, reflecting the higher retail value of suites.

**MGM China.** Subsequent to the acquisition of an additional 4.95% of the outstanding common shares of our MGM China subsidiary in September 2016, we own an approximate 56% controlling interest in MGM China, which owns MGM Grand Paradise, the Macau company that owns and operates MGM Macau and the related gaming subconcession and land concessions, and is in the process of developing MGM Cotai. We believe our investment in MGM China plays an important role in extending our reach internationally and will foster future growth and profitability.

Revenues at MGM Macau are generated from three primary customer segments in the Macau gaming market: VIP casino gaming operations, main floor gaming operations, and slot machine operations. VIP players play mostly in dedicated VIP rooms or designated gaming areas. VIP customers can be further divided into customers sourced by in-house VIP programs and those sourced through gaming promoters. A significant portion of our VIP volume is generated through the use of gaming promoters. Gaming promoters introduce VIP gaming players to MGM Macau, assist these customers with travel arrangements, and extend gaming credit to these players. In exchange for their services, gaming promoters are compensated through payment of revenue-sharing arrangements or rolling chip turnover based commissions. In-house VIP players also typically receive a commission based on the program in which they participate. MGM Macau main floor operations primarily consist of walk-in and day trip visitors. Unlike gaming promoters and in-house VIP players, main floor players do not receive commissions. The profit contribution from the main floor segment exceeds the VIP segment due to commission costs paid to gaming promoters. Gaming revenues from the main floor segment have become an increasingly significant portion of total gaming revenues in recent years and we believe this segment represents the most potential for sustainable growth in the future.

VIP gaming at MGM Macau is conducted by the use of special purpose nonnegotiable gaming chips. Gaming promoters purchase these nonnegotiable chips from MGM Macau and in turn they sell these chips to their players. The nonnegotiable chips allow MGM Macau to track the amount of wagering conducted by each gaming promoters’ clients in order to determine VIP gaming play. Gaming promoter commissions are based on a percentage of the gross table games win or a percentage of the table games turnover they generate. They also receive a complimentary allowance based on a percentage of the table games turnover they generate, which can be applied to hotel rooms, food and beverage and other discretionary customers-related expenses. The estimated portion of the gaming promoter payments that represent amounts passed through to VIP customers is recorded as a reduction of casino revenue, and the estimated portion retained by the gaming promoter for its compensation is recorded as casino expense. In-house VIP commissions are based on a percentage of rolling chip turnover and are recorded as a reduction of casino revenue.

In addition to the key performance indicators used by our domestic resorts, MGM Macau utilizes “turnover,” which is the sum of nonnegotiable chip wagers won by MGM Macau calculated as nonnegotiable chips purchased plus nonnegotiable chips exchanged less nonnegotiable chips returned. Turnover provides a basis for measuring VIP casino win percentage. Win for VIP gaming operations at MGM Macau is typically in the range of 2.7% to 3.0% of turnover.

**Corporate and other.** Corporate and other includes our investments in unconsolidated affiliates and certain management and other operations. See Note 1 and Note 7 to the accompanying consolidated financial statements for discussion of the Company’s unconsolidated affiliates.



## Results of Operations

The following discussion is based on our consolidated financial statements for the years ended December 31, 2016, 2015 and 2014.

### *Summary Operating Results*

The following table summarizes our operating results:

|                               | Year Ended December 31, |                |               |
|-------------------------------|-------------------------|----------------|---------------|
|                               | 2016                    | 2015           | 2014          |
|                               |                         | (In thousands) |               |
| Net revenues .....            | \$ 9,455,123            | \$ 9,190,068   | \$ 10,081,984 |
| Operating income (loss) ..... | 2,079,787               | (156,232)      | 1,323,538     |

Consolidated net revenues for 2016 increased 3% compared to 2015 due primarily to the Borgata transaction on August 1, 2016, the opening of MGM National Harbor in December 2016 and an increase in casino revenue, rooms revenue, food and beverage revenue, and other revenue including parking fee revenue at our domestic resorts, partially offset by a decrease in casino revenue at MGM China. Consolidated net revenues for 2015 decreased 9% compared to 2014 due primarily to a decrease in casino revenue at MGM China, offset by increases in casino and non-casino revenue at our domestic resorts. See “Operating Results – Detailed Segment Information” below for additional information related to segment revenues.

Consolidated operating income of \$2.1 billion in 2016 compared to an operating loss of \$156 million in 2015. Operating income in 2016 benefited from \$39 million of operating income from Borgata subsequent to the acquisition, a \$430 million gain recognized on the Borgata transaction, and an increase in income from unconsolidated affiliates primarily due to a \$401 million gain related to the sale of Crystals at CityCenter (see “Operating Results – Income (Loss) from Unconsolidated Affiliates” for further discussion). Operating income in 2016 was also negatively affected by charges of \$152 million of NV Energy exit expense associated with the Company’s strategic decision to exit the fully bundled sales system of NV Energy, which includes expense at our domestic resorts as well as our 50% share of expense recognized at CityCenter, an increase in preopening expense, and an increase in corporate expense. See “Operating Results – Details of Certain Charges” below for additional detail on our preopening expense. Corporate expense increased to \$313 million in 2016, due primarily to costs incurred to implement initiatives related to the Profit Growth Plan of \$23 million, costs associated with the initial public offering of MGP of \$25 million, transaction costs incurred in connection with the Borgata transaction, incremental performance-based compensation expense, and costs associated with a litigation settlement.

Consolidated operating loss of \$156 million in 2015 was negatively affected by an operating loss for MGM China that included a \$1.5 billion non-cash impairment charge to goodwill recognized in the acquisition of a controlling interest in MGM China in 2011. In connection with that acquisition, we recorded a \$3.5 billion non-cash gain. The 2015 impairment charge, which represents approximately 42% of the amount of the previously recognized gain, resulted from our annual review of our goodwill carrying values and was incurred as a result of reduced cash flow forecasts for MGM China’s resorts based on market conditions at that time and lower valuation multiples for gaming assets in the Macau market. In addition, the operating loss was affected by a decrease in operating results at MGM Macau. The operating loss for MGM China was partially offset by an increase in operating income at our domestic resorts and an increase in income from unconsolidated affiliates, primarily from CityCenter, which included \$80 million related to our share of the gain recognized by CityCenter as a result of the final resolution of its construction litigation and related settlements. In addition, corporate expense increased 15% to \$275 million in 2015, due primarily to costs incurred to implement initiatives in relation to the Profit Growth Plan of \$24 million and \$20 million in costs associated with the MGP transaction. Preopening expense, primarily related to our MGM Cotai, MGM Springfield and MGM National Harbor development projects, increased to \$71 million in 2015 compared to \$39 million in 2014. Consolidated operating

loss in 2015 was also negatively affected by impairment charges and losses on disposal of certain assets recorded in “Property transactions, net.” See “Operating Results – Details of Certain Changes” below for additional detail related to property transactions.

*Operating Results – Detailed Segment Information*

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

|   | Year Ended December 31, |                     |                      |
|---|-------------------------|---------------------|----------------------|
|   | 2016                    | 2015                | 2014                 |
|   | <i>(In thousands)</i>   |                     |                      |
| <b>Net Revenues</b>                               |                         |                     |                      |
| Domestic resorts .....                            | \$ 7,055,718            | \$ 6,497,361        | \$ 6,342,084         |
| MGM China .....                                   | 1,920,487               | 2,214,767           | 3,282,329            |
| Reportable segment net revenues .....             | 8,976,205               | 8,712,128           | 9,624,413            |
| Corporate and other .....                         | 478,918                 | 477,940             | 457,571              |
|   | <u>\$ 9,455,123</u>     | <u>\$ 9,190,068</u> | <u>\$ 10,081,984</u> |
| <b>Adjusted EBITDA</b>                            |                         |                     |                      |
| Domestic resorts .....                            | \$ 2,063,016            | \$ 1,689,966        | \$ 1,518,307         |
| MGM China .....                                   | 520,736                 | 539,881             | 850,471              |
| Reportable segment Adjusted Property EBITDA ..... | 2,583,752               | 2,229,847           | 2,368,778            |
| Corporate and other .....                         | 211,932                 | 9,073               | (149,216)            |
|   | <u>\$ 2,795,684</u>     | <u>\$ 2,238,920</u> | <u>\$ 2,219,562</u>  |

**Domestic resorts.** The following table is a reconciliation of domestic resorts net revenues to domestic resorts same-store net revenues:

|  | Year Ended December 31, |                     |                     |
|--|-------------------------|---------------------|---------------------|
|  | 2016                    | 2015                | 2014                |
|  | <i>(In thousands)</i>   |                     |                     |
| Domestic resorts net revenues .....                  | \$ 7,055,718            | \$ 6,497,361        | \$ 6,342,084        |
| Net revenues related to Borgata .....                | (348,462)               | -                   | -                   |
| Net revenues related to National Harbor .....        | (53,005)                | -                   | -                   |
| Net revenues related to sold resort operations ..... | -                       | (78,792)            | (118,035)           |
| Domestic resorts same-store net revenues .....       | <u>\$ 6,654,251</u>     | <u>\$ 6,418,569</u> | <u>\$ 6,224,049</u> |

The following table presents detailed net revenues at our domestic resorts:

|                                       | Year Ended December 31, |                     |                     |
|---------------------------------------|-------------------------|---------------------|---------------------|
|                                       | 2016                    | 2015                | 2014                |
|                                       | <i>(In thousands)</i>   |                     |                     |
| Casino revenue, net                   |                         |                     |                     |
| Table games .....                     | \$ 1,051,147            | \$ 880,318          | \$ 892,842          |
| Slots .....                           | 1,920,284               | 1,720,028           | 1,679,981           |
| Other .....                           | 83,020                  | 70,148              | 64,419              |
| Casino revenue, net .....             | 3,054,451               | 2,670,494           | 2,637,242           |
| Non-casino revenue                    |                         |                     |                     |
| Rooms .....                           | 1,965,378               | 1,813,838           | 1,705,395           |
| Food and beverage .....               | 1,578,704               | 1,500,039           | 1,470,315           |
| Entertainment, retail and other ..... | 1,166,477               | 1,167,488           | 1,184,343           |
| Non-casino revenue .....              | 4,710,559               | 4,481,365           | 4,360,053           |
|                                       | 7,765,010               | 7,151,859           | 6,997,295           |
| Less: Promotional allowances .....    | (709,292)               | (654,498)           | (655,211)           |
|                                       | <u>\$ 7,055,718</u>     | <u>\$ 6,497,361</u> | <u>\$ 6,342,084</u> |

The following table presents detailed domestic resorts same-store net revenues:

|                                       | Year Ended December 31, |                     |                     |
|---------------------------------------|-------------------------|---------------------|---------------------|
|                                       | 2016                    | 2015                | 2014                |
|                                       | <i>(In thousands)</i>   |                     |                     |
| Casino revenue, net                   |                         |                     |                     |
| Table games .....                     | \$ 951,836              | \$ 874,879          | \$ 886,449          |
| Slots .....                           | 1,723,576               | 1,693,717           | 1,641,268           |
| Other .....                           | 60,398                  | 69,114              | 62,705              |
| Casino revenue, net .....             | 2,735,810               | 2,637,710           | 2,590,422           |
| Non-casino revenue                    |                         |                     |                     |
| Rooms .....                           | 1,910,765               | 1,794,289           | 1,682,677           |
| Food and beverage .....               | 1,511,189               | 1,486,175           | 1,450,086           |
| Entertainment, retail and other ..... | 1,143,361               | 1,148,877           | 1,145,672           |
| Non-casino revenue .....              | 4,565,315               | 4,429,341           | 4,278,435           |
|                                       | 7,301,125               | 7,067,051           | 6,868,857           |
| Less: Promotional allowances .....    | (646,874)               | (648,482)           | (644,808)           |
|                                       | <u>\$ 6,654,251</u>     | <u>\$ 6,418,569</u> | <u>\$ 6,224,049</u> |

Casino revenue increased 14% in 2016 compared to 2015 due primarily to the Borgata transaction and an increase in both table games revenue and slots revenue on a same-store basis. Same-store casino revenue increased 4% compared to prior year due primarily to an increase in table games revenue. Same-store table games revenue increased 9% in 2016 compared to 2015 due to an increase in same-store table games hold percentage to 23.2% from 20.5% in 2015. On a same-store basis, slots revenue increased 2% compared to the prior year.

Casino revenue increased 1% in 2015 compared to 2014 due to a 2% increase in slots revenue as a result of a 3% increase in slots volume. Same-store casino revenue in 2015 increased 2% compared to 2014 due primarily to a 3% increase in slots revenue as a result of a 4% increase in slots volume.



Rooms revenue increased 8% and same-store rooms revenue increased 6% in 2016 compared to 2015 as a result of a 6% increase in REVPAR at our Las Vegas Strip resorts. Rooms revenue increased 6% and same-store rooms revenue increased 7% in 2015 compared to 2014 as a result of a 7% increase in REVPAR at our Las Vegas Strip resorts.

The following table shows key hotel statistics for our Las Vegas Strip resorts:

|   | Year Ended December 31, |        |        |
|---|-------------------------|--------|--------|
|   | 2016                    | 2015   | 2014   |
| Occupancy .....                           | 93%                     | 93%    | 93%    |
| Average Daily Rate (ADR) .....            | \$ 157                  | \$ 149 | \$ 139 |
| Revenue per Available Room (REVPAR) ..... | 146                     | 138    | 129    |

Food and beverage revenues increased 5% in 2016 compared to 2015 due primarily to the Borgata transaction, an increase in convention and banquet business, and the opening of several new outlets. Same-store food and beverage revenue increased 2% in 2016 compared to 2015. Food and beverage revenues increased 2% in 2015 compared to 2014 primarily as a result of increased convention and banquet business as well as the opening of several new outlets. Same-store food and beverage revenue increased 2% in 2015 compared to 2014. Entertainment, retail and other revenues decreased less than 1% in 2016 compared to 2015 due primarily to a 5% decrease in entertainment revenue as a result of our strategic decision to lease MGM Grand Garden Arena to a subsidiary of the Las Vegas Arena Company, LLC effective on January 1, 2016 offset by a 7% increase in other revenue primarily as a result of valet and self-parking fees which were implemented in June 2016. Same-store entertainment, retail and other revenues decreased less than 1% in 2016 compared to 2015. Entertainment, retail and other revenues decreased 1% in 2015 compared to 2014 due primarily to a 5% decrease in revenue from Cirque du Soleil production shows, partially offset by a 5% increase in retail revenue. Same-store entertainment, retail and other revenues decreased less than 1% in 2015 compared to 2014.

The following table is a reconciliation of domestic resorts Adjusted Property EBITDA to domestic resorts Same-store Adjusted Property EBITDA. See “Non-GAAP Measures” for additional information on domestic resorts Same-store Adjusted Property EBITDA:

|   | Year Ended December 31, |                     |                     |
|---|-------------------------|---------------------|---------------------|
|   | 2016                    | 2015                | 2014                |
|   |                         | (In thousands)      |                     |
| Domestic resorts Adjusted Property EBITDA .....               | \$ 2,063,016            | \$ 1,689,966        | \$ 1,518,307        |
| Adjusted Property EBITDA related to Borgata .....             | (81,281)                | -                   | -                   |
| Adjusted Property EBITDA related to National Harbor .....     | (9,596)                 | -                   | -                   |
| Adjusted Property EBITDA related to sold resort operations .. | -                       | (3,441)             | 223                 |
| Domestic resorts Same-store Adjusted Property EBITDA .....    | <u>\$ 1,972,139</u>     | <u>\$ 1,686,525</u> | <u>\$ 1,518,530</u> |

Adjusted Property EBITDA at our domestic resorts was \$2.1 billion in 2016, an increase of 22% compared to 2015 due primarily to approximately \$244 million of incremental Adjusted Property EBITDA growth generated from the Company’s Profit Growth Plan initiatives as well as \$81 million of Adjusted Property EBITDA resulting from the Borgata transaction and \$10 million of Adjusted Property EBITDA resulting from the December 2016 opening of MGM National Harbor as well as an increase in revenues as discussed above. Same-store Adjusted Property EBITDA increased 17% in 2016 compared to 2015. Same-store Adjusted Property EBITDA margin in 2016 increased by 336 basis points compared to 2015 to 29.6%.

Adjusted Property EBITDA at our domestic resorts was \$1.7 billion in 2015, an increase of 11% compared to 2014 due primarily to improved casino and non-casino revenue results at our domestic resorts as discussed above, and approximately \$71 million of incremental Adjusted Property EBITDA as a result of the Company’s

Profit Growth Plan initiatives. Same-store Adjusted Property EBITDA increased 11% in 2015 compared to 2014 and Same-store Adjusted Property EBITDA margin in 2015 increased by 188 basis points compared to 2014 to 26.3%.

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

|                                    | Year Ended December 31, |                     |                     |
|------------------------------------|-------------------------|---------------------|---------------------|
|                                    | 2016                    | 2015                | 2014                |
|                                    | <i>(In thousands)</i>   |                     |                     |
| Casino revenue, net                |                         |                     |                     |
| VIP table games .....              | \$ 720,522              | \$ 977,182          | \$ 1,742,034        |
| Main floor table games .....       | 999,506                 | 986,063             | 1,237,528           |
| Slots .....                        | 161,586                 | 209,098             | 261,971             |
| Casino revenue, net .....          | 1,881,614               | 2,172,343           | 3,241,533           |
| Non-casino revenue .....           | 119,419                 | 135,585             | 147,754             |
|                                    | 2,001,033               | 2,307,928           | 3,389,287           |
| Less: Promotional allowances ..... | (80,546)                | (93,161)            | (106,958)           |
|                                    | <u>\$ 1,920,487</u>     | <u>\$ 2,214,767</u> | <u>\$ 3,282,329</u> |

Net revenue for MGM China decreased 13% in 2016 compared to 2015 primarily as a result of a decrease in VIP table games revenue of 26%, which was slightly offset by a 1% increase in main floor table games revenue. VIP table games turnover decreased 24% compared to the prior year, and VIP table games hold percentage decreased to 3.2% in 2016 from 3.3% in 2015. Slots revenue decreased 23% in 2016 compared to 2015 due to an 18% decrease in slots volume. Casino revenue continued to be negatively affected in 2016 by the changes in economic factors and policy initiatives in China that began to take place in 2014, and VIP table games revenue was further impacted by the new regulatory compliance requirements implemented in late 2015 and in 2016 for gaming promoters and operators, as well as the curtailing of “proxy” bets as a result of the ban on mobile phone usage at gaming tables, which began in 2016.

MGM China’s Adjusted EBITDA was \$521 million in 2016 and \$540 million in 2015. Excluding branding fees of \$34 million and \$39 million for the years ended December 31, 2016 and 2015, respectively, Adjusted EBITDA decreased 4% compared to 2015. Adjusted EBITDA margin increased 274 basis points to 27.1% in 2016 primarily as a result of an increase in main floor table games mix and cost reduction efforts.

Net revenue for MGM China decreased 33% in 2015 compared to 2014 primarily as a result of a decrease in VIP table games revenue of 44%, as well as a decrease in main floor table games revenue of 20%. VIP table games turnover decreased 54% compared to the prior year, while VIP table games hold percentage increased to 3.3% in 2015 from 2.8% in 2014. Slots revenue decreased 20% in 2015 compared to 2014 due to a 23% decrease in slots volume. Casino revenue was negatively affected throughout 2015 by the changes in economic factors and policy initiatives in China that began to take place in 2014.

MGM China’s Adjusted EBITDA was \$540 million in 2015 and \$850 million in 2014. Excluding branding fees of \$39 million and \$43 million for the years ended December 31, 2015 and 2014, respectively, Adjusted EBITDA decreased 35% compared to 2014. Adjusted EBITDA margin decreased approximately 150 basis points to 24.4% in 2015 primarily as a result of a decrease in casino revenue.

**Corporate and other.** Corporate and other revenue includes revenues from other corporate operations, management services and reimbursed costs revenue primarily related to our CityCenter management agreement. Reimbursed costs revenue represents reimbursement of costs, primarily payroll-related, incurred by us in connection with the provision of management services and was \$397 million, \$399 million and \$383 million for 2016, 2015 and 2014, respectively.

Adjusted EBITDA related to corporate and other in 2016 increased due to our gain recognized from the sale of Crystals at CityCenter. See “Operating Results – Income (Loss) from Unconsolidated Affiliates” for further discussion. The increase in income from unconsolidated affiliates was partially offset by an increase in corporate expense discussed previously under “Summary Operating Results” and an increase in stock-based compensation.

Adjusted EBITDA related to corporate and other in 2015 included our share of operating income from CityCenter, including certain basis difference adjustments, compared to our share of operating loss from CityCenter in the prior year, and an increase in our share of operating income from Borgata in 2015 compared to 2014. See “Operating Results – Income (Loss) from Unconsolidated Affiliates” for further discussion. The increases in income from CityCenter and Borgata were partially offset by increased corporate expenses as discussed previously under “Summary Operating Results.”

*Operating Results – Details of Certain Charges*

Stock compensation expense is recorded within the department of the recipient of the stock compensation award. The following table shows the amount of compensation expense recognized after reimbursed costs and capitalized costs related to employee stock-based awards:

|                                   | <b>Year Ended December 31,</b> |                       |                  |
|-----------------------------------|--------------------------------|-----------------------|------------------|
|                                   | <b>2016</b>                    | <b>2015</b>           | <b>2014</b>      |
|                                   |                                | <i>(In thousands)</i> |                  |
| Casino .....                      | \$ 8,491                       | \$ 7,571              | \$ 7,351         |
| Other operating departments ..... | 3,577                          | 2,580                 | 2,257            |
| General and administrative .....  | 12,338                         | 10,729                | 9,323            |
| Corporate expense and other ..... | 29,851                         | 20,966                | 18,333           |
|                                   | <u>\$ 54,257</u>               | <u>\$ 41,846</u>      | <u>\$ 37,264</u> |

Preopening and start-up expenses consisted of the following:

|                           | <b>Year Ended December 31,</b> |                       |                  |
|---------------------------|--------------------------------|-----------------------|------------------|
|                           | <b>2016</b>                    | <b>2015</b>           | <b>2014</b>      |
|                           |                                | <i>(In thousands)</i> |                  |
| MGM China .....           | \$ 27,848                      | \$ 13,863             | \$ 9,091         |
| MGM National Harbor ..... | 77,242                         | 32,837                | 19,521           |
| MGM Springfield .....     | 26,210                         | 19,654                | 5,261            |
| Other .....               | 8,775                          | 4,973                 | 5,384            |
|                           | <u>\$ 140,075</u>              | <u>\$ 71,327</u>      | <u>\$ 39,257</u> |

Preopening and start-up expenses increased in 2016 due primarily to an increase in preopening and start-up expenses at MGM National Harbor (which opened in December of 2016) and an increase in preopening and start-up expenses at MGM China related to MGM Cotai (which is expected to open in 2017). Preopening and start-up expenses at MGM China include \$7 million of amortization of the Cotai land concession premium in each of the years ended December 31, 2016, 2015 and 2014. Preopening and start-up expenses at MGM National Harbor include \$15 million, \$19 million and \$13 million of rent expense for the years ended December 31, 2016, 2015 and 2014, respectively, which relates to the ground lease for the land on which MGM National Harbor was developed.



Property transactions, net consisted of the following:

|   | Year Ended December 31, |                  |                  |
|---|-------------------------|------------------|------------------|
|   | 2016                    | 2015             | 2014             |
|   |                         | (In thousands)   |                  |
| Grand Victoria investment impairment .....                            | \$ -                    | \$ 17,050        | \$ 28,789        |
| Gain on sale of Circus Circus Reno and Silver Legacy investment ..... | -                       | (23,002)         | -                |
| Other property transactions, net .....                                | 17,078                  | 41,903           | 12,213           |
|   | <u>\$ 17,078</u>        | <u>\$ 35,951</u> | <u>\$ 41,002</u> |

See Note 17 to the accompanying consolidated financial statements for a discussion of property transactions, net for the years ended December 31, 2016, 2015 and 2014.

*Operating Results – Income (Loss) from Unconsolidated Affiliates*

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

|                                       | Year Ended December 31, |                   |                  |
|---------------------------------------|-------------------------|-------------------|------------------|
|                                       | 2016                    | 2015              | 2014             |
|                                       |                         | (In thousands)    |                  |
| Borgata (through July 31, 2016) ..... | \$ 61,169               | \$ 75,764         | \$ 52,017        |
| CityCenter .....                      | 445,181                 | 158,906           | (11,842)         |
| Other .....                           | 21,266                  | 23,213            | 23,661           |
|                                       | <u>\$ 527,616</u>       | <u>\$ 257,883</u> | <u>\$ 63,836</u> |

We completed our acquisition of Borgata on August 1, 2016, at which time the subsidiary operating Borgata became a consolidated subsidiary. Prior to the acquisition, we held a 50% interest in Borgata, which was accounted for under the equity method.

In 2016, our share of CityCenter's operating results, including certain basis difference adjustments, was \$445 million, which included \$13 million related to our share of NV Energy exit expense representing CityCenter's share of a charge associated with our strategic decision to exit the fully bundled sales system of NV Energy, \$41 million related to our share of accelerated depreciation related to the April 2016 closure of the Zarkana theatre, as well as \$401 million related to our share of a gain recognized by CityCenter on the sale of Crystals and the reversal of certain basis differences. At Aria, casino revenues decreased 2% in 2016 compared to 2015, due to a 7% decrease in table games volume partially offset by an increase in hold percentage to 24.6% in 2016 compared to 23.8% in 2015. The decrease in table games revenue was partially offset by a 2% increase in slots revenue. REVPAR increased by 4% and 8% at Aria and Vdara, respectively, which led to a 7% increase in CityCenter's rooms revenue in 2016 compared to 2015.

In 2015, our share of CityCenter's operating results, including certain basis difference adjustments, was \$159 million and included \$80 million related to our share of a gain recognized by CityCenter as a result of the final resolution of its construction litigation and related settlements, compared to an operating loss of \$12 million in 2014. Casino revenue at Aria increased 6% in 2015 compared to 2014 due primarily to an increase in table games volume and slots volume of 2% and 3%, respectively. CityCenter's rooms revenue increased 5% in 2015 compared to 2014, due to increases in REVPAR of 6% and 8% at Aria and Vdara, respectively. The increase in revenues from resort operations was partially offset by a decrease in residential revenues. CityCenter's operating income in 2015 benefited from a \$99 million decrease in depreciation expense as a result of certain furniture and equipment becoming fully depreciated in December 2014 offset in part by \$20 million in accelerated depreciation for certain assets associated with the Zarkana theatre, which was closed in April 2016. CityCenter's

operating income also benefited from a \$26 million decrease in legal and professional fees as a result of the final resolution of construction litigation and related settlements. Our share of Borgata's operating income increased in 2015 compared to 2014 due to an increase in casino and non-casino revenues and improved operating margins.

#### *Non-operating Results*

**Interest expense.** The following table summarizes information related to interest on our long-term debt:

|   | Year Ended December 31, |                   |                   |
|---|-------------------------|-------------------|-------------------|
|   | 2016                    | 2015              | 2014              |
|   | <i>(In thousands)</i>   |                   |                   |
| Total interest incurred – MGM Resorts (excluding MGM China) ..... | \$ 746,467              | \$ 808,733        | \$ 816,345        |
| Total interest incurred – MGM China .....                         | 68,264                  | 53,644            | 29,976            |
| Interest capitalized .....  | (119,958)               | (64,798)          | (29,260)          |
|   | <u>\$ 694,773</u>       | <u>\$ 797,579</u> | <u>\$ 817,061</u> |
| Cash paid for interest, net of amounts capitalized .....          | \$ 661,166              | \$ 776,540        | \$ 776,778        |
| End-of-year ratio of fixed-to-floating debt .....                 | 68/32                   | 67/33             | 77/23             |
| End-of-year weighted average interest rate .....                  | 5.4%                    | 5.9%              | 6.0%              |

In 2016, interest cost related to MGM Resorts, excluding MGM China, decreased compared to 2015 primarily as a result of a decrease in the average long-term debt outstanding, and also due to a decrease in the weighted average interest rate, partially offset by an increase in amortization of debt issuance cost associated with the MGP related financing transactions in April 2016. Interest cost related to MGM China increased in 2016 compared to 2015 due to an increase in the average outstanding amounts borrowed under the MGM China credit facility partially offset by a decrease in amortization of debt issuance costs. In 2015, interest cost related to MGM Resorts, excluding China, decreased compared to 2014 as a result of a decrease in the average long-term debt outstanding during the year related to our senior notes. Interest cost related to MGM China increased in 2015 compared to 2014 due to an increase in the average outstanding amounts borrowed under the MGM China credit facility and an increase in the amortization of debt issuance costs resulting from costs incurred associated with the refinancing of the MGM China credit facility in June 2015.

Capitalized interest in 2016 increased compared to 2015 due primarily to the MGM Cotai, MGM National Harbor, and MGM Springfield projects. Capitalized interest in 2015 increased compared to 2014 due primarily to the MGM Cotai, MGM National Harbor, and MGM Springfield projects, and our investment in Las Vegas Arena Company, LLC.

**Non-operating items from unconsolidated affiliates.** Non-operating expense from unconsolidated affiliates decreased \$23 million in 2016 compared to 2015, due primarily to the acquisition of Borgata on August 1, 2016, at which time the subsidiary operating Borgata became a consolidated subsidiary of our company. Prior to the acquisition, we held a 50% ownership interest in Borgata, which was accounted for under the equity method. Non-operating expense from unconsolidated affiliates decreased \$11 million in 2015 compared to 2014, due primarily to a decrease in interest expense at CityCenter.

**Other, net.** Other expense increased in 2016 compared to 2015 due primarily to a \$16 million loss on the early retirement of debt related to the \$743 million 7.625% senior notes due 2017, as well as a \$49 million loss incurred on the early retirement of debt related to the \$1.23 billion aggregate principal amount of our outstanding 7.5% senior notes due 2016 and 10% senior notes due 2016 and our prior senior credit facility, recorded in the second quarter of 2016.

**Income taxes.** The following table summarizes information related to our income taxes:

|  | Year Ended December 31, |                |            |
|--|-------------------------|----------------|------------|
|  | 2016                    | 2015           | 2014       |
|  | <i>(In thousands)</i>   |                |            |
| Income (loss) before income taxes .....                            | \$ 1,259,177            | \$ (1,046,243) | \$ 410,886 |
| Benefit (provision) for income taxes .....                         | (22,299)                | 6,594          | (283,708)  |
| Effective income tax rate .....                                    | 1.8%                    | 0.6%           | 69.0%      |
| Federal, state and foreign income taxes paid, net of refunds ..... | \$ 68,236               | \$ 11,801      | \$ 42,272  |

Our effective tax rate in 2016 was favorably impacted by income tax benefits attributable to a decrease in valuation allowance on foreign tax credit carryovers and permanent exclusion of a portion of the gain on the Borgata transaction, partially offset by income tax expense attributable to the remeasurement of Macau deferred tax liabilities resulting from a change in assumption concerning renewal of the exemption from the Macau complementary tax on gaming profits. Our effective tax rate in 2015 was unfavorably impacted by the non-cash impairment charge on MGM China goodwill for which we did not record income tax benefit. Our effective tax rate decreased in 2015 compared to 2014 primarily as a result of providing greater tax benefit in 2015 than in 2014 for foreign tax credits, net of valuation allowance, partially offset by tax benefit resulting from audit settlements in 2014.

Cash taxes paid increased in 2016 compared to 2015 primarily as a result of an increase in federal income taxes paid due to increased U.S. taxable income. Cash taxes paid decreased in 2015 compared to 2014 primarily as a result of a \$16 million refund of taxes and associated interest received in 2015 on the closure of the IRS examination of CityCenter, which is treated as a partnership for income tax purposes which partially offset federal income tax estimated tax payments of \$23 million made during the year. The remaining \$5 million of cash taxes paid in 2015 consist of state and foreign income taxes.

#### *Non-GAAP Measures*

“Adjusted EBITDA” is earnings before interest and other non-operating income (expense), taxes, depreciation and amortization, preopening and start-up expenses, NV Energy exit expense, gain on Borgata transaction, goodwill impairment charges, and property transactions, net. “Adjusted Property EBITDA” is Adjusted EBITDA before corporate expense and stock compensation expense related to both the MGM Resorts and MGP stock-based compensation plans, which are not allocated to each reportable segment or operating segment, as applicable. MGM China recognizes stock compensation expense related to its stock-based compensation plan which is included in the calculation of Adjusted EBITDA for MGM China. “Same-store Adjusted Property EBITDA” is Adjusted Property EBITDA related to the operating resorts which were consolidated by the Company for both the entire current and prior year periods presented. Adjusted EBITDA and Adjusted Property EBITDA information is presented solely as a supplemental disclosure to reported GAAP measures because management believes these measures are 1) widely used measures of operating performance in the gaming and hospitality industry, and 2) a principal basis for valuation of gaming and hospitality companies. We present Adjusted Property EBITDA on a “same-store” basis as supplemental information for investors because management believes that providing performance measures on a “same-store” basis is useful for evaluating the period-to-period performance of our domestic casino resorts.

We believe that while items excluded from Adjusted EBITDA, Adjusted Property EBITDA and Same-Store Adjusted Property EBITDA may be recurring in nature and should not be disregarded in evaluation of our earnings performance, it is useful to exclude such items when analyzing current results and trends compared to other periods because these items can vary significantly depending on specific underlying transactions or events that may not be comparable between the periods being presented. Also, we believe excluded items may not relate specifically to current operating trends or be indicative of future results. For example, preopening and start-up expenses will be significantly different in periods when we are developing and constructing a major expansion project and will depend on where the current period lies within the development cycle, as well as the size and



scope of the project(s). Property transactions, net includes normal recurring disposals, gains and losses on sales of assets related to specific assets within our resorts, but also includes gains or losses on sales of an entire operating resort or a group of resorts and impairment charges on entire asset groups or investments in unconsolidated affiliates, which may not be comparable period over period. In addition, capital allocation, tax planning, financing and stock compensation awards are all managed at the corporate level. Therefore, we use Adjusted Property EBITDA and Same-store Adjusted Property EBITDA as the primary measure of domestic resorts operating performance.

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

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

|  | <b>Year Ended December 31,</b> |                     |                     |
|--|--------------------------------|---------------------|---------------------|
|  | <b>2016</b>                    | <b>2015</b>         | <b>2014</b>         |
|  | <i>(In thousands)</i>          |                     |                     |
| Net income (loss) attributable to MGM Resorts International .....      | \$ 1,101,440                   | \$ (447,720)        | \$ (149,873)        |
| Plus: Net income (loss) attributable to noncontrolling interests ..... | 135,438                        | (591,929)           | 277,051             |
| Net income (loss) .....  | 1,236,878                      | (1,039,649)         | 127,178             |
| Provision (benefit) for income taxes .....                             | 22,299                         | (6,594)             | 283,708             |
| Income (loss) before income taxes .....                                | 1,259,177                      | (1,046,243)         | 410,886             |
| Non-operating expense  |                                |                     |                     |
| Interest expense, net of amounts capitalized .....                     | 694,773                        | 797,579             | 817,061             |
| Non-operating items from unconsolidated affiliates ....                | 53,139                         | 76,462              | 87,794              |
| Other, net .....   | 72,698                         | 15,970              | 7,797               |
|  | 820,610                        | 890,011             | 912,652             |
| Operating income (loss) .....  | 2,079,787                      | (156,232)           | 1,323,538           |
| NV Energy exit expense .....   | 139,335                        | -                   | -                   |
| Preopening and start-up expenses .....                                 | 140,075                        | 71,327              | 39,257              |
| Property transactions, net .....                                       | 17,078                         | 35,951              | 41,002              |
| Goodwill impairment .....  | -                              | 1,467,991           | -                   |
| Gain on Borgata transaction .....                                      | (430,118)                      | -                   | -                   |
| Depreciation and amortization .....                                    | 849,527                        | 819,883             | 815,765             |
| Adjusted EBITDA .....  | <u>\$ 2,795,684</u>            | <u>\$ 2,238,920</u> | <u>\$ 2,219,562</u> |

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

| Year Ended December 31, 2016          |                            |                           |  |  |                                     |                     |
|---------------------------------------|----------------------------|---------------------------|--|--|-------------------------------------|---------------------|
|                                       | Operating<br>Income (Loss) | NV Energy<br>Exit Expense | Preopening<br>and Start-up<br>Expenses | Property<br>Transactions,<br>Net and Gain<br>on Borgata<br>Transaction | Depreciation<br>and<br>Amortization | Adjusted<br>EBITDA  |
| <i>(In thousands)</i>                 |                            |                           |  |  |                                     |                     |
| Bellagio .....                        | \$ 366,543                 | \$ 23,815                 | \$ -                                   | \$ 118   | \$ 88,783                           | \$ 479,259          |
| MGM Grand Las Vegas .....             | 231,327                    | 25,365                    | 82                                     | 1,719  | 72,188                              | 330,681             |
| Mandalay Bay .....                    | 114,202                    | 29,123                    | 252                                    | 2,377  | 89,655                              | 235,609             |
| The Mirage .....                      | 85,300                     | 13,813                    | -                                      | 44   | 40,270                              | 139,427             |
| Luxor .....                           | 57,653                     | 11,594                    | 1,625                                  | 708  | 36,612                              | 108,192             |
| New York-New York .....               | 93,169                     | 7,439                     | 479                                    | 210  | 20,432                              | 121,729             |
| Excalibur .....                       | 71,885                     | 9,083                     | -                                      | 4,405  | 16,152                              | 101,525             |
| Monte Carlo .....                     | 33,291                     | 8,409                     | 1,929                                  | 1,131  | 34,102                              | 78,862              |
| Circus Circus Las Vegas .....         | 33,516                     | 10,694                    | -                                      | 816  | 16,963                              | 61,989              |
| MGM Grand Detroit .....               | 147,865                    | -                         | -                                      | (59)   | 23,608                              | 171,414             |
| Beau Rivage .....                     | 68,054                     | -                         | -                                      | (172)  | 25,880                              | 93,762              |
| Gold Strike Tunica .....              | 39,831                     | -                         | -                                      | 67   | 9,792                               | 49,690              |
| Borgata .....                         | 38,616                     | -                         | 90                                     | 8,652  | 33,923                              | 81,281              |
| National Harbor .....                 | (13,626)                   | -                         | 17,986                                 | -  | 5,236                               | 9,596               |
| Domestic Resorts .....                | <u>1,367,626</u>           | <u>139,335</u>            | <u>22,443</u>                          | <u>20,016</u>  | <u>513,596</u>                      | <u>2,063,016</u>    |
| MGM China .....                       | 255,264                    | -                         | 27,848                                 | (216)  | 237,840                             | 520,736             |
| Unconsolidated resorts .....          | 524,448                    | -                         | 3,168                                  | -  | -                                   | 527,616             |
| Management and other operations ..... | 4,316                      | -                         | 1,150                                  | 29   | 7,505                               | 13,000              |
|                                       | <u>2,151,654</u>           | <u>139,335</u>            | <u>54,609</u>                          | <u>19,829</u>  | <u>758,941</u>                      | <u>3,124,368</u>    |
| Stock compensation .....              | (44,957)                   | -                         | -                                      | -  | -                                   | (44,957)            |
| Corporate .....                       | (26,910)                   | -                         | 85,466                                 | (432,869)  | 90,586                              | (283,727)           |
|                                       | <u>\$ 2,079,787</u>        | <u>\$ 139,335</u>         | <u>\$ 140,075</u>                      | <u>\$ (413,040)</u>  | <u>\$ 849,527</u>                   | <u>\$ 2,795,684</u> |

**Year Ended December 31, 2015**

|                                       | <b>Operating<br/>Income (Loss)</b> | <b>Preopening<br/>and Start-up<br/>Expenses</b> | <b>Property<br/>Transactions,<br/>Net and Goodwill<br/>Impairment</b> | <b>Depreciation<br/>and<br/>Amortization</b> | <b>Adjusted<br/>EBITDA</b> |
|---------------------------------------|------------------------------------|---|---|--|----------------------------|
|                                       |                                    |   | <i>(In thousands)</i>   |  |                            |
| Bellagio .....                        | \$ 303,858                         | \$ -  | \$ 1,085  | \$ 90,442                                    | \$ 395,385                 |
| MGM Grand Las Vegas .....             | 206,896                            | -   | 110   | 73,260                                       | 280,266                    |
| Mandalay Bay .....                    | 120,142                            | -   | 3,599   | 79,733                                       | 203,474                    |
| The Mirage .....                      | 66,069                             | 115   | 1,729   | 44,562                                       | 112,475                    |
| Luxor .....                           | 49,369                             | (2)   | 94  | 37,708                                       | 87,169                     |
| New York-New York .....               | 81,618                             | (74)  | 4,931   | 19,982                                       | 106,457                    |
| Excalibur .....                       | 67,545                             | -   | 111   | 14,591                                       | 82,247                     |
| Monte Carlo .....                     | 55,594                             | -   | 3,219   | 27,149                                       | 85,962                     |
| Circus Circus Las Vegas .....         | 27,305                             | 280   | 21  | 15,639                                       | 43,245                     |
| MGM Grand Detroit .....               | 131,016                            | -   | (36)  | 23,999                                       | 154,979                    |
| Beau Rivage .....                     | 62,613                             | -   | (5)   | 26,235                                       | 88,843                     |
| Gold Strike Tunica .....              | 34,362                             | -   | 221   | 11,440                                       | 46,023                     |
| Other resort operations .....         | 2,975                              | -   | -   | 466  | 3,441                      |
| Domestic Resorts .....                | 1,209,362                          | 319   | 15,079  | 465,206                                      | 1,689,966                  |
| MGM China .....                       | (1,212,377)                        | 13,863  | 1,472,128   | 266,267                                      | 539,881                    |
| Unconsolidated resorts .....          | 254,408                            | 3,475   | -   | -  | 257,883                    |
| Management and other operations ..... | 27,395                             | 1,179   | 1,080   | 7,765  | 37,419                     |
|                                       | 278,788                            | 18,836  | 1,488,287   | 739,238                                      | 2,525,149                  |
| Stock compensation .....              | (32,125)                           | -   | -   | -  | (32,125)                   |
| Corporate .....                       | (402,895)                          | 52,491  | 15,655  | 80,645                                       | (254,104)                  |
|                                       | <u>\$ (156,232)</u>                | <u>\$ 71,327</u>                                | <u>\$ 1,503,942</u>   | <u>\$ 819,883</u>                            | <u>\$ 2,238,920</u>        |

**Year Ended December 31, 2014**

|                                       | <b>Operating<br/>Income (Loss)</b> | <b>Preopening<br/>and Start-up<br/>Expenses</b> | <b>Property<br/>Transactions,<br/>Net</b> | <b>Depreciation<br/>and<br/>Amortization</b> | <b>Adjusted<br/>EBITDA</b> |
|---------------------------------------|------------------------------------|---|---|--|----------------------------|
|                                       |                                    |   | <i>(In thousands)</i>                     |  |                            |
| Bellagio .....                        | \$ 304,144                         | \$ -  | \$ 900                                    | \$ 88,658                                    | \$ 393,702                 |
| MGM Grand Las Vegas .....             | 174,297                            | 197   | (667)                                     | 81,027                                       | 254,854                    |
| Mandalay Bay .....                    | 95,449                             | 1,133   | 2,307                                     | 76,737                                       | 175,626                    |
| The Mirage .....                      | 57,338                             | 452   | 2,464                                     | 49,900                                       | 110,154                    |
| Luxor .....                           | 31,801                             | 2   | 432                                       | 37,849                                       | 70,084                     |
| New York-New York .....               | 75,360                             | 732   | 427                                       | 18,586                                       | 95,105                     |
| Excalibur .....                       | 52,915                             | -   | 500                                       | 14,804                                       | 68,219                     |
| Monte Carlo .....                     | 48,937                             | 1,507   | 290                                       | 21,046                                       | 71,780                     |
| Circus Circus Las Vegas .....         | 8,135                              | 85  | 61  | 15,334                                       | 23,615                     |
| MGM Grand Detroit .....               | 118,755                            | -   | 2,728                                     | 23,315                                       | 144,798                    |
| Beau Rivage .....                     | 43,152                             | -   | 1,000                                     | 26,109                                       | 70,261                     |
| Gold Strike Tunica .....              | 27,460                             | -   | 392                                       | 12,480                                       | 40,332                     |
| Other resort operations .....         | (2,318)                            | -   | 336                                       | 1,759  | (223)                      |
| Domestic Resorts .....                | 1,035,425                          | 4,108   | 11,170                                    | 467,604                                      | 1,518,307                  |
| MGM China .....                       | 547,977                            | 9,091   | 1,493                                     | 291,910                                      | 850,471                    |
| Unconsolidated resorts .....          | 62,919                             | 917   | -   | -  | 63,836                     |
| Management and other operations ..... | 26,152                             | 359   | 415                                       | 9,058  | 35,984                     |
|                                       | 1,672,473                          | 14,475  | 13,078                                    | 768,572                                      | 2,468,598                  |
| Stock compensation .....              | (28,372)                           | -   | -   | -  | (28,372)                   |
| Corporate .....                       | (320,563)                          | 24,782  | 27,924                                    | 47,193                                       | (220,664)                  |
|                                       | <u>\$ 1,323,538</u>                | <u>\$ 39,257</u>                                | <u>\$ 41,002</u>                          | <u>\$ 815,765</u>                            | <u>\$ 2,219,562</u>        |

## Liquidity and Capital Resources

### Cash Flows – Summary

We require a certain amount of cash on hand to operate our resorts. In addition to required cash on hand for operations, we utilize company-wide cash management procedures to minimize the amount of cash held on hand or in banks. Funds are swept from accounts at our resorts daily into central bank accounts, and excess funds are invested overnight or are used to repay borrowings under our senior credit facility. In addition, from time to time we may use excess funds to repurchase our outstanding debt securities subject to limitations in our senior credit facility. At December 31, 2016 and 2015, we held cash and cash equivalents of \$1.4 billion and \$1.7 billion, respectively. Cash and cash equivalents related to MGM China at December 31, 2016 and 2015 was \$454 million and \$700 million, respectively. Cash and cash equivalents related to MGP at December 31, 2016 was \$360 million.

Our cash flows consisted of the following:

|  | Year Ended December 31, |              |              |
|--|-------------------------|--------------|--------------|
|  | 2016                    | 2015         | 2014         |
|  | <i>(In thousands)</i>   |              |              |
| Net cash provided by operating activities .....  | \$ 1,533,972            | \$ 1,005,079 | \$ 1,130,670 |
| Investing cash flows:  |                         |              |              |
| Capital expenditures, net of construction payable .....  | (2,262,473)             | (1,466,819)  | (872,041)    |
| Dispositions of property and equipment .....   | 3,944                   | 8,032        | 7,651        |
| Proceeds from partial disposition of investment in unconsolidated affiliate .....                  | 15,000                  | -            | -            |
| Proceeds from sale of business units and investment in unconsolidated affiliate .....              | -                       | 92,207       | -            |
| Acquisition of Borgata, net of cash acquired .....   | (559,443)               | -            | -            |
| Investments in and advances to unconsolidated affiliates .....                                     | (3,633)                 | (196,062)    | (103,040)    |
| Distributions from unconsolidated affiliates in excess of cumulative earnings .....                | 542,097                 | 201,612      | 132          |
| Net proceeds from treasury securities - maturities longer than 90 days .....                       | -                       | -            | 87,167       |
| Net proceeds (investments) from (in) cash deposits - original maturities longer than 90 days ..... | -                       | 570,000      | (570,000)    |
| Payments for gaming licenses .....   | -                       | -            | (85,000)     |
| Other .....  | (11,696)                | (4,028)      | 10,981       |
| Net cash used in investing activities .....  | (2,276,204)             | (795,058)    | (1,524,150)  |
| Financing cash flows:  |                         |              |              |
| Net borrowings (repayments) under bank credit facilities .....                                     | 491,032                 | 977,275      | (28,000)     |
| Issuance of long-term debt .....   | 2,050,000               | -            | 1,250,750    |
| Retirement of senior notes .....   | (2,258,053)             | (875,504)    | (508,900)    |
| Repayment of Borgata credit facility .....   | (583,598)               | -            | -            |
| Debt issuance costs .....  | (139,584)               | (46,170)     | (13,681)     |
| Issuance of MGM Growth Properties common stock in public offering .....                            | 1,207,500               | -            | -            |
| MGM Growth Properties common stock issuance costs .....  | (75,032)                | -            | -            |
| Acquisition of MGM China shares .....  | (100,000)               | -            | -            |
| Distributions to noncontrolling interest owners .....  | (103,367)               | (307,227)    | (386,709)    |
| Excess tax benefit from exercise of stock options .....  | 13,277                  | 12,369       | 4,671        |
| Proceeds from issuance of redeemable noncontrolling interests .....                                | 47,325                  | 6,250        | -            |
| Other .....  | (30,078)                | (24,872)     | (10,054)     |
| Net cash provided by (used in) financing activities .....  | 519,422                 | (257,879)    | 308,077      |
| Effect of exchange rate on cash .....  | (921)                   | 793          | (889)        |
| Net decrease in cash and cash equivalents .....  | \$ (223,731)            | \$ (47,065)  | \$ (86,292)  |



## *Cash Flows*

**Operating activities.** Trends in our operating cash flows tend to follow trends in operating income, excluding non-cash charges, but can be affected by changes in working capital, cash paid for interest, the timing of significant tax payments or refunds, and distributions from unconsolidated affiliates. Cash provided by operating activities was \$1.5 billion in 2016 compared to \$1.0 billion in 2015. Operating cash flows increased in the current period due to an increase in operating income at our domestic resorts and a decrease in cash paid for interest, partially offset by an increase in cash paid for taxes. Cash provided by operating activities in the prior year was negatively affected by changes in working capital primarily related to short-term gaming liabilities.

Cash provided by operating activities in 2015 decreased due to a decrease in operating cash flows at MGM China which were \$383 million in 2015 compared to \$642 million in 2014, partially offset by an increase in operating cash flows at our domestic resorts. In 2015, cash provided by operating activities at MGM China was negatively affected by changes in working capital related to short-term gaming liabilities but to a lesser extent than in 2014.

We paid net taxes of \$68 million, \$12 million and \$42 million in 2016, 2015 and 2014, respectively.

**Investing activities.** Our investing cash flows can fluctuate significantly from year to year depending on our decisions with respect to strategic capital investments in new or existing resorts, business acquisitions or dispositions, and the timing of more regular capital investments to maintain the quality of our resorts. Capital expenditures related to more regular investments in our existing resorts can also vary depending on timing of larger remodel projects related to our public spaces and hotel rooms. Most of such costs relate to construction materials, furniture and fixtures, and external labor costs.

- In 2016, we had capital expenditures of \$2.3 billion, which included \$971 million at MGM China, excluding development fees and capitalized interest on development fees eliminated in consolidation. Capital expenditures at MGM China included \$948 million related to the construction of MGM Cotai and \$23 million related to improvements at MGM Macau. Capital expenditures at our domestic resorts and corporate entities of \$1.3 billion included \$741 million related to the construction of MGM National Harbor, \$121 million related to the construction of MGM Springfield, \$39 million related to the construction of The Park, as well as various room remodels including the tower rooms at Mandalay Bay, construction of additional exhibit space at the Mandalay Bay Convention Center, construction of the Park Theater and rebranding at Monte Carlo, construction of the parking garage at Excalibur and restaurant and entertainment venue remodels.
- In 2015, we had capital expenditures of \$1.5 billion, which included \$579 million at MGM China, excluding development fees and capitalized interest on development fees eliminated in consolidation. Capital expenditures at MGM China included \$543 million related to the construction of MGM Cotai and \$36 million related to improvements at MGM Macau. Capital expenditures at our domestic resorts and corporate entities of \$888 million included \$361 million and \$35 million related to the construction of MGM National Harbor and MGM Springfield, respectively, various room remodels including the tower rooms at Mandalay Bay and the suites at Bellagio, construction of additional exhibit space at the Mandalay Bay Convention Center, construction of the Park Theatre, construction of The Park entertainment district, and restaurant and entertainment venue remodels.
- In 2014, we had capital expenditures of \$872 million, which included \$346 million at MGM China, excluding capitalized interest on development fees eliminated in consolidation. Capital expenditures at MGM China included \$301 million related to the construction of MGM Cotai and \$45 million related to improvements at MGM Macau. Capital expenditures at our domestic resorts and corporate entities included \$97 million related to the construction of MGM National Harbor, various room remodels including the Delano rooms at Mandalay Bay and suites at Bellagio, a remodel of the facades of New York-New York and Monte Carlo, construction of The Park entertainment district, restaurant and entertainment venue remodels and costs incurred to relocate and renovate certain corporate offices.

During 2016, we received \$15 million of proceeds related to the sale of a portion of our investment in the Las Vegas Arena Company, LLC, and we paid approximately \$604 million and acquired cash of approximately \$43 million in connection with the acquisition of Boyd Gaming's ownership interest in Borgata. Distributions from unconsolidated affiliates for 2016 primarily related to a \$540 million distribution paid by CityCenter in May 2016.

In 2015, investments in and advances to unconsolidated affiliates primarily represented investments in CityCenter pursuant to the completion guarantee of \$141 million and investments in the Las Vegas Arena Company, LLC of \$50 million. In 2014, investments and advances to unconsolidated affiliates primarily represented investments in CityCenter of \$56 million, investments in the Las Vegas Arena Company, LLC of \$36 million, and investments in MGM Hakkasan of \$10 million.

In 2015, investing activities also included proceeds of \$20 million related to the sale of Railroad Pass and Gold Strike Jean, proceeds of \$72 million (net of cash included in the sale) related to the sale of Circus Circus Reno and the Company's 50% interest in Silver Legacy, and \$202 million of distributions received from unconsolidated affiliates, which includes a \$200 million distribution paid by CityCenter in April 2015. In addition, we invested \$200 million in certificates of deposit with original maturities longer than 90 days and received proceeds of \$770 million related to the maturity of certificates of deposit with original maturities longer than 90 days.

Investing activities also include activity related to investments of funds held by the trust that held our 50% ownership interest in Borgata prior to its dissolution in September 2014. In addition, in 2014 we invested \$570 million in certificates of deposit with original maturities longer than 90 days.

**Financing activities.** In 2016, we repaid net debt of \$301 million. In April 2016, in connection with the MGP IPO and related financing transactions we permanently repaid \$2.7 billion under our prior senior credit facility and entered into an amended and restated senior credit facility under which we borrowed \$250 million. The Operating Partnership borrowed net debt of \$2.1 billion during 2016 under its senior credit facility. In addition, MGM National Harbor borrowed \$450 million under its credit facility, MGM China borrowed \$374 million under its revolving credit facility, and we permanently repaid \$584 million under Borgata's credit facility. The following senior notes were issued during 2016:

- \$500 million 4.625% senior notes, due 2026 issued by us;
- \$500 million 4.5% senior notes, due 2026 issued by the Operating Partnership; and
- \$1.05 billion 5.625% senior notes, due 2024 issued by the Operating Partnership.

We redeemed the following senior notes during 2016:

- \$743 million 7.625% senior notes, due 2017 at a premium;
- \$732.7 million 7.5% senior notes, due 2016 at a premium;
- \$500 million 10% senior notes, due 2016 at a premium; and
- \$242.9 million 6.875% senior notes in April 2016 at maturity.

Additionally, we paid \$140 million of debt issuance costs related to the senior notes issued in August 2016, the MGP financing transactions, the MGM National Harbor credit facility and the February 2016 amendment to the MGM China credit facility.

In 2015, we had net borrowings of \$102 million, including \$1.0 billion of borrowings under the MGM China credit facility, the repayment of \$28 million under our senior credit facility and the repayment of the \$875 million 6.625% senior notes at maturity in July 2015 using cash on hand. Additionally, we paid \$46 million of debt issuance costs related to the refinancing of the MGM China credit facility. In 2014, we had net borrowings of \$714 million, including the repayment of \$28 million under our senior credit facility. During the year we repaid our \$509 million 5.875% senior notes at maturity and issued \$1.25 billion of 6% senior notes, due 2023 for net proceeds of \$1.24 billion.

During the year ended 2016, MGP received proceeds of \$1.2 billion in connection with the MGP IPO in April 2016 and paid \$75 million of issuance costs related to the IPO, and we paid \$100 million as part of the consideration for the purchase of an additional 188.1 million common shares of our MGM China subsidiary. MGP paid a \$15 million dividend and a \$22 million dividend to its Class A shareholders in July 2016 and October 2016, respectively. In August 2016, MGM China paid an interim dividend of \$58 million, of which \$29 million was distributed to noncontrolling interests. In June 2016, MGM China paid a final dividend of \$46 million of which \$23 million was distributed to noncontrolling interests.

MGM China paid a \$400 million special dividend in March 2015, a \$120 million final dividend in June 2015 and a \$76 million interim dividend in August 2015, of which \$196 million, \$59 million and \$37 million was distributed to noncontrolling interests, respectively. Additionally, we received \$6 million in 2015 related to proceeds from the issuance of non-voting membership interests in MGM National Harbor. MGM China paid a \$499 million special dividend in March 2014, a \$127 million final dividend in June 2014, and a \$137 million interim dividend in September 2014, of which \$245 million, \$62 million and \$67 million was distributed to noncontrolling interests, respectively.

#### *Other Factors Affecting Liquidity*

**Anticipated uses of cash.** We have significant outstanding debt and contractual obligations in addition to planned capital expenditures. At December 31, 2016, we had \$13.1 billion in principal amount of indebtedness, including \$250 million of borrowings outstanding under our \$1.5 billion senior credit facility, \$2.1 billion outstanding under the \$2.73 billion Operating Partnership credit facility, \$1.9 billion outstanding under the \$3.0 billion MGM China credit facility and \$450 million outstanding under the \$525 million MGM National Harbor credit facility. We have an estimated \$751 million of cash interest payments based on current outstanding debt and applicable interest rates within the next twelve months including the estimated impact of changes in our interest rates on the MGP term loan B and new interest rate swap agreements entered into subsequent to year end. We believe we have the ability to meet known obligations, including principal and interest obligations as well as planned capital expenditures over the next twelve months from the balance sheet date with existing cash and cash deposits, cash flows from operations, dividends and distributions from MGM China and the Operating Partnership, and availability under our senior credit facility, the MGM China credit facility, the Operating Partnership credit facility and the MGM National Harbor credit facility.

In addition, we have made significant investments through December 31, 2016 and we expect to make capital investments as described below during 2017. See “Executive Overview” for further information regarding the scope and timing of our significant development projects.

- Approximately \$530 million in capital expenditures at our domestic resorts and corporate entities, excluding MGM National Harbor and MGM Springfield;
- Approximately \$270 million in capital expenditures related to the MGM Springfield project; and
- Approximately \$150 million in capital expenditures related to MGM National Harbor.

During 2017, MGM China expects to spend approximately \$100 million in maintenance capital improvements at MGM Macau and MGM Cotai once opened, and \$990 million on the MGM Cotai project, excluding capitalized interest, development fees and land related costs.

Our capital expenditures fluctuate depending on our decisions with respect to strategic capital investments in new or existing resorts and the timing of capital investments to maintain the quality of our resorts, the amounts of which can vary depending on timing of larger remodel projects related to our public spaces and hotel rooms. Future capital expenditures could vary from our current expectations depending on the progress of our development efforts and the structure of our ownership interests in future developments.

**MGM Resorts International dividends.** On February 15, 2017 the Board of Directors approved a quarterly dividend to holders of record on March 10, 2017 of \$0.11 per share, totaling \$63 million, which will be paid on

March 15, 2017. Our intention is to pay a quarterly dividend in each future quarter subject to our operating results, cash requirements and financial conditions, any applicable provisions of state law that may limit the amount of funds available to us, and compliance with covenants and financial ratios related to existing or future agreements governing the indebtedness at our subsidiaries and any limitations in other agreements such subsidiaries may have with third parties.

**MGP distributions.** On December 15, 2016, MGP's Board of Directors declared a quarterly dividend of \$0.3875 per Class A share totaling \$22 million, which was paid on January 16, 2017 to holders of record on December 31, 2016. We concurrently received a \$72 million distribution attributable to Operating Partnership units owned by us from the Operating Partnership, which remained within the consolidated entity. MGP expects to pay quarterly distributions in cash of approximately \$22 million, equal to \$0.3875 per share (\$89 million on an annualized basis, equal to \$1.55 per share) to its Class A shareholders, which amount may be changed in the future without advance notice.

**MGM China dividend.** On February 16, 2017, as part of its regular dividend policy, the Board of Directors of MGM China announced it will recommend a final dividend for 2016 of \$78 million to MGM China shareholders subject to approval at the MGM China 2017 annual shareholders meeting to be held in May. If approved, we will receive our 56% share or \$44 million, of which \$4 million will be paid to Grand Paradise Macau under the \$50 million deferred cash payment arrangement related to our acquisition of the additional 4.95% of MGM China shares in August of 2016. See Note 13 in the accompanying consolidated financial statements for additional information regarding the deferred cash payment.

#### *Principal Debt Arrangements*

As discussed in "Executive Overview" in connection with the formation and IPO of MGP, we and MGP entered into several financing transactions including new principal debt agreements. See Note 10 to the accompanying consolidated financial statements for additional information regarding those agreements.

In April 2016, we entered into an amended and restated credit agreement comprised of a \$1.25 billion revolving facility and a \$250 million term loan A facility. The revolving facility and the term loan A facility bear interest determined by reference to a total net leverage ratio pricing grid which results in an interest rate of LIBOR plus 1.75% to 2.75%. Both the term loan A facility and the revolving facility will mature in April 2021. The term loan A facility is subject to amortization of principal in equal quarterly installments (commencing with the fiscal quarter ended March 31, 2017), with 5.0% of the initial aggregate principal amount of the term loan A facility to be payable each year. No amounts have been drawn on the revolving credit facility.

The amended and restated credit agreement contains customary representations and warranties, events of default, and positive, negative and financial covenants, including that we maintain compliance with a maximum total net leverage ratio, a maximum first lien net leverage ratio and a minimum interest coverage ratio. We were in compliance with our amended and restated credit agreement covenants at December 31, 2016.

The amended and restated credit agreement is secured by (i) a mortgage on the real properties comprising the MGM Grand Las Vegas and the Bellagio, (ii) a pledge of substantially all existing and future personal property of our subsidiaries that own the MGM Grand Las Vegas and the Bellagio; and (iii) a pledge of the equity or limited liability company interests of the entities that own MGM Grand Las Vegas and the Bellagio.

Mandatory prepayments of the credit facilities will be required upon the occurrence of certain events, including sales of certain assets, casualty events and the incurrence of certain additional indebtedness, subject to certain exceptions and reinvestment rights.

In April 2016, the Operating Partnership entered into a credit agreement comprised of a \$300 million senior secured term loan A facility, a \$1.85 billion senior secured term loan B facility, and a \$600 million senior secured revolving credit facility. The term loan B facility was originally issued at 99.75% to initial leaders. The



revolving credit facility and term loan A facility bear interest determined by reference to a total net leverage ratio pricing grid which results in an interest rate of LIBOR plus 2.25% to 2.75%. On October 26, 2016 the term loan B facility was re-priced at par and bore interest at LIBOR plus 2.75%, with a LIBOR floor of 0.75%, which represented a 50 basis point reduction compared to the prior rate. In addition, the Operating Partnership received a further reduction in pricing to LIBOR plus 2.50%, with a LIBOR floor of 0.75%, as a result of it achieving a minimum corporate family rating of Ba3/BB- in February 2017. The revolving credit facility and the term loan A facility will mature in 2021 and the term loan B facility will mature in 2023. The term loan facilities are subject to amortization of principal in equal quarterly installments, with 5.0% of the initial aggregate principal amount of the term loan A facility and 1.0% of the initial aggregate principal amount of the term loan B facility to be payable each year.

The Operating Partnership credit agreement contains customary representations and warranties, events of default, and positive, negative and financial covenants, including that the Operating Partnership maintain compliance with a maximum senior secured net debt to adjusted total assets ratio, maximum total net debt to adjusted assets ratio and a minimum interest coverage ratio. The Operating Partnership was in compliance with its credit agreement covenants at December 31, 2016.

MGM China and MGM Grand Paradise, as co-borrowers, are parties to a fourth amended and restated credit facility which consists of \$1.55 billion of term loans and a \$1.45 billion revolving credit facility. The interest rate on the facility fluctuates annually based on HIBOR plus a margin that ranges between 1.375% and 2.5% based on MGM China's leverage ratio. The credit facility matures in April 2019, with scheduled amortization payments of the term loans beginning in October 2017. The MGM China credit facility is secured by MGM Grand Paradise's interest in the Cotai land use right, and MGM China, MGM Grand Paradise and their guarantor subsidiaries have granted a security interest in substantially all of their assets to secure the facility.

The MGM China credit facility contains customary representations and warranties, events of default, and positive, negative and financial covenants, including that MGM China maintains compliance with a maximum leverage ratio and a minimum interest coverage ratio. MGM China was in compliance with its credit facility covenants at December 31, 2016. In February 2017, the MGM China credit facility was amended to increase the maximum total leverage ratio to 6.00 to 1.00 through December 31, 2017, declining to 5.50 to 1.00 at March 31, 2018, 5.00 to 1.00 at June 30, 2018 and 4.50 to 1.00 at September 30, 2018 and thereafter.

In January 2016, MGM National Harbor, LLC entered into a credit agreement consisting of a \$100 million revolving credit facility and a \$425 million term loan facility. The revolving and term loan facilities bear interest at LIBOR plus an applicable rate determined by MGM National Harbor, LLC's total leverage ratio (2.25% as of December 31, 2016). The term loan and revolving facilities are scheduled to mature in January 2021 and the term loan facilities are subject to scheduled amortization payments on the last day of each calendar quarter beginning the fourth full fiscal quarter following the opening date of MGM National Harbor, initially in an amount equal to 1.25% of the aggregate principal balance and increasing to 1.875% and 2.50% of the aggregate principal balance on the last day of the twelfth and sixteenth full fiscal quarters, respectively.

The MGM National Harbor credit agreement is secured by a leasehold mortgage on MGM National Harbor and substantially all of the existing and future property of MGM National Harbor. Mandatory prepayments will be required upon the occurrence of certain events, including sales of certain assets, casualty events and the incurrence of certain additional indebtedness, subject to certain exceptions and reinvestment rights. In addition, to the extent MGM National Harbor generates excess cash flow (as defined in the MGM National Harbor credit agreement), a percentage of such excess cash flow (ranging from 0% to 50% based on a total leverage ratio) will be required to be used to prepay the term loan facilities commencing with the fiscal year ending 2017.

The MGM National Harbor credit agreement contains customary representations and warranties, events of default, and positive, negative and financial covenants, including that MGM National Harbor, LLC and its restricted subsidiaries maintain compliance with a maximum total leverage ratio and a minimum interest coverage ratio. MGM National Harbor, LLC was in compliance with its credit agreement covenants at December 31, 2016.

### Off Balance Sheet Arrangements

Our off-balance sheet arrangements consist primarily of investments in unconsolidated affiliates, which consist primarily of our investments in CityCenter, Grand Victoria, and Las Vegas Arena Company, LLC. We have not entered into any transactions with special purpose entities, nor have we engaged in any derivative transactions, other than our MGP cash flow hedges. See Note 11 to the accompanying consolidated financial statements for additional information. Our unconsolidated affiliate investments allow us to realize the proportionate benefits of owning a full-scale resort or other entertainment properties in a manner that minimizes our initial investment. We guarantee the T-Mobile Arena credit facility as described below. In addition, there are no other provisions in the agreements with our investees which we believe are unusual or subject us to risks to which we would not be subjected if we had full ownership of the resort.

In conjunction with the Las Vegas Arena Company, LLC entering into a senior secured credit facility in September 2014, we and AEG each entered into joint and several completion guarantees for the project (which were subsequently terminated in February 2017), as well as a repayment guarantee for the term loan B (which is subject to increases and decreases in the event of a rebalancing of the principal amount of indebtedness between the term loan A and term loan B facilities). As of December 31, 2016, term loan A was \$150 million and term loan B was \$50 million.

### Commitments and Contractual Obligations

The following table summarizes our scheduled contractual obligations as of December 31, 2016:

|   | 2017                 | 2018            | 2019            | 2020            | 2021            | Thereafter      |
|---|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|   | <i>(In millions)</i> |                 |                 |                 |                 |                 |
| Long-term debt .....                                    | \$ 138               | \$ 1,323        | \$ 1,997        | \$ 1,583        | \$ 2,057        | \$ 6,046        |
| Estimated interest payments on long-term debt (1) ..... | 745                  | 722             | 612             | 550             | 437             | 656             |
| Construction commitments (2) .....                      | 643                  | 79              | -               | -               | -               | -               |
| Operating Leases (3) .....                              | 37                   | 33              | 30              | 30              | 32              | 1,380           |
| Capital leases .....                                    | 9                    | 3               | 2               | -               | -               | -               |
| Tax liabilities (4) .....                               | 21                   | -               | -               | -               | -               | -               |
| Long-term liabilities .....                             | 4                    | 5               | 5               | 4               | 52              | 39              |
| Other obligations (5) .....                             | 406                  | 100             | 47              | 21              | 17              | 96              |
|   | <u>\$ 2,003</u>      | <u>\$ 2,265</u> | <u>\$ 2,693</u> | <u>\$ 2,188</u> | <u>\$ 2,595</u> | <u>\$ 8,217</u> |

- (1) Estimated interest payments are based on principal amounts and expected maturities of debt outstanding at December 31, 2016 and management's forecasted LIBOR rates for our senior credit facility and HIBOR rates for the MGM China credit facility. In December 2016, the Operating Partnership entered into interest rate swap agreements to mitigate the interest rate risk inherent in its senior secured term loan B facility. These interest rate swaps are designated as cash flow hedges and have a notional value of \$500 million and mature on November 30, 2021. The weighted average fixed rate paid is 1.825%, and the variable rate received resets monthly to the one-month LIBOR subject to a minimum rate of 0.75%.
- (2) The amount for 2017 includes \$471 million related to MGM Cotai and \$39 million and \$76 million related to MGM National Harbor and MGM Springfield, respectively.
- (3) The table above excludes our future lease obligations to a subsidiary of the Operating Partnership pursuant to the master lease agreement discussed in Note 19 to the accompanying consolidated financial statements. We own 76.3% of the Operating Partnership units as of December 31, 2016. MGM National Harbor is located on land subject to a long-term ground lease. See Note 13 to the accompanying consolidated financial statements for further discussion.
- (4) Approximately \$12 million of liabilities related to uncertain tax positions and other tax liabilities are excluded from the table as we cannot reasonably estimate when examination and other activity related to these amounts will conclude or when these amounts will be paid, if ever.
- (5) The amount for 2017 includes \$124 million related to employment agreements, \$129 million for entertainment agreements and \$120 million of open purchase orders. Other commitments include various contracted amounts, including information technology, advertising, maintenance and other service agreements. Our largest entertainment commitments consist of minimum contractual payments to Cirque du Soleil, which performs shows at several of our resorts. Our contractual commitments for these shows generally do not exceed 12 months and are based on our ability to exercise certain termination rights; however, we expect these shows to continue for longer periods.

While we have significant indebtedness and other obligations, we believe we have the ability to meet known obligations, including principal and interest obligations as well as planned capital expenditures over the next twelve months from the balance sheet date with existing cash and cash deposits, cash flows from operations, dividends and distributions from MGM China and the Operating Partnership, and availability under our senior credit facility, the MGM China credit facility, the Operating Partnership credit facility and the MGM National Harbor credit facility. We have \$138 million of maturities of long-term debt in 2017. See “Liquidity and Capital Resources – Other Factors Affecting Liquidity” for further discussion of anticipated uses of cash.

### **Critical Accounting Policies and Estimates**

Management’s discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements. To prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, we must make estimates and assumptions that affect the amounts reported in the consolidated financial statements. We regularly evaluate these estimates and assumptions, particularly in areas we consider to be critical accounting estimates, where changes in the estimates and assumptions could have a material effect on our results of operations, financial position or cash flows. Senior management and the Audit Committee of the Board of Directors have reviewed the disclosures included herein about our critical accounting estimates, and have reviewed the processes to determine those estimates. However, by their nature, judgments are subject to an inherent degree of uncertainty and therefore actual results can differ from our estimates.

#### *Allowance for Doubtful Casino Accounts Receivable*

Marker play represents a significant portion of the table games volume at certain of our Las Vegas resorts. Our other casinos do not emphasize marker play to the same extent, although we offer markers to customers at those casinos as well. MGM China extends credit to certain in-house VIP gaming customers and gaming promoters. We maintain strict controls over the issuance of markers and aggressively pursue collection from our customers who fail to pay their marker balances timely. These collection efforts are similar to those used by most large corporations when dealing with overdue customer accounts, including the mailing of statements and delinquency notices, personal contacts, the use of outside collection agencies and civil litigation. Markers are generally legally enforceable instruments in the United States and Macau. At December 31, 2016 and 2015, approximately 53% and 42%, respectively, of our casino accounts receivable at our domestic resorts were owed by customers from the United States. Markers are not legally enforceable instruments in some foreign countries, but the United States assets of foreign customers may be reached to satisfy judgments entered in the United States. At December 31, 2016 and 2015, approximately 35% and 37%, respectively, of our casino accounts receivable at our domestic resorts were owed by customers from the Far East. We consider the likelihood and difficulty of enforceability, among other factors, when we issue credit to customers at our domestic resorts who are not residents of the United States. MGM China performs background checks and investigates the credit worthiness of gaming promoters and casino customers prior to issuing credit.

We maintain an allowance, or reserve, for doubtful casino accounts at all of our operating casino resorts. The provision for doubtful accounts, an operating expense, increases the allowance for doubtful accounts. We regularly evaluate the allowance for doubtful casino accounts. At domestic resorts where marker play is not significant, the allowance is generally established by applying standard reserve percentages to aged account balances. At domestic resorts where marker play is significant, we apply standard reserve percentages to aged account balances under a specified dollar amount and specifically analyze the collectability of each account with a balance over the specified dollar amount, based on the age of the account, the customer’s financial condition, collection history and any other known information. MGM China specifically analyzes the collectability of casino receivables on an individual basis taking into account the age of the account, the financial condition and the collection history of the gaming promoter or casino customer.

In addition to enforceability issues, the collectability of unpaid markers given by foreign customers at our domestic resorts is affected by a number of factors, including changes in currency exchange rates and economic

conditions in the customers' home countries. Because individual customer account balances can be significant, the allowance and the provision can change significantly between periods, as information about a certain customer becomes known or as changes in a region's economy occur.

The following table shows key statistics related to our casino receivables:

|   | <b>December 31,</b>   |             |
|---|-----------------------|-------------|
|   | <b>2016</b>           | <b>2015</b> |
|   | <i>(In thousands)</i> |             |
| Casino receivables .....                                      | \$ 332,443            | \$ 285,182  |
| Allowance for doubtful casino accounts receivable .....       | 92,424                | 86,010      |
| Allowance as a percentage of casino accounts receivable ..... | 28%                   | 30%         |
| Percentage of casino accounts outstanding over 180 days ..... | 21%                   | 26%         |

Approximately \$35 million and \$40 million of casino receivables and \$8 million and \$9 million of the allowance for doubtful casino accounts receivable relate to MGM China at December 31, 2016 and 2015, respectively. Casino receivables increased in the current year as a result of the Borgata transaction and the opening of MGM National Harbor. The allowance for doubtful accounts as a percentage of casino accounts receivable has decreased in the current year due to a decrease in the age of outstanding account balances. At December 31, 2016, a 100 basis-point change in the allowance for doubtful accounts as a percentage of casino accounts receivable would change income before income taxes by \$3 million.

#### *Fixed Asset Capitalization and Depreciation Policies*

Property and equipment are stated at cost. For the majority of our property and equipment, cost was determined at the acquisition date based on estimated fair values in connection with the August 2016 Borgata acquisition, the June 2011 MGM China acquisition, the April 2005 Mandalay acquisition and the May 2000 Mirage Resorts acquisition. Maintenance and repairs that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets. When we construct assets, we capitalize direct costs of the project, including fees paid to architects and contractors, property taxes, and certain costs of our design and construction subsidiaries. In addition, interest cost associated with major development and construction projects is capitalized as part of the cost of the project. Interest is typically capitalized on amounts expended on the project using the weighted-average cost of our outstanding borrowings. Capitalization of interest starts when construction activities begin and ceases when construction is substantially complete or development activity is suspended for more than a brief period.

We must make estimates and assumptions when accounting for capital expenditures. Whether an expenditure is considered a maintenance expense or a capital asset is a matter of judgment. When constructing or purchasing assets, we must determine whether existing assets are being replaced or otherwise impaired, which also may be a matter of judgment. In addition, our depreciation expense is highly dependent on the assumptions we make about our assets' estimated useful lives. We determine the estimated useful lives based on our experience with similar assets, engineering studies, and our estimate of the usage of the asset. Whenever events or circumstances occur which change the estimated useful life of an asset, we account for the change prospectively.

#### *Impairment of Long-lived Assets, Goodwill and Indefinite-lived Intangible Assets*

We evaluate our property and equipment and other long-lived assets for impairment based on our classification as held for sale or to be held and used. Several criteria must be met before an asset is classified as held for sale, including that management with the appropriate authority commits to a plan to sell the asset at a reasonable price in relation to its fair value and is actively seeking a buyer. For assets classified as held for sale, we recognize the asset at the lower of carrying value or fair market value less costs of disposal, as estimated



based on comparable asset sales, offers received, or a discounted cash flow model. For assets to be held and used, we review for impairment whenever indicators of impairment exist. We then compare the estimated future cash flows of the asset, on an undiscounted basis, to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then an impairment is recorded based on the fair value of the asset. For operating assets, fair value is typically measured using a discounted cash flow model whereby future cash flows are discounted using a weighted-average cost of capital, developed using a standard capital asset pricing model, based on guideline companies in our industry. If an asset is still under development, future cash flows include remaining construction costs. All recognized impairment losses, whether for assets to be held for sale or assets to be held and used, are recorded as operating expenses.

There are several estimates, assumptions and decisions in measuring impairments of long-lived assets. First, management must determine the usage of the asset. To the extent management decides that an asset will be sold, it is more likely that an impairment may be recognized. Assets must be tested at the lowest level for which identifiable cash flows exist. This means that some assets must be grouped, and management has some discretion in the grouping of assets. Future cash flow estimates are, by their nature, subjective and actual results may differ materially from our estimates.

On a quarterly basis, we review our major long-lived assets to determine if events have occurred or circumstances exist that indicate a potential impairment. Potential factors which could trigger an impairment include underperformance compared to historical or projected operating results, negative industry or economic factors, significant changes to our operating environment, or changes in intended use of the asset group. We estimate future cash flows using our internal budgets and probability weight cash flows in certain circumstances to consider alternative outcomes associated with recoverability of the asset group, including potential sale. Historically, undiscounted cash flows of our significant operating asset groups have exceeded their carrying values by a substantial margin.

We review indefinite-lived intangible assets and goodwill at least annually and between annual test dates in certain circumstances. We perform our annual impairment test for indefinite-lived intangible assets in the fourth quarter of each fiscal year. Indefinite-lived intangible assets consist primarily of license rights, which are tested for impairment using a discounted cash flow approach, and trademarks, which are tested for impairment using the relief-from-royalty method. See Note 8 to the accompanying consolidated financial statements for further discussion of goodwill and other intangible assets.

Goodwill represents the excess of purchase price over the fair market value of net assets acquired in business combinations. We test goodwill for relevant reporting units for impairment in the fourth quarter of each year and in interim periods if circumstances exist such that it is more likely than not that the carrying value of a reporting unit exceeds its fair value. Accounting guidance provides entities the option to perform a qualitative assessment of goodwill (commonly referred to as “step zero”) in order to determine whether further impairment testing is necessary. In performing the step zero analysis we take into account macroeconomic conditions, industry and market considerations, current and forecasted financial performance, entity-specific events, and changes in the composition or carrying amount of net assets of reporting units. In addition, management takes into consideration the amount of excess of fair value over carrying value determined in the last quantitative analysis that was performed, as well as the period of time that has passed since the last quantitative analysis. If the step zero analysis indicates that it is more likely than not that the fair value of a reporting unit exceeds its carrying value, further quantitative analysis is not required. If the step zero analysis indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the entity would proceed to a two-step quantitative analysis.

Under the two-step quantitative analysis, goodwill for relevant reporting units is tested for impairment using a discounted cash flow analysis based on our budgeted future results discounted using a weighted average cost of capital, developed using a standard capital asset pricing model based on guideline companies in our industry, and market indicators of terminal year capitalization rates, as well as a market approach that utilizes business

enterprise value multiples based on a range of multiples in our peer group. If the carrying value of the reporting unit exceeds its fair value, an indication of impairment exists and we must proceed to measure an impairment loss, if any. In measuring an impairment loss, the implied fair value of a reporting unit's goodwill is compared to the carrying value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to its assets and liabilities and the amount remaining, if any, is the implied fair value of goodwill. If the implied fair value of goodwill is less than its carrying value then it must be written down to its implied fair value.

With the exception of our MGM China reporting unit, discussed below, none of our other reporting units incurred any goodwill impairment charges in 2016, 2015 or 2014. For our 2016 annual impairment test, we utilized the option to perform a step zero analysis for certain of our domestic resorts reporting units and concluded it was more likely than not that the fair values of such reporting units exceeded their carrying values by a substantial margin. The estimated fair values of reporting units for which we elected to forego the step zero analysis and instead utilized the two-step quantitative analysis were substantially in excess of their carrying values. As discussed below, management makes significant judgments and estimates as part of these analyses. If future operating results of our reporting units do not meet current expectations it could cause carrying values of our reporting units to exceed their fair values in future periods, potentially resulting in a goodwill impairment charge.

During the fourth quarter of 2015, we conducted our annual impairment tests of goodwill by reviewing each of our reporting units, including our MGM China reporting unit. The step one goodwill analysis of the MGM China reporting unit indicated the fair value was less than its carrying value by 4%. The decrease in fair value resulted from a decrease in forecasted cash flows based on then current market conditions and a sustained decline in the enterprise value multiples of the MGM China reporting unit as well as those of the MGM China reporting unit's peer group. As a result of the indication of impairment from the step one analysis, we proceeded to perform a step two impairment analysis to measure the impairment loss. As such, we determined the fair values of all assets of the MGM China reporting unit, including its separately identifiable intangible assets. The fair values of each of the separately identifiable intangible assets exceeded their respective carrying values by a significant amount, leading to a lower implied fair value of goodwill. Therefore, we recorded a \$1.5 billion non-cash impairment charge to reduce the historical carrying value of goodwill related to the MGM China reporting unit to its implied fair value in 2015.

There are several estimates inherent in evaluating these assets for impairment. In particular, future cash flow estimates are, by their nature, subjective and actual results may differ materially from our estimates. In addition, the determination of multiples, capitalization rates and the discount rates used in the impairment tests are highly judgmental and dependent in large part on expectations of future market conditions.

See Note 8 to the accompanying consolidated financial statements for further discussion of goodwill impairment.

#### *Impairment of Investments in Unconsolidated Affiliates*

We evaluate our investments in unconsolidated affiliates for impairment whenever events or changes in circumstances indicate that the carrying value of our investment may have experienced an other-than-temporary decline in value. If such conditions exist, we compare the estimated fair value of the investment to its carrying value to determine whether an impairment is indicated and determine whether the impairment is other-than-temporary based on our assessment of relevant factors, including consideration of our intent and ability to retain our investment. We estimate fair value using a discounted cash flow analysis based on estimates of future cash flows and market indicators of discount rates and terminal year capitalization rates, as well as a market approach that utilizes business enterprise value multiples based on a range of multiples in our peer group. See Note 7 and Note 17 to the accompanying consolidated financial statements for discussion of other-than-temporary impairment charges.

## *Income Taxes*

We recognize deferred tax assets, net of applicable reserves, related to net operating loss and tax credit carryforwards and certain temporary differences with a future tax benefit to the extent that realization of such benefit is more likely than not. Otherwise, a valuation allowance is applied.

As of December 31, 2016, we have a foreign tax credit carryover of \$2.8 billion against which we have recorded a valuation allowance of \$2.5 billion based upon our assessment of future realization. The foreign tax credits are attributable to the Macau Special Gaming Tax which is 35% of gross gaming revenue in Macau. Because MGM Grand Paradise is presently exempt from the Macau 12% complementary tax on gaming profits, we believe that payment of the Macau Special Gaming Tax qualifies as a tax paid in lieu of an income tax that is creditable against U.S. taxes.

On September 7, 2016, MGM Grand Paradise was granted an additional extension of the complementary tax exemption through March 31, 2020, concurrent with the end of the term of its current gaming subconcession. A competitor of MGM Grand Paradise subsequently received an additional extension of its exemption through March 31, 2020, which also runs concurrent with the end of the term of its current gaming concession. Based upon these developments and the uncertainty concerning taxation after the concession renewal process, we have concluded that we can no longer assume that MGM Grand Paradise will be entitled to additional exemption periods beyond the end of the extension recently granted. Thus, for all periods beyond March 31, 2020, we have assumed that MGM Grand Paradise will pay the Macau 12% complementary tax on gaming profits and will thus not be able to credit the Macau Special Gaming Tax in such years, and have factored that assumption into our assessment of the realization of the foreign tax credit deferred tax asset and the measurement of Macau deferred tax liabilities.

Due to improvements in our U.S. operations, we have generated U.S. operating profits for the past eight consecutive quarters and as of June 30, 2016 we no longer had cumulative U.S. losses in recent years. Consequently, during 2016 we began to rely on future U.S. source operating income in assessing future foreign tax credit realization during the 10-year foreign tax credit carryover period.

Our assessment of realization of our foreign tax credit deferred tax asset is based on available evidence, including assumptions about future profitability of and distributions from MGM China and assumptions concerning future U.S. operating profits. As a result, significant judgment is required in assessing the possible need for a valuation allowance and changes to our assumptions may have a material impact on the amount of the valuation allowance. For example, a change to our forecasts of future profitability of and distributions from MGM China or a change in our assumptions concerning U.S. profitability could result in a material change in the valuation allowance with a corresponding impact on the provision for income taxes in such period. In addition, should we in a future period actually receive an additional exemption from the complementary tax, an additional valuation allowance would likely need to be provided on some portion or all of the foreign tax credit deferred tax asset, resulting in an increase in the provision for income taxes in such period and such increase may be material.

In addition, there is a \$3 million valuation allowance, after federal effect, provided on certain state deferred tax assets, a valuation allowance of \$71 million on certain Macau deferred tax assets, and a valuation allowance of \$2 million on Hong Kong net operating losses because we believe these assets do not meet the “more likely than not” criteria for recognition.

We file income tax returns in the U.S. federal jurisdiction, various state and local jurisdictions, and foreign jurisdictions, although the income taxes paid in foreign jurisdictions are not material. Our income tax returns are subject to examination by the Internal Revenue Service (“IRS”) and other tax authorities. Positions taken in tax returns are sometimes subject to uncertainty in the tax laws and may not ultimately be accepted by the IRS or other tax authorities. See Note 12 in the accompanying consolidated financial statements for a discussion of the status and impact of examinations by tax authorities.

We assess our tax positions using a two-step process. A tax position is recognized if it meets a “more likely than not” threshold, and is measured at the largest amount of benefit that is greater than fifty percent likely of being realized. Uncertain tax positions must be reviewed at each balance sheet date. Liabilities we record as a result of this analysis are recorded separately from any current or deferred income tax accounts, and are classified as current in “Other accrued liabilities” or long-term in “Other long-term liabilities” based on the time until expected payment. Additionally, we recognize accrued interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

#### *Stock-based Compensation*

We account for stock options and stock appreciation rights (“SARs”) measuring fair value using the Black-Scholes model. For restricted share units (“RSUs”), compensation expense is calculated based on the fair market value of our stock on the date of grant. We account for performance stock units (“PSUs”) measuring fair value using the Monte Carlo valuation model. There are several management assumptions required to determine the inputs into the Black-Scholes model and Monte Carlo valuation model. Our volatility and expected term assumptions used in the Black-Scholes model can significantly affect the fair value of stock options and SARs. The Monte Carlo valuation model also utilizes multiple assumptions, including volatility, to determine the fair value of the award. Changes in the subjective assumptions can materially affect the estimate of the fair value of share-based compensation and consequently, the related amount recognized in the consolidated financial statements. The extent of the impact will depend, in part, on the extent of awards in any given year.

#### **Market Risk**

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

In December 2016, the Operating Partnership entered into interest rate swap agreements to mitigate the interest rate risk inherent in its senior secured term loan B facility. These interest rate swaps are designated as cash flow hedges and have a notional value of \$500 million and mature on November 30, 2021. The weighted average fixed rate paid is 1.825%, and the variable rate received resets monthly to the one-month LIBOR subject to a minimum rate of 0.75%. In January 2017, the Operating Partnership entered into additional interest rate swap agreements through November 2021 with a total \$700 million notional amount to pay a fixed rate of 1.964% and receive the 1-month LIBOR rate in order to mitigate the interest rate risk inherent in its senior secured term loan B facility. The Company does not currently have any master netting arrangements related to its derivative contracts. See Note 11 for additional information.

As of December 31, 2016, variable rate borrowings represented approximately 32% of our total borrowings after giving effect to the \$500 million notional amount Operating Partnership interest rate swaps discussed above. Assuming a 100 basis-point increase in LIBOR (in the case of the MGP term loan B facility, over the 0.75% floor specified in the Operating Partnership credit facility and after giving effect to the \$500 million notional amount Operating Partnership interest rate swaps discussed above), our annual interest cost would increase by \$23 million based on gross amounts outstanding at December 31, 2016. Assuming a 100 basis-point increase in HIBOR for the MGM China credit facility, our annual interest cost would increase by \$19 million based on amounts outstanding at December 31, 2016. The following table provides additional information about our gross



long-term debt subject to changes in interest rates excluding the effect of the Operating Partnership interest rate swaps discussed above:

|                             | Debt maturing in,    |        |          |          |          |            |          | Fair Value           |
|-----------------------------|----------------------|--------|----------|----------|----------|------------|----------|----------------------|
|                             | 2017                 | 2018   | 2019     | 2020     | 2021     | Thereafter | Total    | December 31,<br>2016 |
|                             | <i>(In millions)</i> |        |          |          |          |            |          |                      |
| Fixed-rate .....            | \$ -                 | \$ 475 | \$ 850   | \$ 1,500 | \$ 1,250 | \$ 4,303   | \$ 8,378 | \$ 9,114             |
| Average interest rate ..... | N/A                  | 11.4%  | 8.6%     | 6.3%     | 6.6%     | 6.0%       | 6.7%     |                      |
| Variable rate .....         | \$ 138               | \$ 848 | \$ 1,147 | \$ 82    | \$ 807   | \$ 1,744   | \$ 4,766 | \$ 4,772             |
| Average interest rate ..... | 3.0%                 | 2.8%   | 2.7%     | 3.2%     | 3.2%     | 3.5%       | 3.1%     |                      |

In addition to the risk associated with our variable interest rate debt, we are also exposed to risks related to changes in foreign currency exchange rates, mainly related to MGM China and to our operations at MGM Macau and the development of MGM Cotai. While recent fluctuations in exchange rates have not been significant, potential changes in policy by governments or fluctuations in the economies of the United States, China, Macau or Hong Kong could cause variability in these exchange rates. We cannot assure you that the Hong Kong dollar will continue to be pegged to the U.S. dollar or the current peg rate for the Hong Kong dollar will remain at the same level. The possible changes to the peg of the Hong Kong dollar may result in severe fluctuations in the exchange rate thereof. As of December 31, 2016, a 1% increase in the Hong Kong dollar (the functional currency of MGM China) to the U.S. dollar exchange rate would impact the carrying value of our cash balance by \$4 million and a 1% decrease in the exchange rate would impact the carrying value of our debt balance by \$20 million.

## **MANAGEMENT’S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

### *Management’s Responsibilities*

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Sections 13a-15(f) and 15d-15(f) of the Exchange Act) for MGM Resorts International and subsidiaries (the “Company”).

### *Objective of Internal Control over Financial Reporting*

In establishing adequate internal control over financial reporting, management has developed and maintained a system of internal control, policies and procedures designed to provide reasonable assurance that information contained in the accompanying consolidated financial statements and other information presented in this annual report is reliable, does not contain any untrue statement of a material fact or omit to state a material fact, and fairly presents in all material respects the financial condition, results of operations and cash flows of the Company as of and for the periods presented in this annual report. These include controls and procedures designed to ensure that this information is accumulated and communicated to the Company’s management, including its principal executive officer and principal financial officer, as appropriate for all timely decisions regarding required disclosure. Significant elements of the Company’s internal control over financial reporting include, for example:

- Hiring skilled accounting personnel and training them appropriately;
- Written accounting policies;
- Written documentation of accounting systems and procedures;
- Segregation of incompatible duties;
- Internal audit function to monitor the effectiveness of the system of internal control; and
- Oversight by an independent Audit Committee of the Board of Directors.

### *Management’s Evaluation*

Management, with the participation of the Company’s principal executive officer and principal financial officer, has evaluated the Company’s internal control over financial reporting using the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In making its assessment of internal control over financial reporting as of December 31, 2016, the Company has excluded the operations of Marina District Development Company, LLC, which owns and operates Borgata Hotel Casino & Spa (“Borgata”) because these operations were acquired in a business combination on August 1, 2016. These operations represent approximately 7% of the Company’s total assets at December 31, 2016 and approximately 4% of the Company’s total net revenues for the year ended December 31, 2016. The Company intends to disclose any material changes in internal control over financial reporting with respect to the Borgata operations in the year ending December 31, 2017, the first annual assessment of internal control over financial reporting in which it is required to include Borgata.

Based on its evaluation as of December 31, 2016, management believes that the Company’s internal control over financial reporting is effective in achieving the objectives described above.

### *Report of Independent Registered Public Accounting Firm*

Deloitte & Touche LLP audited the Company’s consolidated financial statements as of and for the year ended December 31, 2016 and issued their report thereon, which is included in this annual report. Deloitte & Touche LLP has also issued an attestation report on the effectiveness of the Company’s internal control over financial reporting and such report is also included in this annual report.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
MGM Resorts International

We have audited the internal control over financial reporting of MGM Resorts International and subsidiaries (the “Company”) as of December 31, 2016, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management’s Annual Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Marina District Development Company, LLC (the Borgata Hotel Casino & Spa), which was acquired on August 1, 2016, and whose financial statements constitute 7% of total assets and 4% of total net revenues of the Company’s consolidated financial statement amounts as of and for the year ended December 31, 2016. Accordingly, our audit did not include the internal control over financial reporting at Marina District Development Company, LLC. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the effectiveness of the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2016. Our report dated March 1, 2017 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada  
March 1, 2017

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
MGM Resorts International

We have audited the accompanying consolidated balance sheets of MGM Resorts International and subsidiaries (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of MGM Resorts International and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2017, expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada  
March 1, 2017

**MGM RESORTS INTERNATIONAL AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
*(In thousands, except share data)*

|  | <b>December 31,</b>        |                            |
|--|----------------------------|----------------------------|
|  | <b>2016</b>                | <b>2015</b>                |
| <b>ASSETS</b>  |                            |                            |
| <b>Current assets</b>  |                            |                            |
| Cash and cash equivalents .....  | \$ 1,446,581               | \$ 1,670,312               |
| Accounts receivable, net .....   | 542,924                    | 480,559                    |
| Inventories .....  | 97,733                     | 104,200                    |
| Income tax receivable .....  | -                          | 15,993                     |
| Prepaid expenses and other .....   | 142,349                    | 137,685                    |
| Total current assets .....   | <u>2,229,587</u>           | <u>2,408,749</u>           |
| <b>Property and equipment, net</b> .....   | 18,425,023                 | 15,371,795                 |
| <b>Other assets</b>  |                            |                            |
| Investments in and advances to unconsolidated affiliates .....   | 1,220,443                  | 1,491,497                  |
| Goodwill .....   | 1,817,119                  | 1,430,767                  |
| Other intangible assets, net .....   | 4,087,706                  | 4,164,781                  |
| Other long-term assets, net .....  | 393,423                    | 347,589                    |
| Total other assets .....   | <u>7,518,691</u>           | <u>7,434,634</u>           |
|  | <u><u>\$28,173,301</u></u> | <u><u>\$25,215,178</u></u> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                            |                            |
| <b>Current liabilities</b>   |                            |                            |
| Accounts payable .....   | \$ 250,477                 | \$ 182,031                 |
| Construction payable .....   | 270,361                    | 250,120                    |
| Income taxes payable .....   | 10,654                     | -                          |
| Current portion of long-term debt .....  | 8,375                      | 328,442                    |
| Accrued interest on long-term debt .....   | 159,028                    | 165,914                    |
| Other accrued liabilities .....  | 1,594,526                  | 1,311,444                  |
| Total current liabilities .....  | <u>2,293,421</u>           | <u>2,237,951</u>           |
| <b>Deferred income taxes, net</b> .....  | 2,551,228                  | 2,680,576                  |
| <b>Long-term debt</b> .....  | 12,979,220                 | 12,368,311                 |
| <b>Other long-term obligations</b> .....   | 325,981                    | 157,663                    |
| <b>Commitments and contingencies (Note 13)</b>   |                            |                            |
| <b>Redeemable noncontrolling interests</b> .....   | 54,139                     | 6,250                      |
| <b>Stockholders' equity</b>  |                            |                            |
| Common stock, \$.01 par value: authorized 1,000,000,000 shares, issued and<br>outstanding 574,123,706 and 564,838,893 shares ..... | 5,741                      | 5,648                      |
| Capital in excess of par value .....   | 5,653,575                  | 5,655,886                  |
| Retained earnings (accumulated deficit) .....  | 545,811                    | (555,629)                  |
| Accumulated other comprehensive income .....   | 15,053                     | 14,022                     |
| Total MGM Resorts International stockholders' equity .....   | <u>6,220,180</u>           | <u>5,119,927</u>           |
| Noncontrolling interests .....   | 3,749,132                  | 2,644,500                  |
| Total stockholders' equity .....   | <u>9,969,312</u>           | <u>7,764,427</u>           |
|  | <u><u>\$28,173,301</u></u> | <u><u>\$25,215,178</u></u> |

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



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

|  | <b>Year Ended December 31,</b> |                     |                     |
|--|--------------------------------|---------------------|---------------------|
|  | <b>2016</b>                    | <b>2015</b>         | <b>2014</b>         |
| <b>Revenues</b>  |                                |                     |                     |
| Casino .....   | \$ 4,936,490                   | \$ 4,842,836        | \$ 5,878,775        |
| Rooms .....  | 2,023,841                      | 1,876,733           | 1,768,012           |
| Food and beverage .....  | 1,639,910                      | 1,575,496           | 1,558,937           |
| Entertainment .....  | 517,433                        | 539,318             | 560,116             |
| Retail .....   | 200,340                        | 201,688             | 191,351             |
| Other .....  | 533,528                        | 506,934             | 507,639             |
| Reimbursed costs .....   | 397,152                        | 398,836             | 383,434             |
|  | <u>10,248,694</u>              | <u>9,941,841</u>    | <u>10,848,264</u>   |
| Less: Promotional allowances .....   | <u>(793,571)</u>               | <u>(751,773)</u>    | <u>(766,280)</u>    |
|  | <u>9,455,123</u>               | <u>9,190,068</u>    | <u>10,081,984</u>   |
| <b>Expenses</b>  |                                |                     |                     |
| Casino .....   | 2,718,483                      | 2,882,752           | 3,643,881           |
| Rooms .....  | 576,426                        | 564,094             | 548,993             |
| Food and beverage .....  | 943,803                        | 917,993             | 908,916             |
| Entertainment .....  | 411,657                        | 410,284             | 422,115             |
| Retail .....   | 96,928                         | 102,904             | 99,455              |
| Other .....  | 351,215                        | 348,513             | 361,904             |
| Reimbursed costs .....   | 397,152                        | 398,836             | 383,434             |
| General and administrative .....   | 1,378,617                      | 1,309,104           | 1,318,749           |
| Corporate expense .....  | 312,774                        | 274,551             | 238,811             |
| NV Energy exit expense .....   | 139,335                        | -                   | -                   |
| Preopening and start-up expenses .....   | 140,075                        | 71,327              | 39,257              |
| Property transactions, net .....   | 17,078                         | 35,951              | 41,002              |
| Goodwill impairment .....  | -                              | 1,467,991           | -                   |
| Gain on Borgata transaction .....  | (430,118)                      | -                   | -                   |
| Depreciation and amortization .....  | 849,527                        | 819,883             | 815,765             |
|  | <u>7,902,952</u>               | <u>9,604,183</u>    | <u>8,822,282</u>    |
| <b>Income from unconsolidated affiliates</b> .....   | <u>527,616</u>                 | <u>257,883</u>      | <u>63,836</u>       |
| <b>Operating income (loss)</b> .....   | <u>2,079,787</u>               | <u>(156,232)</u>    | <u>1,323,538</u>    |
| <b>Non-operating income (expense)</b>  |                                |                     |                     |
| Interest expense, net of amounts capitalized .....   | (694,773)                      | (797,579)           | (817,061)           |
| Non-operating items from unconsolidated affiliates .....                                     | (53,139)                       | (76,462)            | (87,794)            |
| Other, net .....   | (72,698)                       | (15,970)            | (7,797)             |
|  | <u>(820,610)</u>               | <u>(890,011)</u>    | <u>(912,652)</u>    |
| <b>Income (loss) before income taxes</b> .....   | <u>1,259,177</u>               | <u>(1,046,243)</u>  | <u>410,886</u>      |
| Benefit (provision) for income taxes .....   | <u>(22,299)</u>                | <u>6,594</u>        | <u>(283,708)</u>    |
| <b>Net income (loss)</b> .....   | <u>1,236,878</u>               | <u>(1,039,649)</u>  | <u>127,178</u>      |
| Less: Net (income) loss attributable to noncontrolling interests .....                       | <u>(135,438)</u>               | <u>591,929</u>      | <u>(277,051)</u>    |
| <b>Net income (loss) attributable to MGM Resorts International</b> .....                     | <u>\$ 1,101,440</u>            | <u>\$ (447,720)</u> | <u>\$ (149,873)</u> |
| <b>Net income (loss) per share of common stock attributable to MGM Resorts International</b> |                                |                     |                     |
| Basic .....  | <u>\$ 1.94</u>                 | <u>\$ (0.82)</u>    | <u>\$ (0.31)</u>    |
| Diluted .....  | <u>\$ 1.92</u>                 | <u>\$ (0.82)</u>    | <u>\$ (0.31)</u>    |

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

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

|  | <b>Year Ended December 31,</b> |                     |                    |
|--|--------------------------------|---------------------|--------------------|
|  | <b>2016</b>                    | <b>2015</b>         | <b>2014</b>        |
| <b>Net income (loss)</b> .....   | \$1,236,878                    | \$(1,039,649)       | \$ 127,178         |
| Other comprehensive income (loss), net of tax:                                     |                                |                     |                    |
| Foreign currency translation adjustment .....                                      | (2,680)                        | 3,727               | (1,293)            |
| Unrealized gain on cash flow hedges .....  | 1,879                          | -                   | -                  |
| Other .....  | -                              | (672)               | 1,250              |
| Other comprehensive income (loss) .....  | (801)                          | 3,055               | (43)               |
| <b>Comprehensive income (loss)</b> .....   | 1,236,077                      | (1,036,594)         | 127,135            |
| Less: Comprehensive (income) loss attributable to noncontrolling interests .....   | (134,680)                      | 589,905             | (276,520)          |
| <b>Comprehensive income (loss) attributable to MGM Resorts International</b> ..... | <u>\$1,101,397</u>             | <u>\$ (446,689)</u> | <u>\$(149,385)</u> |

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

**MGM RESORTS INTERNATIONAL AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(In thousands)*

|   | Year Ended December 31, |               |              |
|---|-------------------------|---------------|--------------|
|   | 2016                    | 2015          | 2014         |
| <b>Cash flows from operating activities</b>   |                         |               |              |
| Net income (loss) .....   | \$ 1,236,878            | \$(1,039,649) | \$ 127,178   |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: .....                            |                         |               |              |
| Depreciation and amortization .....   | 849,527                 | 819,883       | 815,765      |
| Amortization of debt discounts, premiums and issuance costs .....   | 40,493                  | 46,280        | 37,650       |
| Loss on retirement of long-term debt .....  | 66,933                  | 1,924         | -            |
| Provision for doubtful accounts .....   | 10,863                  | 54,691        | 46,698       |
| Stock-based compensation .....  | 55,487                  | 42,872        | 37,264       |
| Property transactions, net .....  | 17,078                  | 35,951        | 41,002       |
| Goodwill impairment .....   | -                       | 1,467,991     | -            |
| Gain on Borgata transaction .....   | (430,118)               | -             | -            |
| (Income) loss from unconsolidated affiliates .....  | (471,309)               | (177,946)     | 24,875       |
| Distributions from unconsolidated affiliates .....  | 16,905                  | 29,333        | 15,568       |
| Deferred income taxes .....   | (80,628)                | (3,615)       | 331,833      |
| Change in operating assets and liabilities: .....   |                         |               |              |
| Accounts receivable .....   | (33,208)                | (62,720)      | (32,435)     |
| Inventories .....   | 10,806                  | (2,649)       | 3,167        |
| Income taxes receivable and payable, net .....  | 13,385                  | (5,946)       | (29,485)     |
| Prepaid expenses and other .....  | 20,192                  | (13,694)      | 22,144       |
| Prepaid Cotai land concession premium .....   | (22,376)                | (22,427)      | (22,423)     |
| Accounts payable and accrued liabilities .....  | 272,828                 | (139,069)     | (288,955)    |
| Other .....   | (39,764)                | (26,131)      | 824          |
| Net cash provided by operating activities .....   | 1,533,972               | 1,005,079     | 1,130,670    |
| <b>Cash flows from investing activities</b>   |                         |               |              |
| Capital expenditures, net of construction payable .....   | (2,262,473)             | (1,466,819)   | (872,041)    |
| Dispositions of property and equipment .....  | 3,944                   | 8,032         | 7,651        |
| Proceeds from partial disposition of investment in unconsolidated affiliate .....   | 15,000                  | -             | -            |
| Proceeds from sale of business units and investment in unconsolidated affiliate .....                                     | -                       | 92,207        | -            |
| Acquisition of Borgata, net of cash acquired .....  | (559,443)               | -             | -            |
| Investments in and advances to unconsolidated affiliates .....  | (3,633)                 | (196,062)     | (103,040)    |
| Distributions from unconsolidated affiliates in excess of cumulative earnings .....                                       | 542,097                 | 201,612       | 132          |
| Investments in treasury securities—maturities longer than 90 days .....   | -                       | -             | (123,133)    |
| Proceeds from treasury securities—maturities longer than 90 days .....  | -                       | -             | 210,300      |
| Investments in cash deposits—original maturities longer than 90 days .....  | -                       | (200,205)     | (570,000)    |
| Proceeds from cash deposits—original maturities longer than 90 days .....   | -                       | 770,205       | -            |
| Payments for gaming licenses .....  | -                       | -             | (85,000)     |
| Other .....   | (11,696)                | (4,028)       | 10,981       |
| Net cash used in investing activities .....   | (2,276,204)             | (795,058)     | (1,524,150)  |
| <b>Cash flows from financing activities</b>   |                         |               |              |
| Net borrowings (repayments) under bank credit facilities – maturities of 90 days or less .....                            | 491,032                 | 977,275       | (28,000)     |
| Borrowings under bank credit facilities – maturities longer than 90 days .....  | 1,845,375               | 5,118,750     | 5,171,250    |
| Repayments under bank credit facilities – maturities longer than 90 days .....  | (1,845,375)             | (5,118,750)   | (5,171,250)  |
| Issuance of long-term debt .....  | 2,050,000               | -             | 1,250,750    |
| Retirement of senior notes .....  | (2,258,053)             | (875,504)     | (508,900)    |
| Repayment of Borgata credit facility .....  | (583,598)               | -             | -            |
| Debt issuance costs .....   | (139,584)               | (46,170)      | (13,681)     |
| Issuance of MGM Growth Properties Class A shares in public offering .....   | 1,207,500               | -             | -            |
| MGM Growth Properties Class A share issuance costs .....  | (75,032)                | -             | -            |
| Acquisition of MGM China shares .....   | (100,000)               | -             | -            |
| Distributions to noncontrolling interest owners .....   | (103,367)               | (307,227)     | (386,709)    |
| Excess tax benefit from exercise of stock options .....   | 13,277                  | 12,369        | 4,671        |
| Proceeds from issuance of redeemable noncontrolling interests .....   | 47,325                  | 6,250         | -            |
| Other .....   | (30,078)                | (24,872)      | (10,054)     |
| Net cash provided by (used in) financing activities .....   | 519,422                 | (257,879)     | 308,077      |
| <b>Effect of exchange rate on cash</b>  | (921)                   | 793           | (889)        |
| <b>Cash and cash equivalents</b>  |                         |               |              |
| Net decrease for the period .....   | (223,731)               | (47,065)      | (86,292)     |
| Change in cash related to assets held for sale .....  | -                       | 3,662         | (3,662)      |
| Balance, beginning of period .....  | 1,670,312               | 1,713,715     | 1,803,669    |
| Balance, end of period .....  | \$ 1,446,581            | \$ 1,670,312  | \$ 1,713,715 |
| <b>Supplemental cash flow disclosures</b>   |                         |               |              |
| Interest paid, net of amounts capitalized .....   | \$ 661,166              | \$ 776,540    | \$ 776,778   |
| Federal, state and foreign income taxes paid, net of refunds .....  | 68,236                  | 11,801        | 42,272       |
| <b>Non-cash investing and financing activities</b>  |                         |               |              |
| Common stock issued for acquisition of MGM China shares .....   | \$ 174,041              | \$ -          | \$ -         |
| Deferred cash payment for acquisition of MGM China shares .....   | 43,265                  | -             | -            |
| Conversion of convertible senior notes to equity .....  | -                       | 1,449,499     | -            |
| Increase (decrease) in investment in and advances to CityCenter related to change in completion guarantee liability ..... | -                       | (8,198)       | 83,106       |
| Increase in construction accounts payable .....   | 20,241                  | 79,681        | 74,237       |

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

**MGM RESORTS INTERNATIONAL AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**For the Years ended December 31, 2016, 2015 and 2014**  
*(In thousands)*

|  | Common Stock |           | Capital in          | Retained                       | Accumulated                | Total  | Non-                  | Total                |
|--|--------------|-----------|---------------------|--------------------------------|----------------------------|--|-----------------------|----------------------|
|  | Shares       | Par Value | Excess of Par Value | Earnings (Accumulated Deficit) | Other Comprehensive Income | MGM Resorts International Stockholders' Equity | Controlling Interests | Stockholders' Equity |
| <b>Balances, January 1, 2014</b> .....                                     | 490,361      | \$ 4,904  | \$ 4,156,680        | \$ 41,964                      | \$ 12,503                  | \$ 4,216,051                                   | \$ 3,644,444          | \$ 7,860,495         |
| Net income (loss) .....  | -            | -         | -                   | (149,873)                      | -                          | (149,873)                                      | 277,051               | 127,178              |
| Currency translation adjustment .....                                      | -            | -         | -                   | -                              | (762)                      | (762)  | (531)                 | (1,293)              |
| Other comprehensive income from unconsolidated affiliates, net .....       | -            | -         | -                   | -                              | 1,250                      | 1,250  | -                     | 1,250                |
| Stock-based compensation .....   | -            | -         | 34,102              | -                              | -                          | 34,102   | 4,266                 | 38,368               |
| Tax effect of stock-based compensation .....                               | -            | -         | (7,807)             | -                              | -                          | (7,807)  | -                     | (7,807)              |
| Issuance of common stock pursuant to stock-based compensation awards ..... | 931          | 9         | (8,893)             | -                              | -                          | (8,884)  | -                     | (8,884)              |
| Cash distributions to noncontrolling interest owners .....                 | -            | -         | -                   | -                              | -                          | -  | (387,211)             | (387,211)            |
| Issuance of performance share units .....                                  | -            | -         | 7,529               | -                              | -                          | 7,529  | -                     | 7,529                |
| Other .....  | -            | -         | (689)               | -                              | -                          | (689)  | (662)                 | (1,351)              |
| <b>Balances, December 31, 2014</b> .....                                   | 491,292      | 4,913     | 4,180,922           | (107,909)                      | 12,991                     | 4,090,917                                      | 3,537,357             | 7,628,274            |
| Net loss .....   | -            | -         | -                   | (447,720)                      | -                          | (447,720)                                      | (591,929)             | (1,039,649)          |
| Currency translation adjustment .....                                      | -            | -         | -                   | -                              | 1,703                      | 1,703  | 2,024                 | 3,727                |
| Other comprehensive loss from unconsolidated affiliates, net .....         | -            | -         | -                   | -                              | (672)                      | (672)  | -                     | (672)                |
| Stock-based compensation .....   | -            | -         | 38,464              | -                              | -                          | 38,464   | 4,538                 | 43,002               |
| Tax effect of stock-based compensation .....                               | -            | -         | 7,740               | -                              | -                          | 7,740  | -                     | 7,740                |
| Issuance of common stock pursuant to stock-based compensation awards ..... | 1,844        | 18        | (24,896)            | -                              | -                          | (24,878)                                       | -                     | (24,878)             |
| Conversion of convertible debt to common stock .....                       | 71,703       | 717       | 1,448,779           | -                              | -                          | 1,449,496                                      | -                     | 1,449,496            |
| Cash distributions to noncontrolling interest owners .....                 | -            | -         | -                   | -                              | -                          | -  | (307,494)             | (307,494)            |
| Issuance of performance share units .....                                  | -            | -         | 4,872               | -                              | -                          | 4,872  | -                     | 4,872                |
| Other .....  | -            | -         | 5                   | -                              | -                          | 5  | 4                     | 9                    |
| <b>Balances, December 31, 2015</b> .....                                   | 564,839      | 5,648     | 5,655,886           | (555,629)                      | 14,022                     | 5,119,927                                      | 2,644,500             | 7,764,427            |
| Net income .....   | -            | -         | -                   | 1,101,440                      | -                          | 1,101,440                                      | 134,902               | 1,236,342            |
| Currency translation adjustment .....                                      | -            | -         | -                   | -                              | (1,477)                    | (1,477)  | (1,203)               | (2,680)              |
| Stock-based compensation .....   | -            | -         | 51,460              | -                              | -                          | 51,460   | 4,147                 | 55,607               |
| Tax effect of stock-based compensation .....                               | -            | -         | 13,580              | -                              | -                          | 13,580   | -                     | 13,580               |
| Issuance of common stock pursuant to stock-based compensation awards ..... | 9,285        | 22        | (30,065)            | -                              | -                          | (30,043)                                       | -                     | (30,043)             |
| Issuance of performance share units .....                                  | -            | -         | 5,817               | -                              | -                          | 5,817  | -                     | 5,817                |
| Cash distributions to noncontrolling interest owners .....                 | -            | -         | -                   | -                              | -                          | -  | (103,457)             | (103,457)            |
| MGM Growth Properties IPO .....  | -            | -         | (150,414)           | -                              | -                          | (150,414)                                      | 1,334,252             | 1,183,838            |
| MGP dividend payable to Class A shareholders .....                         | -            | -         | -                   | -                              | -                          | -  | (22,281)              | (22,281)             |
| MGM China common stock acquisition .....                                   | -            | 71        | 127,146             | -                              | 1,074                      | 128,291  | (270,903)             | (142,612)            |
| Borgata transaction .....  | -            | -         | (18,385)            | -                              | -                          | (18,385)                                       | 28,752                | 10,367               |
| Other comprehensive income - cash flow hedges .....                        | -            | -         | -                   | -                              | 1,434                      | 1,434  | 445                   | 1,879                |
| Other .....  | -            | -         | (1,450)             | -                              | -                          | (1,450)  | (22)                  | (1,472)              |
| <b>Balances, December 31, 2016</b> .....                                   | 574,124      | \$ 5,741  | \$ 5,653,575        | \$ 545,811                     | \$ 15,053                  | \$ 6,220,180                                   | \$ 3,749,132          | \$ 9,969,312         |

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

## **MGM RESORTS INTERNATIONAL AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **NOTE 1 — ORGANIZATION**

**Organization.** MGM Resorts International (the “Company” together with its consolidated subsidiaries) is a Delaware corporation that acts largely as a holding company and, through subsidiaries, owns and operates casino resorts. The Company owns and operates the following integrated casino, hotel and entertainment resorts in Las Vegas, Nevada: Bellagio, MGM Grand Las Vegas, The Mirage, Mandalay Bay, Luxor, New York-New York, Monte Carlo, Excalibur and Circus Circus Las Vegas. Operations at MGM Grand Las Vegas include management of The Signature at MGM Grand Las Vegas, a condominium-hotel consisting of three towers. Along with local investors, the Company owns and operates MGM Grand Detroit in Detroit, Michigan. The Company owns and operates the following resorts in Mississippi: Beau Rivage in Biloxi and Gold Strike in Tunica. Subsequent to its acquisition on August 1, 2016, the Company owns and operates the Borgata Hotel Casino & Spa (“Borgata”), located on Renaissance Pointe in the Marina area of Atlantic City, New Jersey. See Note 4 for additional information on the Borgata transaction. The Company owns and operates Shadow Creek, an exclusive world-class golf course located approximately ten miles north of its Las Vegas Strip resorts, Primm Valley Golf Club at the California/Nevada state line and Fallen Oak golf course in Saucier, Mississippi. Additionally, the Company owns and operates MGM National Harbor in Prince George’s County, Maryland, which opened on December 8, 2016.

On April 25, 2016, MGM Growth Properties LLC (“MGP”), a consolidated subsidiary of the Company, completed its initial public offering (“IPO”) of 57,500,000 of its Class A shares representing limited liability company interests (inclusive of the full exercise by the underwriters of their option to purchase 7,500,000 Class A shares) at an initial offering price of \$21 per share. In connection with the IPO, the Company and MGP entered into a series of transactions and several agreements that, among other things, set forth the terms and conditions of the IPO and provide a framework for the Company’s relationship with MGP.

MGP is organized as an umbrella partnership REIT (commonly referred to as an “UPREIT”) structure in which substantially all of its assets are owned by, and substantially all of its businesses are conducted through, its Operating Partnership subsidiary, MGM Growth Properties Operating Partnership LP (the “Operating Partnership”). MGP contributed the proceeds from the IPO to the Operating Partnership in exchange for 26.7% of the Operating Partnership units representing limited partner interests in the Operating Partnership. The general partner of the Operating Partnership is also a subsidiary of MGP. MGP has two classes of authorized and outstanding voting common shares (collectively, the “shares”): Class A shares and a single Class B share. The Company owns MGP’s Class B share, which does not provide its holder any rights to profits or losses or any rights to receive distributions from operations of MGP or upon liquidation or winding up of MGP. MGP’s Class A shareholders are entitled to one vote per share, while the Company, as the owner of the Class B share, is entitled to an amount of votes representing a majority of the total voting power of MGP’s shares so long as the Company and its controlled affiliates’ (excluding MGP) aggregate beneficial ownership of the combined economic interests in MGP and the Operating Partnership does not fall below 30%.

Pursuant to a master contribution agreement entered into in connection with the IPO by and between the Company, MGP and the Operating Partnership, the Company contributed the real estate assets of The Mirage, Mandalay Bay, Luxor, New York-New York, Monte Carlo, Excalibur, The Park, Gold Strike Tunica, MGM Grand Detroit and Beau Rivage to newly formed subsidiaries and subsequently transferred 100% ownership interest in such subsidiaries to the Operating Partnership in exchange for 73.3% of the Operating Partnership units in the Operating Partnership on the closing date of the IPO. In addition, on August 1, 2016, the Company completed its acquisition of Borgata and subsequently contributed Borgata’s real estate assets to MGP, as discussed in Note 4. As a result of the Borgata transaction, as discussed in Note 20, the Company’s indirect ownership in the Operating Partnership units increased to 76.3% and MGP’s Class A shareholders’ ownership interest in Operating Partnership units was reduced to 23.7%. The Operating Partnership units held by the Company are exchangeable into Class A shares of MGP on a one-to-one basis, or cash at the fair value of a



Class A share. The determination of settlement method is at the option of MGP's independent conflicts committee. See Note 10 and Note 19 for additional information related to MGP, the IPO and certain other intercompany agreements and debt financing transactions entered into in connection therewith.

The Company acquired an additional 4.95% interest in MGM China Holdings Limited ("MGM China") on September 1, 2016, which increased its ownership to approximately 56%. See Note 14 for additional information. The Company has a controlling interest in MGM China, which owns MGM Grand Paradise, S.A. ("MGM Grand Paradise"), the Macau company that owns and operates the MGM Macau resort and casino and the related gaming subconcession and land concessions, and is in the process of developing an 18 acre site on the Cotai Strip in Macau ("MGM Cotai"). MGM Cotai will be an integrated casino, hotel and entertainment resort with capacity for up to 500 gaming tables and up to 1,500 slots, and featuring approximately 1,500 hotel rooms. The actual number of gaming tables allocated to MGM Cotai will be determined by the Macau government prior to opening, and such allocation is expected to be less than MGM Cotai's 500 gaming table capacity. The total estimated project budget is \$3.3 billion excluding development fees eliminated in consolidation, capitalized interest and land related costs.

The Company owns 50% of and manages CityCenter Holdings, LLC ("CityCenter"), located between Bellagio and Monte Carlo. The other 50% of CityCenter is owned by Infinity World Development Corp, a wholly owned subsidiary of Dubai World, a Dubai, United Arab Emirates government decree entity. CityCenter consists of Aria, an integrated casino, hotel and entertainment resort; Mandarin Oriental Las Vegas, a non-gaming boutique hotel; and Vdara, a luxury condominium-hotel. In addition, CityCenter features residential units in the Residences at Mandarin Oriental and Veer. In April 2016, CityCenter closed the sale of The Shops at Crystals ("Crystals"), a retail, dining and entertainment district. See Note 7 and Note 19 for additional information related to CityCenter.

The Company and a subsidiary of Anschutz Entertainment Group, Inc. ("AEG") each own 42.5% of the Las Vegas Arena Company, LLC ("Las Vegas Arena Company"), the entity which owns the T-Mobile Arena, subsequent to the sale of a 7.5% ownership interest by each of the Company and AEG to Athena Arena, LLC on September 1, 2016. The Company manages the T-Mobile Arena, which is located on a parcel of the Company's land between Frank Sinatra Drive and New York-New York, adjacent to the Las Vegas Strip. The T-Mobile Arena is a 20,000 seat venue designed to host world-class events – from mixed martial arts, boxing, hockey, basketball and bull riding, to high profile awards shows and top-name concerts. T-Mobile Arena commenced operations in April 2016. Effective January 1, 2016, the Company leases the MGM Grand Garden Arena, located adjacent to the MGM Grand Las Vegas, to the Las Vegas Arena Company. See Note 7 and Note 13 for additional information regarding the Company's investment in the Las Vegas Arena Company. In addition, the Company owns and operates The Park, a dining and entertainment district, which opened in April 2016 and which connects to T-Mobile Arena, New York-New York, Monte Carlo and the Park Theater, a 5,200 seat entertainment venue which opened in December 2016.

The Company also has a 50% interest in Grand Victoria. Grand Victoria is a riverboat casino in Elgin, Illinois; an affiliate of Hyatt Gaming owns the other 50% of Grand Victoria and also operates the resort. See Note 7 for additional information regarding the Company's investment in Grand Victoria.

A subsidiary of the Company was awarded a casino license to build and operate MGM Springfield in Springfield, Massachusetts. MGM Springfield will be developed on approximately 14 acres of land in downtown Springfield. The Company's plans for the resort currently include a casino with approximately 3,000 slots and 100 table games including poker; a 250-room hotel; 100,000 square feet of retail and restaurant space; 44,000 square feet of meeting and event space; and a 3,375 space parking garage, with an expected development and construction cost of approximately \$865 million, excluding capitalized interest and land related costs.

The Company has two reportable segments: domestic resorts and MGM China. See Note 18 for additional information about the Company's segments.

## NOTE 2 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

**Principles of consolidation.** For entities not determined to be a variable interest entity (“VIE”), the Company consolidates such entities in which the Company owns 100% of the equity. For entities in which the Company owns less than 100% of the equity interest, the Company consolidates the entity if it has the direct or indirect ability to control the entities’ activities based upon the terms of the respective entities’ ownership agreements. For these entities, the Company records a noncontrolling interest in the consolidated balance sheets. The Company’s investments in unconsolidated affiliates which are 50% or less owned are accounted for under the equity method when the Company can exercise significant influence over or has joint control of the unconsolidated affiliate. All intercompany balances and transactions are eliminated in consolidation.

The Company evaluates entities for which control is achieved through means other than voting rights to determine if it is the primary beneficiary of a VIE. A VIE is an entity in which either (i) the equity investors as a group, if any, lack the power through voting or similar rights to direct the activities of such entity that most significantly impact such entity’s economic performance or (ii) the equity investment at risk is insufficient to finance that entity’s activities without additional subordinated financial support. The Company identifies the primary beneficiary of a VIE as the enterprise that has both of the following characteristics: (i) the power to direct the activities of the VIE that most significantly impact the entity’s economic performance; and (ii) the obligation to absorb losses or receive benefits of the VIE that could potentially be significant to the entity. The Company consolidates its investment in a VIE when it determines that it is its primary beneficiary. For these VIEs, the Company records a noncontrolling interest in the consolidated balance sheets. The Company may change its original assessment of a VIE upon subsequent events such as the modification of contractual arrangements that affect the characteristics or adequacy of the entity’s equity investments at risk and the disposition of all or a portion of an interest held by the primary beneficiary. The Company performs this analysis on an ongoing basis.

Management has determined that MGP is a VIE because the Class A equity investors as a group lack the power through voting or similar rights to direct the activities of such entity that most significantly impact such entity’s economic performance. The Company has determined that it is the primary beneficiary of MGP and consolidates MGP because (i) its ownership of MGP’s single Class B share entitles it to a majority of the total voting power of MGP’s shares, and (ii) the exchangeable nature of the Operating Partnership units owned provide the Company the right to receive benefits from MGP that could potentially be significant to MGP. The Company has recorded MGP’s 26.7% interest in the Operating Partnership prior to the Borgata transaction and 23.7% interest subsequent to the Borgata transaction as noncontrolling interest in the Company’s consolidated financial statements. As of December 31, 2016, on a consolidated basis MGP had total assets of \$9.5 billion, primarily related to its real estate investments, and total liabilities of \$3.9 billion, primarily related to its indebtedness.

**Management’s use of estimates.** The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. These principles require the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

- Level 1 and Level 2 inputs for its long-term debt fair value disclosures. See Note 10;
- Level 2 inputs when measuring the fair value of its interest rate swaps. See Note 11;
- Level 2 and Level 3 inputs when assessing the fair value of assets acquired and liabilities assumed during the Borgata transaction. See Note 4;
- Level 2 and Level 3 inputs when measuring the impairment of goodwill related to the MGM China reporting unit. See Note 8; and
- Level 3 inputs when assessing the fair value of its investment in Grand Victoria. See Note 7

**Cash and cash equivalents.** Cash and cash equivalents include investments and interest bearing instruments with maturities of 90 days or less at the date of acquisition. Such investments are carried at cost, which approximates market value. Book overdraft balances resulting from the Company's cash management program are recorded as accounts payable or construction payable as applicable.

**Accounts receivable and credit risk.** Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of casino accounts receivable. The Company issues credit to approved casino customers and gaming promoters following background checks and investigations of creditworthiness. At December 31, 2016, 47% of the Company's casino receivables at its domestic resorts were due from customers residing in foreign countries and 9% of the Company's casino receivables related to MGM China. Business or economic conditions or other significant events in these countries could affect the collectability of such receivables.

Accounts receivable are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems the account to be uncollectible. Recoveries of accounts previously written off are recorded when received. An estimated allowance for doubtful accounts is maintained to reduce the Company's receivables to their net carrying amount, which approximates fair value. The allowance is estimated based on both a specific review of customer accounts as well as historical collection experience and current economic and business conditions. Management believes that as of December 31, 2016, no significant concentrations of credit risk existed for which an allowance had not already been recorded.

**Inventories.** Inventories consist primarily of food and beverage, retail merchandise and operating supplies, and are stated at the lower of cost or net realizable value. Cost is determined primarily using the average cost method for food and beverage and operating supplies. Cost for retail merchandise is determined using the cost method.

**Property and equipment.** Property and equipment are stated at cost. A significant amount of the Company's property and equipment was acquired through business combinations and therefore recognized at fair value at the acquisition date. Gains or losses on dispositions of property and equipment are included in the determination of income or loss. Maintenance costs are expensed as incurred. As of December 31, 2016 and 2015, the Company had accrued \$36 million and \$17 million for property and equipment within accounts payable and \$32 million and \$44 million related to construction retention accrued in other long-term liabilities, respectively.

Property and equipment are generally depreciated over the following estimated useful lives on a straight-line basis:

|                                  |                |
|----------------------------------|----------------|
| Buildings and improvements ..... | 20 to 40 years |
| Land improvements .....          | 10 to 20 years |
| Furniture and fixtures .....     | 3 to 20 years  |
| Equipment.....                   | 3 to 15 years  |

The Company evaluates its property and equipment and other long-lived assets for impairment based on its classification as held for sale or to be held and used. Several criteria must be met before an asset is classified as held for sale, including that management with the appropriate authority commits to a plan to sell the asset at a reasonable price in relation to its fair value and is actively seeking a buyer. For assets held for sale, the Company recognizes the asset at the lower of carrying value or fair market value less costs to sell, as estimated based on comparable asset sales, offers received, or a discounted cash flow model. For assets to be held and used, the Company reviews for impairment whenever indicators of impairment exist. The Company then compares the estimated future cash flows of the asset, on an undiscounted basis, to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then an impairment charge is recorded based on the fair value of the asset, typically measured using a discounted cash flow model. If an asset is still under development, future cash flows include remaining construction costs. All recognized impairment losses, whether for assets held for sale or assets to be held and used, are recorded as operating expenses.

**Capitalized interest.** The interest cost associated with major development and construction projects is capitalized and included in the cost of the project. When no debt is incurred specifically for a project, interest is capitalized on amounts expended on the project using the weighted-average cost of the Company's outstanding borrowings. Capitalization of interest ceases when the project is substantially complete or development activity is suspended for more than a brief period.

**Investments in and advances to unconsolidated affiliates.** The Company has investments in unconsolidated affiliates accounted for under the equity method. Under the equity method, carrying value is adjusted for the Company's share of the investees' earnings and losses, amortization of certain basis differences, as well as capital contributions to and distributions from these companies. Distributions in excess of equity method earnings are recognized as a return of investment and recorded as investing cash inflows in the accompanying consolidated statements of cash flows. The Company classifies operating income and losses as well as gains and impairments related to its investments in unconsolidated affiliates as a component of operating income or loss, as the Company's investments in such unconsolidated affiliates are an extension of the Company's core business operations.

The Company evaluates its investments in unconsolidated affiliates for impairment whenever events or changes in circumstances indicate that the carrying value of its 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 the impairment is "other-than-temporary" based on its assessment of all relevant factors, including consideration of the Company's intent and ability to retain its investment. The Company estimates fair value using a discounted cash flow analysis based on estimated future results of the investee and market indicators of terminal year capitalization rates, and a market approach that utilizes business enterprise value multiples based on a range of multiples from the Company's peer group. See Note 7 and Note 17 for results of the Company's review of its investment in certain of its unconsolidated affiliates.

**Goodwill and other intangible assets.** Goodwill represents the excess of purchase price over fair market value of net assets acquired in business combinations. Goodwill and indefinite-lived intangible assets must be reviewed for impairment at least annually and between annual test dates in certain circumstances. The Company performs its annual impairment tests in the fourth quarter of each fiscal year. No impairments were indicated or

recorded as a result of the annual impairment review for goodwill and indefinite-lived intangible assets in 2016 and 2014. An impairment of goodwill related to the MGM China reporting unit was recorded as a result of the annual impairment review in 2015. See Note 8.

Accounting guidance provides entities the option to perform a qualitative assessment of goodwill (commonly referred to as “step zero”) in order to determine whether further impairment testing is necessary. In performing the step zero analysis the Company considers macroeconomic conditions, industry and market considerations, current and forecasted financial performance, entity-specific events, and changes in the composition or carrying amount of net assets of reporting units. In addition, the Company takes into consideration the amount of excess of fair value over carrying value determined in the last quantitative analysis that was performed, as well as the period of time that has passed since the last quantitative analysis. If the step zero analysis indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the entity would proceed to a two-step quantitative analysis.

Under the two-step quantitative analysis, goodwill for relevant reporting units is tested for impairment using a discounted cash flow analysis based on the estimated future results of the Company’s reporting units discounted using market discount rates and market indicators of terminal year capitalization rates, and a market approach that utilizes business enterprise value multiples based on a range of multiples from the Company’s peer group. If the carrying value of the reporting unit exceeds its fair value, an indication of impairment exists and the Company must proceed to measure an impairment loss, if any. To measure an impairment loss, the implied fair value of a reporting unit’s goodwill is compared to the carrying value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to its assets and liabilities and the amount remaining, if any, is the implied fair value of goodwill. If the implied fair value of goodwill is less than its carrying value then it must be written down to its implied fair value. License rights are tested for impairment using a discounted cash flow approach, and trademarks are tested for impairment using the relief-from-royalty method. If the fair value of an indefinite-lived intangible asset is less than its carrying amount, an impairment loss is recognized equal to the difference.

**Revenue recognition and promotional allowances.** Casino revenue is the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs (“casino front money”) and for chips in the customers’ possession (“outstanding chip liability”). Hotel, food and beverage, entertainment, retail and other operating revenues are recognized as services are performed and goods are provided. Advance deposits on rooms and advance ticket sales are recorded as accrued liabilities until services are provided to the customer.

Gaming revenues are recognized net of certain sales incentives, including discounts and points earned in point-loyalty programs. The retail value of hotel rooms, food and beverage, and other services furnished to guests without charge is included in gross revenue and then deducted as promotional allowances. The estimated cost of providing promotional allowances is primarily included in casino expenses as follows:

|                                       | <b>Year Ended December 31,</b> |                       |                   |
|---------------------------------------|--------------------------------|-----------------------|-------------------|
|                                       | <b>2016</b>                    | <b>2015</b>           | <b>2014</b>       |
|                                       |                                | <i>(In thousands)</i> |                   |
| Rooms .....                           | \$ 120,369                     | \$ 112,313            | \$ 115,463        |
| Food and beverage .....               | 283,598                        | 279,041               | 295,667           |
| Entertainment, retail and other ..... | 39,611                         | 39,388                | 39,673            |
|                                       | <u>\$ 443,578</u>              | <u>\$ 430,742</u>     | <u>\$ 450,803</u> |



**Gaming promoters.** A significant portion of the high-end (“VIP”) gaming volume at MGM Macau is generated through the use of gaming promoters, also known as junket operators. These operators introduce VIP gaming players to MGM Macau, assist these customers with travel arrangements, and extend gaming credit to these players. VIP gaming at MGM Macau is conducted by the use of special purpose nonnegotiable gaming chips. Gaming promoters purchase these nonnegotiable chips from MGM Macau and in turn sell these chips to their players. The nonnegotiable chips allow MGM Macau to track the amount of wagering conducted by each gaming promoter’s clients in order to determine VIP gaming play volume, or rolling chip turnover, which is the amount of nonnegotiable chips wagered and lost. In exchange for the gaming promoters’ services, MGM Macau compensates the gaming promoters through revenue-sharing arrangements and rolling chip turnover-based commissions. The estimated portion of the gaming promoter commissions that represent amounts passed through to VIP customers is recorded as a reduction of casino revenue, and the estimated portion retained by the gaming promoter for its compensation is recorded as casino expense.

**Reimbursed costs.** The Company recognizes costs reimbursed pursuant to management services as revenue in the period it incurs the costs. Reimbursed costs related primarily to the Company’s management of CityCenter.

**Loyalty programs.** The Company’s primary loyalty program is “M life Rewards” and is available to patrons at most of the Company’s domestic resorts and CityCenter. Members may earn points and/or Express Comps for their gaming play which can be redeemed at restaurants, box offices or the M life Rewards front desk at participating properties. Points may also be redeemed for free slot play on participating machines. The Company records a liability based on the points earned multiplied by the redemption value, less an estimate for points not expected to be redeemed, and records a corresponding reduction in casino revenue. Customers also earn Express Comps based on their gaming play which can be redeemed for complimentary goods and services, including hotel rooms, food and beverage, and entertainment. The Company records a liability for the estimated costs of providing goods and services for Express Comps based on the Express Comps earned multiplied by a cost margin, less an estimate for Express Comps not expected to be redeemed and records a corresponding expense in the casino department. MGM Macau also has a loyalty program, whereby patrons earn rewards that can be redeemed for complimentary services, including hotel rooms, food and beverage, and entertainment.

**Advertising.** The Company expenses advertising costs the first time the advertising takes place. Advertising expense, which is generally included in general and administrative expenses, was \$171 million for 2016 and \$156 million for 2015 and 2014.

**Corporate expense.** Corporate expense represents unallocated payroll, aircraft costs, professional fees and various other expenses not directly related to the Company’s casino resort operations. In addition, corporate expense includes the costs associated with the Company’s evaluation and pursuit of new business opportunities, which are expensed as incurred.

**Preopening and start-up expenses.** Preopening and start-up costs, including organizational costs, are expensed as incurred. Costs classified as preopening and start-up expenses include payroll, outside services, advertising, and other expenses related to new or start-up operations.

**Property transactions, net.** The Company classifies transactions such as write-downs and impairments, demolition costs, and normal gains and losses on the sale of assets as “Property transactions, net.” See Note 17 for a detailed discussion of these amounts.

**Redeemable noncontrolling interest.** In 2015, MGM National Harbor issued non-voting economic interests in MGM National Harbor (“Interests”) to noncontrolling interest parties, for a total purchase price of \$6 million. In 2016, MGM National Harbor issued Interests to noncontrolling interest parties for a purchase price of \$47 million. Net income attributable to noncontrolling interests includes \$0.5 million relating to redeemable noncontrolling interests for the year ended December 31, 2016.

The Interests provide for annual preferred distributions by MGM National Harbor to the noncontrolling interest parties based on a percentage of its annual net gaming revenue (as defined in the MGM National Harbor operating agreement). Such distributions will begin within ninety days after the end of the fiscal year in which the opening date of MGM National Harbor occurs, and after the end of each subsequent fiscal year. Also, beginning on the third anniversary of the last day of the calendar quarter in which the opening date of MGM National Harbor occurs (and on each subsequent anniversary thereof) the noncontrolling interest parties will each have the ability to require MGM National Harbor to purchase all or a portion of their Interests for a purchase price based on a contractually agreed upon formula. Certain noncontrolling interest parties each have the right to sell back all or a portion of their Interests prior to such date if MGM National Harbor were to guarantee or grant liens to secure any indebtedness of the Company or its affiliates other than the indebtedness of MGM National Harbor.

The Company has recorded the Interests as “Redeemable noncontrolling interests” in the mezzanine section of the accompanying consolidated balance sheets and not stockholders’ equity because their redemption is not exclusively in the Company’s control. Interests are initially accounted for at fair value. Subsequently, the Company will recognize changes in the redemption value as they occur and adjust the carrying amount of the redeemable noncontrolling interests to equal the maximum redemption value, provided such amount does not fall below the initial carrying value, at the end of each reporting period. The Company records any changes caused by such an adjustment in retained earnings or accumulated deficit. Additionally the carrying amount of the redeemable noncontrolling interests is adjusted for annual preferred distributions, with changes caused by such adjustments recorded within net income (loss) attributable to noncontrolling interests.

**Income (loss) per share of common stock.** The table below reconciles basic and diluted income (loss) per share of common stock. Diluted net income (loss) attributable to common stockholders includes adjustments for redeemable noncontrolling interests and the potentially dilutive effect on the Company’s equity interests in MGP and MGM China due to shares outstanding under their respective stock compensation plans. Diluted weighted-average common and common equivalent shares includes adjustments for potential dilution of share-based awards outstanding under the Company’s stock compensation plan.

|   | Year Ended December 31, |                     |                     |
|---|-------------------------|---------------------|---------------------|
|   | 2016                    | 2015                | 2014                |
|   | (In thousands)          |                     |                     |
| <b>Numerator:</b>   |                         |                     |                     |
| Net income (loss) attributable to MGM Resorts International .....                                 | \$ 1,101,440            | \$ (447,720)        | \$ (149,873)        |
| Adjustment related to redeemable noncontrolling interests .....                                   | (28)                    | -                   | -                   |
| Net income (loss) available to common stockholders - basic .....                                  | 1,101,412               | (447,720)           | (149,873)           |
| Potentially dilutive effect due to MGP Omnibus Plan .....   | (40)                    | -                   | -                   |
| Potentially dilutive effect due to MGM China Share Option Plan .....                              | (11)                    | -                   | (340)               |
| Net income (loss) attributable to common stockholders - diluted .....                             | <u>\$ 1,101,361</u>     | <u>\$ (447,720)</u> | <u>\$ (150,213)</u> |
| <b>Denominator:</b>   |                         |                     |                     |
| Weighted-average common shares outstanding basic .....  | 568,134                 | 542,873             | 490,875             |
| Potential dilution from share-based awards .....  | 5,183                   | -                   | -                   |
| Weighted-average common and common equivalent shares - diluted .....                              | <u>573,317</u>          | <u>542,873</u>      | <u>490,875</u>      |
| Antidilutive share-based awards excluded from the calculation of diluted earnings per share ..... | <u>4,207</u>            | <u>18,276</u>       | <u>19,254</u>       |

The weighted-average common shares outstanding for the year ended December 31, 2015 included the weighted average impact of the \$300 million 4.25% convertible senior notes issued in June 2011 and the \$1.15 billion 4.25% convertible senior notes issued in April 2010 from the date of their conversion on April 15, 2015. The weighted-average impact of the assumed conversion of the convertible senior notes was excluded from the

calculation of diluted earnings per share for the years ended December 31, 2015 and 2014 as their effect would be antidilutive. See Note 10 for additional information.

**Currency translation.** The Company translates the financial statements of foreign subsidiaries that are not denominated in U.S. dollars. Balance sheet accounts are translated at the exchange rate in effect at each balance sheet date. Income statement accounts are translated at the average rate of exchange prevailing during the period. Translation adjustments resulting from this process are recorded to other comprehensive income (loss).

**Derivative financial instruments.** The Company reflects all derivative instruments at fair value as either assets or liabilities. For derivative instruments that are designated and qualify as hedging instruments, the effective portion of the gain or loss on the cash flow hedge instruments is recorded as a component of accumulated other comprehensive income. Any ineffective portion of a derivative's change in fair value is immediately recognized within net income. As of December 31, 2016, all of the Company's derivative financial instruments are interest rate swap agreements which have been designated as cash flow hedges and qualify for hedge accounting.

**Accumulated other comprehensive income (loss).** Comprehensive income (loss) includes net income (loss) and all other non-stockholder changes in equity, or other comprehensive income (loss). Elements of the Company's accumulated other comprehensive income are reported in the accompanying consolidated statements of stockholders' equity. The following table summarizes the changes in the accumulated balance of other comprehensive income:

|  | Currency<br>translation<br>adjustments | Cash Flow<br>Hedges | Other           | Total            |
|--|--|---------------------|-----------------|------------------|
|  | <i>(In thousands)</i>                  |                     |                 |                  |
| Balance, December 31, 2014   | \$ 12,319                              | \$ -                | \$ 672          | \$ 12,991        |
| Other comprehensive income (loss) before<br>reclassifications .....                | 3,727                                  | -                   | (672)           | 3,055            |
| Amounts reclassified from accumulated other<br>comprehensive income .....          | -                                      | -                   | -               | -                |
| Other comprehensive income (loss), net of tax .....                                | 3,727                                  | -                   | (672)           | 3,055            |
| Other comprehensive income (loss) attributable to<br>noncontrolling interest ..... | (2,024)                                | -                   | -               | (2,024)          |
| Balance, December 31, 2015   | 14,022                                 | -                   | -               | 14,022           |
| Other comprehensive income (loss) before<br>reclassifications .....                | (2,680)                                | 1,521               | 1,074           | (85)             |
| Amounts reclassified from accumulated other<br>comprehensive income .....          | -                                      | 358                 | -               | 358              |
| Other comprehensive income (loss), net of tax .....                                | (2,680)                                | 1,879               | 1,074           | 273              |
| Other comprehensive income (loss) attributable to<br>noncontrolling interest ..... | 1,203                                  | (445)               | -               | 758              |
| Balance, December 31, 2016   | <u>\$ 12,545</u>                       | <u>\$ 1,434</u>     | <u>\$ 1,074</u> | <u>\$ 15,053</u> |

**Recently issued accounting standards.** In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-15, "Presentation of Financial Statements-Going Concern (Subtopic 205-40)." The guidance is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. This ASU provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the financial statement footnotes. The Company adopted this guidance

prospectively at the beginning of the fourth quarter of 2016. The adoption of this guidance did not have an effect on the Company's financial condition, results of operations, cash flows, or disclosures.

In 2015 and 2016, the FASB issued the following ASUs related to revenue recognition, effective for fiscal years beginning after December 15, 2017, pursuant to ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date":

- ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 provides for a new revenue recognition model which includes a five-step analysis in determining when and how revenue is recognized, including identification of separate performance obligations for each contract with a customer. Additionally, the new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services;
- ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," clarifies the implementation guidance on principal versus agent considerations as it relates to ASU 2014-09. ASU 2016-08 provides guidance related to the assessment an entity is required to perform to determine whether the nature of its promise is to provide the specified good or service itself (that is, the entity is a principal) or to arrange for that good or service to be provided by the other party (that is, the entity is an agent) when another party is involved in providing goods or services to a customer;
- ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing," clarifies guidance related to identifying performance obligations and licensing implementation guidance as it relates to ASU 2014-09. ASU 2016-10 includes targeted improvements based on input the FASB received from the Transition Resource Group for Revenue Recognition and other stakeholders. It seeks to proactively address areas in which diversity in practice potentially could arise, as well as to reduce the cost and complexity of applying certain aspects of the guidance both at implementation and on an ongoing basis; and
- ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients," addresses narrow-scope improvements to the guidance on collectability, noncash consideration and completed contracts at transition as it relates to ASU 2014-09. ASU 2016-12 provides for a practical expedient for contract modifications at transition and an accounting policy election related to the presentation of sales taxes and other similar taxes collected from customers.

The Company is currently assessing the impact that the adoption of the above ASUs related to revenue recognition will have on its consolidated financial statements and footnote disclosures. However, the Company has identified a few significant impacts. Under the new guidance the Company expects it will no longer be permitted to recognize revenues for goods and services provided to customers for free as an inducement to gamble as gross revenue with a corresponding offset to promotional allowances to arrive at net revenues as discussed above. The Company expects the majority of such amounts will offset casino revenues. In addition, accounting for Express Comps granted under the Company's M life Rewards program as outlined above will also change. Under the new guidance Express Comps earned by customers through past revenue transactions will be identified as separate performance obligations and recorded as a reduction in gaming revenues when earned at the retail value of such benefits owed to the customer (less estimated breakage). When customers redeem such benefits and the performance obligation is fulfilled by the Company, revenue will be recognized in the department that provides the goods or services (i.e. hotel, food and beverage, entertainment). In addition, given that M life Rewards is an aspirational loyalty program with multiple customer tiers which provide certain benefits to tier members, the Company will need to assess if such benefits are deemed to be separate performance obligations under the new guidance.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," ("ASU 2016-02"), which replaces the existing guidance in Accounting Standards Codification ("ASC") 840, "Leases." ASU 2016-02 is

effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. ASU 2016-02 requires a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use (“ROU”) asset and a corresponding lease liability. For finance leases the lessee would recognize interest expense and amortization of the ROU asset and for operating leases the lessee would recognize a straight-line total lease expense. The Company is currently assessing the impact that adoption of ASU 2016-02 will have on its consolidated financial statements and footnote disclosures.

In August 2016, the FASB issued ASU No. 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force),” (“ASU 2016-15”), effective for fiscal years beginning after December 15, 2017. ASU 2016-15 amends the guidance of ASC 230 on the classification of certain cash receipts and payments in the statement of cash flows. The primary purpose of ASU 2016-15 is to reduce the diversity in practice that has resulted from the lack of consistent principles, specifically clarifying the guidance on eight cash flow issues. The Company does not expect the adoption of ASU 2016-15 to have a material effect on its consolidated financial statements.

In January 2017, the Company adopted ASU No. 2016-09, “Compensation – Stock Compensation (Topic 718),” (“ASU 2016-09”). ASU 2016-09 simplifies the accounting for share-based payment transactions, including the income tax consequences, accounting for forfeitures, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 has separate transition guidance for each element of the new standard. The adoption of ASU 2016-09 will not have a material effect on the Company’s consolidated financial statements and footnote disclosures.

In January 2017, the Company adopted ASU No. 2016-17, “Consolidation (Topic 810): Interests Held Through Related Parties that are Under Common Control,” (“ASU 2016-17”). The amendments affect the evaluation of whether to consolidate a VIE in certain situations involving entities under common control. Specifically, the amendments change the evaluation of whether an entity is the primary beneficiary of a VIE for an entity that is a single decision maker of a variable interest by changing how an entity treats indirect interests in the VIE held through related parties that are under common control with the reporting entity. The guidance in ASU 2016-17 must be applied retrospectively to all relevant periods. The adoption of ASU 2016-17 will not have a material effect on the Company’s consolidated financial statements and footnote disclosures.

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.” The amended guidance simplifies the subsequent measurement of goodwill by eliminating step two from the goodwill impairment test. Under the amended guidance, the Company will perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying value, and an impairment charge will be recognized for the amount by which the carrying value exceeds the reporting unit’s fair value, not to exceed the total amount of goodwill allocated to that reporting unit. This guidance is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2021, with early adoption permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the impact and timing of adopting this guidance, but anticipates early adoption in 2017.



**NOTE 3 — ACCOUNTS RECEIVABLE, NET**

Accounts receivable, net consisted of the following:

|   | December 31,          |                   |
|---|-----------------------|-------------------|
|   | 2016                  | 2015              |
|   | <i>(In thousands)</i> |                   |
| Casino .....                                | \$ 332,443            | \$ 285,182        |
| Hotel .....                                 | 169,321               | 157,489           |
| Other .....                                 | 139,080               | 127,677           |
|   | 640,844               | 570,348           |
| Less: Allowance for doubtful accounts ..... | (97,920)              | (89,789)          |
|   | <u>\$ 542,924</u>     | <u>\$ 480,559</u> |

**NOTE 4 — BORGATA TRANSACTION**

On August 1, 2016, the Company completed the acquisition of Boyd Gaming Corporation's ("Boyd Gaming") ownership interest in Borgata. Following the completion of the acquisition of Boyd Gaming's interest, MGP acquired Borgata's real property from the Company and leased back the real property to a subsidiary of the Company. See Note 19 for additional information.

As part of the purchase and sale agreement, the Company agreed to pay Boyd Gaming half of any net amount received or utilized by the Company as it relates to the Atlantic City property tax refund owed to Borgata at the time of the transaction. Pursuant to tax court judgments, The City of Atlantic City, New Jersey ("Atlantic City") owes Borgata property tax refunds of approximately \$106 million, plus interest, related to the over-assessment of property values for the 2009-2012 tax years. As a result of funding shortfalls, the City of Atlantic City has not paid the refunds due to Borgata and therefore, Borgata has withheld its current property tax obligations in satisfaction of the tax court judgment. Borgata applied \$33 million of such credits as of December 31, 2016. After taking into account contingent consideration paid related to property tax refunds realized by Borgata, cash paid to Boyd Gaming for its interest in Borgata was \$604 million.

Through the acquisition of Boyd Gaming's interest in Borgata, the Company obtained 100% of the equity interests in Borgata and therefore consolidated Borgata as of August 1, 2016. The Company recognized 100% of the assets and liabilities of Borgata at fair value at the date of the acquisition. Prior to the acquisition, the Company held a 50% ownership interest in Borgata, which was accounted for under the equity method. The fair value of the equity interests of Borgata was determined by the transaction price and equaled approximately \$1.2 billion. The carrying value of the Company's equity method investment was significantly less than its share of the fair value of Borgata at the acquisition date, resulting in a \$430 million gain on the acquisition. Under the acquisition method, the fair value was allocated to the assets acquired and liabilities assumed in the transaction. The allocation of fair value has been finalized as of December 31, 2016.

The following table sets forth the finalized allocation at December 31, 2016 (in thousands):

**Fair value of assets acquired and liabilities assumed:**

|   |                     |
|---|---------------------|
| Current assets .....                                    | \$ 112,221          |
| Property and equipment and other long-term assets ..... | 1,373,567           |
| Goodwill .....  | 386,892             |
| Trade name .....  | 83,000              |
| Customer list .....                                     | 22,000              |
| Current liabilities .....                               | (122,743)           |
| Long-term debt .....                                    | (583,187)           |
| Deferred taxes .....                                    | (12,124)            |
| Other long-term obligations .....                       | (51,894)            |
|   | <u>\$ 1,207,732</u> |

As discussed above, the Company recognized the identifiable intangible assets of Borgata at fair value. The trade name and customer relationship intangible assets did not have historical cost bases at Borgata. The estimated fair values of the intangible assets were determined using methodologies under the income approach based on significant inputs that were not observable.

**Unfavorable lease liability.** The Company has assumed the liability of a series of ground leases for a total of approximately 11 acres of land on which the Borgata employee parking garage, public space expansion, rooms expansion, and modified surface parking lot. The Company recorded an unfavorable lease liability of \$1 million in “Current liabilities” and \$47 million in “Other long-term obligations” for the excess contractual lease obligations over the market value of the leases, which will be amortized on a straight-line basis over the term of the lease contracts through December 2070. Both a market and income approach using Level 2 and Level 3 inputs were utilized to determine the fair value of these leases.

**Deferred taxes.** The Company recorded an additional net deferred tax liability of \$89 million, of which \$82 million and \$7 million was recorded to income tax expense and goodwill, respectively. The net deferred tax liability represents the excess of the financial reporting amounts of the net assets of Borgata over their respective basis under U.S. and New Jersey tax law expected to be applied to taxable income in the periods such differences are expected to be realized.

**Consolidated results.** Borgata’s net revenue for the period from August 1, 2016 through December 31, 2016 was \$348 million, operating income was \$39 million and net income was \$8 million.

**Pro forma information.** The operating results for Borgata are included in the accompanying consolidated statements of operations from the date of acquisition. The following unaudited pro forma consolidated financial information for the Company has been prepared assuming the Company’s acquisition of its controlling interest has occurred as of January 1, 2015 and excludes the transaction gain recognized by the Company. The unaudited pro forma financial information below is not necessarily indicative of either future results of operations or results that might have been achieved had the acquisition been consummated as of January 1, 2015.

|   | <b>Year Ended December 31,</b>               |              |
|---|--|--------------|
|   | <b>2016</b>                                  | <b>2015</b>  |
|   | <i>(In thousands, except per share data)</i> |              |
|   | <i>(unaudited)</i>                           |              |
| Net revenues .....  | \$ 9,940,176                                 | \$ 9,993,718 |
| Net income (loss) attributable to MGM Resorts International ..... | 819,278                                      | (417,671)    |
| Basis net income (loss) per share .....                           | \$ 1.44                                      | \$ (0.77)    |
| Diluted net income (loss) per share .....                         | \$ 1.43                                      | \$ (0.77)    |

## NOTE 5 — DISPOSITIONS

On April 1, 2015, the Company closed the sale of Railroad Pass. At closing, the Company received \$8 million in cash proceeds. On April 30, 2015, the Company closed the sale of Gold Strike and related assets in Jean, Nevada. At closing, the Company received \$12 million in cash proceeds. On July 7, 2015, the Company entered into an agreement with Eldorado Resorts, Inc. to sell Circus Circus Reno, as well as the Company's 50% interest in Silver Legacy and associated real property. On November 23, 2015, the Company closed the sale and received \$80 million in cash proceeds and recorded a gain of \$23 million related to the sale, classified within "Property transactions, net." See Note 7 for further discussion of the sale of the Company's 50% investment in Silver Legacy. Railroad Pass, Gold Strike and Circus Circus Reno were not classified as discontinued operations because the Company concluded that the sales did not have a major effect on the Company's operations or its financial results and they do not represent a disposal of a major geographic segment or product line.

## NOTE 6 — PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

|  | December 31,          |                      |
|--|-----------------------|----------------------|
|  | 2016                  | 2015                 |
|  | <i>(In thousands)</i> |                      |
| Land .....   | \$ 6,530,988          | \$ 6,495,391         |
| Buildings, building improvements and land improvements ..... | 11,969,984            | 9,429,945            |
| Furniture, fixtures and equipment .....                      | 4,863,647             | 4,274,537            |
| Construction in progress .....                               | 2,628,603             | 2,111,860            |
|  | 25,993,222            | 22,311,733           |
| Less: Accumulated depreciation and amortization .....        | (7,568,199)           | (6,939,938)          |
|  | <u>\$ 18,425,023</u>  | <u>\$ 15,371,795</u> |

## NOTE 7 — INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

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

|   | December 31,          |                     |
|---|-----------------------|---------------------|
|   | 2016                  | 2015                |
|   | <i>(In thousands)</i> |                     |
| CityCenter Holdings, LLC – CityCenter (50%) .....   | \$ 1,007,358          | \$ 1,136,452        |
| Marina District Development Company – Borgata (0% at December 31, 2016; 50% at December 31, 2015) ..... | -                     | 134,454             |
| Elgin Riverboat Resort–Riverboat Casino – Grand Victoria (50%) .....                                    | 123,585               | 122,500             |
| Las Vegas Arena Company, LLC (42.5% at December 31, 2016; 50% at December 31, 2015) .....               | 80,339                | 90,352              |
| Other .....   | 9,161                 | 7,739               |
|   | <u>\$ 1,220,443</u>   | <u>\$ 1,491,497</u> |

The Company recorded its share of the net income (loss) from unconsolidated affiliates, including adjustments for basis differences, as follows:

|  | Year Ended December 31, |                   |                    |
|--|-------------------------|-------------------|--------------------|
|  | 2016                    | 2015              | 2014               |
|  |                         | (In thousands)    |                    |
| Income from unconsolidated affiliates .....              | \$ 527,616              | \$ 257,883        | \$ 63,836          |
| Preopening and start-up expenses .....                   | (3,168)                 | (3,475)           | (917)              |
| Non-operating items from unconsolidated affiliates ..... | (53,139)                | (76,462)          | (87,794)           |
|  | <u>\$ 471,309</u>       | <u>\$ 177,946</u> | <u>\$ (24,875)</u> |

#### *CityCenter*

**Crystals sale.** In April 2016, CityCenter closed the sale of Crystals for approximately \$1.1 billion. During the year ended December 31, 2016, CityCenter recognized a gain on the sale of Crystals of \$400 million and the Company recognized a \$401 million gain, which included \$200 million representing its 50% share of the gain recorded by CityCenter and \$201 million representing the reversal of certain basis differences. The basis differences primarily related to other-than-temporary impairment charges previously recorded on the Company's investment in CityCenter that were allocated to Crystals' building assets.

**CityCenter distribution.** In March 2016, a \$90 million distribution was declared in accordance with CityCenter's annual distribution policy and in April 2016, CityCenter declared a \$990 million special distribution in connection with the Crystals sale. The Company's \$540 million share of such distributions was paid in May 2016. In April 2015, CityCenter declared a special distribution of \$400 million, of which the Company received its 50% share of \$200 million.

**CityCenter litigation settlement.** During the first quarter of 2015, CityCenter recognized a \$160 million gain as a result of the final resolution of its construction litigation and related settlements, of which the Company recorded \$80 million, its 50% share of the gain.

**CityCenter credit facility.** CityCenter's senior secured credit facility consisted of a \$75 million revolving credit facility, maturing in October 2018 and a \$1.2 billion term loan B facility maturing in October 2020. CityCenter used cash on hand to permanently repay \$266 million of the term loan B facility during 2016. On January 27, 2017, CityCenter completed an amendment to re-price its \$1.2 billion term loan B senior credit facility and re-price and extend its \$75 million revolving facility. The term loan B facility was re-priced at par and will now bear interest at LIBOR plus 2.75%, with a LIBOR floor of 0.75% which represents a 50 basis point reduction compared to the prior rate and a 25 basis point reduction compared to the prior LIBOR floor. The revolving facility was re-priced at LIBOR plus 2.00%, which represents a 175 basis point reduction compared to the prior rate. The revolving facility was also extended to July 2020. All other principal provisions of the existing credit facility remain unchanged.

#### *Borgata*

As discussed in Note 4, the Company acquired Boyd Gaming's ownership interest in Borgata on August 1, 2016, and therefore began to consolidate Borgata beginning on that date. Prior thereto, the Company's investment in Borgata was accounted for under the equity method.

#### *Grand Victoria*

At December 31, 2015, the Company reviewed the carrying value of its Grand Victoria investment for impairment due to a greater than anticipated decline in operating results due in part to a continued loss of market share to video gaming terminals, as well as a decrease in forecasted cash flows compared to the prior forecast. The Company used a blended discounted cash flow analysis and guideline public company method to determine

the estimated fair value from a market participant's viewpoint. Key assumptions included in the discounted cash flow analysis were estimates of future cash flows including outflows for capital expenditures, a long-term growth rate of 2% and a discount rate of 10.5%. Key assumptions in the guideline public company method included business enterprise value multiples selected based on the range of multiples in Grand Victoria's peer group. As a result of the analysis, the Company determined that it was necessary to record an other-than-temporary impairment charge of \$17 million at December 31, 2015, based on an estimated fair value of \$123 million for the Company's 50% interest. The Company performed a sensitivity analysis surrounding its long-term growth rate assumption and noted that if a long-term growth rate of 1.5% had been used, the resulting estimated fair value of the Company's 50% interest in Grand Victoria would have been approximately \$120 million. The Company intends to, and believes it will be able to, retain its investment in Grand Victoria; however, due to the extent of the shortfall and the Company's assessment of the uncertainty of fully recovering its investment, the Company has determined that the impairment was other-than-temporary.

At June 30, 2014, the Company reviewed the carrying value of its Grand Victoria investment for impairment due to a greater than anticipated decline in operating results and loss of market share due to the proliferation of video gaming terminals in the Illinois market, as well as a decrease in forecasted cash flows compared to the prior forecast. The Company used a blended discounted cash flow analysis and guideline public company method to determine the estimated fair value from a market participant's viewpoint. Key assumptions included in the discounted cash flow analysis were estimates of future cash flows including outflows for capital expenditures, a long-term growth rate of 2% and a discount rate of 10.5%. Key assumptions in the guideline public company method included business enterprise value multiples selected based on the range of multiples in Grand Victoria's peer group. As a result of the analysis, the Company determined that it was necessary to record an other-than-temporary impairment charge of \$29 million at June 30, 2014, based on an estimated fair value of \$140 million for the Company's 50% interest.

#### *Las Vegas Arena Company, LLC*

**Athena Arena transaction.** On September 1, 2016, the Company and AEG each sold a 7.5% membership interest in the Las Vegas Arena Company, LLC to Athena Arena, LLC. As a result of this transaction, the Company received \$15 million in proceeds and recorded a \$3 million gain in "Property transactions, net".

**Arena financing.** In September 2014, a subsidiary of Las Vegas Arena Company entered into a senior secured credit facility to finance construction of the T-Mobile Arena. In connection with this senior credit facility, MGM Resorts International and AEG each entered into a repayment guarantee for the term loan B (which is subject to increases and decreases in the event of rebalancing of the principal amount of indebtedness between the term loan A and term loan B facilities). As of December 31, 2016, the senior secured credit facility consisted of a \$150 million term loan A and a \$50 million term loan B. The senior secured credit facility matures in September 2019. The senior secured credit facility is secured by substantially all the assets of the Las Vegas Arena Company, and contains certain financial covenants which became applicable upon the opening of the T-Mobile Arena in April 2016. In accordance with the Las Vegas Arena Company's senior secured credit facility, the Company and AEG contributed equal amounts totaling \$175 million for construction, all of which had been contributed as of December 31, 2015. See Note 13 for discussion of the Company's joint and several completion and repayment guarantees related to the Las Vegas Arena Company.

#### *Silver Legacy*

**Silver Legacy sale.** As discussed in Note 5, the Company closed the sale of its 50% interest in Silver Legacy on November 23, 2015, received proceeds of \$58 million, and recorded a gain of \$20 million. The Company's investment in Silver Legacy was not classified as discontinued operations because the Company concluded that the sale would not have a major effect on the Company's operations or its financial results and it did not represent a disposal of a major geographic segment or product line.



### *Unconsolidated Affiliate Financial Information*

Summarized balance sheet information of the unconsolidated affiliates is as follows:

|  | <b>December 31,</b>   |              |
|--|-----------------------|--------------|
|  | <b>2016</b>           | <b>2015</b>  |
|  | <i>(In thousands)</i> |              |
| Current assets .....                                 | \$ 518,632            | \$ 1,260,834 |
| Property and other assets, net .....                 | 7,106,361             | 8,460,915    |
| Current liabilities .....                            | 384,370               | 482,633      |
| Long-term debt and other long-term obligations ..... | 1,454,575             | 2,268,157    |
| Equity .....   | 5,786,048             | 6,970,959    |

As of December 31, 2015, assets held for sale related to Crystals of \$668 million and associated liabilities of Crystals were classified as current within the summarized balance sheet information.

Summarized results of operations of the unconsolidated affiliates are as follows:

|   | <b>Year Ended December 31,</b> |                   |                     |
|---|--------------------------------|-------------------|---------------------|
|   | <b>2016</b>                    | <b>2015</b>       | <b>2014</b>         |
|   | <i>(In thousands)</i>          |                   |                     |
| Net revenues .....                        | \$ 1,944,127                   | \$ 2,298,179      | \$ 2,238,419        |
| Operating expenses .....                  | (1,781,809)                    | (1,901,044)       | (2,237,921)         |
| Operating income .....                    | 162,318                        | 397,135           | 498                 |
| Interest expense .....                    | (92,014)                       | (141,925)         | (163,723)           |
| Non-operating expenses .....              | (12,851)                       | (14,942)          | (13,669)            |
| Net income (loss) .....                   | 57,453                         | 240,268           | (176,894)           |
| Income from discontinued operations ..... | 407,187                        | 22,681            | 21,161              |
| Net income (loss) .....                   | <u>\$ 464,640</u>              | <u>\$ 262,949</u> | <u>\$ (155,733)</u> |

Results of operations of the unconsolidated affiliates includes the results of Silver Legacy through the date of disposition on November 23, 2015 and the results of Borgata through the date of acquisition on August 1, 2016. The results of Crystals, including the gain on sale recognized in 2016, are classified as discontinued operations in the summarized results of operations for all periods presented.

### *Basis Differences*

The Company's investments in unconsolidated affiliates do not equal the Company's share of venture-level equity due to various basis differences. Basis differences related to depreciable assets are being amortized based on the useful lives of the related assets and liabilities and basis differences related to non-depreciable assets, such

as land and indefinite-lived intangible assets, are not being amortized. Differences between the Company's share of venture-level equity and investment balances are as follows:

|  | <b>December 31,</b>   |                     |
|--|-----------------------|---------------------|
|  | <b>2016</b>           | <b>2015</b>         |
|  | <i>(In thousands)</i> |                     |
| Venture-level equity attributable to the Company .....   | \$ 2,883,324          | \$ 3,486,117        |
| Adjustment to CityCenter equity upon contribution of net assets by MGM   |                       |                     |
| Resorts International (1) .....  | (537,819)             | (573,163)           |
| CityCenter capitalized interest (2) .....  | 215,467               | 241,374             |
| CityCenter completion guarantee (3) .....  | 337,223               | 372,785             |
| CityCenter deferred gain (4) .....   | (221,638)             | (236,327)           |
| CityCenter capitalized interest on sponsor notes (5) .....   | (42,095)              | (47,158)            |
| Other-than-temporary impairments of CityCenter investment (6) .....  | (1,555,509)           | (1,800,191)         |
| Other-than-temporary impairments of Borgata investment (7) .....   | -                     | (126,446)           |
| Acquisition fair value adjustments net of other-than-temporary impairments<br>of Grand Victoria investment (8) ..... | 99,619                | 99,619              |
| Other adjustments .....  | 41,871                | 74,887              |
|  | <u>\$ 1,220,443</u>   | <u>\$ 1,491,497</u> |

(1) Primarily relates to land and fixed assets.

(2) Relates to interest capitalized on the Company's investment balance during development and construction stages.

(3) Created by contributions to CityCenter under the completion guarantee recognized as equity contributions by CityCenter split between the members.

(4) Relates to a deferred gain on assets contributed to CityCenter upon formation of CityCenter.

(5) Relates to interest on the sponsor notes capitalized by CityCenter during development. Such sponsor notes were converted to equity in 2013.

(6) The impairment of the Company's CityCenter investment includes \$379 million and \$426 million of impairments allocated to land as of December 31, 2016 and December 31, 2015, respectively.

(7) The impairment of the Company's Borgata investment included \$90 million of impairments allocated to land as of December 31, 2015.

(8) Relates to indefinite-lived gaming license rights for Grand Victoria and other-than-temporary impairments of the Company's investment in Grand Victoria.

## NOTE 8 — GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets consisted of the following:

|   | December 31,          |                     |
|---|-----------------------|---------------------|
|   | 2016                  | 2015                |
|   | <i>(In thousands)</i> |                     |
| Goodwill:   |                       |                     |
| Domestic resorts .....  | \$ 457,867            | \$ 70,975           |
| MGM China .....   | 1,359,252             | 1,359,792           |
|   | <u>\$ 1,817,119</u>   | <u>\$ 1,430,767</u> |
| Indefinite-lived intangible assets:                                       |                       |                     |
| Detroit development rights .....  | \$ 98,098             | \$ 98,098           |
| Trademarks, license rights and other .....                                | 312,022               | 229,022             |
| Total indefinite-lived intangible assets .....                            | <u>410,120</u>        | <u>327,120</u>      |
| Finite-lived intangible assets:   |                       |                     |
| MGM Grand Paradise gaming subconcession .....                             | 4,514,073             | 4,515,867           |
| Less: Accumulated amortization .....                                      | <u>(1,024,185)</u>    | <u>(858,531)</u>    |
|   | 3,489,888             | 3,657,336           |
| MGM Macau land concession .....   | 84,736                | 84,769              |
| Less: Accumulated amortization .....                                      | <u>(23,817)</u>       | <u>(19,554)</u>     |
|   | 60,919                | 65,215              |
| MGM China customer lists .....  | 128,974               | 129,025             |
| Borgata customer list .....   | 22,000                | -                   |
| Less: Accumulated amortization .....                                      | <u>(135,574)</u>      | <u>(126,003)</u>    |
|   | 15,400                | 3,022               |
| Maryland license, Massachusetts license and other intangible assets ..... | 136,127               | 136,127             |
| Less: Accumulated amortization .....                                      | <u>(24,748)</u>       | <u>(24,039)</u>     |
|   | 111,379               | 112,088             |
| Total finite-lived intangible assets, net .....                           | <u>3,677,586</u>      | <u>3,837,661</u>    |
| Total other intangible assets, net .....                                  | <u>\$ 4,087,706</u>   | <u>\$ 4,164,781</u> |

**Goodwill.** A summary of changes in the Company's goodwill by reportable segment is as follows for 2016 and 2015:

|                                      | 2016                    |                   |                      |                           |
|--------------------------------------|-------------------------|-------------------|----------------------|---------------------------|
|                                      | Balance at<br>January 1 | Acquisitions      | Currency<br>exchange | Balance at<br>December 31 |
|                                      | <i>(In thousands)</i>   |                   |                      |                           |
| Goodwill, net by reportable segment: |                         |                   |                      |                           |
| Domestic resorts .....               | \$ 70,975               | \$ 386,892        | \$ -                 | \$ 457,867                |
| MGM China .....                      | 1,359,792               | -                 | (540)                | 1,359,252                 |
|                                      | <u>\$ 1,430,767</u>     | <u>\$ 386,892</u> | <u>\$ (540)</u>      | <u>\$ 1,817,119</u>       |

|                                      | 2015                    |              |                                      |                           |
|--------------------------------------|-------------------------|--------------|--------------------------------------|---------------------------|
|                                      | Balance at<br>January 1 | Acquisitions | Impairments and<br>currency exchange | Balance at<br>December 31 |
|                                      | <i>(In thousands)</i>   |              |                                      |                           |
| Goodwill, net by reportable segment: |                         |              |                                      |                           |
| Domestic resorts.....                | \$ 70,975               | \$ -         | \$ -                                 | \$ 70,975                 |
| MGM China .....                      | 2,826,135               | -            | (1,466,343)                          | 1,359,792                 |
|                                      | <u>\$ 2,897,110</u>     | <u>\$ -</u>  | <u>\$ (1,466,343)</u>                | <u>\$ 1,430,767</u>       |

Goodwill concerning domestic resorts relates to the acquisition of Mirage Resorts in 2001, the acquisition of Mandalay Resort Group in 2005, and the acquisition of Borgata in August 2016. See Note 4 for goodwill recognized in connection with the Borgata transaction. The Company recognized goodwill resulting from its acquisition of a controlling interest in MGM China in 2011.

During the fourth quarter of 2015, the Company conducted its annual impairment tests of goodwill by reviewing each of its reporting units, including its MGM China reporting unit. The step one goodwill analysis of the MGM China reporting unit indicated the fair value was less than its carrying value by 4%. The decrease in fair value resulted from a decrease in forecasted cash flows based on then current market conditions and a sustained decline in the enterprise value multiples of the MGM China reporting unit as well as the multiples of the reporting unit's peer group.

As a result of the indication of impairment from its step one analysis, the Company performed a step two impairment analysis to measure the impairment loss. As such, the Company determined the fair values of all assets of the MGM China reporting unit, including its separately identifiable intangible assets. The fair values of each of the separately identifiable intangible assets exceeded their respective carrying values by a significant amount, leading to a lower implied fair value of goodwill. Therefore, the Company recorded a \$1.5 billion non-cash impairment charge to reduce the historical carrying value of goodwill related to the MGM China reporting unit to its implied fair value. The carrying value of goodwill related to the MGM China reporting unit as of December 31, 2015 following the impairment charge was \$1.4 billion.

**Indefinite-lived intangible assets.** The Company's indefinite-lived intangible assets consist primarily of development rights in Detroit, trademarks and license rights, of which \$210 million consists of trademarks and trade names related to the Mandalay Resort Group acquisition and \$83 million related to the Borgata trade name.

**MGM Grand Paradise gaming subconcession.** Pursuant to the agreement dated June 19, 2004 between MGM Grand Paradise and Sociedade de Jogos de Macau, S.A., a gaming subconcession was acquired by MGM Grand Paradise for the right to operate casino games of chance and other casino games for a period of 15 years commencing on April 20, 2005. The Company cannot provide any assurance that the gaming subconcession will be extended beyond the original terms of the agreement; however, management believes that the gaming subconcession will be extended, given that the Cotai land concession agreement with the government extends significantly beyond the gaming subconcession. As such, the Company is amortizing the gaming subconcession intangible asset on a straight-line basis over the term of the Cotai land concession, ending in January 2038.

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

**Customer lists.** The Company recognized an intangible asset related to MGM China's customer lists, which was amortized on an accelerated basis over its estimated useful life of five years. The MGM China customer list intangible asset became fully amortized in 2016. The Company recognized an intangible asset related to the

Borgata customer list, which is amortized on an accelerated basis over its estimated useful life of two years and five months.

**Gaming licenses.** The Company was granted a license to operate a casino in Maryland. The consideration paid to the State of Maryland for the license fee of \$22 million is considered a finite-lived intangible asset that is amortized on a straight-line basis over a period of 15 years, beginning in December 2016, when the casino started operations. The Company was granted a license to operate a casino in Massachusetts. The consideration paid to the State of Massachusetts for the license fee of \$85 million is considered a finite-lived intangible asset that will be amortized over a period of 15 years beginning upon the opening of the casino resort.

**Other.** The Company's other finite-lived intangible assets consist primarily of lease acquisition costs amortized over the life of the related leases, and certain license rights amortized over their contractual life.

Total amortization expense related to intangible assets was \$180 million, \$199 million and \$232 million for 2016, 2015, and 2014, respectively. Estimated future amortization is as follows:

|                           | <i>(In thousands)</i> |
|---------------------------|-----------------------|
| Years ending December 31, |                       |
| 2017 .....                | \$ 183,414            |
| 2018 .....                | 177,758               |
| 2019 .....                | 178,081               |
| 2020 .....                | 178,081               |
| 2021 .....                | 178,081               |
| Thereafter .....          | 2,782,171             |
|                           | <u>\$ 3,677,586</u>   |

#### NOTE 9 — OTHER ACCRUED LIABILITIES

Other accrued liabilities consisted of the following:

|   | <b>December 31,</b>   |                     |
|---|-----------------------|---------------------|
|   | <b>2016</b>           | <b>2015</b>         |
|   | <i>(In thousands)</i> |                     |
| Payroll and related .....                   | \$ 483,194            | \$ 370,672          |
| Advance deposits and ticket sales .....     | 135,592               | 104,461             |
| Casino outstanding chip liability .....     | 227,538               | 282,810             |
| Casino front money deposits .....           | 214,727               | 127,947             |
| MGM China gaming promoter commissions ..... | 31,445                | 33,064              |
| Other gaming related accruals .....         | 119,446               | 91,318              |
| Taxes, other than income taxes .....        | 166,916               | 153,531             |
| Other .....                                 | 215,668               | 147,641             |
|   | <u>\$ 1,594,526</u>   | <u>\$ 1,311,444</u> |



## NOTE 10 — LONG-TERM DEBT

Long-term debt consisted of the following:

|  | December 31,          |                      |
|--|-----------------------|----------------------|
|  | 2016                  | 2015                 |
|  | <i>(In thousands)</i> |                      |
| Senior credit facility term loans .....  | \$ 250,000            | \$ 2,716,000         |
| MGM Growth Properties senior credit facility .....                                 | 2,133,250             | -                    |
| MGM China credit facility .....  | 1,933,313             | 1,559,909            |
| MGM National Harbor credit facility .....  | 450,000               | -                    |
| \$242.9 million 6.875% senior notes, due 2016 .....                                | -                     | 242,900              |
| \$732.7 million 7.5% senior notes, due 2016 .....                                  | -                     | 732,749              |
| \$500 million 10% senior notes, due 2016 .....                                     | -                     | 500,000              |
| \$743 million 7.625% senior notes, due 2017 .....                                  | -                     | 743,000              |
| \$475 million 11.375% senior notes, due 2018 .....                                 | 475,000               | 475,000              |
| \$850 million 8.625% senior notes, due 2019 .....                                  | 850,000               | 850,000              |
| \$500 million 5.25% senior notes, due 2020 .....                                   | 500,000               | 500,000              |
| \$1,000 million 6.75% senior notes, due 2020 .....                                 | 1,000,000             | 1,000,000            |
| \$1,250 million 6.625% senior notes, due 2021 .....                                | 1,250,000             | 1,250,000            |
| \$1,000 million 7.75% senior notes, due 2022 .....                                 | 1,000,000             | 1,000,000            |
| \$1,250 million 6% senior notes, due 2023 .....                                    | 1,250,000             | 1,250,000            |
| \$1,050 million 5.625% MGM Growth Properties senior notes, due 2024 .....          | 1,050,000             | -                    |
| \$500 million 4.5% MGM Growth Properties senior notes, due 2026 .....              | 500,000               | -                    |
| \$500 million 4.625% senior notes, due 2026 .....                                  | 500,000               | -                    |
| \$0.6 million 7% debentures, due 2036 .....  | 552                   | 552                  |
| \$2.3 million 6.7% debentures (\$4.3 million at December 31, 2015), due 2096 ..... | 2,265                 | 4,265                |
|  | 13,144,380            | 12,824,375           |
| Less: premiums, discounts, and unamortized debt issuance costs, net .....          | (156,785)             | (127,622)            |
|  | 12,987,595            | 12,696,753           |
| Less: Current portion .....  | (8,375)               | (328,442)            |
|  | <u>\$ 12,979,220</u>  | <u>\$ 12,368,311</u> |

Debt due within one year of the December 31, 2016 balance sheet was classified as long-term as the Company has both the intent and ability to refinance current maturities on a long-term basis under its revolving senior credit facilities with the exception that \$8 million of MGP's quarterly amortization payments under its senior credit facility were classified as current because MGP used cash to make such amortization payments in January 2017. At December 31, 2015, the amount available under the Company's revolving senior credit facility was less than current maturities related to the Company's term loan credit facilities and senior notes. The Company excluded from the December 31, 2015 current portion of long-term debt the amount available for refinancing under its revolving credit facility.

Interest expense, net consisted of the following:

|                               | Year Ended December 31, |                   |                   |
|-------------------------------|-------------------------|-------------------|-------------------|
|                               | 2016                    | 2015              | 2014              |
|                               | <i>(In thousands)</i>   |                   |                   |
| Total interest incurred ..... | \$ 814,731              | \$ 862,377        | \$ 846,321        |
| Interest capitalized .....    | (119,958)               | (64,798)          | (29,260)          |
|                               | <u>\$ 694,773</u>       | <u>\$ 797,579</u> | <u>\$ 817,061</u> |

**Senior credit facility.** In April 2016, the Company entered into an amended and restated credit agreement comprised of a \$1.25 billion revolving facility and a \$250 million term loan A facility. The revolving facility and the term loan A facility bear interest determined by reference to a total net leverage ratio pricing grid which results in an interest rate of LIBOR plus 1.75% to 2.75%. Both the term loan A facility and the revolving facility will mature in April 2021. The term loan A facility is subject to amortization of principal in equal quarterly installments (commencing with the fiscal quarter ended March 31, 2017), with 5.0% of the initial aggregate principal amount of the term loan A facility to be payable each year. No amounts have been drawn on the revolving credit facility. The Company incurred a loss on early retirement of its prior credit facility of approximately \$28 million recorded in “Other, net” in the consolidated statements of operations. At December 31, 2016, the interest rate on the term loan A facility was 3.02%.

The amended and restated credit agreement contains representations and warranties, customary events of default, and positive, negative and financial covenants, including that the Company maintain compliance with a maximum total net leverage ratio, a maximum first lien net leverage ratio and a minimum interest coverage ratio. The Company was in compliance with its credit agreement covenants at December 31, 2016.

The amended and restated credit agreement is secured by (i) a mortgage on the real properties comprising the MGM Grand Las Vegas and the Bellagio, (ii) a pledge of substantially all existing and future personal property of the subsidiaries of the Company that own the MGM Grand Las Vegas and the Bellagio; and (iii) a pledge of the equity or limited liability company interests of the entities that own MGM Grand Las Vegas and the Bellagio.

Mandatory prepayments of the credit facilities will be required upon the occurrence of certain events, including sales of certain assets, casualty events and the incurrence of certain additional indebtedness, subject to certain exceptions and reinvestment rights.

**MGM Growth Properties senior credit facility.** In April 2016, the Operating Partnership entered into a credit agreement comprised of a \$300 million senior secured term loan A facility, a \$1.85 billion senior secured term loan B facility, and a \$600 million senior secured revolving credit facility. The term loan B facility was originally issued at 99.75% to initial lenders. The revolving credit facility and term loan A facility bear interest determined by reference to a total net leverage ratio pricing grid which results in an interest rate of LIBOR plus 2.25% to 2.75%. On October 26, 2016 the term loan B facility was re-priced at par and bore interest at LIBOR plus 2.75%, with a LIBOR floor of 0.75%, which represented a 50 basis point reduction compared to the prior rate. In addition, the Operating Partnership received a further reduction in pricing to LIBOR plus 2.50%, with a LIBOR floor of 0.75% as a result of it achieving a minimum corporate family rating of Ba3/BB- in February 2017. All other principal provisions of the existing credit facility remain unchanged. The revolving credit facility and the term loan A facility will mature in 2021 and the term loan B facility will mature in 2023.

The term loan facilities are subject to amortization of principal in equal quarterly installments, with 5.0% of the initial aggregate principal amount of the term loan A facility and 1.0% of the initial aggregate principal amount of the term loan B facility to be payable each year. The Company permanently repaid \$8 million of the term loan A facility and \$9 million of the term loan B facility for the year ended December 31, 2016. At December 31, 2016, the term loan A facility had an amount outstanding of \$293 million with an interest rate of 3.52% and the term loan B facility had an amount outstanding of \$1.84 billion with an interest rate of 3.52%. No amounts were drawn on the revolving credit facility as of December 31, 2016.

The credit agreement contains customary representations and warranties, events of default, and positive, negative and financial covenants, including that the Operating Partnership maintain compliance with a maximum senior secured net debt to adjusted total assets ratio, maximum total net debt to adjusted assets ratio and a minimum interest coverage ratio. The Operating Partnership was in compliance with its credit agreement covenants at December 31, 2016.

**MGM China credit facility.** At December 31, 2016, the MGM China credit facility consisted of \$1.55 billion of term loans and a \$1.45 billion revolving credit facility, which bear interest at a fluctuating rate per annum based on HIBOR plus a margin that ranges between 1.375% and 2.5% based on MGM China's leverage ratio. The MGM China credit facility matures in April 2019, with scheduled amortization payments of the term loans beginning in October 2017. The MGM China credit facility is secured by MGM Grand Paradise's interest in the Cotai land use right, and MGM China, MGM Grand Paradise and their guarantor subsidiaries have granted a security interest in substantially all of their assets to secure the facility. The outstanding balance at December 31, 2016 was comprised of \$1.56 billion of term loans and \$374 million drawn on the revolving credit facility. At December 31, 2016, the weighted average interest rate on the term loans was 2.73% and the interest rate on the revolving credit facility was 2.50%.

The MGM China credit facility contains customary representations and warranties, events of default, and positive, negative and financial covenants, including that MGM China maintains compliance with a maximum leverage ratio and a minimum interest coverage ratio. MGM China was in compliance with its credit facility covenants at December 31, 2016. In February 2017, the MGM China credit facility was amended to increase the maximum total leverage ratio to 6.00 to 1.00 through December 31, 2017, declining to 5.50 to 1.00 at March 31, 2018, 5.00 to 1.00 at June 30, 2018 and 4.50 to 1.00 at September 30, 2018 and thereafter.

**MGM National Harbor credit agreement.** In January 2016, MGM National Harbor, LLC entered into a credit agreement consisting of a \$100 million revolving credit facility and a \$425 million term loan facility. The revolving and term loan facilities bear interest at LIBOR plus an applicable rate determined by MGM National Harbor, LLC's total leverage ratio (2.25% as of December 31, 2016). The term loan and revolving facilities are scheduled to mature in January 2021 and the term loan facilities are subject to scheduled amortization payments on the last day of each calendar quarter beginning the fourth full fiscal quarter following the opening date of MGM National Harbor, initially in an amount equal to 1.25% of the aggregate principal balance and increasing to 1.875% and 2.50% of the aggregate principal balance on the last day of the twelfth and sixteenth full fiscal quarters, respectively. The outstanding balance at December 31, 2016 was comprised of \$425 million of term loans and \$25 million drawn on the revolving credit facility. At December 31, 2016, the interest rate on the term loan was 3.02% and the interest rate on the revolving credit facility was 2.90%.

The credit agreement is secured by a leasehold mortgage on MGM National Harbor and substantially all of the existing and future property of MGM National Harbor. Mandatory prepayments will be required upon the occurrence of certain events, including sales of certain assets, casualty events and the incurrence of certain additional indebtedness, subject to certain exceptions and reinvestment rights. In addition, to the extent MGM National Harbor generates excess cash flow (as defined in the credit agreement), a percentage of such excess cash flow (ranging from 0% to 50% based on a total leverage ratio) will be required to be used to prepay the term loan facilities commencing with the fiscal year ending 2017.

The credit agreement contains customary representations and warranties, events of default, and positive, negative and financial covenants, including that MGM National Harbor, LLC and its restricted subsidiaries maintain compliance with a maximum total leverage ratio and a minimum interest coverage ratio. MGM National Harbor, LLC was in compliance with its credit agreement covenants at December 31, 2016.

**Senior Notes.** On August 19, 2016, the Company issued \$500 million in aggregate principal amount of 4.625% senior notes due 2026 for net proceeds of \$493 million. In September 2016, the Company used the net proceeds, together with cash on hand, to redeem the \$743 million outstanding aggregate principal amount of its 7.625% senior notes due 2017. The Company incurred a loss on early retirement of the 7.625% senior notes of approximately \$16 million recorded in "Other, net" in the consolidated statements of operations. In connection with the closing of the IPO, on May 25, 2016 (the "Redemption Date") the Company redeemed for cash all \$1.23 billion aggregate principal amount of its outstanding 7.5% senior notes due 2016 and 10% senior notes due 2016 in accordance with the terms of the applicable indenture. The Company incurred a loss on early retirement of such notes of approximately \$22 million recorded in "Other, net" in the consolidated statements of operations.

In 2015, the Company repaid its \$875 million 6.625% senior notes at maturity. The senior notes are unsecured and otherwise rank equally in right of payment with the Company's existing and future senior indebtedness. The senior notes are effectively subordinated to the Company's existing and future secured obligations, primarily consisting of its senior credit facility, to the extent of the value of the assets securing such obligations.

**Bridge Facilities.** In connection with the Borgata transaction in August 2016, the Company borrowed \$545 million under certain bridge facilities, which were subsequently contributed to the Operating Partnership. The Operating Partnership repaid the bridge facilities with a combination of cash on hand and a draw down on its revolving credit facility, which it subsequently refinanced with proceeds from its offering of its 4.5% senior notes due 2026. In connection with the closing of the IPO, the Company borrowed \$4.0 billion under certain bridge facilities, the proceeds of which were used to repay its outstanding obligations under its prior senior credit facility and were used to repay its 7.5% senior notes due 2016 and its 10% senior notes due 2016 on the Redemption Date. The bridge facilities were subsequently assumed by the Operating Partnership pursuant to the master contribution agreement. The Operating Partnership repaid the bridge facilities with a combination of proceeds from its financing transactions described in Note 1 and the proceeds from the IPO.

**MGM Growth Properties senior notes.** On August 12, 2016, the Operating Partnership and MGP Finance Co-Issuer, Inc. issued \$500 million in aggregate principal amount of 4.5% senior notes due 2026 for net proceeds of \$492 million. On April 20, 2016, a subsidiary of the Operating Partnership issued \$1.05 billion in aggregate principal amount of 5.625% senior notes due 2024 and on April 25, 2016, the Operating Partnership entered into a supplemental indenture through which it assumed the obligations under the notes from such subsidiary (which merged into the Operating Partnership on such date).

**Convertible senior notes.** In April 2015, holders of substantially all of the \$1.45 billion in aggregate principal amount of 4.25% convertible senior notes elected to convert the notes into approximately 78 million shares of the Company's common stock. The notes were converted at 53.83 shares of common stock per \$1,000 principal amount, which is equivalent to a conversion price of approximately \$18.58 per share. In addition, the Company settled the capped call transactions entered into in connection with the initial issuance of \$1.15 billion aggregate principal amount of notes and received approximately 6 million shares from such financial institutions. Such shares received in connection with the capped call transactions were subsequently retired.

**Maturities of long-term debt.** Maturities of the principal amount of the Company's long-term debt as of December 31, 2016 are as follows:

|                           | <i>(In thousands)</i> |
|---------------------------|-----------------------|
| Years ending December 31, |                       |
| 2017 .....                | \$ 137,964            |
| 2018 .....                | 1,323,143             |
| 2019 .....                | 1,997,019             |
| 2020 .....                | 1,582,563             |
| 2021 .....                | 2,057,250             |
| Thereafter .....          | 6,046,441             |
|                           | <u>\$ 13,144,380</u>  |

**Fair value of long-term debt.** The estimated fair value of the Company's long-term debt at December 31, 2016 was \$13.9 billion. At December 31, 2015, the estimated fair value of the Company's long-term debt was \$13.1 billion. Fair value was estimated using quoted market prices for the Company's senior notes and senior credit facility.

## NOTE 11 — DERIVATIVES AND HEDGING ACTIVITIES

The Operating Partnership uses derivative instruments to mitigate the effects of interest rate volatility inherent in its variable rate debt, which could unfavorably impact its future earnings and forecasted cash flows. The Operating Partnership does not use derivative instruments for speculative or trading purposes.

In December 2016, the Operating Partnership entered into interest rate swap agreements to mitigate the interest rate risk inherent in its senior secured term loan B facility. These interest rate swaps are designated as cash flow hedges and have a notional value of \$500 million and mature on November 30, 2021. The weighted average fixed rate paid is 1.825%, and the variable rate received resets monthly to the one-month LIBOR subject to a minimum rate of 0.75%.

The following table summarizes the fair value and the presentation in the Company's balance sheet:

|  | <u>Location on Balance Sheet</u> | <u>December 31, 2016</u> |
|--|----------------------------------|--------------------------|
|  |                                  | <i>(In thousands)</i>    |
| Interest rate swaps - cash flow hedges | Other long-term assets, net      | \$ 1,879                 |

As of December 31, 2016, all of the interest rate swaps were valued in net unrealized gain positions and recognized as asset balances within "Other long-term assets, net." For the year ended December 31, 2016, the amount recorded in other comprehensive income related to the gain on derivative instruments was \$2 million. For the year ended December 31, 2016, there was no ineffective portion of the change in fair value derivatives. During the fourth quarter of 2016, the Company recorded interest expense of \$0.4 million related to the swap agreements.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate debt. During the twelve months beginning January 1, 2017, the Company estimates that \$4 million will be reclassified as an increase to interest expense.

In January 2017, the Operating Partnership entered into additional interest rate swap agreements through November 2021 with a total \$700 million notional amount to pay a fixed rate of 1.964%, and the variable rate received resets monthly to the one-month LIBOR, subject to a minimum rate of 0.75%, in order to mitigate the interest rate risk inherent in its senior secured term loan B facility.

## NOTE 12 — INCOME TAXES

The Company recognizes deferred income tax assets, net of applicable reserves, related to net operating losses, tax credit carryforwards and certain temporary differences. The Company recognizes future tax benefits to the extent that realization of such benefit is more likely than not. Otherwise, a valuation allowance is applied.

Income (loss) before income taxes for domestic and foreign operations consisted of the following:

|                           | <u>Year Ended December 31,</u> |                       |                   |
|---------------------------|--------------------------------|-----------------------|-------------------|
|                           | <u>2016</u>                    | <u>2015</u>           | <u>2014</u>       |
|                           |                                | <i>(In thousands)</i> |                   |
| Domestic operations ..... | \$ 985,683                     | \$ 155,296            | \$ (168,135)      |
| Foreign operations .....  | 273,494                        | (1,201,539)           | 579,021           |
|                           | <u>\$ 1,259,177</u>            | <u>\$ (1,046,243)</u> | <u>\$ 410,886</u> |



The benefit (provision) for income taxes attributable to income (loss) before income taxes is as follows:

|  | Year Ended December 31, |                 |                     |
|--|-------------------------|-----------------|---------------------|
|  | 2016                    | 2015            | 2014                |
|  | <i>(In thousands)</i>   |                 |                     |
| <b>Federal:</b>                                    |                         |                 |                     |
| Current .....                                      | \$ (97,502)             | \$ (13,540)     | \$ (10,448)         |
| Deferred (excluding separate components) .....     | (125,181)               | 280,220         | 785,225             |
| Deferred—operating loss carryforward .....         | -                       | -               | (277,453)           |
| Deferred—valuation allowance .....                 | 222,688                 | (247,867)       | (815,851)           |
| Other noncurrent .....                             | 3,608                   | (590)           | 33,130              |
| Benefit (provision) for federal income taxes ..... | <u>3,613</u>            | <u>18,223</u>   | <u>(285,397)</u>    |
| <b>State:</b>                                      |                         |                 |                     |
| Current .....                                      | 4,069                   | (1,840)         | (2,214)             |
| Deferred (excluding separate components) .....     | 2,313                   | (2,768)         | 4,338               |
| Deferred—operating loss carryforward .....         | (16,024)                | (2,263)         | 531                 |
| Deferred—valuation allowance .....                 | 23,058                  | (4,465)         | 412                 |
| Other noncurrent .....                             | (2,901)                 | 7,153           | (547)               |
| Benefit (provision) for state income taxes .....   | <u>10,515</u>           | <u>(4,183)</u>  | <u>2,520</u>        |
| <b>Foreign:</b>                                    |                         |                 |                     |
| Current .....                                      | (2,015)                 | (2,127)         | (1,656)             |
| Deferred (excluding separate components) .....     | (34,425)                | (5,832)         | 1,726               |
| Deferred—operating loss carryforward .....         | 2,988                   | 10,472          | 3,495               |
| Deferred—valuation allowance .....                 | (2,975)                 | (9,959)         | (4,396)             |
| Provision for foreign income taxes .....           | <u>(36,427)</u>         | <u>(7,446)</u>  | <u>(831)</u>        |
|  | <u>\$ (22,299)</u>      | <u>\$ 6,594</u> | <u>\$ (283,708)</u> |

A reconciliation of the federal income tax statutory rate and the Company's effective tax rate is as follows:

|  | Year Ended December 31, |              |              |
|--|-------------------------|--------------|--------------|
|  | 2016                    | 2015         | 2014         |
| Federal income tax statutory rate .....                          | 35.0%                   | 35.0%        | 35.0%        |
| Foreign tax credit .....   | (10.5)                  | 63.7         | (222.0)      |
| Repatriation of foreign earnings .....                           | 5.2                     | (32.0)       | 113.2        |
| Foreign goodwill impairment .....                                | -                       | (49.1)       | -            |
| Federal valuation allowance .....                                | (17.7)                  | (23.7)       | 198.6        |
| Settlements with taxing authorities .....                        | -                       | 0.1          | (7.6)        |
| Gain on Borgata transaction .....                                | (5.4)                   | -            | -            |
| Foreign jurisdiction income/losses taxed at other than 35% ..... | (3.8)                   | 6.9          | (49.1)       |
| Permanent and other items .....                                  | <u>(1.0)</u>            | <u>(0.3)</u> | <u>0.9</u>   |
|  | <u>1.8%</u>             | <u>0.6%</u>  | <u>69.0%</u> |

The major tax-effected components of the Company's net deferred tax liability are as follows:

|  | <b>December 31,</b>   |                       |
|--|-----------------------|-----------------------|
|  | <b>2016</b>           | <b>2015</b>           |
|  | <i>(In thousands)</i> |                       |
| Deferred tax assets - federal and state:       |                       |                       |
| Bad debt reserve .....                         | \$ 40,330             | \$ 42,133             |
| Deferred compensation .....                    | 6,881                 | 4,719                 |
| Net operating loss carryforward .....          | 9,669                 | 20,084                |
| Capital loss carryforward .....                | -                     | 2,827                 |
| Accruals, reserves and other .....             | 168,712               | 42,614                |
| Investments in unconsolidated affiliates ..... | 152,092               | 198,594               |
| Stock-based compensation .....                 | 33,311                | 32,108                |
| Tax credits .....                              | 2,824,312             | 2,883,839             |
|  | <u>3,235,307</u>      | <u>3,226,918</u>      |
| Less: Valuation allowance .....                | <u>(2,510,140)</u>    | <u>(2,736,972)</u>    |
|  | <u>725,167</u>        | <u>489,946</u>        |
| Deferred tax assets - foreign:                 |                       |                       |
| Bad debt reserve .....                         | 895                   | 976                   |
| Net operating loss carryforward .....          | 72,788                | 69,800                |
| Accruals, reserves and other .....             | 3,945                 | 1,270                 |
| Property and equipment .....                   | -                     | 2,837                 |
| Stock-based compensation .....                 | 3,830                 | -                     |
|  | <u>81,458</u>         | <u>74,883</u>         |
| Less: Valuation allowance .....                | <u>(73,134)</u>       | <u>(70,159)</u>       |
|  | <u>8,324</u>          | <u>4,724</u>          |
| Total deferred tax assets .....                | <u>\$ 733,491</u>     | <u>\$ 494,670</u>     |
| Deferred tax liabilities - federal and state:  |                       |                       |
| Property and equipment .....                   | \$ (2,657,230)        | \$ (2,536,724)        |
| Long-term debt .....                           | (146,018)             | (220,245)             |
| Intangibles .....                              | (124,729)             | (99,419)              |
|  | <u>(2,927,977)</u>    | <u>(2,856,388)</u>    |
| Deferred tax liabilities - foreign:            |                       |                       |
| Property and equipment .....                   | (4,691)               | -                     |
| Intangibles .....                              | (352,051)             | (318,858)             |
|  | <u>(356,742)</u>      | <u>(318,858)</u>      |
| Total deferred tax liability .....             | <u>\$ (3,284,719)</u> | <u>\$ (3,175,246)</u> |
| Net deferred tax liability .....               | <u>\$ (2,551,228)</u> | <u>\$ (2,680,576)</u> |

Income generated from gaming operations of MGM Grand Paradise, which is owned by MGM China, is exempted from Macau's 12% complementary tax, pursuant to approval from the Macau government. Absent this exemption, "Net income attributable to MGM Resorts International" would have decreased by \$25 million in 2016, and "Net loss attributable to MGM Resorts International" would have increased by \$25 million in 2015 and net income per share (diluted) would have decreased by \$0.04 in 2016 and net loss per share (diluted) would have increased by \$0.04 in 2015.

Non-gaming operations remain subject to the Macau complementary tax. MGM Grand Paradise had at December 31, 2016 a complementary tax net operating loss carryforward of \$593 million resulting from non-gaming operations that will expire if not utilized against non-gaming income in years 2017 through 2019.

MGM Grand Paradise's exemption from the Macau 12% complementary tax on gaming profits does not apply to dividend distributions of such profits to MGM China. However, MGM Grand Paradise has an agreement with the Macau government to settle the 12% complementary tax that would otherwise be due by its shareholder, MGM China, on distributions of its gaming profits by paying a flat annual payment ("annual fee arrangement") regardless of the amount of distributable dividends. Such annual fee arrangement was effective until December 31, 2016. MGM China was not subject to the complementary tax on distributions it received during the covered period as a result of the annual fee arrangement. Annual payments of \$2 million were required under the annual fee arrangement. The \$2 million annual payments for 2016 and 2015 were accrued and a corresponding provision for income taxes was recorded in each year. MGM Grand Paradise intends to file for an extension of this agreement in the first quarter of 2017. However, no assurance can be given that an extension will be granted or that the terms if granted will not be less favorable than the prior agreement.

The Company repatriated \$53 million and \$304 million of foreign earnings and profits in 2016 and 2015, respectively. At December 31, 2016, there were approximately \$363 million of unrepatriated foreign earnings and profits, all of which the Company anticipates will be repatriated without the incurrence of additional U.S. income tax expense due to creditable foreign taxes associated with such earnings and profits. Such foreign taxes consist of the Macau Special Gaming Tax, which the Company believes qualifies as a tax paid in lieu of an income tax that is creditable against U.S. income taxes. Accordingly, no deferred tax liability had been recorded for those earnings. The Company had foreign tax credit carryovers of \$2.8 billion as of December 31, 2016 which will expire as follows: \$731 million in 2022; \$976 million in 2023; \$786 million in 2024; and \$331 million in 2025. The foreign tax credit carryovers are subject to valuation allowance as described further below.

For state income tax purposes, the Company had Illinois, New Jersey, and Michigan net operating loss carryforwards of \$93 million, \$166 million, and \$77 million at December 31, 2016, respectively, which equates to deferred tax assets after federal tax effect and before valuation allowance, of \$5 million, \$3 million, and \$3 million, respectively. The Illinois net operating loss carryforwards will expire if not utilized by 2021 through 2026. The New Jersey net operating loss carryforwards will expire if not utilized by 2029 through 2036. The Michigan net operating loss carryforwards will expire if not utilized by 2022 through 2024.

The Company recorded a valuation allowance of \$2.5 billion against the \$2.8 billion foreign tax credit deferred tax asset at December 31, 2016. In addition, there was a \$3 million valuation allowance, after federal effect, provided on certain state deferred tax assets, a valuation allowance of \$71 million on certain Macau deferred tax assets, and a valuation allowance of \$2 million on Hong Kong net operating losses because the Company believes these assets do not meet the "more likely than not" criteria for recognition.

The foreign tax credits are attributable to the Macau Special Gaming Tax, which is 35% of gross gaming revenue in Macau. Because MGM Grand Paradise is presently exempt from the Macau 12% complementary tax on gaming profits, the Company believes that payment of the Macau Special Gaming Tax qualifies as a tax paid in lieu of an income tax that is creditable against U.S. taxes. On September 7, 2016, MGM Grand Paradise was granted an additional extension of the complementary tax exemption through March 31, 2020, concurrent with the end of the term of its current gaming subconcession. A competitor of MGM Grand Paradise subsequently received an additional extension of its exemption through March 31, 2020, which also runs concurrent with the end of the term of its current gaming concession. Based upon these developments and the uncertainty concerning taxation after the concession renewal process, the Company has concluded that it can no longer assume that MGM Grand Paradise will be entitled to additional exemption periods beyond the end of the extension recently granted. Thus, for all periods beyond March 31, 2020, the Company has assumed that MGM Grand Paradise will pay the Macau 12% complementary tax on gaming profits and will thus not be able to credit the Macau Special Gaming Tax in such years, and has factored that assumption into the assessment of the realization of the foreign

tax credit deferred tax asset. This change resulted in a reduction in the valuation allowance against the foreign tax credit deferred tax asset in the amount of \$169 million with a corresponding reduction in the provision for income taxes in 2016.

Due to improvements in its U.S. operations, the Company has generated U.S. operating profits for the past eight consecutive quarters and as of June 30, 2016 no longer had cumulative U.S. losses in recent years. Consequently, during the quarter ended June 30, 2016 the Company began to rely on future U.S. source operating income in assessing future foreign tax credit realization during the 10-year foreign tax credit carryover period. This change resulted in a reduction in the valuation allowance and a corresponding reduction in the provision for income taxes of \$85 million in 2016.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits is as follows:

|  | Year Ended December 31, |                  |                  |
|--|-------------------------|------------------|------------------|
|  | 2016                    | 2015             | 2014             |
|  | <i>(In thousands)</i>   |                  |                  |
| Gross unrecognized tax benefits at January 1 .....   | \$ 13,724               | \$ 31,143        | \$ 106,246       |
| Gross increases - prior period tax positions .....   | -                       | -                | 1,626            |
| Gross decreases - prior period tax positions .....   | (3,375)                 | (14,158)         | (43,098)         |
| Gross increases - current period tax positions ..... | 3,677                   | 1,222            | 5,066            |
| Settlements with taxing authorities .....            | -                       | (2,408)          | (38,697)         |
| Lapse in Statutes of Limitations .....               | -                       | (2,075)          | -                |
| Gross unrecognized tax benefits at December 31 ..... | <u>\$ 14,026</u>        | <u>\$ 13,724</u> | <u>\$ 31,143</u> |

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$9 million and \$8 million at December 31, 2016 and 2015, respectively.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. The Company accrued less than \$1 million in interest related to unrecognized tax benefits at December 31, 2016 and 2015. No amounts were accrued for penalties as of either date. Income tax expense for the years ended December 31, 2016, 2015 and 2014 includes interest benefit and expense related to unrecognized tax benefits as follows: less than \$1 million expense in 2016, \$4 million benefit in 2015, and \$13 million benefit in 2014.

The Company files income tax returns in the U.S. federal jurisdiction, various state and local jurisdictions, and foreign jurisdictions, although the income taxes paid in foreign jurisdictions are not material. As of December 31, 2016, the Company is no longer subject to examination of its U.S. consolidated federal income tax returns filed for years ended prior to 2010. During 2016, the IRS opened an examination of the Company's 2014 U.S. consolidated federal income tax return and notified the Company that it would open an examination of the 2014 income tax return of CityCenter Holdings, LLC, an unconsolidated affiliate treated as a partnership for income tax purposes. During 2015, the Company received final approval from the Joint Committee on Taxation of the results of the IRS examination of the 2009 tax year and agreed to all IRS adjustments to the 2010 and 2011 tax years of CityCenter Holdings, LLC. The Company received a refund of \$16 million of taxes and associated interest in connection with the settlement of these examinations, which are now considered settled for financial accounting purposes. During 2014, the Company received final approval from the Joint Committee on Taxation of the results of the IRS examination of its consolidated federal income tax returns for the 2005 through 2009 tax years; the 2007 through 2008 tax years of CityCenter Holdings, LLC; the 2008 through 2009 tax years of MGM Grand Detroit, LLC, a subsidiary treated as a partnership for income tax purposes; and the 2005 through 2009 tax years of Marina District Development Holding Company, LLC, an unconsolidated affiliate treated as a partnership for income tax purposes during such years. These examinations are now considered settled for financial reporting purposes. The Company previously deposited \$30 million with the IRS to cover the expected cash taxes and interest resulting from the tentatively agreed adjustments for these examinations.

As of December 31, 2016, other than adjustments resulting from the federal income tax audits discussed above, the Company was no longer subject to examination of its various state and local tax returns filed for years ended prior to 2012. During 2015, the state of New Jersey completed its examination of Marina District Development Holding Company, LLC for the 2003 through 2009 tax years. All adjustments were agreed to by the members of Marina District Development Holding Company, LLC and the examination is now considered settled for financial accounting purposes. The Company made a \$1 million payment of tax and associated interest as a result of this settlement. No other state or local income tax returns are currently under examination.

The Company does not anticipate that the total amounts of unrecognized tax benefits at December 31, 2016 will change materially within the next twelve months.

#### NOTE 13 — COMMITMENTS AND CONTINGENCIES

**Leases.** The Company leases real estate and various equipment under operating and, to a lesser extent, capital lease arrangements. Certain real estate leases provide for escalation of rent based upon a specified price index and/or based upon periodic appraisals.

At December 31, 2016, the Company was obligated under non-cancellable operating leases to make future minimum lease payments as follows:

|                                    | <i>(In thousands)</i> |
|------------------------------------|-----------------------|
| Years ending December 31,          |                       |
| 2017.....                          | \$ 37,173             |
| 2018.....                          | 33,018                |
| 2019.....                          | 29,722                |
| 2020.....                          | 29,976                |
| 2021.....                          | 32,416                |
| Thereafter .....                   | 1,380,274             |
| Total minimum lease payments ..... | <u>\$ 1,542,579</u>   |

The table above excludes the Company's future lease obligations to a subsidiary of the Operating Partnership pursuant to the master lease agreement discussed in Note 19. The Company owns 76.3% of the Operating Partnership units as of December 31, 2016. The current obligations of \$9 million under capital leases due within one year are included in "Other accrued liabilities" and the long-term obligations of \$5 million under capital leases due after one year are included in "Other long-term obligations". Rental expense for operating leases was \$80 million, \$74 million and \$65 million for 2016, 2015 and 2014, respectively. Amounts included short term rentals charged to rent expense. Rental expense in 2016, 2015, and 2014 includes \$7 million related to the Cotai land concession. The Company accounts for the Cotai land concession contract as an operating lease for which the required upfront payments are amortized over the initial 25-year contract term. Rent recognized for the Cotai land concession is included in "Preopening and start-up expenses" prior to opening.

In August 2016, in connection with the Borgata transaction, the Company has assumed the liability of a series of ground leases for a total of approximately 11 acres of land on which the Borgata employee parking garage, public space expansion, rooms expansion, and modified surface parking lot. The Company recorded an unfavorable lease liability for the excess contractual lease obligations over the market value of the leases, which will be amortized on a straight-line basis over the term of the lease contracts through December 2070. The ground lease is accounted for as an operating lease with rental expense of \$2 million for the year ended December 31, 2016.

In April 2013, the Company entered into a ground lease agreement for an approximate 23 acre parcel of land in connection with the MGM National Harbor project. The ground lease has an initial term of 25 years and the right to extend for up to 13 additional six year periods with the first 7 of those additional periods considered to be



reasonably assured. The Company therefore amortizes the lease on a straight line basis over a 67 year term. The ground lease is accounted for as an operating lease with rental expense of \$16 million, \$19 million and \$13 million recorded for the years ended December 31, 2016, 2015 and 2014, respectively. Rent recognized for the ground lease was included in “Preopening and start-up expenses” prior to opening.

**Borgata property tax reimbursement agreement.** On February 15, 2017, Borgata, the Department of Community Affairs of the State of New Jersey and Atlantic City entered into an agreement wherein Borgata will be reimbursed \$72 million as settlement for property tax refunds subject to certain terms and conditions. The payment of the settlement amount is in satisfaction of existing New Jersey Tax Court and Superior Court judgments totaling approximately \$106 million, plus interest for the 2009-2012 tax years and the settlement of pending tax appeals for the tax years 2013-2015. Those pending tax appeals could potentially have resulted in Borgata being awarded additional refunds due amounting to approximately \$65 million. Under the terms of the agreement, Atlantic City will pay Borgata the reimbursement amount of \$72 million in up to two installments, with the first installment of \$52 million due on or before July 31, 2017 and the second installment for the remaining balance of \$20 million due on or before October 1, 2017. In order to finance the reimbursement, Atlantic City and the State of New Jersey have agreed to use their best efforts to issue and sell bonds to pay the reimbursement. Should Atlantic City fail to pay either of the installment payments or petition for relief from creditors under state or federal law, or should any other event occur that would cause termination of the agreement, Borgata will be entitled to enforce a consent judgment that is being entered into as part of the settlement for the 2009-2015 tax years in an amount totaling \$158 million.

As part of the purchase and sale agreement, the Company agreed to pay Boyd Gaming half of any net amount received by the Company as it relates to the property tax refund owed to Borgata. The Company will recognize the amounts received pursuant to the reimbursement agreement and amounts paid to Boyd Gaming in current earnings in the periods in which payments are received and paid.

**NV Energy.** In July 2016, the Company filed its notice to exit the fully bundled sales system of NV Energy and will purchase energy, capacity, and/or ancillary services from a provider other than NV Energy. The Company elected to pay the upfront impact payment of \$83 million, including \$14 million related to CityCenter. The upfront payments were made in September 2016. The Company and CityCenter are required to make ongoing payments to NV Energy for non-bypassable rate charges which primarily relate to each entity’s share of NV Energy’s portfolio of renewable energy contracts which extend through 2040 and each entity’s share of the costs of decommissioning and remediation of coal-fired power plants in Nevada. As of December 31, 2016, the Company recorded an estimate of such liability on a discounted basis of \$8 million in “Other accrued liabilities” and \$63 million in “Other long-term obligations.” The expense recognized related to the upfront payment and the initial accrual for the non-bypassable charges liability has been recognized within “NV Energy exit expense” in the accompanying consolidated statements of operations. Subsequent accretion of the liability and changes in estimates will be recognized within general and administrative expenses.

**Grand Paradise Macau deferred cash payment.** On September 1, 2016, the Company purchased 188.1 million common shares of its MGM China subsidiary from Grand Paradise Macau (“GPM”), an entity controlled by Ms. Ho, Pansy Catilina Chiu King (“Ms. Ho”). As part of the consideration for the purchase, the Company agreed to pay GPM a deferred cash payment of \$50 million, which will be paid in amounts equal to the ordinary dividends received on such shares, with a final lump sum payment due on the fifth anniversary of the closing date of the transaction if any portion of the deferred cash payment remains unpaid at that time. As of December 31, 2016, the Company recorded a liability on a discounted basis of \$43 million in “Other long-term obligations.”

**Cotai land concession contract.** MGM Grand Paradise’s land concession contract for an approximate 18 acre site on the Cotai Strip in Macau became effective on January 9, 2013 and has an initial term of 25 years. The total land premium payable to the Macau government for the land concession contract is \$161 million and is composed of a down payment and eight additional semi-annual payments. As of December 31, 2016, MGM China had paid \$159 million of the contract’s premium, including interest due on the semi-annual installments,

and the amount paid is recorded within “Other long-term assets, net.” In January 2017, MGM China paid the final semi-annual installment of \$15 million under the contract. Under the terms of the land concession contract, MGM Grand Paradise is required to build and open MGM Cotai by January 2018.

**T-Mobile Arena.** In conjunction with the Las Vegas Arena Company entering a senior secured credit facility in 2014, the Company and AEG each entered joint and several completion guarantees for the project, as well as a repayment guarantee for term loan B (which is subject to increases and decreases in the event of a rebalancing of the principal amount of indebtedness between the term loan A and term loan B facilities). As of December 31, 2016, term loan A was \$150 million and term loan B was \$50 million. The completion guarantees were terminated in February 2017.

**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, MGP’s senior credit facility limits the amount to \$75 million, MGM China’s credit facility limits the amount to \$100 million, and MGM National Harbor’s credit facility limits the amount to \$30 million. At December 31, 2016, the Company had \$15 million in letters of credit outstanding under the Company’s senior credit facility and \$39 million in letters of credit outstanding under MGM China’s credit facility. No amounts were outstanding under the MGP senior credit facility and the MGM National Harbor credit facility at December 31, 2016. The amount of available borrowings under each of the credit facilities is reduced by any outstanding letters of credit.

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

#### NOTE 14 — STOCKHOLDERS’ EQUITY

The following is a summary of net income attributable to MGM Resorts International and transfers to noncontrolling interest for the year ended December 31, 2016:

|   | <i>(In thousands)</i> |
|---|-----------------------|
| Net income attributable to MGM Resorts International .....  | \$ 1,101,440          |
| Transfers to noncontrolling interest:   |                       |
| MGP formation transactions .....  | (150,414)             |
| Borgata transaction .....   | (18,385)              |
| MGM China transaction .....   | (45,554)              |
| Net transfers to noncontrolling interest .....  | (214,353)             |
| Change from net income attributable to MGM Resorts International and transfers to noncontrolling interest ..... | <u>\$ 887,087</u>     |

**MGM Growth Properties IPO.** The Company adjusted the carrying value of the noncontrolling interests to reflect MGP’s Class A shareholders’ 26.7% initial ownership interest in the consolidated net assets of MGP related to the IPO and related transactions discussed in Note 1, with an offsetting adjustment to additional paid in capital.

**Borgata transaction.** The Company has adjusted the carrying value of the noncontrolling interests as a result of the Borgata transaction to adjust for the change in noncontrolling interests ownership percentage of the Operating Partnership’s net assets, as discussed in Note 1, including assets and liabilities transferred as a part of the Borgata transaction, with an offsetting adjustment to additional paid in capital.

**MGM China common stock acquisition.** In September 2016, the Company acquired 188.1 million ordinary shares of MGM China from GPM. As a result of the transaction, the Company owns approximately 56%

of MGM China's outstanding common shares and Ms. Ho owned approximately 22.5% immediately following the transaction. As consideration for the MGM China shares, the Company issued 7,060,492 shares of its common stock and paid \$100 million to GPM. In addition, the Company agreed to pay GPM a deferred cash payment of \$50 million. See Note 13 for additional information regarding the deferred cash payment. The Company adjusted the carrying value of the noncontrolling interest and accumulated other comprehensive income to reflect the change in MGM China's noncontrolling ownership interest resulting from the transaction. The difference between the fair value of the consideration paid and the aforementioned adjustments was recognized as a reduction to additional paid in capital.

**MGM Resorts International dividends.** On February 15, 2017 the Company's Board of Directors approved a quarterly dividend to holders of record on March 10, 2017 of \$0.11 per share, totaling \$63 million, which will be paid on March 15, 2017. The Company intends to pay a quarterly dividend in each future quarter subject to the Company's operating results, cash requirements and financial conditions, any applicable provisions of state law that may limit the amount of available funds, and compliance with covenants and financial ratios related to existing or future agreements governing the indebtedness at the Company's subsidiaries and any limitations in other agreements such subsidiaries may have with third parties.

**MGM China dividends.** MGM China paid the following dividends:

- \$46 million final dividend in May 2016, of which \$23 million was distributed to noncontrolling interests;
- \$58 million interim dividend in August 2016, of which \$29 million was distributed to noncontrolling interests;
- \$400 million special dividend in March 2015, of which \$196 million was distributed to noncontrolling interests;
- \$120 million final dividend in June 2015, of which \$59 million was distributed to noncontrolling interests;
- \$76 million interim dividend in August 2015, of which \$37 million was distributed to noncontrolling interests;
- \$499 million special dividend in March 2014, of which \$245 million was distributed to noncontrolling interests;
- \$127 million final dividend in June 2014, of which \$62 million was distributed to noncontrolling interests; and
- \$137 million interim dividend in September 2014, of which \$67 million was distributed to noncontrolling interests.

On February 16, 2017, as part of its regular dividend policy, MGM China's Board of Directors announced it will recommend a final dividend for 2016 of \$78 million to MGM China shareholders subject to approval at the MGM China 2017 annual shareholders meeting to be held in May. If approved, the Company will receive its 56% share, or \$44 million, of which \$4 million will be paid to GPM under the deferred cash payment arrangement. See Note 13 for additional information.

**MGP dividends.** In January 2017 and October 2016, MGP paid quarterly dividends of \$0.3875 per Class A common share, each totaling \$22 million. The Company concurrently received \$72 million in distributions attributable to the Operating Partnership units owned by the Company from the Operating Partnership, which remained within the consolidated entity at each period. In July 2016 MGP paid a \$15 million pro-rated quarterly dividend of \$0.2632 per Class A common share. The Company concurrently received a \$42 million distribution attributable to the Operating Partnership units owned by the Company from the Operating Partnership, which remained within the consolidated entity.

#### **NOTE 15 — STOCK-BASED COMPENSATION**

**MGM Resorts 2005 Omnibus Incentive Plan.** The Company's omnibus incentive plan, as amended (the "Omnibus Plan"), allows it to grant stock options, stock appreciation rights ("SARs"), restricted stock units

(“RSUs”), performance share units (“PSUs”) and other stock-based awards to eligible directors, officers and employees of the Company and its subsidiaries. The Omnibus Plan is administered by the Compensation Committee (the “Committee”) of the Board of Directors. The Committee has discretion under the Omnibus Plan regarding which type of awards to grant, the vesting and service requirements, exercise price and other conditions, in all cases subject to certain limits, including:

- As amended, the Omnibus Plan allows for the issuance of up to 45 million shares or share-based awards; and
- For stock options and SARs, the exercise price of the award must be at least equal to the fair market value of the stock on the date of grant and the maximum term of such an award is 10 years.

SARs granted under the Omnibus Plan generally have terms of seven years, and in most cases vest in four equal annual installments. RSUs granted vest ratably over four years, a portion of which are subject to achievement of a performance target based on operational results compared to budget in order for such RSUs to be eligible to vest. Expense is recognized primarily on a straight-line basis over the vesting period of the awards, net of estimated forfeitures. Estimated forfeitures are updated periodically with actual forfeitures recognized currently to the extent they differ from the estimate.

PSUs granted vest subject to a market condition, in which a percentage of the target award granted vests based on the performance of the Company’s stock price in relation to the target price at the end of a three year performance period. Specifically, the ending average stock price must equal the target price, which is defined as 125% of the beginning average stock price, in order for the target award to vest. No shares are issued unless the ending average stock price is at least 60% of the target price, and the maximum payout is capped at 160% of the target award. If the ending average stock price is at least 60% or more of the target price, then the amount of units granted in the target award is multiplied by the stock performance multiplier. The stock performance multiplier equals the ending average stock price divided by the target price. For this purpose, the target and ending prices are based on the average closing price of the Company’s common stock over the 60 calendar day periods ending on the grant date and the third anniversary of the grant date, respectively. Expense is recognized on a graded basis over the performance period beginning on the date of grant. Estimated forfeitures are updated periodically with actual forfeitures recognized currently to the extent they differ from the estimate.

As of December 31, 2016, the Company had an aggregate of approximately 21 million shares of common stock available for grant as share-based awards under the Omnibus Plan. A summary of activity under the Company’s share-based payment plans for the year ended December 31, 2016 is presented below:

*Stock options and stock appreciation rights*

|  | <b>Units<br/>(000’s)</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> | <b>Weighted<br/>Average<br/>Remaining<br/>Contractual<br/>Term</b> | <b>Aggregate<br/>Intrinsic<br/>Value<br/>(000’s)</b> |
|--|--------------------------|--|--|--|
| Outstanding at January 1, 2016 .....                   | 14,131                   | \$14.82  |  |  |
| Granted .....  | 2,557                    | 25.91  |  |  |
| Exercised .....  | (4,522)                  | 11.52  |  |  |
| Forfeited or expired .....                             | (193)                    | 20.90  |  |  |
| Outstanding at December 31, 2016 .....                 | 11,973                   | 18.33  | 4.27   | \$125,682  |
| Vested and expected to vest at December 31, 2016 ..... | 11,570                   | 18.12  | 4.20   | \$123,841  |
| Exercisable at December 31, 2016 .....                 | 6,478                    | 14.16  | 2.90   | \$ 94,903  |

As of December 31, 2016, there was a total of \$37 million of unamortized compensation related to stock options and SARs expected to vest, which is expected to be recognized over a weighted-average period of 1.8 years.

*Restricted stock units and performance share units*

|                                      | RSUs             |   | PSUs                       |   |  |
|--------------------------------------|------------------|---|----------------------------|---|--|
|                                      | Units<br>(000's) | Weighted<br>Average<br>Grant-Date<br>Fair Value | Target<br>Units<br>(000's) | Weighted<br>Average<br>Grant-Date<br>Fair Value | Weighted<br>Average<br>Target<br>Price |
| Nonvested at January 1, 2016 .....   | 1,578            | \$ 20.05  | 1,818                      | \$18.54   | \$26.18                                |
| Granted .....                        | 776              | 26.06   | 785                        | 24.94   | 31.05                                  |
| Vested .....                         | (624)            | 18.31   | (397)                      | 21.01   | 23.50                                  |
| Forfeited .....                      | (58)             | 20.70   | -                          | -   | -                                      |
| Nonvested at December 31, 2016 ..... | 1,672            | 23.47   | 2,206                      | 20.38   | 28.40                                  |

As of December 31, 2016, there was a total of \$30 million of unamortized compensation related to RSUs which is expected to be recognized over a weighted-average period of 1.9 years. As of December 31, 2016, there was a total of \$28 million of unamortized compensation related to PSUs which is expected to be recognized over a weighted-average period of 1.7 years.

The Company grants PSUs for a portion of any calculated bonus for a Section 16 officer of the Company that is in excess of such officer's base salary (the "Bonus PSU Policy"). Awards granted under the Bonus PSU Policy have the same terms as the other PSUs granted under the Omnibus Plan with the exception that as of the grant date the awards will not be subject to forfeiture in the event of the officer's termination. In March 2016, 2015 and 2014, the Company granted 0.3 million, 0.2 million and 0.3 million PSUs pursuant to the Bonus PSU Policy with a target price of \$23.87, \$25.91 and \$31.72, respectively. Additionally, the Company granted PSUs for certain employees of the Company in connection with the Profit Growth Plan ("Profit Growth Plan PSUs"). Profit Growth Plan PSUs have the same terms as the other PSUs granted under the Omnibus Plan with the exception of an additional service and performance condition tied to the results of the Profit Growth Plan which must be achieved for the awards to vest. In October 2015, the Company granted 0.3 million Profit Growth Plan PSUs with a target price of \$25.76. As of December 31, 2016, the performance condition associated with the Profit Growth Plan PSUs has been met. Awards granted under the Bonus PSU Policy and in connection with the Profit Growth Plan are excluded from the table above.

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

|  | Year Ended December 31, |           |           |
|--|-------------------------|-----------|-----------|
|  | 2016                    | 2015      | 2014      |
|  | <i>(In thousands)</i>   |           |           |
| Intrinsic value of share-based awards exercised or RSUs and PSUs vested .....      | \$ 86,216               | \$ 67,420 | \$ 31,613 |
| Income tax benefit from share-based awards exercised or RSUs and PSUs vested ..... | 29,736                  | 23,288    | 10,805    |

The Company net settles SAR exercises, whereby shares of common stock are issued equivalent to the intrinsic value of the SAR less applicable taxes.

**MGM Growth Properties 2016 Omnibus Incentive Plan.** The Company's subsidiary, MGP, adopted an omnibus incentive plan in 2016 for grants of share-based awards to eligible directors, officers and employees of MGP and its subsidiaries and affiliates, including the Company ("MGP Omnibus Plan"). The MGP Omnibus Plan is administered by MGP's Board of Directors, which has the discretion to determine the type of awards to



grant, the vesting and service requirements, exercise price and other conditions, in all cases subject to certain limits, including:

- The MGP Omnibus Plan allows for the issuance of up to 2.5 million shares; and
- Limits the maximum amount of shares to be granted, in the aggregate, to any individual participant within any fiscal year as well as limits the maximum aggregate grant date value (regardless of type(s) of award granted) in any fiscal year to any non-employee director of MGP.

The majority of RSUs granted under the MGP Omnibus Plan vest ratably over four years with the exception of RSUs issued to MGM Resorts International employees in connection with the IPO, which vest ratably over one year. Expense is recognized on a straight-line basis over the vesting period of the awards, net of estimated forfeitures. Estimated forfeitures are updated periodically with actual forfeitures recognized currently to the extent they differ from the estimate. The RSUs are granted together with dividend equivalent rights that are subject to the same vesting and forfeiture terms as the underlying RSUs.

Outstanding PSUs granted under the MGP Omnibus Plan vest subject to a market condition, in which a percentage of the target award granted vests based on MGP's total shareholder return ("TSR") relative to a select group of peer companies at the end of a three year performance period. Depending on MGP's relative TSR at the end of the performance period, anywhere from 0% to 160% of the target award may vest. Should MGP's TSR be negative during the performance period, then the maximum portion of the target award eligible for vesting is capped at 100%. Expense is recognized on a graded basis over the performance period beginning on the date of grant. Estimated forfeitures are updated periodically with actual forfeitures recognized currently to the extent they differ from the estimate. The PSUs are granted together with dividend equivalent rights that are subject to the same vesting and forfeiture terms as the underlying PSUs.

As of December 31, 2016, MGP had an aggregate of 2 million shares of common stock available for grant as share-based awards under the MGP Omnibus Plan. A summary of the activity under the MGP Omnibus Plan for the period from April 19, 2016 (date of inception) to December 31, 2016 is presented below:

*Restricted share units and performance share units*

|                                       | RSUs             |   | PSUs                       |   |
|---------------------------------------|------------------|---|----------------------------|---|
|                                       | Units<br>(000's) | Weighted<br>Average<br>Grant-Date<br>Fair Value | Target<br>Units<br>(000's) | Weighted<br>Average<br>Grant-Date<br>Fair Value |
| Granted .....                         | 248              | \$ 21.18  | 46                         | \$ 20.52  |
| Outstanding at December 31, 2016..... | 248              | 21.18   | 46                         | 20.52   |

Shares granted in the above table include dividend equivalent rights related to RSUs and PSUs.

As of December 31, 2016, there was a total of \$1.8 million of unamortized compensation related to RSUs which is expected to be recognized over a weighted-average period of 0.8 years. As of December 31, 2016, there was a total of \$0.7 million of unamortized compensation related to PSUs which is expected to be recognized over a weighted-average period of 2.3 years.

**MGM China Share Option Plan.** The Company's subsidiary, MGM China, adopted an equity award plan in 2011 for grants of stock options to purchase ordinary shares of MGM China to eligible directors, employees and non-employees of MGM China and its subsidiaries ("MGM China Plan"). The MGM China Plan is

administered by MGM China's Board of Directors, which has the discretion to determine the exercise price and term of the award, as well as other conditions, in all cases subject to certain limits, including:

- The maximum number of shares which may be issued upon exercise of all options to be granted under the MGM China Plan shall not in aggregate exceed 10% of the total number of shares in issue as of the date of the shareholders' approval of the MGM China Plan; and
- The exercise price of the award must be the higher of the closing price of the stock on the offer date, or the average of the closing price for the five business days immediately preceding the offer date, and the maximum term of the award must not exceed ten years.

Stock options currently granted under the MGM China Plan have a term of ten years, and vest in four equal annual installments. Expense is recognized on a straight-line basis over the vesting period of the awards net of estimated forfeitures. Estimated forfeitures are updated periodically with actual forfeitures recognized currently to the extent they differ from the estimate.

As of December 31, 2016, MGM China had an aggregate of approximately 302 million shares of options available for grant as share-based awards. A summary of activity under the MGM China Plan for the year ended December 31, 2016 is presented below:

| <i>Stock options</i>                                      |                          |  |  |  |
|---|--------------------------|--|--|--|
|   | <b>Units<br/>(000's)</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> | <b>Weighted<br/>Average<br/>Remaining<br/>Contractual<br/>Term</b> | <b>Aggregate<br/>Intrinsic<br/>Value<br/>(000's)</b> |
| Outstanding at January 1, 2016 .....                      | 49,211                   | \$ 2.54  |  |  |
| Granted .....   | 30,156                   | 1.45   |  |  |
| Exercised .....   | (466)                    | 1.83   |  |  |
| Forfeited or expired .....                                | (5,325)                  | 2.31   |  |  |
| Outstanding at December 31, 2016 .....                    | 73,576                   | 2.11   | 7.96   | \$ 22,897  |
| Vested and expected to vest at December 31,<br>2016 ..... | 69,577                   | 2.14   | 7.90   | \$ 20,954  |
| Exercisable at December 31, 2016 .....                    | 24,501                   | 2.53   | 6.09   | \$ 1,926   |

As of December 31, 2016, there was a total of \$21 million of unamortized compensation related to stock options expected to vest, which is expected to be recognized over a weighted-average period of 2.7 years.

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

|  | <b>Year Ended December 31,</b> |             |             |
|--|--------------------------------|-------------|-------------|
|  | <b>2016</b>                    | <b>2015</b> | <b>2014</b> |
|  | <b>(In thousands)</b>          |             |             |
| Compensation cost:   |                                |             |             |
| Omnibus Plan .....   | \$ 43,661                      | \$ 33,742   | \$ 29,662   |
| MGP Omnibus Plan .....   | 3,401                          | -           | -           |
| MGM China Plan .....   | 8,545                          | 9,260       | 8,706       |
| Total compensation cost .....  | 55,607                         | 43,002      | 38,368      |
| Less: Reimbursed costs and capitalized cost .....                      | (1,350)                        | (1,156)     | (1,104)     |
| Compensation cost after reimbursed costs and capitalized<br>cost ..... | 54,257                         | 41,846      | 37,264      |
| Less: Related tax benefit .....  | (16,782)                       | (11,230)    | (9,822)     |
| Compensation cost, net of tax benefit .....                            | \$ 37,475                      | \$ 30,616   | \$ 27,442   |

Compensation cost for SARs granted under the Omnibus Plan 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:

|   | Year Ended December 31, |          |          |
|---|-------------------------|----------|----------|
|   | 2016                    | 2015     | 2014     |
| Expected volatility .....                         | 33%                     | 38%      | 40%      |
| Expected term .....                               | 4.9 yrs.                | 4.9 yrs. | 4.9 yrs. |
| Expected dividend yield .....                     | 0%                      | 0%       | 0%       |
| Risk-free interest rate .....                     | 1.9%                    | 1.8%     | 1.6%     |
| Weighted-average fair value of SARs granted ..... | \$ 8.35                 | \$ 7.27  | \$ 8.18  |

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.

Compensation cost for PSUs granted under the Omnibus Plan is based on the fair value of each award, measured by applying a Monte Carlo simulation method on the date of grant, using the following weighted-average assumptions:

|   | Year Ended December 31, |          |          |
|---|-------------------------|----------|----------|
|   | 2016                    | 2015     | 2014     |
| Expected volatility .....                         | 33%                     | 39%      | 31%      |
| Expected term .....                               | 3.0 yrs.                | 3.0 yrs. | 3.0 yrs. |
| Expected dividend yield .....                     | 0%                      | 0%       | 0%       |
| Risk-free interest rate .....                     | 0.9%                    | 0.9%     | 1.0%     |
| Weighted-average fair value of PSUs granted ..... | \$ 24.94                | \$ 17.73 | \$ 18.39 |

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 is equal to the three-year performance period. 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.

Compensation cost for RSUs granted under the MGP Omnibus plan is based on the fair value of MGP's Class A shares on the date of grant. Compensation cost for PSUs granted under the MGP Omnibus Plan is based on the fair value of each award, measured by applying a Monte Carlo simulation method on the date of grant, using the following weighted-average assumptions:

|   | Year Ended<br>December 31,<br>2016 |
|---|------------------------------------|
| Expected volatility .....                         | 26%                                |
| Expected term .....                               | 3.0 yrs.                           |
| Expected dividend yield .....                     | 0%                                 |
| Risk-free interest rate .....                     | 0.9%                               |
| Weighted-average fair value of PSUs granted ..... | \$ 20.52                           |

Expected volatility is based in part on historical volatility and in part on implied volatility based on traded shares of MGP's Class A shares. The expected term is equal to the three-year performance period. 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.

Compensation cost for stock options granted under the MGM China Plan 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:

|  | Year Ended December 31, |          |          |
|--|-------------------------|----------|----------|
|  | 2016                    | 2015     | 2014     |
| Expected volatility .....                            | 45%                     | 43%      | 39%      |
| Expected term .....                                  | 5.6 yrs.                | 5.8 yrs. | 7.9 yrs. |
| Expected dividend yield .....                        | 3.1%                    | 2.4%     | 1.6%     |
| Risk-free interest rate .....                        | 0.9%                    | 1.3%     | 1.8%     |
| Weighted-average fair value of options granted ..... | \$ 0.44                 | \$ 0.55  | \$ 1.06  |

Expected volatilities are based on the historical volatility of MGM China's stock price. Expected term considers the contractual term of the option as well as historical exercise and forfeiture behavior of previously granted options. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of the grant. The risk-free interest rate is based on rates in effect at the valuation date for the Hong Kong Exchange Fund Notes with maturities matching the relevant expected term of the award.

#### NOTE 16 — EMPLOYEE BENEFIT PLANS

**Multi-employer benefit plans.** Employees of the Company who are members of various unions are covered by union-sponsored, collectively bargained, multiemployer health and welfare and defined benefit pension plans. Of these plans, the Company considers the Southern Nevada Culinary and Bartenders Pension Plan (the "Pension Plan"), under the terms of collective bargaining agreements with the Local Joint Executive Board of Las Vegas for and on behalf of Culinary Workers Union Local No. 226 and Bartenders Union Local No. 165, to be individually significant. The risk of participating in the Pension Plan differs from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers;
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers;
- If an entity chooses to stop participating in some of its multiemployer plans, the entity may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability; and
- If the Pension Plan is terminated by withdrawal of all employers and if the value of the nonforfeitable benefits exceeds plan assets and withdrawal liability payments, employers are required by law to make up the insufficient difference.

Pursuant to its collective bargaining agreements referenced above, the Company also contributes to UNITE HERE Health (the "Health Fund"), which provides healthcare benefits to its active and retired members. The Company's participation in the Pension Plan is outlined in the table below.

| Pension Fund   | EIN/Pension Plan Number | Pension Protection Act Zone Status (1) |       | Expiration Date of Collective Bargaining Agreements (2) |
|--|-------------------------|--|-------|---|
|  |                         | 2015                                   | 2014  |   |
| Southern Nevada Culinary and Bartenders Pension Plan | 88-6016617/001          | Green                                  | Green | 5/31/2018   |

- In 2014, the trustees of the Pension Plan elected to apply the extended amortization and the special ten-year asset smoothing rules under the Pension Relief Act of 2010.
- The Company is party to ten collective bargaining agreements that require contributions to the Pension Plan. The agreements between CityCenter Hotel Casino, LLC, Bellagio, Mandalay Corp., MGM Grand Hotel, LLC and the Local Joint Executive Board of Las Vegas are the most significant because more than half of the Company's employee participants in the Pension Plan are covered by those four agreements.

Contributions to the Company's multi-employer pension plans and other multi-employer benefit plans were as follows:

|  | Year Ended December 31, |                   |                   |
|--|-------------------------|-------------------|-------------------|
|  | 2016                    | 2015              | 2014              |
|  | <i>(In thousands)</i>   |                   |                   |
| <b>Multi-employer Pension Plans</b>                          |                         |                   |                   |
| Southern Nevada Culinary and Bartenders Pension Plan .....   | \$ 44,001               | \$ 41,904         | \$ 33,927         |
| Other pension plans not individually significant .....       | 8,592                   | 9,680             | 7,323             |
| Total multi-employer pension plans .....                     | <u>\$ 52,593</u>        | <u>\$ 51,584</u>  | <u>\$ 41,250</u>  |
| <b>Multi-employer Benefit Plans Other Than Pensions</b>      |                         |                   |                   |
| UNITE HERE Health .....                                      | \$ 187,356              | \$ 191,733        | \$ 202,641        |
| Other .....  | 11,513                  | 12,840            | 12,746            |
| Total multi-employer benefit plans other than pensions ..... | <u>\$ 198,869</u>       | <u>\$ 204,573</u> | <u>\$ 215,387</u> |

Pension Plan contributions in 2016 increased when compared to 2015 due to the contribution rate to the Pension Plan increasing in mid-2016 as defined under the collective bargaining agreements, which was partially offset by a 3% decrease in hours worked in 2016 compared to 2015. During 2014 an amendment to the collective bargaining agreements to temporarily divert contributions from the Pension Plan to the Health Fund was in effect. As a result, contributions to the Pension Plan increased in 2015 compared to 2014 as the amendment ended in June of 2014. Bellagio, Aria, Mandalay Bay and MGM Grand Las Vegas were listed in the Pension Plan's Forms 5500 as providing more than 5% of the total contributions for the plan years ended December 31, 2015 and 2014. At the date the financial statements were issued, Form 5500 was not available for the plan year ending in 2016. No surcharges were imposed on the Company's contributions to any of the plans.

**Borgata.** The above disclosures exclude multi-employer defined benefit pension plans under terms of collective-bargaining agreements that cover union-represented employees at Borgata (acquired on August 1, 2016). These unions cover certain of its culinary, hotel and other trade workers. Borgata is obligated to make defined contributions under these plans and is also subject to the risks outlined above for the Company's other multi-employer pension plans. Contributions, based on wages paid to covered employees, totaled \$4 million, for the period from acquisition through December 31, 2016. Borgata's most significant plan is the Legacy Plan of the National Retirement Fund, Former HEREIU and Local 54 (the "The Local 54 Pension Plan"), which has been listed in "critical status" (which means it is generally less than 65% funded) and a rehabilitation plan has been adopted. As a result, the Company is responsible for the payment of surcharges in addition to the contribution rate specified in the collective bargaining agreement. The Company estimates Borgata's share of unfunded vested liabilities related to certain multi-employer pension plans is approximately \$288 million as of January 1, 2016, which amount primarily relates to The Local 54 Pension Plan, and which amount is subject to change each year depending on the applicable plan's employer contributions, investment performance and other factors. Borgata has no current intention to withdraw from these plans, which withdrawal could result in the incurrence of a contingent liability that would be payable in an amount and at such time (or over a period of time) that would vary based on a number of factors at the time of (and after) withdrawal.

**Self-insurance.** The Company is self-insured for most health care benefits and workers compensation for its non-union employees. The liability for health care claims filed and estimates of claims incurred but not reported was \$30 million and \$22 million at December 31, 2016 and 2015, respectively. The workers compensation liability for claims filed and estimates of claims incurred but not reported was \$53 million and \$43 million as of December 31, 2016 and 2015, respectively. Both liabilities are included in "Other accrued liabilities."

**Retirement savings plans.** The Company has retirement savings plans under Section 401(k) of the IRC for eligible employees. The plans allow employees to defer, within prescribed limits, up to 75% of their income on a pre-tax and/or after-tax basis through contributions to the plans. The Company matches 50% of the first 6% of



eligible employee deferrals up to a specified annual maximum dollar amount. The Company recorded charges for 401(k) contributions of \$20 million, \$16 million and \$17 million in 2016, 2015 and 2014, respectively.

The Company maintains nonqualified deferred retirement plans for certain key employees. The plans allow participants to defer, on a pre-tax basis, a portion of their salary and bonus and accumulate tax deferred earnings, plus investment earnings on the deferred balances, as a deferred tax savings. All employee deferrals vest immediately. The Company does not contribute to the plan.

The Company also maintains nonqualified supplemental executive retirement plans (“SERP”) for certain key employees. Until September 2008, the Company made quarterly contributions intended to provide a retirement benefit that is a fixed percentage of a participant’s estimated final five-year average annual salary, up to a maximum of 65%. The Company has indefinitely suspended these contributions. Employees do not make contributions under these plans. A portion of the Company contributions and investment earnings thereon vest after three years of SERP participation and the remaining portion vests after both five years of SERP participation and 10 years of continuous service.

**MGM China.** MGM China contributes to a retirement plan as part of an employee benefits package for eligible employees. The Company recorded charges related to contributions in the retirement plan of \$7 million, \$7 million and \$5 million for the years ended December 31, 2016, 2015, and 2014, respectively.

#### NOTE 17 — PROPERTY TRANSACTIONS, NET

Property transactions, net consisted of the following:

|   | Year Ended December 31, |                  |                  |
|---|-------------------------|------------------|------------------|
|   | 2016                    | 2015             | 2014             |
|   | <i>(In thousands)</i>   |                  |                  |
| Grand Victoria investment impairment .....                            | \$ -                    | \$ 17,050        | \$ 28,789        |
| Gain on sale of Circus Circus Reno and Silver Legacy investment ..... | -                       | (23,002)         | -                |
| Other property transactions, net.....                                 | 17,078                  | 41,903           | 12,213           |
|   | <u>\$ 17,078</u>        | <u>\$ 35,951</u> | <u>\$ 41,002</u> |

**Grand Victoria investment.** See Note 7 for additional information related to the Grand Victoria investment impairment charges in 2015 and 2014.

**Circus Circus Reno and Silver Legacy investment sale.** See Note 5 for additional information related to the sale of Circus Circus Reno and Note 7 for further discussion of the sale of the Company’s 50% investment in Silver Legacy in 2015.

**Other.** Other property transactions, net includes miscellaneous asset disposals and demolition costs in the periods presented in the above table, as well as a loss of \$18 million in connection with the trade-in of Company aircraft in 2015.

#### NOTE 18 — SEGMENT INFORMATION

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

identified as separate reportable segments; therefore, these operations are included in “Corporate and other” in the following segment disclosures to reconcile to consolidated results.

The Company’s management utilizes Adjusted Property EBITDA as the primary profit measure for its reportable segments. Adjusted Property EBITDA is a measure defined as Adjusted EBITDA before corporate expense and stock compensation expense related to the Omnibus Plan and the MGP Omnibus Plan, which are not allocated to the reportable segments or each operating segment, as applicable. MGM China recognizes stock compensation expense related to the MGM China Plan which is included in the calculation of Adjusted EBITDA for MGM China. Adjusted EBITDA is a measure defined as earnings before interest and other non-operating income (expense), taxes, depreciation and amortization, preopening and start-up expenses, NV Energy exit expense, gain on Borgata transaction, goodwill impairment charges, and property transactions, net.

The following tables present the Company’s segment information:

|  | Year Ended December 31, |                     |                      |
|--|-------------------------|---------------------|----------------------|
|  | 2016                    | 2015                | 2014                 |
|  | (In thousands)          |                     |                      |
| <b>Net Revenues</b>  |                         |                     |                      |
| Domestic resorts .....   | \$ 7,055,718            | \$ 6,497,361        | \$ 6,342,084         |
| MGM China .....  | 1,920,487               | 2,214,767           | 3,282,329            |
| Reportable segment net revenues .....                                  | 8,976,205               | 8,712,128           | 9,624,413            |
| Corporate and other .....  | 478,918                 | 477,940             | 457,571              |
|  | <u>\$ 9,455,123</u>     | <u>\$ 9,190,068</u> | <u>\$ 10,081,984</u> |
| <b>Adjusted Property EBITDA</b>  |                         |                     |                      |
| Domestic resorts .....   | \$ 2,063,016            | \$ 1,689,966        | \$ 1,518,307         |
| MGM China .....  | 520,736                 | 539,881             | 850,471              |
| Reportable segment Adjusted Property EBITDA .....                      | 2,583,752               | 2,229,847           | 2,368,778            |
| <b>Other operating income (expense)</b>                                |                         |                     |                      |
| Corporate and other .....  | 211,932                 | 9,073               | (149,216)            |
| NV Energy exit expense .....   | (139,335)               | -                   | -                    |
| Preopening and start-up expenses .....                                 | (140,075)               | (71,327)            | (39,257)             |
| Property transactions, net .....                                       | (17,078)                | (35,951)            | (41,002)             |
| Goodwill impairment .....  | -                       | (1,467,991)         | -                    |
| Gain on Borgata transaction .....                                      | 430,118                 | -                   | -                    |
| Depreciation and amortization .....                                    | (849,527)               | (819,883)           | (815,765)            |
| Operating income (loss) .....  | <u>2,079,787</u>        | <u>(156,232)</u>    | <u>1,323,538</u>     |
| <b>Non-operating income (expense)</b>                                  |                         |                     |                      |
| Interest expense, net of amounts capitalized .....                     | (694,773)               | (797,579)           | (817,061)            |
| Non-operating items from unconsolidated affiliates .....               | (53,139)                | (76,462)            | (87,794)             |
| Other, net .....   | (72,698)                | (15,970)            | (7,797)              |
|  | <u>(820,610)</u>        | <u>(890,011)</u>    | <u>(912,652)</u>     |
| <b>Income (loss) before income taxes</b>                               | 1,259,177               | (1,046,243)         | 410,886              |
| Benefit (provision) for income taxes .....                             | (22,299)                | 6,594               | (283,708)            |
| <b>Net income (loss)</b>   | 1,236,878               | (1,039,649)         | 127,178              |
| Less: Net (income) loss attributable to noncontrolling interests ..... | (135,438)               | 591,929             | (277,051)            |
| <b>Net income (loss) attributable to MGM Resorts International</b>     | <u>\$ 1,101,440</u>     | <u>\$ (447,720)</u> | <u>\$ (149,873)</u>  |

|                                       | December 31,         |                      |
|---------------------------------------|----------------------|----------------------|
|                                       | 2016                 | 2015                 |
|                                       | (In thousands)       |                      |
| <b>Total assets:</b>                  |                      |                      |
| Domestic resorts .....                | \$ 16,451,461        | \$ 13,261,882        |
| MGM China .....                       | 8,443,411            | 7,895,376            |
| Reportable segment total assets ..... | 24,894,872           | 21,157,258           |
| Corporate and other .....             | 3,333,625            | 4,099,837            |
| Eliminated in consolidation .....     | (55,196)             | (41,917)             |
|                                       | <u>\$ 28,173,301</u> | <u>\$ 25,215,178</u> |

|  | December 31,         |                      |
|--|----------------------|----------------------|
|  | 2016                 | 2015                 |
|  | (In thousands)       |                      |
| <b>Property and equipment, net:</b>                  |                      |                      |
| Domestic resorts .....                               | \$ 14,353,971        | \$ 11,853,802        |
| MGM China .....                                      | 2,857,626            | 1,896,815            |
| Reportable segment property and equipment, net ..... | 17,211,597           | 13,750,617           |
| Corporate and other .....                            | 1,268,622            | 1,663,095            |
| Eliminated in consolidation .....                    | (55,196)             | (41,917)             |
|  | <u>\$ 18,425,023</u> | <u>\$ 15,371,795</u> |

|   | Year Ended December 31, |                     |                   |
|---|-------------------------|---------------------|-------------------|
|   | 2016                    | 2015                | 2014              |
|   | (In thousands)          |                     |                   |
| <b>Capital expenditures:</b>                  |                         |                     |                   |
| Domestic resorts .....                        | \$ 317,951              | \$ 383,367          | \$ 292,463        |
| MGM China .....                               | 984,355                 | 590,968             | 347,338           |
| Reportable segment capital expenditures ..... | 1,302,306               | 974,335             | 639,801           |
| Corporate and other .....                     | 973,446                 | 504,398             | 233,173           |
| Eliminated in consolidation .....             | (13,279)                | (11,914)            | (933)             |
|   | <u>\$ 2,262,473</u>     | <u>\$ 1,466,819</u> | <u>\$ 872,041</u> |

## NOTE 19 — RELATED PARTY TRANSACTIONS

### *CityCenter*

**Management agreements.** The Company and CityCenter have entered into agreements whereby the Company is responsible for management of the operations of CityCenter for a fee of 2% of revenue and 5% of EBITDA (as defined) for Aria and Vdara and \$3 million per year for Crystals. The Company earned fees of \$43 million, \$41 million and \$38 million for the years ended December 31, 2016, 2015 and 2014. The Company is being reimbursed for certain costs in performing its development and management services. During the years ended December 31, 2016, 2015 and 2014, the Company incurred \$387 million, \$393 million and \$380 million, respectively, of costs reimbursable by CityCenter, primarily for employee compensation and certain allocated costs. As of December 31, 2016 and 2015, CityCenter owed the Company \$77 million and \$55 million, respectively, for management services and reimbursable costs recorded in “Accounts receivable, net” in the accompanying consolidated balance sheets.

**Other agreements.** The Company entered into an agreement with CityCenter whereby the Company provides CityCenter the use of its aircraft on a time-sharing basis. CityCenter is charged a rate that is based on

Federal Aviation Administration regulations, which provides for reimbursement for specific costs incurred by the Company. For the years ended December 31, 2016, 2015 and 2014, the Company was reimbursed \$2 million, \$2 million, and \$3 million, respectively, for aircraft-related expenses. The Company has certain other arrangements with CityCenter for the provision of certain shared services, reimbursement of costs and other transactions undertaken in the ordinary course of business.

#### *MGM China*

Ms. Ho is a member of the Board of Directors of, and holds a minority ownership interest in, MGM China. Ms. Ho is also the managing director of Shun Tak Holdings Limited (together with its subsidiaries “Shun Tak”), a leading conglomerate in Hong Kong with core businesses in transportation, property, hospitality and investments. Shun Tak provides various services and products, including ferry tickets, travel products, rental of hotel rooms, laundry services, advertising services and property cleaning services to MGM China and MGM China provides rental of hotel rooms at wholesale room rates to Shun Tak and receives rebates for ferry tickets from Shun Tak. MGM China incurred expenses of \$10 million, \$16 million and \$28 million for the years ended December 31, 2016, 2015 and 2014, respectively. MGM China recorded revenue of less than \$1 million related to hotel rooms provided to Shun Tak for each of the years ended December 31, 2016, 2015 and 2014. As of December 31, 2016 and 2015, MGM China did not have a material payable to or receivable from Shun Tak.

MGM Branding and Development Holdings, Ltd. (together with its subsidiary MGM Development Services, Ltd., “MGM Branding and Development”), an entity included in the Company’s consolidated financial statements in which Ms. Ho indirectly holds a noncontrolling interest, is party to a brand license agreement with MGM China. MGM China pays a license fee to MGM Branding and Development equal to 1.75% of MGM Macau’s consolidated net revenue, subject to an annual cap of \$62 million in 2016 with a 20% increase per annum for each subsequent calendar year during the term of the agreement. During the years ended December 31, 2016, 2015 and 2014, MGM China incurred total license fees of \$34 million, \$39 million and \$43 million, respectively. Such amounts have been eliminated in consolidation.

MGM China is party to a development services agreement with MGM Branding and Development to provide certain development services to MGM China in connection with future expansion of existing projects and development of future resort gaming projects. Such services are subject to a development fee which is calculated separately for each casino resort property upon commencement of development. For each such property, the fee is 2.625% of project costs, to be paid in installments as certain benchmarks are achieved. Project costs are the total costs incurred for the design, development and construction of the casino, casino hotel, integrated resort and other related sites associated with each project, including costs of construction, fixtures and fittings, signage, gaming and other supplies and equipment and all costs associated with the opening of the business to be conducted at each project but excluding the cost of land and gaming concessions and financing costs. The development fee is subject to an annual cap of \$29 million in 2016, which will increase by 10% per annum for each year during the term of the agreement. For the years ended December 31, 2016 and 2015, MGM China incurred \$12 million and \$10 million of fees, respectively, to MGM Branding and Development related to development services. Such amount is eliminated in consolidation. No fee was paid for the year ended December 31, 2014.

An entity owned by Ms. Ho received distributions of \$15 million, \$15 million and \$13 million during the years ended December 31, 2016, 2015 and 2014, respectively, in connection with the ownership of a noncontrolling interest in MGM Branding and Development Holdings, Ltd.

#### *MGP*

Pursuant to a master lease agreement by and between a subsidiary of the Company (the “Tenant”) and a subsidiary of the Operating Partnership (the “Landlord”), the Tenant has leased the contributed real estate assets from the Landlord. The master lease has an initial lease term of ten years with the potential to extend the term for four additional five-year terms thereafter at the option of the Tenant. The master lease provides that any

extension of its term must apply to all of the real estate under the master lease at the time of the extension. The master lease has a triple-net structure, which requires the Tenant to pay substantially all costs associated with the lease, including real estate taxes, insurance, utilities and routine maintenance, in addition to the base rent. Additionally, the master lease provides the Landlord with a right of first offer with respect to MGM National Harbor and the Company's development property located in Springfield, Massachusetts, which the Landlord may exercise should the Company elect to sell these properties in the future.

Subsequent to the Company completing its acquisition of Borgata on August 1, 2016, MGP acquired Borgata's real property from a subsidiary of the Company in exchange for MGP's assumption of \$545 million of indebtedness and the issuance of 27.4 million Operating Partnership units to a subsidiary of the Company. In connection with this transaction, the Tenant and Landlord entered into an amendment to the master lease to include the Borgata real property.

The annual rent payments due under the master lease were \$550 million prior to MGP's acquisition of Borgata's real property on August 1, 2016. Subsequent to the acquisition, annual rent payments under the master lease increased to \$650 million, prorated for the remainder of the first lease year after the Borgata transaction. Rent under the master lease consists of a "base rent" component and a "percentage rent" component. For the first year, the base rent will represent 90% of the initial total rent payments due under the master lease and the percentage rent will represent 10% of the initial total rent payments due under the master lease. The base rent includes a fixed annual rent escalator of 2.0% for the second through the sixth lease years (as defined in the master lease). Thereafter, the annual escalator of 2.0% will be subject to the Tenant and, without duplication, the operating subsidiary sublessees of the Tenant, collectively meeting an adjusted net revenue to rent ratio of 6.25:1.00 based on their net revenue from the leased properties subject to the master lease (as determined in accordance with generally accepted accounting principles, adjusted to exclude net revenue attributable to certain scheduled subleases and, at the Company's option, reimbursed cost revenue). The percentage rent will initially be a fixed amount for approximately the first six years and will then be adjusted every five years based on the average actual annual net revenues of the Tenant and, without duplication, the operating subsidiary sublessees of the Tenant, from the leased properties subject to the master lease at such time for the trailing five calendar-year period (calculated by multiplying the average annual net revenues, excluding net revenue attributable to certain scheduled subleases and, at the Landlord's option, reimbursed cost revenue, for the trailing five calendar-year period by 1.4%). During the year ended December 31, 2016, the Company made rent payments to the Landlord in the amount of \$418 million.

Pursuant to the master lease, upon an event of default the Landlord may, at its option (i) terminate the master lease, repossess any leased property, relet any leased property to a third party and require that the Tenant pay damages; (ii) require that the Tenant pay to the Landlord rent and other sums payable with interest calculated at the overdue rate provided for in the master lease or terminate the Tenant's right to possession of the leased property and seek damages; and/or (iii) seek any and all other rights and remedies available under law or in equity. An event of default will be deemed to occur upon certain events, including: (1) the failure by the Tenant to pay rent or other additional charges when due; (2) failure by the Tenant to comply with the covenants set forth in the master lease; (3) certain events of bankruptcy or insolvency with respect to a Tenant or the guarantor; (4) the occurrence of a default under the guaranty of the master lease; (5) the loss or suspension of a material license that causes cessation of gaming activity that would reasonably be expected to have a material adverse effect on the Tenant, the facilities or the leased properties taken as a whole; and (6) the failure of the Company, on a consolidated basis with Tenant, to maintain an EBITDAR to rent ratio (as described in the master lease) of at least 1.10:1.00 for two consecutive test periods, beginning with the test periods ending December 31, 2016 and March 31, 2017. The Company was in compliance with all applicable covenants as of December 31, 2016.

Pursuant to a corporate services agreement, the Company provides MGP and its subsidiaries with financial, administrative and operational support services, including accounting and finance support, human resources support, legal and regulatory compliance support, insurance advisory services, internal audit services, governmental affairs monitoring and reporting services, information technology support, construction services, and various other support services. The Company is reimbursed for all costs it incurs directly related to providing the services thereunder.

All intercompany transactions, including transactions under the corporate services agreement and master lease, have been eliminated in the Company's consolidation of MGP. The public ownership of MGP's Class A shares is recognized as non-controlling interests in the Company's consolidated financial statements.

#### *T-Mobile Arena*

The Las Vegas Arena Company leases the land underlying the T-Mobile Arena from the Company under a 50 year operating lease, which commenced upon the opening of the Arena. In conjunction with Las Vegas Arena Company obtaining financing and beginning construction in 2014, the Company began accruing rental income. For the years ended December 31, 2016, 2015 and 2014, the Company recorded income of \$3 million, \$3 million and \$1 million, respectively, for the T-Mobile Arena ground lease. The Company leases the MGM Grand Garden Arena to Las Vegas Arena Company. For the year ended December 31, 2016, the Company recorded income of \$2 million.

#### **NOTE 20 — CONSOLIDATING CONDENSED FINANCIAL INFORMATION**

As of December 31, 2016, all of the Company's principal debt arrangements are guaranteed by each of its material domestic subsidiaries, other than MGP and the Operating Partnership, MGM Grand Detroit, LLC, MGM National Harbor, LLC and Blue Tarp reDevelopment, LLC (the company that will own and operate the Company's proposed casino in Springfield, Massachusetts), and each of their respective subsidiaries. The Company's international subsidiaries, including MGM China and its subsidiaries, are not guarantors of such indebtedness. Separate condensed financial statement information for the subsidiary guarantors and non-guarantors as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014, are presented below. Within the Condensed Consolidating Statements of Cash Flows for the periods ending December 31, 2016 and 2015, the Company has presented net changes in intercompany accounts as investing activities if the applicable entities have a net asset in intercompany accounts and as a financing activity if the applicable entities have a net intercompany liability balance.

Certain of the Company's subsidiaries ("OPCOs") collectively own 76.3% of the Operating Partnership units as of December 31, 2016, and each subsidiary accounts for its respective investment under the equity method within the condensed consolidating financial information presented below. At these subsidiaries, such investment constitutes continuing involvement, and accordingly, the contribution and leaseback of the real estate assets do not qualify for sale-leaseback accounting. The real estate assets that were contributed to and owned by the Operating Partnership in connection with the IPO, along with the related transactions, are reflected in the balance sheets of the MGM subsidiaries that contributed such assets. In addition, such subsidiaries recognized finance liabilities within "Other long-term obligations" related to rent payments due under the Master Lease and recognized the related interest expense component of such payments. These real estate assets are also reflected on the balance sheet of the MGP subsidiary that received such assets in connection with the contribution. The condensed consolidating financial information presented below therefore includes the accounting for such activity within the respective columns presented and in the elimination column. For all periods prior to the commencement of the Master Lease arrangement, the condensed consolidating financial information set forth herein has been retrospectively adjusted to conform prior periods to the current presentation, as the transactions occurred between entities, which are considered businesses under common control. Accordingly, the real estate assets and associated operations in all periods prior to the IPO date were reclassified to conform to the current organizational structure, and are reflected in the MGP subsidiary that currently has legal title to such assets.



## CONDENSED CONSOLIDATING BALANCE SHEET INFORMATION

| December 31, 2016  |                      |                           |                               |                      |                        |                      |
|--|----------------------|---------------------------|-------------------------------|----------------------|------------------------|----------------------|
|  |                      |                           | Non-Guarantor<br>Subsidiaries |                      |                        |                      |
|  | Parent               | Guarantor<br>Subsidiaries | MGP                           | Other                | Elimination            | Consolidated         |
|  |                      |                           | (In thousands)                |                      |                        |                      |
| Current assets .....   | \$ 103,934           | \$ 981,705                | \$ 368,622                    | \$ 783,920           | \$ (8,594)             | \$ 2,229,587         |
| Property and equipment, net .....                              | -                    | 13,599,127                | 9,079,678                     | 4,837,868            | (9,091,650)            | 18,425,023           |
| Investments in subsidiaries .....                              | 18,907,988           | 3,338,752                 | -                             | -                    | (22,246,740)           | -                    |
| Investments in the MGP Operating Partnership .....             | -                    | 3,553,840                 | -                             | 636,268              | (4,190,108)            | -                    |
| Investments in and advances to unconsolidated affiliates ..... | -                    | 1,189,590                 | -                             | 5,853                | 25,000                 | 1,220,443            |
| Intercompany accounts .....                                    | -                    | 4,796,713                 | -                             | -                    | (4,796,713)            | -                    |
| Other non-current assets .....                                 | 50,741               | 934,836                   | 58,440                        | 5,302,132            | (47,901)               | 6,298,248            |
|  | <u>\$ 19,062,663</u> | <u>\$ 28,394,563</u>      | <u>\$ 9,506,740</u>           | <u>\$ 11,566,041</u> | <u>\$ (40,356,706)</u> | <u>\$ 28,173,301</u> |
| Current liabilities .....                                      | \$ 184,281           | \$ 1,301,423              | \$ 139,099                    | \$ 837,844           | \$ (169,226)           | \$ 2,293,421         |
| Intercompany accounts .....                                    | 3,406,699            | -                         | 166                           | 1,389,848            | (4,796,713)            | -                    |
| Deferred income taxes, net .....                               | 2,202,809            | -                         | 25,368                        | 348,419              | (25,368)               | 2,551,228            |
| Long-term debt .....   | 7,019,745            | 2,835                     | 3,613,567                     | 2,343,073            | -                      | 12,979,220           |
| Other long-term obligations .....                              | 28,949               | 7,360,887                 | 120,279                       | 1,051,754            | (8,235,888)            | 325,981              |
| Total liabilities .....  | <u>12,842,483</u>    | <u>8,665,145</u>          | <u>3,898,479</u>              | <u>5,970,938</u>     | <u>(13,227,195)</u>    | <u>18,149,850</u>    |
| Redeemable noncontrolling interests .....                      | -                    | -                         | -                             | 54,139               | -                      | 54,139               |
| MGM Resorts International stockholders' equity .....           | 6,220,180            | 19,729,418                | 4,274,444                     | 3,125,649            | (27,129,511)           | 6,220,180            |
| Noncontrolling interests .....                                 | -                    | -                         | 1,333,817                     | 2,415,315            | -                      | 3,749,132            |
| Total stockholders' equity .....                               | <u>6,220,180</u>     | <u>19,729,418</u>         | <u>5,608,261</u>              | <u>5,540,964</u>     | <u>(27,129,511)</u>    | <u>9,969,312</u>     |
|  | <u>\$ 19,062,663</u> | <u>\$ 28,394,563</u>      | <u>\$ 9,506,740</u>           | <u>\$ 11,566,041</u> | <u>\$ (40,356,706)</u> | <u>\$ 28,173,301</u> |

| December 31, 2015  |                      |                           |                               |                     |                        |                      |
|--|----------------------|---------------------------|-------------------------------|---------------------|------------------------|----------------------|
|  |                      |                           | Non-Guarantor<br>Subsidiaries |                     |                        |                      |
|  | Parent               | Guarantor<br>Subsidiaries | MGP                           | Other               | Elimination            | Consolidated         |
|  |                      |                           | (In thousands)                |                     |                        |                      |
| Current assets .....   | \$ 561,310           | \$ 932,374                | \$ -                          | \$ 915,979          | \$ (914)               | \$ 2,408,749         |
| Property and equipment, net .....                              | -                    | 5,089,726                 | 7,793,639                     | 2,500,401           | (11,971)               | 15,371,795           |
| Investments in subsidiaries .....                              | 18,491,578           | 2,956,404                 | -                             | -                   | (21,447,982)           | -                    |
| Investments in and advances to unconsolidated affiliates ..... | -                    | 1,460,084                 | -                             | 6,413               | 25,000                 | 1,491,497            |
| Intercompany accounts .....                                    | -                    | 3,234,271                 | -                             | -                   | (3,234,271)            | -                    |
| Other non-current assets .....                                 | 38,577               | 444,333                   | -                             | 5,460,227           | -                      | 5,943,137            |
|  | <u>\$ 19,091,465</u> | <u>\$ 14,117,192</u>      | <u>\$ 7,793,639</u>           | <u>\$ 8,883,020</u> | <u>\$ (24,670,138)</u> | <u>\$ 25,215,178</u> |
| Current liabilities .....                                      | \$ 536,165           | \$ 994,570                | \$ -                          | \$ 708,130          | \$ (914)               | \$ 2,237,951         |
| Intercompany accounts .....                                    | 2,390,461            | -                         | -                             | 843,810             | (3,234,271)            | -                    |
| Deferred income taxes, net .....                               | 631,763              | -                         | 1,734,680                     | 314,133             | -                      | 2,680,576            |
| Long-term debt .....   | 10,393,197           | 4,837                     | -                             | 1,970,277           | -                      | 12,368,311           |
| Other long-term obligations .....                              | 19,952               | 67,212                    | -                             | 70,499              | -                      | 157,663              |
| Total liabilities .....  | <u>13,971,538</u>    | <u>1,066,619</u>          | <u>1,734,680</u>              | <u>3,906,849</u>    | <u>(3,235,185)</u>     | <u>17,444,501</u>    |
| Redeemable noncontrolling interests .....                      | -                    | -                         | -                             | 6,250               | -                      | 6,250                |
| MGM Resorts International stockholders' equity .....           | 5,119,927            | 13,050,573                | 6,058,959                     | 2,325,421           | (21,434,953)           | 5,119,927            |
| Noncontrolling interests .....                                 | -                    | -                         | -                             | 2,644,500           | -                      | 2,644,500            |
| Total stockholders' equity .....                               | <u>5,119,927</u>     | <u>13,050,573</u>         | <u>6,058,959</u>              | <u>4,969,921</u>    | <u>(21,434,953)</u>    | <u>7,764,427</u>     |
|  | <u>\$ 19,091,465</u> | <u>\$ 14,117,192</u>      | <u>\$ 7,793,639</u>           | <u>\$ 8,883,020</u> | <u>\$ (24,670,138)</u> | <u>\$ 25,215,178</u> |

# CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME INFORMATION

Year Ended December 31, 2016

|   | Year Ended December 31, 2010 |                        |                            |                  |                       |                     |
|---|------------------------------|------------------------|----------------------------|------------------|-----------------------|---------------------|
|   |                              |                        | Non-Guarantor Subsidiaries |                  |                       |                     |
|   | Parent                       | Guarantor Subsidiaries | MGP                        | Other            | Elimination           | Consolidated        |
|   | <i>(In thousands)</i>        |                        |                            |                  |                       |                     |
| Net revenues .....  | \$ -                         | \$ 6,918,748           | \$ 467,548                 | \$ 2,539,794     | \$ (470,967)          | \$ 9,455,123        |
| Equity in subsidiaries' earnings .....                                      | 1,780,707                    | 175,729                | -                          | -                | (1,956,436)           | -                   |
| Expenses .....  |                              |                        |                            |                  |                       |                     |
| Casino and hotel operations .....   | 9,063                        | 3,894,478              | -                          | 1,595,542        | (3,419)               | 5,495,664           |
| General and administrative .....  | 6,834                        | 1,137,110              | 68,063                     | 214,839          | (48,229)              | 1,378,617           |
| Corporate expense .....   | 131,938                      | 160,956                | 20,360                     | (194)            | (286)                 | 312,774             |
| NV Energy exit expense .....  | -                            | 139,335                | -                          | -                | -                     | 139,335             |
| Preopening and start-up expenses .....                                      | -                            | 8,775                  | -                          | 131,300          | -                     | 140,075             |
| Property transactions, net .....  | -                            | 16,449                 | 4,684                      | (246)            | (3,809)               | 17,078              |
| Gain on Borgata transaction .....   | -                            | (430,118)              | -                          | -                | -                     | (430,118)           |
| Depreciation and amortization ....  | -                            | 524,123                | 220,667                    | 261,730          | (156,993)             | 849,527             |
|   | <u>147,835</u>               | <u>5,451,108</u>       | <u>313,774</u>             | <u>2,202,971</u> | <u>(212,736)</u>      | <u>7,902,952</u>    |
| Income (loss) from unconsolidated affiliates .....                          | -                            | 527,934                | -                          | (318)            | -                     | 527,616             |
| Operating income (loss) .....   | 1,632,872                    | 2,171,303              | 153,774                    | 336,505          | (2,214,667)           | 2,079,787           |
| Interest expense, net of amounts capitalized .....                          | (562,536)                    | (1,500)                | (115,438)                  | (15,299)         | -                     | (694,773)           |
| Other, net .....  | (7,864)                      | (324,141)              | (726)                      | (93,145)         | 300,039               | (125,837)           |
| Income (loss) before income taxes...  | 1,062,472                    | 1,845,662              | 37,610                     | 228,061          | (1,914,628)           | 1,259,177           |
| Benefit (provision) for income taxes .....                                  | 38,968                       | (22,579)               | (2,264)                    | (36,424)         | -                     | (22,299)            |
| Net income (loss) .....   | 1,101,440                    | 1,823,083              | 35,346                     | 191,637          | (1,914,628)           | 1,236,878           |
| Less: Net income attributable to noncontrolling interests .....             | -                            | -                      | (29,938)                   | (105,500)        | -                     | (135,438)           |
| Net income (loss) attributable to MGM Resorts International .....           | <u>\$ 1,101,440</u>          | <u>\$ 1,823,083</u>    | <u>\$ 5,408</u>            | <u>\$ 86,137</u> | <u>\$ (1,914,628)</u> | <u>\$ 1,101,440</u> |
| Net income (loss) .....   | \$ 1,101,440                 | \$ 1,823,083           | \$ 35,346                  | \$ 191,637       | \$ (1,914,628)        | \$ 1,236,878        |
| Other comprehensive income (loss), net of tax:                              |                              |                        |                            |                  |                       |                     |
| Foreign currency translation adjustment .....                               | (1,477)                      | (1,477)                | -                          | (2,680)          | 2,954                 | (2,680)             |
| Unrealized gain (loss) on cash flow hedges .....                            | 1,434                        | -                      | 1,879                      | -                | (1,434)               | 1,879               |
| Other comprehensive income (loss) .....                                     | (43)                         | (1,477)                | 1,879                      | (2,680)          | 1,520                 | (801)               |
| Comprehensive income (loss) .....   | 1,101,397                    | 1,821,606              | 37,225                     | 188,957          | (1,913,108)           | 1,236,077           |
| Less: Comprehensive income attributable to noncontrolling interests .....   | -                            | -                      | (30,383)                   | (104,297)        | -                     | (134,680)           |
| Comprehensive income (loss) attributable to MGM Resorts International ..... | <u>\$ 1,101,397</u>          | <u>\$ 1,821,606</u>    | <u>\$ 6,842</u>            | <u>\$ 84,660</u> | <u>\$ (1,913,108)</u> | <u>\$ 1,101,397</u> |

# CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION

|  | Year Ended December 31, 2016 |                        |                            |             |             |              |
|--|------------------------------|------------------------|----------------------------|-------------|-------------|--------------|
|  |                              |                        | Non-Guarantor Subsidiaries |             |             |              |
|  | Parent                       | Guarantor Subsidiaries | MGP                        | Other       | Elimination | Consolidated |
|  | (In thousands)               |                        |                            |             |             |              |
| Cash flows from operating activities   |                              |                        |                            |             |             |              |
| Net cash provided by (used in) operating activities .....                                      | \$ (603,136)                 | \$ 1,312,165           | \$ 297,781                 | \$ 527,162  | \$ -        | \$ 1,533,972 |
| Cash flows from investing activities   |                              |                        |                            |             |             |              |
| Capital expenditures, net of construction payable .....  | -                            | (290,455)              | (138,987)                  | (1,833,031) | -           | (2,262,473)  |
| Dispositions of property and equipment .....   | -                            | 1,940                  | -                          | 2,004       | -           | 3,944        |
| Proceeds from partial disposition of investment in unconsolidated affiliates .....             | -                            | 15,000                 | -                          | -           | -           | 15,000       |
| Acquisition of Borgata, net of cash acquired .....   | -                            | (559,443)              | -                          | -           | -           | (559,443)    |
| Investments in and advances to unconsolidated affiliates .....                                 | -                            | (3,633)                | -                          | -           | -           | (3,633)      |
| Distributions from unconsolidated affiliates in excess of cumulative earnings .....            | -                            | 542,097                | -                          | -           | -           | 542,097      |
| Intercompany accounts .....  | -                            | (1,562,442)            | -                          | -           | 1,562,442   | -            |
| Other .....  | -                            | (7,651)                | -                          | (4,045)     | -           | (11,696)     |
| Net cash provided by (used in) investing activities .....                                      | -                            | (1,864,587)            | (138,987)                  | (1,835,072) | 1,562,442   | (2,276,204)  |
| Cash flows from financing activities   |                              |                        |                            |             |             |              |
| Net borrowings (repayments) under bank credit facilities - maturities of 90 days or less ..... | (2,016,000)                  | 4,094,850              | (2,411,600)                | 823,782     | -           | 491,032      |
| Borrowings under bank credit facilities - maturities longer than 90 days .....                 | 1,845,375                    | -                      | -                          | -           | -           | 1,845,375    |
| Repayments under bank credit facilities - maturities longer than 90 days .....                 | (1,845,375)                  | -                      | -                          | -           | -           | (1,845,375)  |
| Issuance of long - term debt .....   | 500,000                      | -                      | 1,550,000                  | -           | -           | 2,050,000    |
| Retirement of senior notes .....   | (2,255,392)                  | (2,661)                | -                          | -           | -           | (2,258,053)  |
| Repayment of Borgata credit facility .....   | -                            | (583,598)              | -                          | -           | -           | (583,598)    |
| Debt issuance costs .....  | (29,871)                     | -                      | (77,163)                   | (32,550)    | -           | (139,584)    |
| Issuance of MGM Growth Properties common stock in public offering .....                        | -                            | -                      | 1,207,500                  | -           | -           | 1,207,500    |
| MGM Growth Properties Class A share issuance costs .....                                       | -                            | -                      | (75,032)                   | -           | -           | (75,032)     |
| Acquisition of MGM China shares .....  | (100,000)                    | -                      | -                          | -           | -           | (100,000)    |
| MGP dividends paid to consolidated subsidiaries .....  | -                            | -                      | (113,414)                  | -           | 113,414     | -            |
| Distributions to noncontrolling interest owners .....  | -                            | -                      | (37,415)                   | (65,952)    | -           | (103,367)    |
| Excess tax benefit from exercise of stock options .....  | 13,277                       | -                      | -                          | -           | -           | 13,277       |
| Intercompany accounts .....  | 4,082,303                    | (2,952,624)            | 158,822                    | 387,355     | (1,675,856) | -            |
| Proceeds from issuance of redeemable noncontrolling interests .....                            | -                            | -                      | -                          | 47,325      | -           | 47,325       |
| Other .....  | (30,042)                     | -                      | -                          | (36)        | -           | (30,078)     |
| Net cash provided by (used in) financing activities .....                                      | 164,275                      | 555,967                | 201,698                    | 1,159,924   | (1,562,442) | 519,422      |
| Effect of exchange rate on cash .....  | -                            | -                      | -                          | (921)       | -           | (921)        |
| Cash and cash equivalents  |                              |                        |                            |             |             |              |
| Net increase (decrease) for the period .....   | (438,861)                    | 3,545                  | 360,492                    | (148,907)   | -           | (223,731)    |
| Balance, beginning of period .....   | 538,856                      | 304,168                | -                          | 827,288     | -           | 1,670,312    |
| Balance, end of period .....   | \$ 99,995                    | \$ 307,713             | \$ 360,492                 | \$ 678,381  | \$ -        | \$ 1,446,581 |

# CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME INFORMATION

Year Ended December 31, 2015

|   | Year Ended December 31, 2014 |                        |                            |                |             |                |
|---|------------------------------|------------------------|----------------------------|----------------|-------------|----------------|
|   |                              |                        | Non-Guarantor Subsidiaries |                |             |                |
|   | Parent                       | Guarantor Subsidiaries | MGP                        | Other          | Elimination | Consolidated   |
|   | (In thousands)               |                        |                            |                |             |                |
| Net revenues .....  | \$ -                         | \$ 6,429,103           | \$ -                       | \$ 2,763,862   | \$ (2,897)  | \$ 9,190,068   |
| Equity in subsidiaries' earnings .....                                      | 376,074                      | (566,270)              | -                          | -              | 190,196     | -              |
| Expenses  |                              |                        |                            |                |             |                |
| Casino and hotel operations .....   | 6,717                        | 3,807,569              | -                          | 1,813,987      | (2,897)     | 5,625,376      |
| General and administrative .....  | 4,959                        | 1,038,053              | 58,473                     | 207,619        | -           | 1,309,104      |
| Corporate expense .....   | 120,615                      | 154,424                | -                          | (488)          | -           | 274,551        |
| Preopening and start-up expenses .....                                      | -                            | 4,973                  | -                          | 66,354         | -           | 71,327         |
| Property transactions, net .....  | -                            | 24,688                 | 6,665                      | 1,472,589      | -           | 1,503,942      |
| Depreciation and amortization .....   | -                            | 348,159                | 196,816                    | 274,908        | -           | 819,883        |
|   | 132,291                      | 5,377,866              | 261,954                    | 3,834,969      | (2,897)     | 9,604,183      |
| Income (loss) from unconsolidated affiliates .....                          | -                            | 259,002                | -                          | (1,119)        | -           | 257,883        |
| Operating income (loss) .....   | 243,783                      | 743,969                | (261,954)                  | (1,072,226)    | 190,196     | (156,232)      |
| Interest expense, net of amounts capitalized .....                          | (762,529)                    | (1,057)                | -                          | (33,993)       | -           | (797,579)      |
| Other, net .....  | 49,497                       | (84,958)               | -                          | (56,971)       | -           | (92,432)       |
| Income (loss) before income taxes .....                                     | (469,249)                    | 657,954                | (261,954)                  | (1,163,190)    | 190,196     | (1,046,243)    |
| Benefit (provision) for income taxes .....                                  | 21,529                       | (7,125)                | -                          | (7,810)        | -           | 6,594          |
| Net income (loss) .....   | (447,720)                    | 650,829                | (261,954)                  | (1,171,000)    | 190,196     | (1,039,649)    |
| Less: Net loss attributable to noncontrolling interests .....               | -                            | -                      | -                          | 591,929        | -           | 591,929        |
| Net income (loss) attributable to MGM Resorts International .....           | \$ (447,720)                 | \$ 650,829             | \$ (261,954)               | \$ (579,071)   | \$ 190,196  | \$ (447,720)   |
| Net income (loss) .....   | \$ (447,720)                 | \$ 650,829             | \$ (261,954)               | \$ (1,171,000) | \$ 190,196  | \$ (1,039,649) |
| Other comprehensive income (loss), net of tax:                              |                              |                        |                            |                |             |                |
| Foreign currency translation adjustment .....                               | 1,703                        | 1,703                  | -                          | 3,727          | (3,406)     | 3,727          |
| Other .....   | (672)                        | (672)                  | -                          | -              | 672         | (672)          |
| Other comprehensive income (loss) .....                                     | 1,031                        | 1,031                  | -                          | 3,727          | (2,734)     | 3,055          |
| Comprehensive income (loss) .....   | (446,689)                    | 651,860                | (261,954)                  | (1,167,273)    | 187,462     | (1,036,594)    |
| Less: Comprehensive loss attributable to noncontrolling interests .....     | -                            | -                      | -                          | 589,905        | -           | 589,905        |
| Comprehensive income (loss) attributable to MGM Resorts International ..... | \$ (446,689)                 | \$ 651,860             | \$ (261,954)               | \$ (577,368)   | \$ 187,462  | \$ (446,689)   |

# CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION

|  | Year Ended December 31, 2015 |                        |                            |             |             |              |
|--|------------------------------|------------------------|----------------------------|-------------|-------------|--------------|
|  |                              |                        | Non-Guarantor Subsidiaries |             |             |              |
|  | Parent                       | Guarantor Subsidiaries | MGP                        | Other       | Elimination | Consolidated |
|  | (In thousands)               |                        |                            |             |             |              |
| <b>Cash flows from operating activities</b>  |                              |                        |                            |             |             |              |
| Net cash provided by (used in) operating activities .....                                      | \$ (776,996)                 | \$ 1,375,703           | \$ (58,473)                | \$ 464,845  | \$ -        | \$ 1,005,079 |
| <b>Cash flows from investing activities</b>  |                              |                        |                            |             |             |              |
| Capital expenditures, net of construction payable....  | -                            | (353,245)              | (129,308)                  | (984,266)   | -           | (1,466,819)  |
| Dispositions of property and equipment .....   | -                            | 7,901                  | -                          | 131         | -           | 8,032        |
| Proceeds from sale of business units and investment in unconsolidated affiliates .....         | -                            | 92,207                 | -                          | -           | -           | 92,207       |
| Investments in and advances to unconsolidated affiliates .....                                 | (141,390)                    | (54,672)               | -                          | -           | -           | (196,062)    |
| Distributions from unconsolidated affiliates in excess of cumulative earnings .....            | -                            | 201,612                | -                          | -           | -           | 201,612      |
| Investments in cash deposits - maturities longer than 90 days.....                             | (200,205)                    | -                      | -                          | -           | -           | (200,205)    |
| Proceeds from cash deposits - maturities longer than 90 days.....                              | 770,205                      | -                      | -                          | -           | -           | 770,205      |
| Intercompany accounts .....  | -                            | (1,059,181)            | -                          | -           | 1,059,181   | -            |
| Other .....  | -                            | (7,516)                | -                          | 3,488       | -           | (4,028)      |
| Net cash provided by (used in) investing activities .....                                      | 428,610                      | (1,172,894)            | (129,308)                  | (980,647)   | 1,059,181   | (795,058)    |
| <b>Cash flows from financing activities</b>  |                              |                        |                            |             |             |              |
| Net borrowings (repayments) under bank credit facilities - maturities of 90 days or less ..... | (28,000)                     | -                      | -                          | 1,005,275   | -           | 977,275      |
| Borrowings under bank credit facilities - maturities longer than 90 days .....                 | 3,768,750                    | -                      | -                          | 1,350,000   | -           | 5,118,750    |
| Repayments under bank credit facilities - maturities longer than 90 days .....                 | (3,768,750)                  | -                      | -                          | (1,350,000) | -           | (5,118,750)  |
| Retirement of senior notes .....   | (875,504)                    | -                      | -                          | -           | -           | (875,504)    |
| Debt issuance costs .....  | -                            | -                      | -                          | (46,170)    | -           | (46,170)     |
| Intercompany accounts .....  | 1,003,750                    | (157,958)              | 187,781                    | 25,608      | (1,059,181) | -            |
| Distributions to noncontrolling interest owners .....  | -                            | -                      | -                          | (307,227)   | -           | (307,227)    |
| Excess tax benefits from exercise of stock options ..  | 12,369                       | -                      | -                          | -           | -           | 12,369       |
| Proceeds from issuance of redeemable noncontrolling interests .....                            | -                            | -                      | -                          | 6,250       | -           | 6,250        |
| Other .....  | (24,881)                     | -                      | -                          | 9           | -           | (24,872)     |
| Net cash provided by (used in) financing activities .....                                      | 87,734                       | (157,958)              | 187,781                    | 683,745     | (1,059,181) | (257,879)    |
| <b>Effect of exchange rate on cash .....</b>   | -                            | -                      | -                          | 793         | -           | 793          |
| <b>Cash and cash equivalents</b>   |                              |                        |                            |             |             |              |
| Net increase (decrease) for the period.....  | (260,652)                    | 44,851                 | -                          | 168,736     | -           | (47,065)     |
| Change in cash related to assets held for sale .....   | -                            | 3,662                  | -                          | -           | -           | 3,662        |
| Balance, beginning of period .....   | 799,508                      | 255,655                | -                          | 658,552     | -           | 1,713,715    |
| Balance, end of period .....   | \$ 538,856                   | \$ 304,168             | \$ -                       | \$ 827,288  | \$ -        | \$ 1,670,312 |

# CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME INFORMATION

Year Ended December 31, 2014

|   | Year Ended December 31, 2014 |                        |                            |              |                |               |
|---|------------------------------|------------------------|----------------------------|--------------|----------------|---------------|
|   |                              |                        | Non-Guarantor Subsidiaries |              |                |               |
|   | Parent                       | Guarantor Subsidiaries | MGP                        | Other        | Elimination    | Consolidated  |
|   | (In thousands)               |                        |                            |              |                |               |
| Net revenues .....  | \$ -                         | \$ 6,270,708           | \$ -                       | \$ 3,813,736 | \$ (2,460)     | \$ 10,081,984 |
| Equity in subsidiaries' earnings ....                                       | 938,712                      | 339,312                | -                          | -            | (1,278,024)    | -             |
| Expenses .....  |                              |                        |                            |              |                |               |
| Casino and hotel operations .....   | 5,482                        | 3,810,711              | -                          | 2,554,965    | (2,460)        | 6,368,698     |
| General and administrative .....  | 4,743                        | 1,046,803              | 59,980                     | 207,223      | -              | 1,318,749     |
| Corporate expense .....   | 72,116                       | 150,938                | -                          | 15,757       | -              | 238,811       |
| Preopening and start-up expenses .....                                      | -                            | 5,384                  | -                          | 33,873       | -              | 39,257        |
| Property transactions, net .....  | -                            | 36,612                 | -                          | 4,390        | -              | 41,002        |
| Depreciation and amortization ...   | -                            | 329,589                | 186,262                    | 299,914      | -              | 815,765       |
|   | 82,341                       | 5,380,037              | 246,242                    | 3,116,122    | (2,460)        | 8,822,282     |
| Income (loss) from unconsolidated affiliates .....                          | -                            | 64,014                 | -                          | (178)        | -              | 63,836        |
| Operating income (loss) .....   | 856,371                      | 1,293,997              | (246,242)                  | 697,436      | (1,278,024)    | 1,323,538     |
| Interest expense, net of amounts capitalized .....                          | (794,826)                    | (574)                  | -                          | (21,661)     | -              | (817,061)     |
| Other, net .....  | 50,793                       | (90,679)               | -                          | (55,705)     | -              | (95,591)      |
| Income (loss) before income taxes .....                                     | 112,338                      | 1,202,744              | (246,242)                  | 620,070      | (1,278,024)    | 410,886       |
| Provision for income taxes .....  | (262,211)                    | (20,735)               | -                          | (762)        | -              | (283,708)     |
| Net income (loss) .....   | (149,873)                    | 1,182,009              | (246,242)                  | 619,308      | (1,278,024)    | 127,178       |
| Less: Net income attributable to noncontrolling interests .....             | -                            | -                      | -                          | (277,051)    | -              | (277,051)     |
| Net income (loss) attributable to MGM Resorts International .....           | \$ (149,873)                 | \$ 1,182,009           | \$ (246,242)               | \$ 342,257   | \$ (1,278,024) | \$ (149,873)  |
| Net income (loss) .....   | \$ (149,873)                 | \$ 1,182,009           | \$ (246,242)               | \$ 619,308   | \$ (1,278,024) | \$ 127,178    |
| Other comprehensive income (loss), net of tax:                              |                              |                        |                            |              |                |               |
| Foreign currency translation adjustment .....                               | (762)                        | (762)                  | -                          | (1,293)      | 1,524          | (1,293)       |
| Other .....   | 1,250                        | 1,250                  | -                          | -            | (1,250)        | 1,250         |
| Other comprehensive income (loss) .....                                     | 488                          | 488                    | -                          | (1,293)      | 274            | (43)          |
| Comprehensive income (loss) .....   | (149,385)                    | 1,182,497              | (246,242)                  | 618,015      | (1,277,750)    | 127,135       |
| Less: Comprehensive income attributable to noncontrolling interests .....   | -                            | -                      | -                          | (276,520)    | -              | (276,520)     |
| Comprehensive income (loss) attributable to MGM Resorts International ..... | \$ (149,385)                 | \$ 1,182,497           | \$ (246,242)               | \$ 341,495   | \$ (1,277,750) | \$ (149,385)  |



# CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION

|   | Year Ended December 31, 2014 |                           |                               |             |             |              |
|---|------------------------------|---------------------------|-------------------------------|-------------|-------------|--------------|
|   |                              |                           | Non-Guarantor<br>Subsidiaries |             |             |              |
|   | Parent                       | Guarantor<br>Subsidiaries | MGP                           | Other       | Elimination | Consolidated |
|   | (In thousands)               |                           |                               |             |             |              |
| <b>Cash flows from operating activities</b>   |                              |                           |                               |             |             |              |
| Net cash provided by (used in) operating activities .....                           | \$ (718,756)                 | \$1,163,402               | \$ (59,980)                   | \$ 721,004  | \$ 25,000   | \$ 1,130,670 |
| <b>Cash flows from investing activities</b>   |                              |                           |                               |             |             |              |
| Capital expenditures, net of construction payable .....                             | -                            | (289,431)                 | (90,504)                      | (492,106)   | -           | (872,041)    |
| Dispositions of property and equipment ....   | -                            | 6,631                     | -                             | 1,020       | -           | 7,651        |
| Investments in and advances to unconsolidated affiliates .....                      | (31,400)                     | (46,640)                  | -                             | -           | (25,000)    | (103,040)    |
| Distributions from unconsolidated affiliates in excess of cumulative earnings ..... | -                            | 132                       | -                             | -           | -           | 132          |
| Investments in treasury securities - maturities longer than 90 days .....           | -                            | (123,133)                 | -                             | -           | -           | (123,133)    |
| Proceeds from treasury securities - maturities longer than 90 days .....            | -                            | 210,300                   | -                             | -           | -           | 210,300      |
| Investments in cash deposits - original maturities longer than 90 days .....        | (570,000)                    | -                         | -                             | -           | -           | (570,000)    |
| Intercompany accounts .....   | -                            | (704,785)                 | -                             | -           | 704,785     | -            |
| Payments for gaming licenses .....  | -                            | -                         | -                             | (85,000)    | -           | (85,000)     |
| Other .....   | -                            | 10,981                    | -                             | -           | -           | 10,981       |
| Net cash provided by (used in) investing activities .....                           | (601,400)                    | (935,945)                 | (90,504)                      | (576,086)   | 679,785     | (1,524,150)  |
| <b>Cash flows from financing activities</b>   |                              |                           |                               |             |             |              |
| Net repayments under bank credit facilities - maturities of 90 days or less .....   | (28,000)                     | -                         | -                             | -           | -           | (28,000)     |
| Borrowings under bank credit facilities - maturities longer than 90 days .....      | 3,821,250                    | -                         | -                             | 1,350,000   | -           | 5,171,250    |
| Repayments under bank credit facilities - maturities longer than 90 days .....      | (3,821,250)                  | -                         | -                             | (1,350,000) | -           | (5,171,250)  |
| Issuance of long-term debt .....  | 1,250,750                    | -                         | -                             | -           | -           | 1,250,750    |
| Retirement of senior notes .....  | (508,900)                    | -                         | -                             | -           | -           | (508,900)    |
| Debt issuance costs .....   | (13,681)                     | -                         | -                             | -           | -           | (13,681)     |
| Intercompany accounts .....   | 1,045,048                    | (204,794)                 | 150,484                       | (285,953)   | (704,785)   | -            |
| Distributions to noncontrolling interest owners .....                               | -                            | -                         | -                             | (386,709)   | -           | (386,709)    |
| Other .....   | (4,213)                      | (803)                     | -                             | (367)       | -           | (5,383)      |
| Net cash provided by (used in) financing activities .....                           | 1,741,004                    | (205,597)                 | 150,484                       | (673,029)   | (704,785)   | 308,077      |
| <b>Effect of exchange rate on cash .....</b>  | -                            | -                         | -                             | (889)       | -           | (889)        |
| <b>Cash and cash equivalents</b>  |                              |                           |                               |             |             | -            |
| Net increase (decrease) for the period .....  | 420,848                      | 21,860                    | -                             | (529,000)   | -           | (86,292)     |
| Change in cash related to assets held for sale .....                                | -                            | (3,662)                   | -                             | -           | -           | (3,662)      |
| Balance, beginning of period .....  | 378,660                      | 237,457                   | -                             | 1,187,552   | -           | 1,803,669    |
| Balance, end of period .....  | \$ 799,508                   | \$ 255,655                | \$ -                          | \$ 658,552  | \$ -        | \$ 1,713,715 |

## NOTE 21 — SELECTED QUARTERLY FINANCIAL RESULTS (UNAUDITED)

|   | Quarter                                      |              |              |              |              |
|---|--|--------------|--------------|--------------|--------------|
|   | First  | Second       | Third        | Fourth       | Total        |
|   | <i>(In thousands, except per share data)</i> |              |              |              |              |
| <b>2016</b>                                   |  |              |              |              |              |
| Net revenues .....                            | \$ 2,209,686                                 | \$ 2,269,502 | \$ 2,515,115 | \$ 2,460,820 | \$ 9,455,123 |
| Operating income.....                         | 315,954                                      | 769,055      | 712,755      | 282,023      | 2,079,787    |
| Net income .....                              | 91,198                                       | 514,498      | 561,260      | 69,922       | 1,236,878    |
| Net income attributable to MGM Resorts        |  |              |              |              |              |
| International.....                            | 66,799                                       | 474,353      | 535,619      | 24,669       | 1,101,440    |
| Basic income per share.....                   | \$ 0.12                                      | \$ 0.84      | \$ 0.94      | \$ 0.04      | \$ 1.94      |
| Diluted income per share .....                | \$ 0.12                                      | \$ 0.83      | \$ 0.93      | \$ 0.04      | \$ 1.92      |
| <b>2015</b>                                   |  |              |              |              |              |
| Net revenues .....                            | \$ 2,332,244                                 | \$ 2,385,135 | \$ 2,280,816 | \$ 2,191,873 | \$ 9,190,068 |
| Operating income (loss).....                  | 395,104                                      | 348,521      | 297,377      | (1,197,234)  | (156,232)    |
| Net income (loss) .....                       | 212,646                                      | 126,467      | 94,735       | (1,473,497)  | (1,039,649)  |
| Net income (loss) attributable to MGM Resorts |  |              |              |              |              |
| International.....                            | 169,850                                      | 97,459       | 66,425       | (781,454)    | (447,720)    |
| Basic income (loss) per share.....            | \$ 0.35                                      | \$ 0.18      | \$ 0.12      | \$ (1.38)    | \$ (0.82)    |
| Diluted income (loss) per share .....         | \$ 0.33                                      | \$ 0.17      | \$ 0.12      | \$ (1.38)    | \$ (0.82)    |

Because income (loss) per share amounts are calculated using the weighted average number of common and dilutive common equivalent shares outstanding during each quarter, the sum of the per share amounts for the four quarters does not equal the total loss per share amounts for the year. The following sections list certain items affecting comparability of quarterly and year-to-date results and related per share amounts. Additional information related to these items is included elsewhere in the notes to the accompanying financial statements.

Certain items affecting comparability for the year ended December 31, 2016 are as follows:

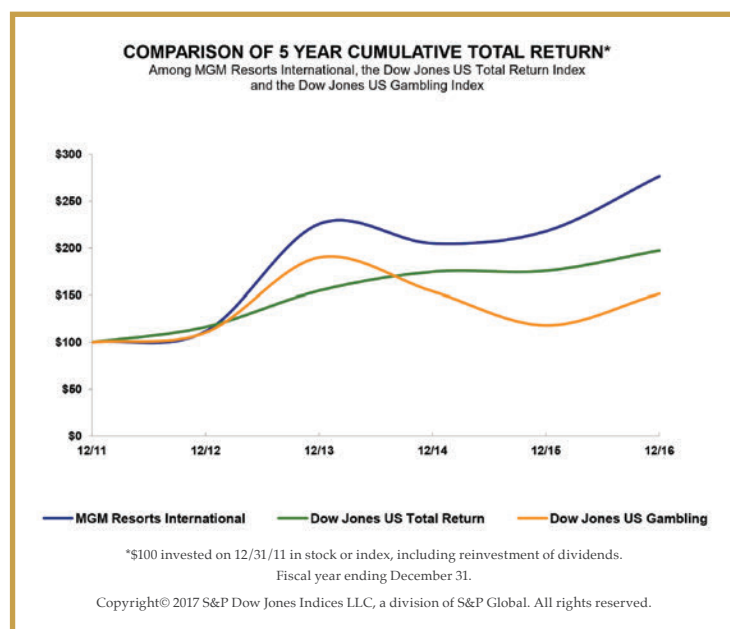
- **First Quarter.** None;
- **Second Quarter.** In the second quarter and the full year, the Company recorded a \$406 million and a \$401 million gain, respectively, (\$0.57 and \$0.56 per share in the quarter and full year of 2016, respectively) for its share of CityCenter's gain related to the sale of Crystals;
- **Third Quarter.** The Company recorded a \$430 million (\$0.60 and \$0.61 per share in the quarter and full year of 2016, respectively) gain related to the acquisition of Borgata. Additionally, the Company recorded a \$139 million (\$0.18 loss per share in the quarter and full year of 2016) charge related to NV Energy exit expense and a \$13 million (\$0.02 loss per share in the quarter and full year of 2016) charge related to our share of CityCenter's NV Energy exit expense associated with the Company's strategic decision to exit the fully bundled sales system of NV Energy; and
- **Fourth Quarter.** None.

Certain items affecting comparability for the year ended December 31, 2015 are as follows:

- **First Quarter.** The Company recorded an \$80 million (\$0.09 and \$0.10 per share in the quarter and full year of 2015, respectively) gain for its share of CityCenter's gain resulting from the final resolution of its construction litigation and related settlements;
- **Second Quarter.** None;
- **Third Quarter.** None; and
- **Fourth Quarter.** The Company recorded a \$1.5 billion (\$1.33 and \$1.38 loss per share in the quarter and full year of 2015, respectively) impairment charge related to goodwill of its MGM China reporting unit and a \$17 million (\$0.02 loss per share in the quarter and full year of 2015) impairment charge related to its investment in Grand Victoria. The Company recorded a \$23 million (\$0.03 per share in the quarter and full year of 2015) gain on sale of Circus Circus Reno, and the Company's 50% interest in Silver Legacy and associated real property.

## INVESTOR INFORMATION

The graph below matches MGM Resorts International's cumulative 5-Year total shareholder return on common stock with the cumulative total returns of the Dow Jones US Total Return index and the Dow Jones US Gambling index. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from 12/31/2011 to 12/31/2016.



|                           | 12/11  | 12/12  | 12/13  | 12/14  | 12/15  | 12/16  |
|---------------------------|--------|--------|--------|--------|--------|--------|
| MGM RESORTS INTERNATIONAL | 100.00 | 111.60 | 225.50 | 204.99 | 217.83 | 276.41 |
| DOW JONES U.S.            | 100.00 | 116.32 | 154.68 | 174.71 | 175.81 | 197.35 |
| DOW JONES U.S. GAMBLING   | 100.00 | 110.52 | 189.80 | 154.10 | 118.14 | 151.45 |

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

### TRANSFER AGENT AND REGISTRAR FOR COMMON STOCK

Shareholder correspondence should be mailed to:

Computershare

211 Quality Circle, Suite 210

College Station, TX 77845

1.800.358.2066 Toll Free within the U.S.

1.201.680.6578 Foreign Shareholders

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP

3883 Howard Hughes Parkway, Suite 400

Las Vegas, NV 89169

### FORM 10-K

A copy of the Company's annual report on Form 10-K, as filed with the Securities and Exchange Commission, will be furnished without charge to any stockholder upon written request to:

Mr. John M. McManus

Executive Vice President – General Counsel and Secretary

MGM Resorts International

3600 Las Vegas Blvd, South

Las Vegas, NV 89109

## COMMON STOCK INFORMATION

The following table represents the high and low trading prices of the Company's common stock.

| FOR THE YEARS ENDED DECEMBER 31 | 2016    |         | 2015    |         |
|---------------------------------|---------|---------|---------|---------|
|                                 | HIGH    | LOW     | HIGH    | LOW     |
| FIRST QUARTER                   | \$22.97 | \$16.18 | \$23.25 | \$18.82 |
| SECOND QUARTER                  | \$25.29 | \$20.59 | \$22.65 | \$17.50 |
| THIRD QUARTER                   | \$26.49 | \$22.33 | \$22.77 | \$16.84 |
| FOURTH QUARTER                  | \$30.62 | \$25.25 | \$24.41 | \$18.19 |

The Company's common stock is listed on the New York Stock Exchange under the symbol "MGM." There were approximately 3,881 record holders of our common stock as of February 24, 2017. On February 15, 2017, the Board of Directors approved a quarterly dividend of \$0.11 per share. This dividend was paid on March 15, 2017, to stockholders of record as of the close of business on March 10, 2017. The amount, declaration and payment of any future dividends will be subject to the discretion of the Company's Board of Directors who will evaluate our dividend policy from time to time based on factors it deems relevant. In addition, as a holding company with no independent operations, the Company's ability to pay dividends will depend upon the receipt of cash from the Company's operating subsidiaries to generate the funds from operations necessary to pay dividends on the Company's common stock. Furthermore, the Company's senior credit facility contains financial covenants and restrictive covenants that could restrict the Company's ability to pay dividends, subject to certain exceptions. In addition, the MGM National Harbor, MGM Growth Properties Operating Partnership, and MGM China credit facilities each contain limitations on the ability of the applicable subsidiary under each credit agreement to pay dividends to the Company. There can be no assurance that the Company will continue to pay dividends in the future.

**CAUTIONARY LANGUAGE CONCERNING FORWARD-LOOKING STATEMENTS:** Statements in this annual report that are not historical facts are "forward-looking" statements and "safe harbor statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and other related laws that involve risks and/or uncertainties, including risks and/or uncertainties described in the Company's public filings with the Securities and Exchange Commission. The Company has based these forward-looking statements on management's current expectations and assumptions and not on historical facts. Examples of these statements include, but are not limited to, statements regarding the Company's expectations regarding future results and the Company's financial outlook, the payment of any future cash dividends on the Company's common stock, its ability to generate future cash flow growth and to execute on future development and other projects and the Company's ability to execute its strategic plan and improve its financial flexibility. Among the important factors that could cause actual results to differ materially from those indicated in such forward-looking statements include effects of economic conditions and market conditions in the markets in which the Company operates and competition with other destination travel locations throughout the United States and the world, the design, timing and costs of expansion projects, risks relating to international operations, permits, licenses, financings, approvals and other contingencies in connection with growth in new or existing jurisdictions and additional risks and uncertainties described in the Company's Form 10-K, Form 10-Q and Form 8-K reports (including all amendments to those reports). In providing forward-looking statements, the Company is not undertaking any duty or obligation to update these statements publicly as a result of new information, future events or otherwise except as required by law.

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# CORPORATE INFORMATION

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## DIRECTORS

**James J. Murren**  
Director/Officer  
Chairman of the Board, Chief Executive Officer,  
MGM Resorts International

**Robert H. Baldwin**  
Director/Officer  
Chief Customer Development Officer,  
MGM Resorts International

**William A. Bible**  
Director

**Mary Chris Gay**  
Director

**William W. Grounds**  
Director  
President,  
Infinity World Development Corp,  
a private investment entity

**Alexis M. Herman**  
Director  
President and Chief Executive Officer,  
New Ventures, a corporate consulting company

**Roland Hernandez**  
Director  
President, Hernandez Media Ventures,  
a privately held media assets company

**John B. Kilroy, Jr.**  
Director  
Chairman, President and CEO, Kilroy Realty Corp.

**Anthony L. Mandekic**  
Director  
President and Chief Executive Officer,  
Tracinda Corporation,  
a private investment company

**Rose McKinney-James**  
Director  
Managing Principal,  
McKinney-James and Associates,  
a government affairs firm

**Gregory M. Spierkel**  
Director

**Daniel J. Taylor**  
Director  
Executive, Tracinda Corporation,  
a private investment company

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## DIRECTORS EMERITUS

**Willie D. Davis**  
Director Emeritus

**Melvin B. Wolzinger**  
Director Emeritus

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## OFFICERS

**William J. Hornbuckle**  
President

**Corey I. Sanders**  
Chief Operating Officer

**Daniel J. D'Arrigo**  
Executive Vice President,  
Chief Financial Officer

**Phyllis A. James**  
Chief Diversity and  
Corporate Responsibility Officer

**John M. McManus**  
Executive Vice President,  
General Counsel and Secretary

**Robert C. Selwood**  
Executive Vice President and  
Chief Accounting Officer

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## CORPORATE DIRECTORY

**MGM Resorts International**  
3600 Las Vegas Blvd. South  
Las Vegas, NV 89109  
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**Bellagio**  
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bellagio.com

**ARIA**  
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aria.com

**Vdara**  
Las Vegas, NV  
1.866.745.7111  
vdara.com

**Mandarin Oriental Las Vegas**  
Las Vegas, NV  
1.702.590.8888  
mandarinoriental.com/lasvegas

**MGM Grand Las Vegas**  
Las Vegas, NV  
1.702.891.1111  
mgmgrand.com

**The Signature at MGM Grand**  
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1.877.612.2121  
signaturemgmgrand.com

**Mandalay Bay**  
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1.702.632.7777  
mandalaybay.com

**Four Seasons Hotel**  
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1.702.632.5000  
fourseasons.com/lasvegas

**Delano Las Vegas**  
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1.702.632.7400  
delanolasvegas.com

**The Mirage**  
Las Vegas, NV  
1.702.791.7111  
mirage.com

**Monte Carlo**  
Las Vegas, NV  
1.702.730.7777  
montecarlo.com

**New York-New York**  
Las Vegas, NV  
1.702.740.6969  
nynyhotelcasino.com

**Luxor**  
Las Vegas, NV  
1.702.262.4000  
luxor.com

**Excalibur**  
Las Vegas, NV  
1.702.597.7777  
excalibur.com

**Circus Circus Las Vegas**  
Las Vegas, NV  
1.702.734.0410  
circuscircus.com

**Beau Rivage**  
Biloxi, MS  
1.228.386.7111  
beaurivage.com

**Gold Strike Tunica**  
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1.662.357.1111  
goldstrikemississippi.com

**MGM Grand Detroit**  
Detroit, MI  
1.877.888.2121  
mgmgranddetroit.com

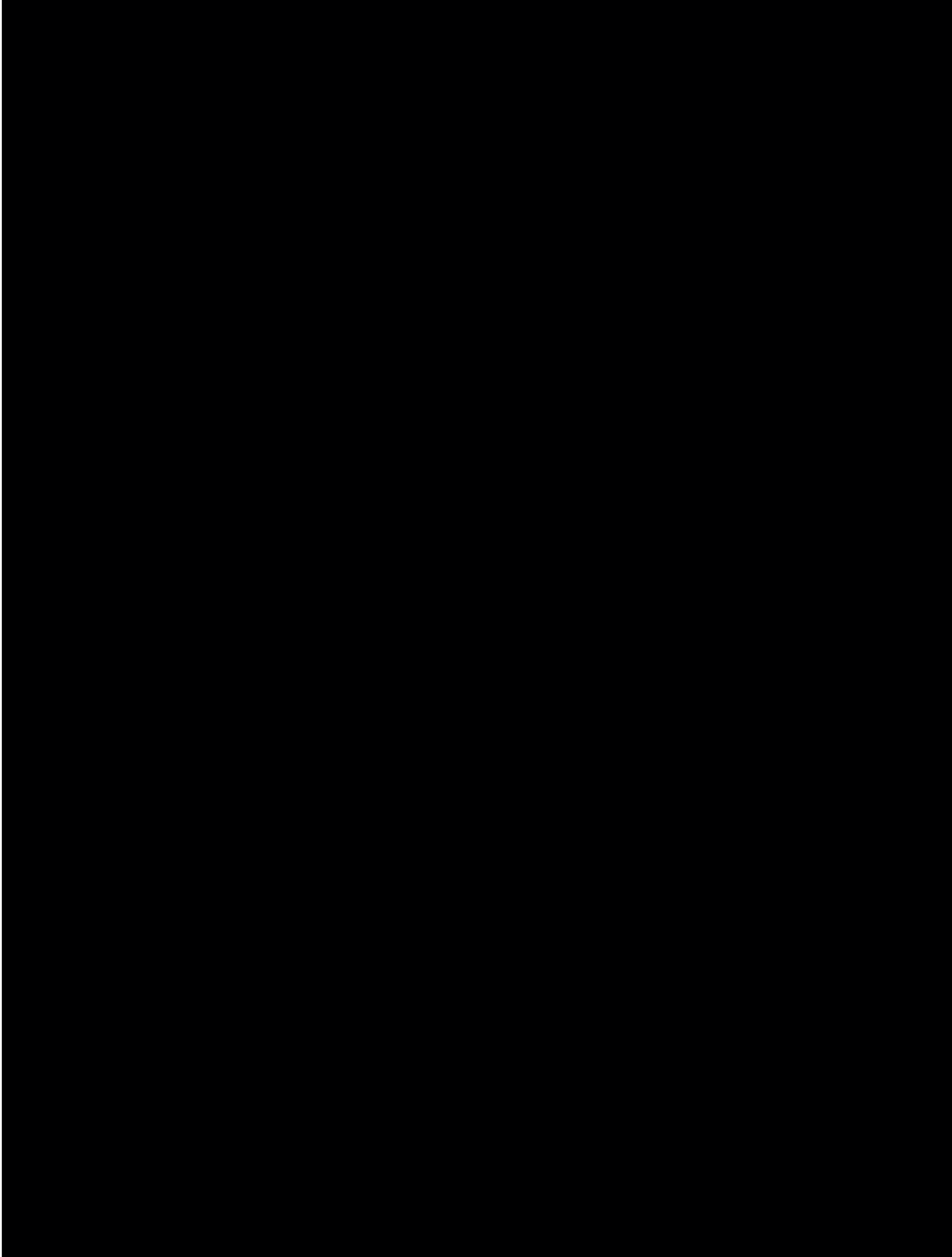
**Borgata Hotel Casino & Spa**  
Atlantic City, NJ  
1.609.317.1000  
theborgata.com

**MGM National Harbor**  
National Harbor, MD  
1.301.971.5000  
mgmnationalharbor.com

**Grand Victoria**  
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1.847.468.7000  
grandvictoriacasino.com

**MGM Macau**  
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mgmmacau.com

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