AMERICAN MORTGAGE ACCEPTANCE CO
Form 10-K
April 01, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

OR

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

Commission File Number 0-23972

AMERICAN MORTGAGE ACCEPTANCE COMPANY
(FORMERLY AMERICAN MORTGAGE INVESTORS TRUST)
(Exact name of registrant as specified in its charter)

Massachusetts	13-6972380
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
625 Madison Avenue, New York, New York	10022
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (212) 421-5333

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Shares of Beneficial Interest, par value $.10 per share

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The approximate market value of the voting and non-voting common equity held by non-affiliates of the Registrant as of March 14, 2002 was $84,620,711, based on a price of $13.35 per share, the closing sales price for the Registrant's shares of beneficial interest on the American Stock Exchange on that date.

As of March 14, 2002 there were 6,338,630 outstanding shares of the Registrant's shares of beneficial interest.

DOCUMENTS INCORPORATED BY REFERENCE

Part III: Those portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on June 11, 2002, which are incorporated into Items 10, 11, 12 and 13.

Index to exhibits may be found on page 42

CAUTIONARY STATEMENT FOR PURPOSES OF
THE "SAFE HARBOR" PROVISIONS OF
THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

WHEN USED IN THIS ANNUAL REPORT ON FORM 10-K, THE WORDS "BELIEVES," "ANTICIPATES," "EXPECTS" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. STATEMENTS LOOKING FORWARD IN TIME ARE INCLUDED IN THIS ANNUAL REPORT ON FORM 10-K PURSUANT TO THE "SAFE HARBOR" PROVISION OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH STATEMENTS ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY, INCLUDING, BUT NOT LIMITED TO, THOSE SET FORTH IN "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS." READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF.

PART I

Item 1. Business.

GENERAL

American Mortgage Acceptance Company (formerly American Mortgage Investors Trust together with its consolidated subsidiaries, the "Company") was formed on June 11, 1991 as a Massachusetts business trust for the primary purpose of investing in government-insured mortgages and guaranteed mortgage-backed certificates. The Company elected to be treated as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code").

On April 6, 1999, the Company received the necessary consent from its shareholders to approve proposals (the "Proposals") to, among other things, restructure the Company from a closed-ended, finite-life REIT to a publicly traded, open-ended, infinite-life operating REIT. In addition to restructuring the Company, the Proposals, among other matters, permit the Company to modify its investment objectives, to incur a specified amount of indebtedness and to list the Company's shares on a national exchange.

In February 2002, the Company sold to the public 2.5 million common shares at a price of $13.50 per share. The net proceeds from this offering, approximately $31 million, net of underwriter's discount and expenses, will be used to make additional investments.

Effective April 26, 1999, upon authorization by the Board of Trustees, the Company's name was changed from American Mortgage Investors Trust to American Mortgage Acceptance Company. The Company's shares of beneficial interest (the "Shares") commenced trading on the American Stock Exchange on July 1, 1999 under the symbol "AMC". As of December 31, 2001, there were 3,838,630 Shares outstanding.

The Company's business plan focuses on government insured and uninsured mortgages secured by multifamily properties, which may take the form of government insured first mortgages and uninsured mezzanine loans, construction loans, and bridge loans. Additionally, the Company has indirectly invested in subordinate commercial mortgage-backed securities and may invest in other real estate assets, including non-multifamily mortgages.

The Company was governed by a board of trustees comprised of two independent trustees and one trustee who is affiliated with Related Capital Company ("Related"). Effective June 12, 2001, at its annual meeting, the Company added two additional trustees, one an independent trustee, the other an affiliate of Related, bringing the total number of trustees to five. The Company has engaged Related AMI Associates, Inc. (the "Advisor"), an affiliate of Related, to manage its day-to-day affairs. The Advisor has subcontracted with Related to provide the services contemplated. Through the Advisor, Related offers the Company a core group of experienced staff and executive management providing the Company with services on both a full and part-time basis. These services include, among other things, acquisition, financial, accounting, capital markets, asset monitoring, portfolio management, investor relations and public relations services. The Company believes that it benefits significantly from its relationship with Related, since Related provides the Company with resources that are not generally available to smaller-capitalized, self-managed companies.

The Company has entered into an agreement with the Federal National Mortgage Association ("Fannie Mae") whereby the company will provide first loss protection ("First Loss Obligation") on certain loans originated by Fannie Mae pursuant to a Master Financing and Loss Sharing Agreement (See Note 12 of the Company's financial statements). Through a subsidiary, AMAC/FM Corporation ("AMAC/FM"), and pursuant to a Guaranty and Security Agreement with Fannie Mae, the payment of the First Loss Obligation is guaranteed and secured by AMAC/FM's pledge and grant to Fannie Mae of a security interest on certain assets of AMAC/FM. The Company has not acquired an interest in any of the loans originated on Fannie Mae's behalf. Subsequent to creating this program, the level of loan origination competition has increased, reducing the Company's projected financing volume and profitability. As a result, the Company is de-emphasizing this program and evaluating the possibility of transfering the Company's rights and obligations in this program to a third party.

During January 2001, all of the voting common stock of AMAC/FM, previously owned by the Advisor, was purchased by the Company, the effect of which is to make AMAC/FM a wholly owned subsidiary of the Company. This change was possible due to a change in federal REIT legislation passed in December 1999, allowing REITs to directly own taxable subsidiaries, beginning after the year 2000.

INVESTMENT STRATEGY

Since the Company's 1999 reorganization, the Company's goal has been to increase the return on the Company's asset base by investing in higher yielding assets while balancing risk by maintaining a portion of investments in government agency guaranteed or insured assets and maintaining a conservative capital structure.

The Company invests in the following types of assets:

GOVERNMENT INSURED AND GUARANTEED INVESTMENTS

Generally, the Company seeks to maintain approximately 40% of its mortgage investments in government insured or guaranteed investments, primarily through the acquisition or origination of mortgage loans on multifamily properties, the principal of which is insured by the Federal Housing Authority ("FHA"), and the acquisition of Government National Mortgage Association ("GNMA") mortgage-backed securities and pass-through certificates. The Company may also acquire mortgage-backed securities insured by Fannie Mae or the Federal Loan Mortgage Corporation ("Freddie Mac"). The Company believes that government agency insured lending offers safety, liquidity and moderate yields, while also providing a strong asset base for collateralized borrowing on favorable terms.

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MEZZANINE LOANS

Mezzanine loans are subordinate to senior mortgages and generally include a participating component, such as a right to a portion of the cash flow and refinancing and sale proceeds from the underlying properties.

The Company seeks to capitalize on attractive yields available through the funding of mezzanine debt in combination with origination of government insured multifamily first mortgages. The Company believes that it is one of the few lenders in the country who offer mezzanine loans in conjunction with agency-insured first mortgage loans.

The Company's mezzanine loans typically finance newly constructed or rehabilitated market-rate multifamily properties and generally have terms of 40 years with an option to call the loan on 12 months notice at any time after the 10th anniversary of the mezzanine loan closing. These loans are typically in a subordinated mortgage position, are also secured by equity interests in the borrower and have limited recourse to the borrower for the three years from the date of loan. The Company seeks properties in growing real estate markets with well capitalized developers or guarantors. The Company leverages the expertise of its Advisor and its affiliates in both the initial underwriting of the property, as well as in the ongoing monitoring of the property through construction, lease-up and stabilization.

BRIDGE LOANS

The Company's bridge loans are typically funded in connection with the development of multifamily properties which benefit from the LIHTC program. Due to the equity payment schedule typically associated with LIHTC investment programs, there can be periods in a construction cycle where a developer needs short term capital. To capitalize on this demand, the Company will offer bridge loans to developers with typical terms of approximately 12 months and which are collateralized by the equity interests in the property owner. The Company may also provide bridge loans for properties undergoing rehabilitation by new owners when the rehabilitation process will add significant value to the property and reduce the effective loan-to-value ratio and risk of loss. The Company's loans may finance the initial purchase or the subsequent rehabilitation of a property.

COMMERCIAL MORTGAGE-BACKED SECURITIES

The Company may invest in subordinated CMBS, which offer the advantage of significantly higher yields than government insured and guaranteed investments. The market values of subordinated interest in CMBS and other subordinated securities tend to be more sensitive to changes in economic conditions than senior, rated classes. As a result of these and other factors, subordinated interest generally are not actively traded and may not provide holders with liquidity of investment.

The Company currently invests indirectly in CMBS through a convertible preferred equity investment in ARCap Investors L.L.C. ("ARCap"). ARCap specializes in, and is a recognized industry leader in investing in, non-investment grade and unrated subordinated CMBS. The CMBS which comprise ARCap's portfolio are collateralized by a diverse range of underlying properties including multifamily, retail, office and hotel.

LOAN ORIGINATION PROGRAM WITH FANNIE MAE

In March 2000, the Company entered into a loan origination program with Fannie Mae in which the Company originates, on Fannie Mae's behalf, construction and permanent loans for multifamily properties and receive loss sharing and loan origination fees. Under this program, the Company may originate up to $250 million in loans of no more than $6 million each over a two year period, which may be extended for up to two additional one year periods. In the event the Company was to originate $250 million in loans pursuant to this program, the Company would guarantee a first loss position on these loans equal to the amount lost on the loans of up to a maximum of $21.25 million. Under this program, the Company may also guarantee construction loans for which the Company issued a forward commitment to originate a loan under the Fannie Mae program, with respect to which the Company would guarantee repayment of 100% of such construction loans. As of December 31, 2001, the Company originated one loan, on Fannie Mae's behalf, totaling approximately $2.2 million and made forward commitments for an additional approximate $6.8 million. The maximum exposure under the Fannie Mae program and the forward commitments at December 31, 2001 was $5.9 million. The Company has not acquired an interest in any of the loans the Company has originated on Fannie Mae's behalf.

PORTFOLIO

At December 31, 2001, the Company had total assets of approximately $102 million of which approximately $99.5 million represented mortgage or mortgage-related investments. At December 31, 2001, approximately 57% of the Company's assets consisted of mortgages guaranteed or insured by a United States government agency such as the FHA or the GNMA, or by Fannie Mae. At December 31, 2001, the Company owned $50.1 million in GNMA Certificates and had invested $8.3 million in FHA insured first mortgage loans. The Company generally seeks to maintain 40% of its mortgage investments in government insured or guaranteed investments.

At December 31, 2001, the Company owned $9.5 million in mezzanine loans and $11.4 million in bridge loans funded in connection with the development of multifamily properties which benefit from the Low Income Housing Tax Credit ("LIHTC") program under Section 42 of the Internal Revenue Code. The Company also owned an indirect investment in commercial mortgage-backed securities ("CMBS") through the Company's $20.2 million preferred equity interest in ARCap.

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GNMA CERTIFICATES

As of December 31, 2001, the Company's portfolio included six GNMA Certificates.

GNMA is a wholly owned United States government corporation within the Department of Housing and Urban Development created to support a secondary market in government-insured and guaranteed mortgage loans. GNMA guarantees the timely payment of principal and interest on its securities, which are backed by pools of FHA and other government agency insured or guaranteed mortgages. GNMA Certificates are backed by the full faith and credit of the United States government. GNMA's are widely held and traded mortgage-backed securities and therfore provide a high degree of liquidity.

The yield on the GNMA Certificates will depend, in part, upon the rate and timing of principal prepayments on the underlying mortgages in the asset pool. Generally, as market interest rates decrease, mortgage prepayment rates increase and the market value of interest rate sensitive obligations like the GNMA Certificates increases. As market interest rates increase, mortgage prepayment rates tend to decrease and the relative market value of interest rate sensitive obligations like the GNMAs tends to decrease. The effect of prepayments on yield is greater the earlier a prepayment of principal is received. Certain of the Company's GNMAs that are collateralized by mortgage loans on multifamily properties are generally less subject to prepayment because they have prepayment lockout periods and prepayment penalties.

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GNMA CERTIFICATES

Information relating to the Company's investments in GNMA Certificates as of December 31, 2001 is as follows:

Name	Certificate Number	Date Purchased/ Final Payment Payment Date	Stated Interest Rate	Principal at December 31, 2001	Amortized Cost at December 31, 2001	Unrealized Gain (Loss) December 31, 2001
Western Manor	0355540	7/27/94 3/15/29	7.125%	$2,489,348	$2,480,484	$ 12,983
Copper Commons	0382486	7/28/94 8/15/29	8.500%	2,107,392	2,176,236	(18,865)
SunCoast Capital Group, Ltd.	G22412	6/23/97 4/20/27	7.000%	892,315	892,315	15,300
Hollows Apts.	511908	5/29/01 7/15/02	7.620%	8,481,092	8,481,092	90,086
Elmhurst Village	549390	6/28/01 4/15/04	7.745%	20,844,888	20,844,888	270,729
Reserve at Autumn Creek	448747	6/28/01 7/15/02	7.745%	14,624,253	14,624,253	190,154

Total	$49,439,288	$49,499,268	$560,387

All GNMA Certificates are pledged as collateral for borrowings under repurchase facilities.

FHA INSURED FIRST MORTGAGE LOANS

As of December 31, 2001, the Company's portfolio included one FHA insured first mortgage loan. The FHA is part of the United States Department of Housing and Urban Development created in 1934 under the National Housing Act to insure mortgages made to finance the construction, rehabilitation, purchase and refinancing of multifamily residential housing and other developments. Mortgage loans insured by the FHA generally have 40 year terms, not including any construction period, and are backed by the full faith and credit of the United States. The details of the Company's mortgage loan is as follows:

Property	Location	Carrying Amount	Outstanding Principal Balance	Effective Interest Rate(2)	Maturity
Stony Brooks Village II	East Haven, CT	$8,331,560	$8,331,560	7.525%	June 2037

MEZZANINE FINANCING

Mezzanine loans are subordinate to senior mortgages and may include a participating component, such as a right to a portion of the cash flow and refinancing and sale proceeds from the underlying properties.

The portfolio of mezzanine loans as of December 31, 2001, is summarized in the table below:

Property	Location	Number of Apartment Units	Occupancy	Carrying Amount	Outstanding Principal Balance	Effective Interest Rate(2)
Elmhurst Village	Oveido, FL	313	44.70%(4)	$2,423,556	$2,874,000	10.00%
Hollows Apartments	Greenville, NC	184	66.98%(4)	1,381,131	1,549,200	10.00%
Plaza at San Jacinto(1)	Houston, TX	132	95.50%	1,219,800	1,250,000	11.00%
Reserve at Autumn Creek	Friendswood, TX	212	30.00%(4)	1,884,715	1,987,000	10.00%
Stony Brook Village II	East Haven, CT	125	99.40%	675,715	763,909	15.33%
Club at						

Brazos	Rosenberg, TX	200	(4)	1,882,840	1,962,000	10.00%
Total/ Weighted Average		1,166		$9,467,757	$10,386,109	10.51%(3)

(1) Funded on an earn-out basis based on property performance. Remaining committed balance is $100,000.
(2) Interest on the mezzanine loans is based on a fixed percentage of the unpaid principal balance of the related first mortgage loan. The amount shown is the approximate effective rate earned on the balance of the mezzanine loan. The mezzanine loans also provide for payments of additional interest based on a percentage of cash flow remaining after debt service (generally 50%) and participation in sale or refinancing proceeds (generally 25%) and certain provisions that cap the Company's total yield, including additional interest and participations, over the term of the loan.
(3) Weighted average based on outstanding mortgage balance.
(4) Construction not complete and occupancy figure reflects current occupancy as a ratio of total planned units.

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BRIDGE LOANS

The Company's bridge loans are typically funded in connection with the development of multifamily properties which benefit from the LIHTC program. The Company may also provide bridge loans for properties undergoing rehabilitation by new owners when the rehabilitation process will add significant value to the property and reduce the effective loan-to-value ratio and risk of loss. The Company's loans may finance the initial purchase or the subsequent rehabilitation. From time to time, the Company may make bridge loans to properties that do not benefit from the LIHTC program.

The portfolio of bridge loans as of December 31, 2001 is summarized in the table below:

Property	Location	Number of Apartment Units	Carrying Amount	Outstanding Principal Balance	Remaining Committed Balance to Fund	Interest Rate
Alexandrine	Detroit, MI	30	$ 375,234	$ 378,000 (1)	$ --	12.50%
Coronado Terrace	San Diego, CA	312	551,853	581,360 (1)	1,418,640	11.00%
Miami Sunset Bay	Miami, FL	308	1,444,180	1,450,000 (1)	--	12.50%
Plaza Manor	National City, CA	372	766,193	777,279	722,721	11.00%
Rancho Verde	San Jose, CA	700	2,789,780	2,803,157	1,696,843	11.00%
Vista Terrace Hills	San Ysidro, CA	262	1,891,649	1,900,000	--	11.00%
Concorde at Palm	Houston, TX	360	3,554,050	3,589,743	260,257	12.00%

Total	2,344	$11,372,939	$11,479,539	$4,098,461

(1) Funded on an as needed basis.

Additional information regarding the Company's FHA and Mezzanine loans is summarized in the following table:

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MORTGAGE LOANS

Information relating to the Company's investments in Mortgage Loans as of December 31, 2001 is as follows:

Property	Description	Final Maturity Date	Call Date (F)	Intere
FIRST MORTGAGE LOANS (D):				
STABILIZED PROPERTIES				
Columbiana Lakes				
Columbia, SC (J)	204 Units	11/35		7.
Stony Brook II				
East Haven, CT	125 Units	6/37	12/06	7.6
Subtotal First Mortgage Loans				
MEZZANINE LOANS (E):				
STABILIZED PROPERTIES				
Columbiana Lakes				
Columbia, SC (J)	204 Units	11/35	4/99	20.
Stony Brook II				
East Haven, CT	125 Units	6/37	12/06	15.
Plaza at San Jacinto				
Houston, TX (G)	132 Units	1/43	6/11	11.
Subtotal Stabilized Mezzanine Loans				
PROPERTIES IN CONSTRUCTION				
The Hollows				
Greenville, NC	184 Units	1/42	TBD	10.
Elmhurst Village				
Oveido, FL	313 Units	1/42	TBD	10.
The Reserve at Autmn Creek				
Friendswood, TX	212 Units	1/42	TBD	10.
Club at Brazos (G)				
Rosenberg, TX	200 Units	5/43	TBD	10.
Subtotal Construction Mezzanine Loans				
Subtotal Mezzanine Loans				
Total Mortgage Loans				

Property	Prior Liens	Outstanding Face Amount of Mortgages (k)	Carrying Amount of Mortgages (I)	E
FIRST MORTGAGE LOANS (D):				
STABILIZED PROPERTIES				
Columbiana Lakes				
Columbia, SC (J)	$ --	$ --	$ --	
Stony Brook II				
East Haven, CT	--	8,331,560	8,331,560	
Subtotal First Mortgage Loans		8,331,560	8,331,560	
MEZZANINE LOANS (E):				
STABILIZED PROPERTIES				
Columbiana Lakes				
Columbia, SC (J)	--	--	--	
Stony Brook II				
East Haven, CT	8,331,560	763,909	675,715	
Plaza at San Jacinto				
Houston, TX (G)	6,638,300	1,250,000	1,219,800	
Subtotal Stabilized Mezzanine Loans		2,013,909	1,895,515	
PROPERTIES IN CONSTRUCTION				
The Hollows				
Greenville, NC	8,481,092 (H)	1,549,200	1,381,131	
Elmhurst Village				
Oveido, FL	20,844,888 (H)	2,874,000	2,423,556	
The Reserve at Autmn Creek				
Friendswood, TX	14,624,253 (H)	1,987,000	1,884,715	
Club at Brazos (G)				
Rosenberg, TX	14,363,800	1,962,000	1,882,840	
Subtotal Construction Mezzanine Loans		8,372,200	7,572,242	
Subtotal Mezzanine Loans		10,386,109	9,467,757	
Total Mortgage Loans		$18,717,669	$17,799,317	

(A) Requires monthly payments of principal and interest based on a 40 year amortization period. Loans are subject to 5-year lockouts against prepayments, as well as a prepayment penalty structure during the second 5-year term of the loans.

(B) Interest only payments are due monthly, with loan balance due at maturity.

(C) Interest on the mezzanine loans is based on a fixed percentage of the unpaid principal balance of the related first mortgage loan (prior liens). The amount shown is the approximate effective rate earned on the balance of the mezzanine loan. The mezzanine loans also provide for payments of additional interest based on a percentage of cash flow remaining after debt service (generally 50%) and participation in sale or refinancing proceeds (generally 25%) and certain provision that cap the Company's total yield including additional interest and participation over the term of the loan.

(D) Interest and principal payments on first mortgage loans are insured by the U.S. Department of Housing and Urban Development.

(E) The principal balance of the mezzanine loans is secured by the partnership interests of the entity that owns the underlying property and a third mortgage deed of trust. Interest payments on the mezzanine loans are secured by a second mortgage deed of trust and are guaranteed for the first thirty six months after construction completion by an entity related to the general partner of the entity that owns the underlying property.

(F) Loans are subject to mandatory prepayment at the option of the Company 10 years after construction completion, with one year's notice.

(G) The funding of this mezzanine loan is based on property level operational achievements. The Company does not hold the first mortgage loan relating to this mezzanine loan.

(H) The first mortgage loans related to those properties were converted into GNMA Certificates and are held by the Company.

(I) Carrying amounts of the mezzanine loans include unamortized origination costs and fees.

(J) During the third quarter of 2001, the Company arrived at a negotiated settlement with the borrower under the Columbiana Lakes loans. Under this agreement, the Company received approximately $9.3 million on October 1, 2001, in full settlement of the first mortgage loan and mezzanine loan, resulting in a loss on repayment of approximately $251,000, which was recorded during the year ended 2001.

(K) No principal amounts of mortgage loans are subject to delinquent interest as of December 31, 2001.

COMMERCIAL MORTGAGE-BACKED SECURITY-RELATED INVESTMENT AND SHORT SALE; INVESTMENT IN ARCAP

On September 30, 1999, the Company acquired from ARCap, a "BB+" rated subordinated CMBS from a Chase Manhattan Bank-First Union Nation Bank commercial mortgage trust. The CMBS investment, which was purchased for $35,622,358, had a face amount of $50,399,711 and an annual coupon rate of 6.4%. The Company purchased the CMBS investment using cash and debt provided through the Bear Stearns repurchase facility (see Repurchase Facilities below). In connection with this acquisition, the Company entered into an agreement (the "Agreement") with ARCap. Under the Agreement, the Company had the right to sell the CMBS investment to ARCap and purchase a preferred equity position in ARCap, all based on the then fair value of the CMBS investment. ARCap invests primarily in subordinated CMBS. As of December 31, 2001, ARCap had over $596 million in assets.

On September 30, 1999, in order to mitigate the potential income statement effect of changes in the fair value of its CMBS investment caused by changes in interest rates, the Company entered into a short sale involving the sale of a U.S. Treasury Note with a face amount of $39,327,000 and an annual coupon rate of 5.625% borrowed from Bear Stearns & Co., Inc. ("Bear Stearns"). On March 16, 2000, the Company replaced the borrowed security by purchasing such security through Bear Stearns, and entered into an additional short sale contract involving the sale of a U.S. Treasury Note with a face amount of $34,512,000 and an annual coupon rate of 6.0% borrowed from Bear Stearns. On November 1, 2000, the Company terminated the short sale in connection with its sale of the associated CMBS investment.

On November 1, 2000, the Company, in accordance with the Agreement, sold the CMBS investment to ARCap and repaid its borrowing under the Bear Stearns repurchase facility, closed out its short sale position (see below), and purchased a preferred equity interest in ARCap in the face amount of $20,000,000, with a preferred dividend rate of 12%. This preferred equity interest was recorded at $19,640,637, representing the fair value of the CMBS investment at the date of the transaction, less the Bear Stearns repurchase facility repayment plus approximately $3.5 million in cash paid to ARCap.

Through the Company's convertible preferred membership interests in ARCap Investors L.L.C., it has a substantial indirect investment in CMBS owned by ARCap. ARCap was formed in January 1999 by REMICap, an experienced CMBS investment manager, and Apollo Real Estate Investors, the real estate arm of one of the country's largest private equity investors. In conjunction with a preferred equity offering, REMICap and ARCap merged, making ARCap the only internally-managed investment vehicle exclusively investing in subordinated CMBS. As of December 31, 2001, ARCap had $596 million in assets, including investments in $565 million of CMBS. Multifamily properties underlie approximately one-third of ARCap's CMBS.

The Company's equity in the earnings of ARCap will generally be equal to the preferred equity rate of 12% , unless ARCap does not have earnings and cash flows adequate to meet this distribution requirement. ARCap has met its distribution requirements to the Company to date. Yields on CMBS depend, among other things, on the rate and timing of principal payments, the pass-through rate, interest rate fluctuations and defaults on the underlying mortgages. The Company's interest in ARCap is illiquid and the Company would need to obtain the consent of the board of managers of ARCap before it could transfer its interest in ARCap to any party other than a current member. The carrying amount of the investment in ARCap is not necessarily representative of the amount the Company would receive upon a sale of the interest.

ARCap has informed its members that it intends to shift its focus to CMBS fund management, whereby ARCap will manage CMBS investment funds raised from third-party investors. ARCap will generally be a minority investor in these funds. ARCap thereby intends to diversify its revenue base by increasing its proportion of revenue derived from fees as opposed to interest income.

LOAN ORIGINATION PROGRAM WITH FANNIE MAE

In March 2000, the Company entered into a loan origination program with Fannie Mae in which the Company originates, on Fannie Mae's behalf, construction and permanent loans for multifamily properties and receive loss sharing and loan origination fees. Fannie Mae is the United States' largest source of financing for residential mortgages and the largest investor in multifamily mortgages.

Under this program, the Company may originate up to $250 million in loans of no more than $6 million each over a two year period, which may be extended for up to two additional one year periods. In the event the Company was to originate $250 million in loans pursuant to this program, the Company would guarantee a first loss position on these loans equal to the amount lost on the loans of up to a maximum of $21.25 million. Under this program, the Company may also guarantee construction loans for which the Company issued a forward commitment to originate a loan under the Fannie Mae program, with respect to which the Company would guarantee repayment of 100% of such construction loans. As of December 31, 2001, the Company originated one loan, on Fannie Mae's behalf, totaling approximately $2.2 million and made forward commitments for an additional approximate $6.8 million. The maximum exposure under the Fannie Mae program and the forward commitments at December 31, 2001 was $5.9 million. The Company has not acquired an interest in any of the loans the Company has originated on Fannie Mae's behalf.

Since entering into the loan program, the level of loan origination competition has increased, reducing the Company's projected financing volume and profitability. As a result, the Company is de-emphasizing this program and evaluating the possibility of transferring its rights and obligations in the loan program to a third party.

In order to conduct the program, the Company organized AMAC/FM Corporation, which, as of January 1, 2001, was a wholly owned Delaware corporation. From time to time, the Company expects to make capital contributions or loans to AMAC/FM in order to ensure that it has sufficient net worth to satisfy its obligations under the Fannie Mae program. On April 4, 2000, the Company transferred the Stony Brook Village II Apartments FHA first mortgage loan with a principal balance at December 31, 2001 of $8.3 million to AMAC/FM. As of January 1, 2001, AMAC/FM is treated, for federal income tax purposes, as a taxable REIT subsidiary.

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The following table provides information relating to the loans originated on Fannie Mae's behalf.

Property	Location	Number of Apartment Units	Loan Amount	S (a
Valley View	Cedar Rapids, IA	96	$2,187,000	
Hillside Apartments(1)	Minden, LA	60	1,278,000	
Alexandrine Square(1)	Detroit, MI	30	342,000	
Maple Ridge Apartments(1)	Jackson, MI	69	1,137,000	
Cameron Creek Apartments	Dade Country, FL	148	3,000,000	
Desert View Apartments(1)	Coolidge, AZ	372	1,011,000	
		775	$8,955,000	

(1) Currently a construction loan with First Union National Bank, which AMAC has fully guaranteed. Once the underlying prop erty achieves 90% occupancy for a period of 90 days and net income of 1.15x debt service, this construction loan will be re placed by permanent financing through the Company's loan program with Fannie Mae.

REPURCHASE FACILITIES

On September 30, 1999, the Company entered into a repurchase facility with Bear Stearns (the "Bear Stearns Repurchase Facility"), whereby Bear Stearns advanced $19,568,000 in cash towards the purchase of the CMBS-related investment. The Bear Stearns Repurchase Facility had a variable interest rate based on the one-month LIBOR rate plus 1.5%, which is adjusted on the first day of each month. The Bear Stearns Repurchase Facility was repaid November 1, 2000 in connection with the CMBS sale discussed above.

Effective February 15, 2000, the Company entered into a $60 million FHA repurchase facility (the "Nomura Repurchase Facility") with Nomura Asset Capital Corporation. This facility enables the Company to borrow up to 90% with a qualified hedge or 80% without a qualified hedge of the fair market value of FHA loans owned by the Company. The Nomura Repurchase Facility has a term of 364 days and bears interest at LIBOR plus 1.25%. As of December 31, 2001, there was no balance outstanding under this facility. This repurchase facility was not renewed in 2002.

Effective February 15, 2000, the Company entered into a repurchase facility with Nomura Securities International, Inc. (the "Nomura Securities Repurchase Facility"). This facility enables the Company to borrow up to 95% of the fair market value of qualified mortgage securities owned by the Company. Generally, borrowings bear interest at LIBOR plus 0.50%. As of December 31, 2001, the amount outstanding under this facility was $43,610,000, the interest rate was 2.58%. All amounts outstanding at December 31, 2001 had 30 day settlement terms.

COMPETITION

The Company competes with various financial institutions in each of its lines of business. For CMBS investments, competitors include major financial institutions that sponsor CMBS conduits, pension funds, REITs and finance companies that specialize in CMBS investment management. The Company competes with banks and quasi-governmental agencies such as Fannie Mae, Freddie Mac and HUD, as well as their designated mortgagees, for multifamily loan product.

The Company's business is also affected by competition to the extent that Underlying Properties from which it derives interest and, ultimately, principal payments may be subject to rental rates and relative levels of amenities from comparable neighboring properties.

EMPLOYEES AND MANAGEMENT

The Company does not directly employ anyone. All services are performed for the Company by the Advisor and its affiliates. The Advisor receives compensation in connection with such activities as set forth in Item 8, Financial Statements and Supplementary Data, Item 11, Executive Compensation and Item 13, Certain Relationships and Related Transactions. In addition, the Company reimburses the Advisor and certain of its affiliates for expenses incurred in connection with the performance by their employees of services for the Company in accordance with the Declaration of Trust.

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Item 2. Properties.

The Company does not own or lease any properties.

Item 3. Legal Proceedings.

The Company is not a party to any material pending legal proceedings.

Item 4. Submission of Matters to a Vote of Shareholders.

None.

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PART II

Item 5. Market for the Registrant's Common Stock and Related Shareholder Matters.

As of March 14, 2002, there were 249 registered shareholders owning 6,338,630 Shares. The Company's Shares have been listed on the American Stock Exchange since July 1, 1999 under the symbol "AMC". Prior to July 1, 1999, there was no established public trading market for the Company's Shares.

The high and low prices for each quarterly periods in which the Shares were traded is as follows:

Quarter Ended	2001 Low	2001 High	2000 Low	2000 High
March 31	$ 7.500	$11.250	$7.875	$9.000
June 30	$ 9.600	$12.000	$8.125	$9.688
September 30	$10.930	$15.500	$7.875	$8.938
December 31	$12.600	$14.800	$7.250	$8.938

The last reported sale price of Shares on the American Stock Exchange on March 14, 2002 was $13.35.

In February 2002, the Company sold to the public 2.5 million common shares at a price of $13.50 per share. The net proceeds from this offering, approximately $31 million, net of underwriter's discount and expenses, will be used to make additional investments.

INCENTIVE SHARE OPTION PLAN

The Company adopted an incentive share option plan (the "Incentive Share Option Plan") to attract and retain qualified persons as trustees and officers and to provide incentive to and more closely align the financial interests of the Advisor and its employees and officers with the interests of the Company's shareholders by providing the Advisor with substantial financial interest in the Company's success. The compensation committee (the "Compensation Committee"), which is comprised of Messrs. Allen and Fisch, administers the Incentive Share Option Plan. Pursuant to the Incentive Share Option Plan, if the Company's distributions per share in the immediately preceding calendar year exceed $1.45 per share, the Compensation Committee has the authority to issue options to purchase, in the aggregate, that number of shares which is equal to three percent of the shares outstanding as of December 31 of the immediately preceding calendar year, provided that the Compensation Committee may only issue, in the aggregate, options to purchase a maximum number of shares over the life of the Incentive Share Option Plan equal to 383,863 shares (10% of the shares outstanding on December 31, 2001). If the Compensation Committee does not grant the maximum number of options in any year, then the excess of the number of authorized options over the number of options granted in such year will be added to the number of authorized options in the succeeding year and will be available for grant by the Compensation Committee in such succeeding year. All options granted by the Compensation Committee will have an exercise price equal to or grater than the fair market value of the share on the date of the grant. The maximum option term is ten years from the date of grant. All share options granted pursuant to the Incentive Share Option Plan may vest immediately upon issuance or in accordance with the determination of the Compensation Committee. No options were granted for the years ended December 31, 2000 and 2001.

DISTRIBUTION INFORMATION

Cash distributions per share for the years ended December 31, 2001 and 2000 are as set forth in the following table:

Cash Distribution for Quarter Ended	Date Paid	Per Share	Total Amount Distributed
March 31, 2001	5/15/01	$ .3625	$1,391,504
June 30, 2001	8/14/01	.3625	1,391,504
September 30, 2001	11/14/01	.3625	1,391,504
December 31, 2001	2/14/02	.3625	1,391,503
Total for 2001		$1.4500	$5,566,015
March 31, 2000	5/15/00	$ .3625	$1,391,504
June 30, 2000	8/14/00	.3625	1,391,504
September 30, 2000	11/14/00	.3625	1,391,504
December 31, 2000	2/14/01	.3625	1,391,503
Total for 2000		$1.4500	$5,566,015

There are no material legal restrictions upon the Company's present or future ability to make distributions in accordance with the provisions of the Declaration of Trust. Future distributions paid by the Company will be at the discretion of the Trustees and will depend on the actual cash flow of the Company, its financial condition, capital requirements and such other factors as the Trustees deem relevant.

In order to qualify as a REIT under the Internal Revenue Code, as amended, the Company must, among other things, distribute at least 90% of its taxable income. The Company believes that it is in compliance with the REIT-related provisions of the Code.

Of the total distributions of $5,566,015 for each of the years ended December 31, 2001 and 2000 $378,952 ($.10 per share or 6.81%) and $2,248,259 ($.59 per share or 40%), respectively, represented a return of capital determined in accordance with generally accepted accounting principles. As of December 31, 2001, the aggregate amount of the distributions made since the commencement of the initial public offering representing a return of capital, in accordance with generally accepted accounting principles, totaled $14,496,679. The portion of the distributions which constituted a return of capital was made in order to maintain level distributions to shareholders.

Item 6. Selected Financial Data.

The information set forth below presents selected financial data of the Company. Additional financial information is set forth in the audited financial statements and footnotes thereto contained in Item 8, Financial Statements and Supplementary Data.

	Year Ended December 31,			
OPERATIONS	2001	2000	1999	1998
Total revenues	$ 8,097,856	$ 8,311,139	$ 5,507,582	$ 4,031
Total expenses	2,660,003	4,765,841	2,301,293	647
Income before other gain (loss)	5,437,853	3,545,298	3,206,289	3,384
Total other gain (loss)	(250,789)	(227,541)	3,054,011	12
Net income	$ 5,187,064	$ 3,317,757	$ 6,260,300	$ 3,396
Net income per share (basic and diluted)	$ 1.35	$ .86	$ 1.63	$
Weighted average shares outstanding (basic and diluted)	3,838,630	3,838,630	3,841,931	3,845

	December 31,			
FINANCIAL POSITION	2001	2000	1999	1998
Total assets	$101,981,560	$70,438,313	$115,565,441	$59,993
Repurchase facility payable	$ 43,610,000	$12,655,940	$ 19,127,000	$
Total liabilities	$ 46,702,078	$15,362,440	$ 58,474,076	$ 1,788
Total shareholders' equity	$ 55,279,482	$55,075,873	$ 57,091,365	$58,204
DISTRIBUTIONS				
Distributions to shareholders	$ 5,566,015	$ 5,566,015	$ 5,543,580	$ 5,566
Distribution per share	$ 1.450	$ 1.450	$ 1.444	$ 1

The results for the year ended December 31, 1999 reflect a gain on repayment of two mortgage loans.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

LIQUIDITY AND CAPITAL RESOURCES

Effective April 26, 1999, upon authorization by the Board of Trustees, the Company's name was changed from American Mortgage Investors Trust to American

Mortgage Acceptance Company. The Company's shares of beneficial interest (the "Shares") commenced trading on the American Stock Exchange on July 1, 1999 under the symbol "AMC". As of December 31, 2001, there were 3,838,630 Shares outstanding.

The Company's business plan focuses on government insured and uninsured mortgages secured by multifamily properties, which may take the form of government insured first mortgages and uninsured mezzanine loans, construction loans, and bridge loans. Additionally, the Company has indirectly invested in subordinate commercial mortgage-backed securities and may invest in other real estate assets, including non-multifamily mortgages.

During the year ended December 31, 2001, cash and cash equivalents decreased approximately $615,000 primarily due to proceeds from repayments of mortgage loans, $9,246,000, distributions from ARCap, $2,196,000 and proceeds from repurchase facilities, $62,030,000, which was less than cash used for funding of notes receivable $9,959,000, distributions paid to shareholders $5,566,000, an increase in investment in GNMA Certificates $6,506,000, an increase in investment in mortgage loans $24,661,000 and an increase in repayments of repurchase facilities payable, $31,076,000.

The net unrealized gains on GNMA investments included in shareholders' equity aggregated $560,387 at December 31, 2001 consisted of gross unrealized gains and losses of $579,252 and $18,865, respectively. This represents an increase of $582,560 from the unrealized loss of $22,173 in December 31, 2000.

The yield on the GNMA Certificates will depend, in part, upon the rate and timing of principal prepayments on the underlying mortgages in the asset pool. Generally, as market interest rates decrease, mortgage prepayment rates increase and the market value of interest rate sensitive obligations like the GNMA Certificates increases. As market interest rates increase, mortgage prepayment rates tend to decrease and the market value of interest rate sensitive obligations like the GNMA Certificates tends to decrease. The effect of prepayments on yield is greater the earlier a prepayment of principal is received.

The yield on the mortgage loans will depend, in part, on when, and if, the Company disposes of the mortgage loans prior to maturity or the obligor fully repays the outstanding debt. The first mortgage loans have fixed interest rates, the base amount of which is insured by HUD, resulting in a minimal amount of interest rate risk. The effects of prepayment on yield is greater the earlier a prepayment of principal is received. Due to the uncertainty of future economic and other factors that affect interest rates and mortgage prepayments, it is not possible to predict the effects of future events upon the yield to maturity or the market value of the mortgage loans upon any sale or other disposition or whether the Company, if it chose to, would be able to reinvest proceeds from prepayments at favorable rates relative to the current mortgage loan rates.

The Company finances the acquisition of the Company's assets primarily through borrowing at short-term rates using demand repurchase agreements. Under the Company's declaration of trust, the Company may incur permanent indebtedness of up to 50% of total market value calculated at the time the debt is incurred. Permanent indebtedness and working capital indebtedness may not exceed 100% of the Company's total market value. In February of 2002, the Company sold 2.5 million common shares at a price of $13.50 per share, raising net proceeds of approximately $31 million. The Company expects to raise additional funds for investment through further common offerings in 2002.

Effective February 15, 2000, the Company entered into a $60 million FHA repurchase facility (the "Nomura Repurchase Facility") with Nomura Asset Capital Corporation. This agreement enables the Company to borrow up to 90% with a qualified hedge or 80% without a qualified hedge of the fair market value of FHA loans owned by the Company. The Nomura Repurchase Facility has a term of 364 days and bears interest at LIBOR plus 1.25%. As of December 31, 2001, there was no balance outstanding under this facility. This repurchase facility was renewed for $40 million in February 2001, with a one time option to increase the facility to $60 million for a term of one year. This facility was not renewed.

Effective February 15, 2000, the Company entered into a repurchase facility with Nomura Securities International, Inc. (the "Nomura Securities Repurchase Facility"). This agreement enables the Company to borrow up to 95% of the fair market value of qualified mortgage securities owned by the Company. Borrowings bear interest at LIBOR plus 0.50%. During 2001, the Company converted $37.4 million of its FHA mortgage loans into GNMA certificates in order to use such assets as collateral under this financing program. As of December 31, 2001, the amount outstanding under this facility was $43,610,000, the interest rate was 2.58%. All amounts outstanding at December 31, 2001, had 30 day settlement terms.

In order to qualify as a REIT under the Internal Revenue Code, as amended, the Company must, among other things, distribute at least 90% of its taxable income. The Company believes that it is in compliance with the REIT-related provisions of the Code.

The Company expects that cash generated from the Company's investments will meet its needs for short-term liquidity, and will be sufficient to pay all of the Company's expenses and to make distributions to its shareholders in amounts sufficient to retain the Company's REIT status in the foreseeable future.

Pursuant to the Redemption Plan which became effective November 30, 1994, the Company was required to redeem eligible shares presented for redemption for cash to the extent it had sufficient net proceeds from the sale of shares under the Reinvestment Plan. As a result of the adoption of the Proposals, the Company's Reinvestment Plan and Redemption Plan have been terminated, effective with the distribution for the quarter ended March 31, 1999. The final reinvestment of shares occurred on May 15, 1999. The final redemption of shares occurred on May 24, 1999.

ACQUISITIONS

During the year ended December 31, 2001, the Company acquired the following investments:

MEZZANINE LOANS

On May 24, 2001, the Company funded an original advance of $975,000 on a total potential mezzanine loan of $1,250,000 secured by a 132 unit apartment unit project known as The Plaza at San Jacinto Park located in La Porte, Texas. On November 20, 2001, the Company funded the balance of this loan. The loan is subordinate to a first mortgage loan of approximately $6.6 million. The interest on the mezzanine loan is based on a fixed percentage of unpaid principal balance of the first mortgage loan, which for this loan is an effective interest rate of 11%.

On December 19, 2001, the Company funded an original advance of $1,962,000 on a total potential mezzanine loan of $2,523,000 secured by a 200 unit apartment complex located in Rosenberg, Texas, known as the Club at Brazos. The loan is subordinate to a first mortgage loan of approximately $14.4 million. The interest on the mezzanine loan is based on a fixed percentage of unpaid principal balance of the first mortgage loan, which for this loan is approximately 10%.

Additionally, during 2001, the Company converted three FHA mortgage loans to GNMA Certificates. Doing so allowed the Company to finance these assets at a lower interest rate and higher leverage available under the Nomura Securities Repurchase Agreement. This conversion resulted in an additional $11 million in borrowings of which approximately $6.5 million was used to repay borrowings under the Nomura Repurchase Facility and $4.5 million was used for further investments.

BRIDGE LOANS

On July 30, 2001, the Company entered into a commitment to fund a maximum bridge loan of $2,000,000 secured by a 312 unit apartment complex located in San Diego, CA. known as Coronado Terrace. At December 31, 2001, the Company had funded $581,360. The loan bears an interest rate of 11% and matures in December 2002.

On September 28, 2001, the Company fully funded a bridge loan of $378,000, secured by a 30 unit apartment complex located in Detroit, MI, known as Alexandrine Square. The loan bears an interest rate of 12.5% and matures in August 2002.

On December 28, 2001, the Company funded an initial advance of approximately $3,590,000 on a total potential bridge loan of $3,850,000, secured by a 360 unit apartment complex located in Houston, Texas, known as the Concord at Palm Center. The loan has a maximum term of 24 months and bears interest at 12% per annum.

COMMITMENTS AND CONTINGENCIES

The Company completed a loan program with Fannie Mae which has agreed to fully fund the origination of $250 million of Delegated Underwriter and Servicer loans for apartment properties that qualify for low income housing tax credits under Section 42 of the Internal Revenue Code. Under the terms of the loan program, the Company will originate and contract for individual loans of up to $6 million dollars each over a two-year period, which may be extended for up to two additional one year periods. In the event the Company was to originate $250 million in loans pursuant to this program, the Company would be required to guarantee a first loss position equal to the amount lost on the loans up to a maximum of $21.25 million depending on the aggregate principal amount of the loans the Company originates. In connection with this program, the Company has also guaranteed construction loans for which it has issued a forward commitment to originate a loan under the Fannie Mae program, with respect to which it guarantees repayment of 100% of such construction loans. As of December 31, 2001, the Company has originated one loan totaling approximately $2.2 million under the Fannie Mae program and has made forward commitments for an additional approximate $6.8 million. The Company's maximum guarantee at December 31, 2001 was $5.9 million. The Company has not acquired an interest in any of the loans the Company originated in Fannie Mae's behalf.

Since entering into the loan program, the level of loan origination competition has increased, reducing the Company's projected financing volume and profitability. As a result, the Company is de-emphasizing this program and evaluating the possibility of transferring its rights and obligations in the loan program to a third party.

Management is not aware of any trends or events, commitments or uncertainties, which have not otherwise been disclosed that will or are likely to impact liquidity in a material way.

CRITICAL ACCOUNTING POLICIES

The Company has several accounting policies that require significant judgments to be made by Company management.

The Company's portfolio of mortgage loans and notes must be periodically evaluated for possible impairment, and appropriate loan loss reserves established. As of December 31, 2001, all mortgage loans and notes are current and management has determined that none of the Company's loans or notes are impaired, and no loan loss reserve is necessary.

The Company's GNMA Certificates are carried at estimated fair values. Changes in these valuations do not impact the Company's income or cash flows, but affect shareholders' equity. GNMA Certificates are relatively liquid investments, and Company management estimates their values by reference to the valuations assigned by the Company's repurchase lender.

The Company has a loan program with Fannie Mae, under which the Company guarantees a first loss position on loans originated by the Company and funded by Fannie Mae. Company management must evaluate the Company's exposure to probable losses under this guarantee and record reserves, if necessary. At December 31, 2001, the Company's maximum guarantee under this program was $5.9 million. The Company has experienced no losses under this program to date and no reserves for probable losses were deemed necessary as of December 31, 2001.

The Company's mezzanine investments include provisions that allow the Company to participate in a percentage of the underlying property's excess cash flows from operations and upon sale or refinancing. At the inception of each such loan, Company management must determine whether such investment should be accounted for as a loan, joint venture or as real estate. Considerable judgement is involved in making this determination, which affects the balance sheet classification of the investment as well as recognition of revenues derived therefrom. The Company considers the borrower's equity, the amount of the Company's participation, the contractual cap, if any, on total yield to the Company over the term of the loan, market yields on comparable loans, borrower guarantees, and other factors in making its assessment of the proper accounting. To date, the Company has determined that all mezzanine investments are properly accounted for as loans.

RESULTS OF OPERATIONS

COMPARISON OF YEARS ENDED DECEMBER 31, 2001 AND 2000

Interest income from mortgage loans increased approximately $1,208,000 for the year ended December 31, 2001 as compared to 2000 primarily due to the interest earned by Stonybrook while held by AMAC/FM (which was consolidated in 2001 but not in 2000) and the additional principal advances to the Hollows, Elmhurst Village and Autumn Creek prior to the conversion to GNMA Certificates offset by the repayment of the Town and Country mortgage loan in March 2000.

Interest income from GNMA Certificates increased approximately $1,822,000 for the year ended December 31, 2001 as compared to 2000 primarily due to the conversion of three mortgage loans to GNMA Certificates.

Interest income from commercial mortgage-backed security-related investment in the amount of approximately $3,189,000 was recorded for the year ended December 31, 2000; such investment was sold October 2000.

Interest income from notes receivable decreased approximately $79,000 for the year ended December 31, 2001 as compared to 2000 primarily due to AMAC/FM becoming consolidated in 2001 partially offset by investments in additional notes in 2000 and 2001.

Interest income from temporary investments decreased approximately $2,012,000 for the year ended December 31, 2001 as compared to 2000 of which approximately $353,000 was due to the reduced balances of temporary investments and $1,659,000 was due to termination of the deposits with brokers held as collateral for short sales.

Equity in earnings of ARCap increased approximately $1,999,000 for the year ended December 31, 2001 as compared to 2000 due to the investment being acquired in October 2000.

Other income increased approximately $38,000 for the year ended December 31, 2001 as compared to 2000 primarily due to the guaranty and extension fees on loans in the Fannie Mae program.

Interest expense decreased approximately $1,966,000 for the year ended December 31, 2001 as compared to 2000 primarily due to the termination of the Bear Stearns Repurchase Facility and closing out of government securities sold short positions partially offset by higher interest expense related to Nomura Securities repurchase facilities due to higher outstanding balance.

Fees to the manager decreased approximately $168,000 for the year ended December 31, 2001 as compared to 2000 primarily due to a decrease in asset management fees payable to the Advisor due to the sale of commercial mortgage-backed security-related investment and a decrease in the public funds allocation.

Amortization increased approximately $28,000 due to acceleration of the amortization of deferred costs relating to the Nomura Repurchase Facility.

A gain on the repayment of mortgage loans in the amount of approximately $14,000 was recorded for the year ended December 31, 2000 relating to the repayment of the Town and Country mezzanine loan and FHA insured mortgage loan on January 21, 2000. A loss in the amount of approximately $251,000 was recognized during the year ended December 31, 2001 relating to the repayment of the Columbiana loans.

A net loss on the commercial mortgage-backed security-related investment and government securities sold short in the amount of approximately $300,000 was recorded for the year ended December 31, 2000. These positions were liquidated in October 2000.

COMPARISON OF YEARS ENDED DECEMBER 31, 2000 AND 1999

Interest income from mortgage loans decreased approximately $1,005,000 for the year ended December 31, 2000 as compared to 1999 primarily due to the repayment of the Town and Country mortgage loan, contribution of Stonybrook FHA Loan to an unconsolidated subsidiary and the recognition in 1999 of additional interest income related to the Columbiana loan, which had been reserved in 1998. This was partially offset by increases due to the three new loans acquired during 2000.

Interest income from GNMA Certificates decreased approximately $313,000 for the year ended December 31, 2000 as compared to 1999 primarily due to the repayment of one of the GNMA Certificates in January 2000.

Interest income from commercial mortgage-backed security-related investment increased approximately $2,239,000 for the year ended December 31, 2000 due to a longer holding period for the investment.

Interest income from note receivable increased approximately $361,000 for the year ended December 31, 2000 primarily due to a loan made to an unconsolidated subsidiary in March 2000.

Interest income from temporary investments increased $992,000 for the year ended December 31, 2000 as compared to 1999 due to an increase in the amounts invested which was $2,084,000 and $1,093,000, respectively.

Dividend income in the amount of $401,000 was reported for the year ended December 31, 2000 due to the investment in ARCap preferred stock which was purchased in October 2000.

Other income increased approximately $128,000 for the year ended December 31, 2000 as compared to 1999 due to a loan origination fee and the interest income of a bridge loan.

Interest expense increased $2,465,000 for the year ended December 31, 2000 as compared to 1999 due to the repurchase facilities and the US treasury note transactions.

General and administrative expenses increased approximately $280,000 for the year ended December 31, 2000 as compared to 1999 due to a usage fee for the Nomura repurchase facilities, increased asset management fees and increased advertising. This was partially offset by a decrease in the incentive management fee.

Amortization costs in the amount of $85,000 were expensed for the year ended December 31, 2000 relating to Nomura deferred costs of the Nomura repurchase facilities.

A net loss on the commercial mortgage-backed security-related investment and government security sold short position in the amount of approximately $300,000 was recorded for the year ended December 31, 2000, as opposed to $218,000 for 1999. This was due to fluctuations in the market values of those positions during 1999 and 2000, until their sale on October 31, 2000.

DISTRIBUTIONS

Of the total distributions of $5,566,015 for the years ended December 31, 2001 and 2000, $378,952 ($.10 per share or 6.81%) and, $2,248,259 ($.59 per share or 40%), respectively, represented a return of capital determined in accordance with generally accepted accounting principles. As of December 31, 2001, the aggregate amount of the distributions made since the commencement of the initial public offering representing a return of capital, in accordance with generally accepted accounting principles, totaled $14,496,679. The portion of the distributions which constituted a return of capital was made in order to maintain level distributions to shareholders.

RECENTLY ISSUED ACCOUNTING STANDARDS

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It was implemented by the Company on January 1, 2001. Because the Company does not currently utilize derivatives, implementation of this statement did not have a material effect on the Company's financial statements.

In June 2001, the Financial Accounting Standards Board issued Statement No. 141, "Business Combinations (SFAS 141) and Statement No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). These statements establish new standards for accounting and reporting for business combinations and for goodwill and intangible assets resulting from business combinations. SFAS 141 applies to all business combinations initiated after June 30, 2001; the Company is required to implement SFAS 142 on January 1, 2002. Implementation of these statements did not have a material impact on the Company's financial statements.

In June of 2001, the FASB issued SFAS No, 143, "Accounting for Asset Retirement Obligations" (effective January 1, 2003) and, in August of 2001, SFAS No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets" (effective January 1, 2002). SFAS No. 143 requires the recording of the fair value of a liability for an asset retirement obligation in the period in which it is incurred. SFAS No. 144 supercedes existing accounting literature dealing with impairment and disposal of long-lived assets, including discontinued operations. It addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of, and expands current reporting for discontinued operations to include disposals of a "component" of an entity that has been disposed of or is classified as held for sale. The Company is in the process of evaluating the financial statement impact of the adoption these two standards.

FORWARD-LOOKING STATEMENTS

Certain statements made in this report may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include statements regarding the intent, belief or current expectations of the Company and its management and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the following: general economic and business conditions, which will, among other things, affect the availability and creditworthiness of prospective tenants, lease rents and the terms and availability of financing; adverse changes in the real estate markets including, among other things, competition with other companies; risks of real estate development and acquisition; governmental actions and initiatives; and environment/safety requirements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

INFLATION

Inflation did not have a material effect on the Company's results for the periods presented.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, commodity prices and equity prices. The primary market risk to which the investments of the Company is exposed is interest rate risk, which is highly

sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond the control of the Company.

INTEREST RATE RISK

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond the control of the Company. Interest rate fluctuations can adversely affect the Company's income and value of its common shares in many ways and present a variety of risks, including the risk of mismatch between asset yields and borrowing rates, variances in the yield curve and changing prepayment rates.

The Company's operating results will depend in large part on differences between the income from its assets (net of credit losses) and its borrowing costs. Most of the Company's assets, consisting primarily of mortgage loans, GNMA Certificates, and notes receivable, or generate fixed returns and will have terms in excess of five years. The Company funds the origination and acquisition of a significant portion of these assets with borrowings which have interest rates that reset relatively rapidly, such as monthly or quarterly. In most cases, the income from assets will respond more slowly to interest rate fluctuations than the cost of borrowings, creating a mismatch between asset yields and borrowing rates. Consequently, changes in interest rates, particularly short-term interest rates, may influence the Company's net income. The Company's borrowings under repurchase agreements bear interest at rates that fluctuate with LIBOR. Based on the $43.6 million of borrowings outstanding under these facilities at December 31, 2001, a 1% change in LIBOR would impact the Company's annual net income and cash flows by approximately $436,000. Increases in these rates will tend to decrease the net income and market value of the Company's net assets. Interest rate fluctuations that result in interest expense exceeding interest income would result in operating losses.

The value of the Company's assets may be affected by prepayment rates on investments. Prepayment rates are influenced by changes in current interest rates and a variety of economic, geographic and other factors beyond the Company's control, and consequently, such prepayment rates cannot be predicted with certainty. When the Company originates mortgage loans, it expects that such mortgage loans will have a measure of protection from prepayment in the form of prepayment lock-out periods or prepayment penalties. However, such protection may not be available with respect to investments which the Company acquires, but does not originate. In periods of declining mortgage interest rates, prepayments on mortgages generally increase. If general interest rates decline as well, the proceeds of such prepayments received during such periods are likely to be reinvested by the Company in assets yielding less than the yields on the investments that were prepaid. In addition, the market value of mortgage investments may, because of the risk of prepayment, benefit less from declining interest rates than from other fixed-income securities. Conversely, in periods of rising interest rates, prepayments on mortgages generally decrease, in which case the Company would not have the prepayment proceeds available to invest in assets with higher yields. Under certain interest rate and prepayment scenarios the Company may fail to recoup fully its cost of acquisition of certain investments.

REAL ESTATE RISK

Multifamily and commercial property values and net operating income derived from such properties are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions (such as an oversupply of housing, retail, industrial, office or other commercial space); changes or continued weakness in specific industry segments; construction quality, age and design; demographic factors; retroactive changes to building or similar codes; and increases in operating expenses (such as energy costs). In the event net operating income decreases, a borrower may have difficulty paying the Company's mortgage loan, which could result in losses to the Company. In addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay the Company's mortgage loans, which could also cause the Company to suffer losses.

RISK IN OWNING SUBORDINATED INTERESTS

The Company has invested indirectly in subordinated CMBS through its ownership of a preferred membership interest in ARCap. Subordinated CMBS of the type in which ARCap invests include "first loss" and non-investment grade subordinated interests. A first loss security is the most subordinate class in a structure and accordingly is the first to bear the loss upon a default on restructuring or liquidation of the underlying collateral and the last to receive payment of interest and principal. Such classes are subject to special risks, including a greater risk of loss of principal and non-payment of interest than more senior, rated classes. The market values of subordinated interests in CMBS and other subordinated securities tend to be more sensitive to changes in economic conditions than more senior, rated classes. As a result of these and other factors, subordinated interests generally are not actively traded and may not provide holders with liquidity of investment. With respect to the Company's investment in ARCap, the ability to transfer the membership interest in ARCap is further limited by the terms of ARCap's operating agreement.

PARTICIPATING INTEREST

In connection with the acquisition and origination of mortgages, the Company has, on occasion, obtained and may continue to obtain participating interests that may entitle it to payments based upon a development's cash flow, profits or any increase in the value of the development that would be realized upon a refinancing or sale of the development. Competition for participating interests is dependent to a large degree upon market conditions. Participating interests are more difficult to obtain when mortgage financing is available at relatively low interest rates. In the current interest rate environment, the Company may have greater difficulty obtaining participating interest. Participating interests are not government insured or guaranteed and are therefore subject to the general risks inherent in real estate investments. Therefore, even if the Company is successful in investing in mortgage investments which provide for participating interests, there can be no assurance that such interests will result in additional payments.

REPURCHASE FACILITY COLLATERAL RISK

Repurchase agreements involve the risk that the market value of the securities sold by the Company may decline and that the Company will be required to post additional collateral, reduce the amount borrowed or suffer forced sales of the collateral. If forced sales were made at prices lower than the carrying value of the collateral, the Company would experience additional losses. If the Company is forced to liquidate these assets to repay borrowings, there can be no assurance that the Company will be able to maintain compliance with the REIT asset and source of income requirements.

Item 8. Financial Statements and Supplementary Data.

(a) 2. FINANCIAL STATEMENT SCHEDULES

All schedules have been omitted because they are not required or because the required information is contained in the financial statements or notes thereto.

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
And Shareholders of
American Mortgage Acceptance Company
New York, New York

We have audited the accompanying consolidated balance sheets of American Mortgage Acceptance Company and subsidiaries (the "Company") as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 American Mortgage Acceptance Company and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

New York, New York

March 25, 2002

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 2001	December 31, 2000
Investments in mortgage loans	$ 17,799,317	$31,828,733
Investments in GNMA Certificates-available for sale	50,059,655	5,851,219
Investment in ARCap	20,245,637	20,041,733
Investment in unconsolidated subsidiary	--	1,149,182
Cash and cash equivalents	1,017,904	1,632,652
Notes receivable	11,372,939	8,677,843
Accrued interest receivable	570,136	680,728
Other assets	915,972	576,223
Total assets	$101,981,560	$70,438,313

LIABILITIES AND SHAREHOLDERS' EQUITY

	2001	2000
Liabilities:		
Repurchase facilities payable	$ 43,610,000	$12,655,940
Accrued interest payable	21,624	27,850
Accounts payable and accrued expenses	1,347,643	278,760
Due to Advisor and affiliates	331,308	1,008,387
Distributions payable	1,391,503	1,391,503
Total liabilities	46,702,078	15,362,440
Commitments and contingencies		
Shareholders' equity:		
Shares of beneficial interest; $.10 par value; 12,500,000 shares authorized; 4,213,826 issued and 3,838,630 outstanding	421,383	421,383
Treasury shares of beneficial interest; 375,196 shares	(37,520)	(37,520)
Additional paid-in capital	68,840,500	68,840,500
Distributions in excess of net income	(14,505,268)	(14,126,317)
Accumulated other comprehensive income (loss)	560,387	(22,173)

Total shareholders' equity	55,279,482	55,075,873
Total liabilities and shareholders' equity	$101,981,560	$70,438,313

See accompanying notes to the financial statements.

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2001	2000	1999
Revenues:			
Interest income:			
Mortgage loans	$ 2,773,048	$ 1,565,219	$ 2,569,901
GNMA certificates	2,294,286	472,693	785,591
Commercial mortgage-backed security-related investment	--	3,189,407	950,456
Notes receivable	450,312	529,125	85,786
Temporary investments	72,892	2,084,417	1,092,617
Equity in earnings of ARCap	2,400,069	401,096	--
Other income	107,249	69,182	23,231
Total revenues	8,097,856	8,311,139	5,507,582
Expenses:			
Interest	1,406,254	3,371,906	906,581
General and administrative	548,258	548,535	316,272
Fees to Advisor	592,522	760,863	713,568
Amortization	112,969	84,537	--
Organization costs	--	--	364,872
Total expenses	2,660,003	4,765,841	2,301,293
Other gain (loss):			
Net loss on commercial mortgage-backed security-related investment and government security sold short	--	(299,555)	(217,699)
Net gain (loss) on repayment of mortgage loans and GNMA certificiates	(250,789)	72,014	3,271,710
Total other gain (loss)	(250,789)	(227,541)	3,054,011

Net income	$ 5,187,064	$ 3,317,757	$ 6,260,300
Net income per share (basic and diluted)	$ 1.35	$ .86	$ 1.63
Weighted average shares outstanding (basic and diluted)	3,838,630	3,838,630	3,841,931

See accompanying notes to the financial statements.

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AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

	Shares of Beneficial Interest		Treasury Shares of Beneficial Interest		Additional Paid-in Capital
	Shares	Amount	Shares	Amount	
Balance at January 1, 1999	4,172,790	$417,280	(333,545)	$(33,355)	$68,849,73
Comprehensive income:					
Net income					
Other comprehensive loss:					
Net unrealized holding loss arising during the period					
Add: reclassification adjustment for losses included in net income					
Other comprehensive loss					
Comprehensive income					
Issuance of shares of beneficial interest	41,036	4,103			629,83
Purchase of treasury shares			(41,651)	(4,165)	(639,06
Distributions					
Balance at December 31, 1999	4,213,826	421,383	(375,196)	(37,520)	68,840,50
Comprehensive income:					
Net income					
Other comprehensive income:					
Net unrealized holding gain arising during the period					
Less: reclassification adjustment for gains included in net income					

Other comprehensive income					
Comprehensive income					
Distributions					
Balance at December 31, 2000	4,213,826	421,383	(375,196)	(37,520)	68,840,50
Comprehensive income:					
Net income					
Other comprehensive income:					
Net unrealized holding gain arising during the period					
Comprehensive income					
Distributions					
Balance at December 31, 2001	4,213,826	$421,383	(375,196)	$(37,520)	$68,840,50

	Distributions in Excess of Net Income	Comprehensive Income	Accumulated Other Comprehensive Income	Tot
Balance at January 1, 1999	$(11,191,614)		$162,533	$58,20
Comprehensive income:				
Net income	6,260,300	$6,260,300		6,26
Other comprehensive loss:				
Net unrealized holding loss arising during the period		(418,964)		
Add: reclassification adjustment for losses included in net income		1,492		
Other comprehensive loss		(417,472)	(417,472)	(41
Comprehensive income		$5,842,828		63
Issuance of shares of beneficial interest				63
Purchase of treasury shares				(64
Distributions	(6,946,745)			(6,94
Balance at December 31, 1999	(11,878,059)		(254,939)	57,09
Comprehensive income:				
Net income	3,317,757	$3,317,757		3,31
Other comprehensive income:				
Net unrealized holding gain arising during the period		291,175		
Less: reclassification adjustment for gains included in net income		(58,409)		
Other comprehensive income		232,766	232,766	23

Comprehensive income		$3,550,523		
Distributions	(5,566,015)			(5,56
Balance at December 31, 2000	(14,126,317)		(22,173)	55,07
Comprehensive income:				
Net income	5,187,064	$5,187,064		
Other comprehensive income:				5,18
Net unrealized holding gain arising during the period		582,560		58
Comprehensive income		$5,769,624		
Distributions	(5,566,015)			(5,56
Balance at December 31, 2001	$(14,505,268)		$560,387	$55,27

See accompanying notes to financial statements.

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 3	
	2001	2000
Cash flows from operating activities:		
Net income	$ 5,187,064	$ 3,317,757
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Unrealized (gain) loss on commercial mortgage-backed security-related investment	--	(1,496,017)
Unrealized (gain) loss on government security sold short	--	1,795,572
Net loss (gain) on repayment of GNMA certificates and mortgage loans	250,789	(72,014)
Equity in earnings of ARCap	(2,400,069)	(401,096)
Equity in income of unconsolidated subsidiary	--	(9,182)
Amortization - deferred financing costs	112,969	92,022
Amortization expense-loan premium and origination costs	79,030	163,371
Accretion of GNMA discount	(21,801)	(22,356)
Accretion of discount on commercial mortgage-backed security-related investment	--	(652,968)
Government security sold short	--	33,541,350

Purchase of government securities sold short	--	(72,328,881)
Changes in operating assets and liabilities:		
Investment in commercial mortgage-backed security-related investment	--	36,764,227
Deposit with broker as collateral for security sold short	--	37,733,101
Accrued interest receivable	110,592	499,388
Other assets	(49,718)	18,863
Due to Advisor and affiliates	(638,009)	575,122
Accounts payable and accrued expenses	1,068,883	240,402
Accrued interest payable	(6,226)	(380,102)
Net cash provided by (used in) operating activities	3,693,504	39,378,559
Cash flows from investing activities:		
Increase in investment in mortgage loans	(24,660,912)	(21,486,788)
Proceeds from repayments of mortgage loans	9,245,562	9,995,170
Periodic principal payments of mortgage loans	84,628	62,069
Funding of notes receivable	(9,959,189)	(7,413,750)
Repayment of note receivable	--	6,000,000
Investment in ARCap preferred stock	--	(20,000,000)
Distribution from ARCap	2,196,165	--
Increase in other assets	(359,746)	(375,178)
Principal repayments of GNMA certificates	346,026	3,926,772
Increase in investment in GNMA certificates	(6,506,492)	--
Costs relating to repayment of mortgage loan	(39,085)	(59,583)
Net cash provided by (used in) investing activities	(29,653,043)	(29,351,288)

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AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued)

	Yea
	2001
Cash flows from financing activities:	
Proceeds from repurchase facilities payable	62,030,000
Repayments of repurchase facilities payable	(31,075,940)
Increase in deferred loan costs	(43,254)
Distributions paid to shareholders	(5,566,015)
Proceeds from issuance of shares of beneficial interest	--
Purchase of treasury shares	--
Net cash provided by (used in) financing activities	25,344,791

Net increase (decrease) in cash and cash equivalents	(614,748)
Cash and cash equivalents at the beginning of the year	1,632,652
Cash and cash equivalents at the end of the year	$ 1,017,904
Supplemental information:	
Interest paid	$ 1,412,480
Adjustments due to contribution of mortgage loan to unconsolidated subsidiary:	
Increase in investment in unconsolidated subsidiary	
Increase in note receivable	
Decrease in investment in mortgage loans	
Conversion of mortgage loans to GNMA Certificates	
Increases in GNMA Certificates	$ 37,443,741
Decrease in mortgage loans	(37,443,741)
	$ 0
Consolidation of former unconsolidated subsidiary:	
Increase in investment in mortgage loans	$ 8,374,205
Decrease in notes receivable	(7,264,092)
Decrease in investment in unconsolidated subsidiary	(1,110,113)
	$ 0

See accompanying notes to financial statements.

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - General

American Mortgage Acceptance Company (formerly American Mortgage Investors Trust) (the "Company") was formed on June 11, 1991 as a Massachusetts business trust for the primary purpose of investing in government-insured mortgages and guaranteed mortgage-backed certificates. The Company elected to be treated as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code").

On April 6, 1999, the Company received the necessary consent from its shareholders to approve proposals (the "Proposals") to, among other things, restructure the Company from a closed-ended, finite-life REIT to a publicly traded, open-ended, infinite-life operating REIT. In addition to restructuring the Company, the Proposals, among other matters, permit the Company to modify its investment objectives, to incur a specified amount of indebtedness and to list the Company's shares on a national exchange.

Effective April 26, 1999, upon authorization by the Board of Trustees, the Company's name was changed from American Mortgage Investors Trust to American Mortgage Acceptance Company.

The Company's business plan focuses on government insured and uninsured mortgages secured by multifamily properties, which may take the form of government insured first mortgages and uninsured mezzanine loans, construction loans and bridge loans. Additionally, the Company has indirectly invested in subordinate commercial mortgage-backed securities and may invest in other real estate assets, including non-multifamily mortgages.

The Company had been governed by a board of trustees comprised of two independent trustees and one trustee who is affiliated with Related Capital Company ("Related"), a nationwide, fully integrated real estate financial services firm. Effective June 12, 2001, at its annual meeting, the Company added two additional trustees, one an independent trustee, the other an affiliate of Related, bringing the total number of trustees to five. The Company has engaged Related AMI Associates, Inc. (the "Advisor"), an affiliate of Related, to manage its day-to-day affairs.

NOTE 2 - Significant Accounting Policies

a) Basis of Presentation
The consolidated financial statements of the Company are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires the Advisor to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of amortized assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The consolidated financial statements include the accounts of the Company and two wholly owned subsidiaries, AMAC RepoSeller and AMAC/FM Corporation. All intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise indicated, the "Company" as herein after used, refers to American Mortgage Acceptance Company and its subsidiaries.

b) Investments in Mortgage Loans and Notes Receivable
The Company accounts for its investments in mortgage loans and notes receivable under the provisions of Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan" ("SFAS 114"). Under SFAS 114, a loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. SFAS No. 114 requires lenders to measure impaired loans based on: (i) the present value of expected future cash flows discounted at the loans' effective interest rate; (ii) the loan's observable market price; or (iii) the fair value of the collateral if the loan is collateral-dependent. An allowance for loan losses is maintained if the measure of an impaired loan is less than its recorded investment. Adjustments to the allowance are made through corresponding charges or credits to the provision

for loan losses.

Interest on mortgage loans and notes receivable is recognized on the accrual basis. Interest which was accrued but not received is reversed from income if deemed to be uncollectible.

The Company's mezzanine investments include provisions that allow the Company to participate in a percentage of the underlying property's excess cash flows from operations and upon sale or refinancing. At the inception of each such loan, the Company considers the provisions of the Third Notice to Practitioners issued by the AICPA (the "Third Notice"), to determine whether such investment should be accounted for as a loan, joint venture or as real estate. The Third Notice addresses those real estate loans where the lender has virtually the same risks and potential rewards as those of real estate owners or joint venturers, and provides guidance on determining the appropriate accounting classification. Considerable judgment is involved in making this determination, which affects the balance sheet classification of the investment as well as recognition of revenues derived therefrom. The Company considers the borrower's equity, the amount of the Company's participation, the contractual cap, if any, on total yield to the Company over the term of the loan, market yields on comparable loans, borrower guarantees, and other factors in making its assessment of the proper accounting. To date, the Company has determined that all mezzanine investments are properly accounted for as loans.

c) Investments in GNMA Certificates
The Company accounts for its investments in GNMA Certificates under the provisions of SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities".

At the date of acquisition, the Company elected to designate its GNMA Certificates as available-for-sale securities. Available-for-sale securities are carried at fair value with net unrealized gain (loss) reported as a separate component of other comprehensive income until realized. Fair value for the GNMA Certificates is estimated by Company management by reference to valuations assigned by the Company's repurchase lender. A decline in the market value of any available-for-sale security below cost that is deemed other than temporary is charged to earnings resulting in the establishment of a new cost basis for the security. Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to interest income using the effective yield method. Dividend and interest income are recognized when earned. Realized gains and losses on securities are included in earnings and are derived using the specific identification method for determining the cost of the securities sold.

d) Investment in ARCap
The Company's preferred equity investment in ARCap Investors, L.L.C. ("ARCap") is accounted for using the equity method because the Company has the ability to exercise significant influence, but not control, over ARCap's operating and financial policies.

e) Cash and Cash Equivalents
Cash and cash equivalents include cash in banks and temporary investments in

short-term instruments with original maturity dates equal to or less than three months.

f) Loan Origination Costs and Fees

Acquisition fees and other direct expenses incurred for activities performed to originate or acquire mortgage loans have been capitalized and are included in Investment in Mortgage Loans in the balance sheets, along with any fees received from borrowers for loan originations. Loan origination costs and fees are being amortized to interest income using the effective yield method over the lives of the respective mortgages.

g) Fair Value of Financial Instruments

As described above, the Company's GNMA Certificates are carried at estimated fair values. The Company has determined that the fair value of its remaining financial instruments, including its mortgage loans and cash and cash equivalents, notes receivable, investment in ARCap, and secured borrowings approximate their carrying values at December 31, 2001 and 2000. The fair value of investments in mortgage loans, ARCap and GNMA Certificates are based on actual market price quotes or by determining the present value of the projected future cash flows using appropriate discount rates, credit losses and prepayment assumptions. Other financial instruments carry interest rates which are deemed to approximate market rates.

h) Income Taxes

The Company has qualified as a REIT under the Code. A REIT is generally not subject to federal income tax on that portion of its REIT taxable income ("Taxable Income") which is distributed to its shareholders provided that at least 90% of Taxable Income is distributed and provided that such income meets certain other conditions. Accordingly, no provision for federal income taxes is required. The Company may be subject to state taxes in certain jurisdictions.

During 2001, the Company declared distributions of $1.45 per share. For federal income tax purposes, $1.36 and $.09 of the distributions were reported as ordinary income and return of capital, respectively, to shareholders for 2001.

i) Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income," requires the Company to classify items of "other comprehensive income", such as unrealized gains and losses on its investment in GNMA Certificates, by their nature in the financial statements and display the accumulated balance of other comprehensive income (loss) separately from shareholders' equity in the shareholders' equity section of the balance sheets. In accordance with SFAS No. 130, cumulative unrealized gains and losses on securities available-for-sale are classified as accumulated other comprehensive income in shareholders' equity and current period unrealized gains and losses are included as a component of comprehensive income.

j) Segment Information

SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information", requires enterprises to report certain financial and descriptive information about their reportable operating segments, and certain enterprise-wide disclosures regarding products and services, geographic areas and major customers. The Company is an investor in mortgage products and operates in only one reportable segment. The Company does not have or rely upon any major customers. All of the Company's investments are secured by real estate properties located in the United States; accordingly, all of its revenues were derived from U.S. operations.

k) New Pronouncements

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It was implemented by the Company on January 1, 2001.

Because the Company does not currently utilize derivatives, implementation of this statement did not have a material effect on the Company's financial statements.

In June 2001, the Financial Accounting Standards Board issued Statement No. 141, "Business Combinations (SFAS 141) and Statement No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). These statements establish new standards for accounting and reporting for business combinations and for goodwill and intangible assets resulting from business combinations. SFAS 141 applies to all business combinations initiated after June 30, 2001; the Company implemented SFAS 142 on January 1, 2002. Implementation of these statements did not have a material impact on the Company's financial statements.

In June of 2001, the FASB issued SFAS No, 143, "Accounting for Asset Retirement Obligations" (effective January 1, 2003), and in August of 2001, SFAS No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets" (effective January 1, 2002). SFAS No. 143 requires the recording of the fair value of a liability for an asset retirement obligation in the period in which it is incurred. SFAS No. 144 supercedes existing accounting literature dealing with impairment and disposal of long-lived assets, including discontinued operations. It addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of, and expands current reporting for discontinued operations to include disposals of a "component" of an entity that has been disposed of or is classified as held for sale. Management does not believe that implementation of these statements will have a material impact on the Company's financial statements.

l) Reclassifications
Certain amounts in the 2000 and 1999 financial statements have been reclassified to conform to the 2001 presentation.

NOTE 3 - Investments in Mortgage Loans

Information relating to the Company's investments in Mortgage Loans as of December 31, 2001 is as follows:

Property	Description	Final Maturity Date	Call Date (F)	Inter

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FIRST  MORTGAGE  LOANS (D):
  STABILIZED PROPERTIES
    Columbiana Lakes
      Columbia, SC (J)                   204 Units          11/35    any material non-public info
    confidential business information. Therefore, you should not
    assume that we agree with any statement or report issued by any
    analyst, irrespective of the content of the statement or report.
    To the extent that reports issued by securities analysts contain
    projections, forecasts or opinions, those reports are not our
    responsibility.
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Table of Contents

Executive Officers of the Registrant

The following table sets forth, as of February 15, 2010, the name, age and position of each of our executive officers. Executive officers are elected by and serve at the pleasure of the Board of Directors.

Name	Age	Position
James J. Murren	48	Chairman, Chief Executive Officer, President and Director
Robert H. Baldwin	59	Chief Design and Construction Officer and Director
Daniel J. D Arrigo	41	Executive Vice President, Chief Financial Officer and Treasurer
Aldo Manzini	46	Executive Vice President and Chief Administrative Officer
Robert C. Selwood	54	Executive Vice President and Chief Accounting Officer
Rick Arpin	37	Senior Vice President Corporate Controller
Alan Feldman	51	Senior Vice President Public Affairs
Phyllis A. James	57	Senior Vice President, Deputy General Counsel
John McManus	42	Senior Vice President, Acting General Counsel and Secretary
Shawn T. Sani	44	Senior Vice President Taxes
William M. Scott IV	49	Senior Vice President, Deputy General Counsel

Mr. Murren has served as Chairman and Chief Executive Officer of the Company since December 2008 and as President since December 1999. He has served as Chief Operating Officer since August 2007. He was Chief Financial Officer from January 1998 to August 2007 and Treasurer from November 2001 to August 2007.

Mr. Baldwin has served as Chief Design and Construction Officer since August 2007. He served as Chief Executive Officer of Mirage Resorts from June 2000 to August 2007 and President and Chief Executive Officer of Bellagio, LLC from June 1996 to March 2005.

Mr. D Arrigo has served as Executive Vice President and Chief Financial Officer since August 2007 and Treasurer since September 2009. He served as Senior Vice President Finance of the Company from February 2005 to August 2007 and as Vice President Finance of the Company from December 2000 to February 2005.

Mr. Manzini has served as Executive Vice President and Chief Administrative Officer since March 2007. Prior thereto, he served as Senior Vice President of Strategic Planning for the Walt Disney Company and in various senior management positions throughout his tenure from April 1990 to January 2007.

Mr. Selwood has served as Executive Vice President and Chief Accounting Officer since August 2007. He served as Senior Vice President Accounting of the Company from February 2005 to August 2007 and as Vice President Accounting of the Company from December 2000 to February 2005.

Mr. Arpin has served as Senior Vice President Corporate Controller of the Company since August 2009. He served as Vice President of Financial Accounting of the Company from January 2007 to August 2009. He served as Assistant Vice President of Financial Reporting from January 2005 to January 2007, and as Director of Financial Reporting from May 2002 to January 2005.

Mr. Feldman has served as Senior Vice President Public Affairs of the Company since September 2001. He served as Vice President Public Affairs of the Company from June 2000 to September 2001.

Ms. James has served as Senior Vice President, Deputy General Counsel of the Company since March 2002. From 1994 to 2001 she served as Corporation (General) Counsel and Law Department Director for the City of Detroit. In that capacity she also served on various public and quasi-public boards and commissions on behalf of the City, including the Election Commission, the Detroit Building Authority and the Board of Ethics.

Mr. McManus has served as Senior Vice President, Acting General Counsel and Secretary of the Company since December 2009. He served as Senior Vice President, Deputy General Counsel and Assistant Secretary from September 2009 to December 2009. He served as Senior Vice President, Assistant General Counsel and Assistant Secretary of the Company from July 2008 to September 2009. He served as Vice President and General Counsel for CityCenter s residential and retail divisions from January 2006 to July 2008. Prior thereto, he served as General Counsel or Assistant General Counsel for various of the Company s operating subsidiaries from May 2001 to January 2006.

Mr. Sani has served as Senior Vice President Taxes of the Company since July 2005. He served as Vice President Taxes of the Company from June 2002 to July 2005. Prior thereto he was a partner in the Transaction Advisory Services practice of Arthur Andersen LLP, having served that firm in various other capacities since 1988.

Mr. Scott has served as Senior Vice President and Deputy General Counsel of the Company since August 2009. Previously, he was a partner in the Los Angeles office of Sheppard, Mullin, Richter & Hampton LLP, specializing in financing transactions, having joined that firm in 1986.

Available Information

We maintain a website, www.mgmmirage.com, which includes financial and other information for investors. We provide access to our SEC filings, including our annual report on Form 10-K, quarterly reports on Form 10-Q, filed and furnished current reports on Form 8-K, and amendments to those reports on our website, free of charge, through a link to the SEC s EDGAR database. Through that link, our filings are available as soon as reasonably practical after we file the documents.

These filings are also available on the SEC s website at *www.sec.gov*. In addition, the public may read and copy any materials that we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Reference in this document to our website address does not constitute incorporation by reference of the information contained on the website.

ITEM 1A. RISK FACTORS

You should be aware that the occurrence of any of the events described in this section and elsewhere in this report or in any other of our filings with the SEC could have a material adverse effect on our business, financial position, results of operations and cash flows. In evaluating us, you should consider carefully, among other things, the risks described below.

Risks Related to our Substantial Indebtedness

Our substantial indebtedness and significant financial commitments could adversely affect our operations and financial results and impact our ability to satisfy our obligations. As of December 31, 2009, we had approximately $14.1 billion of indebtedness. Giving effect to the subsequent repayment of $1.6 billion under our senior credit facility on January 4, 2010, we had $12.5 billion of indebtedness including $4.0 billion outstanding under our $5.5 billion senior credit facility. We have no other existing sources of borrowing availability, except to the extent we pay down further amounts outstanding under the senior credit facility. We have approximately $1.1 billion of 2010 senior note maturities and estimated interest payments of $1.0 billion in 2010 based on outstanding debt as of December 31, 2009. Any increase in the interest rates applicable to our existing or future borrowings would increase the cost of our indebtedness and reduce the cash flow available to fund our other liquidity needs. See Management s Discussion and Analysis of Financial Condition and Results of Operations for discussion of our liquidity and financial position. In addition, our substantial indebtedness and significant financial commitments could have important negative consequences, including:

- increasing our exposure to general adverse economic and industry conditions;
- limiting our flexibility to plan for, or react to, changes in our business and industry;

limiting our ability to borrow additional funds;

making it more difficult for us to make payments on our indebtedness; and

placing us at a competitive disadvantage compared to other less leveraged competitors.

Moreover, our businesses are capital intensive. For our owned and managed properties to remain attractive and competitive we must periodically invest significant capital to keep the properties well-maintained, modernized and refurbished, which requires an ongoing supply of cash and, to the extent that we cannot fund expenditures from cash generated by operations, funds must be borrowed or otherwise obtained. Similarly, future development projects and acquisitions could require significant capital commitments, the incurrence of additional debt, guarantees of third-party debt, or the incurrence of contingent liabilities, which could have an adverse effect on our business, financial condition and results of operations. Events over the past two years, including the failures and near failures of financial services companies and the decrease in liquidity and available capital, have negatively affected the capital markets.

Current and future economic and credit market conditions could adversely affect our ability to service or refinance our indebtedness and to make planned expenditures. Our ability to make payments on, and to refinance, our indebtedness and to fund planned or committed capital expenditures and investments in joint ventures, such as CityCenter, depends on our ability to generate cash flow in the future and our ability to borrow under our senior credit facility to the extent of available borrowings. If adverse regional and national economic conditions persist, worsen, or fail to improve significantly, we could experience decreased revenues from our operations attributable to decreases in consumer spending levels and could fail to generate sufficient cash to fund our liquidity needs or fail to satisfy the financial and other restrictive covenants which we are subject to under our indebtedness. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our senior credit facility in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs.

We have a significant amount of indebtedness maturing in 2010 and 2011. Our ability to timely refinance and replace such indebtedness will depend upon the foregoing as well as on continued and sustained improvements in financial markets. If we are unable to refinance our indebtedness on a timely basis, we might be forced to seek alternate forms of financing, dispose of certain assets or minimize capital expenditures and other investments. There is no assurance that any of these alternatives would be available to us, if at all, on satisfactory terms, on terms that would not be disadvantageous to note holders, or on terms that would not require us to breach the terms and conditions of our existing or future debt agreements.

The agreements governing our senior credit facility and other senior indebtedness contain restrictions and limitations that could significantly affect our ability to operate our business, as well as significantly affect our liquidity and therefore could adversely affect our results of operations. Covenants governing our senior credit facility and other senior indebtedness restrict, among other things, our ability to:

- pay dividends or distributions, repurchase or issue equity, prepay debt or make certain investments;
- incur additional debt or issue certain disqualified stock and preferred stock;
- incur liens on assets;
- pledge or sell assets or consolidate with another company or sell all or substantially all assets;
- enter into transactions with affiliates;
- allow certain subsidiaries to transfer assets; and
- enter into sale and lease-back transactions.

Our ability to comply with these provisions may be affected by events beyond our control. The breach of any such covenants or obligations not otherwise waived or cured could result in a default under the applicable debt obligations and could trigger acceleration of those obligations, which in turn could trigger cross defaults under other agreements governing our long-term indebtedness. Any default under the senior credit facility or the indentures governing our other debt could adversely affect our growth, our financial condition, our results of operations and our ability to make payments on our debt, and could force us to seek protection under the bankruptcy laws.

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Risks Related to our Business

We face significant competition with respect to destination travel locations generally and with respect to our peers in the industries in which we compete, and failure to effectively compete could materially adversely affect our business, financial condition results of operations and cash flow. The hotel, resort and casino industries are highly competitive. We do not believe that our competition is limited to a particular geographic area, and hotel, resort and gaming operations in other states or countries could attract our customers. To the extent that new casinos enter our markets or hotel room capacity is expanded by others in major destination locations, competition will increase. Major competitors, including new entrants, have either recently expanded their hotel room capacity or are currently expanding their capacity or constructing new resorts in Las Vegas and Macau. Also, the growth of gaming in areas outside Las Vegas, including California, has increased the competition faced by our operations in Las Vegas and elsewhere. In particular, as large scale gaming operations in Native American tribal lands has increased, particularly in California, competition has increased. In addition, competition could increase if changes in gaming restrictions in the U.S. and elsewhere result in the addition of new gaming establishments located closer to our customers than our casinos, such as has happened in California. In addition to competition with other hotels, resorts, and casinos, we compete with destination travel locations outside of the markets in which we operate. Our failure to compete successfully in our various markets and to continue to attract customers could adversely affect our business, financial condition, results of operations and cash flow.

Our businesses are subject to extensive regulation and the cost of compliance or failure to comply with such regulations may adversely affect our business and results of operations. Our ownership and operation of gaming facilities is subject to extensive regulation by the countries, states, and provinces in which we operate. These laws, regulations and ordinances vary from jurisdiction to jurisdiction, but generally concern the responsibility, financial stability and character of the owners and managers of gaming operations as well as persons financially interested or involved in gaming operations. As such, our gaming regulators can require us to disassociate ourselves from suppliers or business partners found unsuitable by the regulators or, alternatively, cease operations in that jurisdiction. In addition, unsuitable activity on our part or on the part of our domestic or foreign unconsolidated affiliates in any jurisdiction could have a negative effect on our ability to continue operating in other jurisdictions. For a summary of gaming and other regulations that affect our business, see Regulation and Licensing. The regulatory environment in any particular jurisdiction may change in the future and any such change could have a material adverse effect on our results of operations. In addition, we are subject to various gaming taxes, which are subject to possible increase at any time. Increases in gaming taxation could also adversely affect our results.

As a result of the New Jersey Division of Gaming Enforcement (the DGE) investigation of our relationship with our joint venture partner in Macau we are currently involved in constructive settlement discussions with the DGE under which we would agree to sell our 50% ownership interest in Borgata and related leased land in Atlantic City. If we are unable to effectuate such a settlement with the DGE, we may still be subject to action by the New Jersey Casino Control Commission related to the DGE s report see Item 3. Legal Proceedings.

Our business is affected by economic and market conditions in the markets in which we operate and in the locations in which our customers reside. Our business is particularly sensitive to reductions in discretionary consumer spending and corporate spending on conventions and business development. Economic contraction, economic uncertainty or the perception by our customers of weak or weakening economic conditions may cause a decline in demand for hotel and casino resorts, trade shows and conventions, and for the type of luxury amenities we offer. In addition, changes in discretionary consumer spending or consumer preferences could be driven by factors such as the increased cost of travel, an unstable job market, perceived or actual disposable consumer income and wealth, or fears of war and future acts of terrorism. Aria, Bellagio, MGM Grand Las

Vegas, Mandalay Bay and The Mirage may be affected by economic conditions in the Far East, and all of our Nevada resorts are affected by economic conditions in the United States, and California in particular.

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A recession, economic slowdown or any other significant economic condition affecting consumers or corporations generally is likely to cause a reduction in visitation to our resorts, which would adversely affect our operating results. For example, the recent recession and downturn in consumer and corporate spending has had a negative impact on our results of operations. In addition, the weak housing and real estate market both generally and in Nevada particularly has negatively impacted CityCenter s ability to sell residential units.

Extreme weather conditions may cause property damage or interrupt business, which could harm our business and results of operations. Certain of our casino properties are located in areas that may be subject to extreme weather conditions, including, but not limited to, hurricanes. Such extreme weather conditions may interrupt our operations, damage our properties, and reduce the number of customers who visit our facilities in such areas. Although we maintain both property and business interruption insurance coverage for certain extreme weather conditions, such coverage is subject to deductibles and limits on maximum benefits, including limitation on the coverage period for business interruption, and we cannot assure you that we will be able to fully insure such losses or fully collect, if at all, on claims resulting from such extreme weather conditions. Furthermore, such extreme weather conditions may interrupt or impede access to our affected properties and may cause visits to our affected properties to decrease for an indefinite period.

Our business is particularly sensitive to energy prices and a rise in energy prices could harm our operating results. We are a large consumer of electricity and other energy and, therefore, higher energy prices may have an adverse effect on our results of operations. Accordingly, increases in energy costs, such as those experienced in 2007 and 2008, may have a negative impact on our operating results. Additionally, higher electricity and gasoline prices which affect our customers may result in reduced visitation to our resorts and a reduction in our revenues.

Because our major gaming resorts are concentrated on the Las Vegas Strip, we will be subject to greater risks than a gaming company that is more geographically diversified. Given that our major resorts are concentrated on the Las Vegas Strip, our business may be significantly affected by risks common to the Las Vegas tourism industry. For example, the cost and availability of air services and the impact of any events which disrupt air travel to and from Las Vegas can adversely affect our business. We cannot control the number or frequency of flights into or out of Las Vegas, but we rely on air traffic for a significant portion or our visitors. Reductions in flights by major airlines, such as those implemented in 2008 and 2009 as a result of higher fuel prices and lower demand, can impact the number of visitors to our resorts. Additionally, there is one principal interstate highway between Las Vegas and Southern California, where a large number of our customers reside. Capacity constraints of that highway or any other traffic disruptions may also affect the number of customers who visit our facilities.

Leisure and business travel, especially travel by air, are particularly susceptible to global geopolitical events, such as terrorist attacks or acts of war or hostility. We are dependent on the willingness of our customers to travel by air. Events such as those on September 11, 2001 can create economic and political uncertainties that could adversely impact our business levels. Since most of our customers travel by air to our Las Vegas and Macau properties, any further terrorist act, outbreak of hostilities, escalation of war, or any actual or perceived threat to the security of travel by air, could adversely affect our financial condition, results of operations and cash flows. Furthermore, although we have been able to purchase some insurance coverage for certain types of terrorist acts, insurance coverage against loss or business interruption resulting from war and some forms of terrorism continues to be unavailable.

Investing through partnerships or joint ventures including CityCenter and MGM Grand Macau decreases our ability to manage risk. In addition to acquiring or developing hotels and resorts or acquiring companies that complement our business directly, we have from time to time invested, and expect to continue to invest, as a co-venturer. Joint venturers often have shared control over the operation of the joint venture assets. Therefore, joint venture investments may involve risks such as the possibility that the co-venturer in an investment might become bankrupt or not have the financial resources to meet its obligations, or have economic or business interests or goals that are inconsistent with our business interests or goals, or be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives.

Consequently, actions by a co-venturer might subject hotels and resorts owned by the joint venture to additional risk. Further, we may be unable to take action without the approval of our joint venture partners. Alternatively, our joint venture partners could take actions binding on the joint venture without our consent. Additionally, should a joint venture partner become bankrupt, we could become liable for our partner s or co-venturer s share of joint venture liabilities.

For instance, if CityCenter, 50% owned and managed by us, is unable to meet its financial commitments and we and our partners are unable to support future funding requirements, as necessary, or if CityCenter s $1.8 billion senior secured credit facility is terminated for any reason, such event could have adverse financial consequences to us. Such credit facility includes provisions limiting the amount of permitted construction liens, and also includes leverage and interest coverage covenants which will go into effect during 2011. In accordance with our joint venture agreement and the CityCenter credit facility, we provided a cost overrun guarantee which is secured by our interests in the assets of Circus Circus Las Vegas and certain adjacent undeveloped land. In addition, the operation of a joint venture is subject to inherent risk due to the shared nature of the enterprise and the need to reach agreements on material matters.

Also, the operation of MGM Grand Macau, 50% owned by us, is subject to unique risks, including risks related to: (a) Macau s regulatory framework; (b) our ability to adapt to the different regulatory and gaming environment in Macau while remaining in compliance with the requirements of the gaming regulatory authorities in the jurisdictions in which we currently operate, as well as other applicable federal, state, or local laws in the United States and Macau; (c) potential political or economic instability; and (d) the extreme weather conditions in the region.

Furthermore, such operations in Macau or any future operations in which we may engage in any other foreign territories are subject to risk pertaining to international operations. These may include financial risks, such as foreign economy, adverse tax consequences, and inability to adequately enforce our rights. These may also include regulatory and political risks, such as foreign government regulations, general geopolitical risks such as political and economic instability, hostilities with neighboring counties, and changes in diplomatic and trade relationships.

Our plans for future construction can be affected by a number of factors, including time delays in obtaining necessary governmental permits and approvals and legal challenges. With respect to any development project, we may make changes in project scope, budgets and schedules for competitive, aesthetic or other reasons, and these changes may also result from circumstances beyond our control. These circumstances include weather interference, shortages of materials and labor, work stoppages, labor disputes, unforeseen engineering, environmental or geological problems, unanticipated cost increases, the existence of acceptable market conditions and demand for the completed project, changes and concessions required by governmental or regulatory authorities, and delays in obtaining, or inability to obtain, all licenses, permits and authorizations required to complete and/or operate the project. Any of these circumstances could give rise to delays or cost overruns. Major expansion projects at our existing resorts may also result in disruption of our business during the construction period. Our failure to complete any new development or expansion project as planned, on schedule, within budget or in a manner that generates anticipated profits, could have an adverse effect on our business, financial condition and results of operations.

We face risks related to pending claims that have been, or future claims that may be, brought against us. Claims have been brought against us and our subsidiaries in various legal proceedings, and additional legal and tax claims arise from time to time. We may not be successful in the defense or prosecution of our current or future legal proceedings, which could result in settlements or damages that could significantly impact our business, financial condition and results of operations. Please see the further discussion in Item 3. Legal Proceedings.

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Tracinda Corporation owns a significant amount of our common stock and may have interests that differ from the interests of other holders of our stock. As of December 31, 2009, Tracinda Corporation beneficially owned approximately 37% of our outstanding common stock, all of which shares owned by Tracinda have been pledged under its bank credit facility. Tracinda may be required in the future, under its bank credit facility, to liquidate some or all of such pledged shares if the value of the collateral falls below a specified level. A liquidation of this nature of sufficient size may trigger a change of control under certain of the instruments governing our outstanding indebtedness. Upon a change of control, the lenders obligation to make advances under our senior credit facility may be terminated at the option of the lenders.

In addition, Tracinda may be able to exercise significant influence over MGM MIRAGE as a result of its significant ownership of our outstanding common stock. As a result, actions requiring stockholder approval that may be supported by other stockholders could be effectively blocked by Tracinda Corporation.

A significant portion of our labor force is covered by collective bargaining agreements. Work stoppages and other labor problems could negatively affect our business and results of operations. Approximately 31,000 of our 62,000 employees are covered by collective bargaining agreements. A prolonged dispute with the covered employees could have an adverse impact on our operations. In addition, wage and or benefit increases resulting from new labor agreements may be significant and could also have an adverse impact on our results of operations. The collective bargaining agreement covering approximately 4,000 employees at MGM Grand Las Vegas expired in 2008. We have signed an extension of such agreement and are currently negotiating a new agreement. In addition, to the extent that our non-union employees join unions, we would have greater exposure to risks associated with labor problems.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

Our principal executive offices are located at Bellagio. The following table lists our significant land holdings; unless otherwise indicated, all properties are wholly-owned. We also own or lease various other improved and unimproved property in Las Vegas and other locations in the United States and certain foreign countries.

Name and Location	Approximate Acres	Notes
Las Vegas, Nevada operations:		
Bellagio	76	Two acres of the site are subject to two ground leases that expire (giving effect to our renewal options) in 2019 and 2073.
MGM Grand Las Vegas	102	
Mandalay Bay	100	
The Mirage	84	
Luxor	60	
New York-New York	20	
Excalibur	53	
Monte Carlo	28	
Circus Circus Las Vegas	69	
Shadow Creek Golf Course	240	
Other Nevada operations:		
Circus Circus Reno	10	A portion of the site is subject to two ground leases, which expire in 2032 and 2033, respectively.
Primm Valley Golf Club	448	Located at the California state line, four miles from Primm, Nevada
Gold Strike, Jean, Nevada	51	
Railroad Pass, Henderson, Nevada	9	
Other domestic operations:		
MGM Grand Detroit	27	
Beau Rivage, Biloxi, Mississippi	41	Includes 10 acres of tidelands leased from the State of Mississippi under a lease that expires (giving effect to our renewal options) in 2066.
Fallen Oak Golf Course, Saucier, Mississippi	508	
Gold Strike, Tunica, Mississippi	24	
Other land:		
CityCenter Support Services	12	Includes approximately 10 acres behind New York-New York being used for project administration offices, and approximately two acres adjacent to New York-New York being used for the residential sales pavilion. We own this land and these facilities, and we are leasing them to CityCenter on a rent-free basis.
Las Vegas Strip south	20	Located immediately south of Mandalay Bay.
	15	Located across the Las Vegas Strip from Luxor.
Las Vegas Strip north	34	Located north of Circus Circus.

North Las Vegas, Nevada	66	Located adjacent to Shadow Creek.
Henderson, Nevada	47	Adjacent to Railroad Pass.
Jean, Nevada	116	Located adjacent to, and across I-15 from, Gold Strike.
Sloan, Nevada	89	
Stateline, California at Primm	125	Adjacent to the Primm Valley Golf Club.
Detroit, Michigan	8	Site of former temporary casino.
Tunica, Mississippi	388	We own an undivided 50% interest in this site with another, unaffiliated, gaming company.
Atlantic City, New Jersey	152	Approximately 19 acres are leased to Borgata including nine acres under a short-term lease. Of the remaining land, approximately 74 acres are suitable for development.

The land underlying New York-New York, along with substantially all of the assets of that resort, serves as collateral for our 13% senior secured notes due 2013 issued in 2008.

The land underlying Bellagio and The Mirage, along with substantially all of the assets of those resorts, serves as collateral for our 10.375% senior secured notes due 2014 and our 11.125% senior secured notes due 2017 issued in 2009. Upon the issuance of such notes, the holders of our 13% senior secured notes due 2013 obtained an equal and ratable lien in all collateral securing these notes.

The land underlying Circus Circus Las Vegas, along with substantially all of the assets of that resort, as well as certain undeveloped land adjacent to the property, secures our completion guarantee related to CityCenter.

The land underlying MGM Grand Detroit, along with substantially all of the assets of that resort, serves as collateral to secure its $450 million obligation outstanding as a co-borrower under our senior credit facility.

The land underlying Gold Strike Tunica, along with substantially all of the assets of that resort and the 15 acres across from the Luxor, serve as collateral to secure up to $300 million of obligations outstanding under our senior credit facility.

Borgata occupies approximately 46 acres at Renaissance Pointe, including 19 acres we lease to Borgata. Borgata owns approximately 27 acres which are used as collateral for bank credit facilities along with substantially all of the assets of that resort in the amount of up to $760 million. As of December 31, 2009, $680 million was outstanding under Borgata s bank credit facility.

MGM Grand Macau occupies an approximately 10 acre site which it possesses under a 25 year land use right agreement with the Macau government. MGM Grand Paradise Limited s interest in the land use right agreement is used as collateral for MGM Grand Paradise Limited s bank credit facility. As of December 31, 2009, approximately $850 million was outstanding under the bank credit facility.

Silver Legacy occupies approximately five acres in Reno, Nevada, adjacent to Circus Circus Reno. The land along with substantially all of the assets of that resort are used as collateral for Silver Legacy s senior credit facility and 10.125% mortgage notes. As of December 31, 2009, $143 million of principal of the 10.125% mortgage notes were outstanding.

CityCenter occupies approximately 67 acres of land between Bellagio and Monte Carlo. The site along with substantially all of the assets of that resort, serves as collateral for CityCenter s bank credit facility. As of December 31, 2009, there is $1.8 billion outstanding under the bank credit facility.

All of the borrowings by our unconsolidated affiliates described above are non-recourse to MGM MIRAGE. Other than as described above, none of our other assets serve as collateral.

ITEM 3. LEGAL PROCEEDINGS

New Jersey regulatory review of Macau investment.

In its June 2005 report to the New Jersey Casino Control Commission (the New Jersey Commission) on the application of Borgata for renewal of its casino license, the DGE stated that it was conducting an investigation of our relationship with our joint venture partner in Macau and that the DGE would report to the New Jersey Commission any material information it deemed appropriate.

On May 18, 2009, the New Jersey Division of Gaming Enforcement (DGE) issued a report to the New Jersey Commission on its investigation. In the report, the DGE recommended, among other things, that: (i) our Macau joint venture partner be found to be unsuitable; (ii) we be directed to disengage ourselves from any business association with our Macau joint venture partner; (iii) our due diligence/compliance efforts be found to be deficient; and (iv) the New Jersey Commission hold a hearing to address the report.

The DGE is responsible for investigating licensees and prosecuting matters before the New Jersey Commission. However, the report is merely a recommendation and is not binding on the New Jersey Commission, which has sole responsibility and authority for deciding all regulatory and licensing matters. The New Jersey Commission has not yet taken any action with respect to the report, but on July 27, 2009, the DGE submitted a letter to the New Jersey Commission recommending that the New Jersey Commission reopen the licensing of Borgata to address the ongoing suitability of the Company as a licensee; under New Jersey regulations, the New Jersey Commission is obligated to reopen the licensing. This was a procedural step required by the New Jersey Casino Control Act that does not represent a finding as to the issues raised by the DGE. The Company will have the opportunity to respond to the DGE report in an open public proceeding.

We are currently involved in constructive settlement discussions with the DGE, which have centered on us placing our 50% ownership interest in the Borgata Hotel Casino & Spa and related leased land in Atlantic City into a divestiture trust for which we would be the sole economic beneficiary. Any settlement is subject to both DGE and New Jersey Commission approval.

Securities and derivative litigation.

Six lawsuits have been filed in Nevada federal and state court against the Company and various of its former and current directors and officers by various shareholders alleging federal securities laws violations and/or related breaches of fiduciary duties in connection with statements allegedly made by the defendants during the period August 2007 through the date of such filings. In general, the lawsuits assert the same or similar allegations, including that defendants artificially inflated the Company s common stock price by knowingly making materially false and misleading statements and omissions to the investing public about the Company s financial statements and condition, operations, CityCenter, and the intrinsic value of the Company s common stock; that these alleged misstatements and omissions thereby enabled certain Company insiders to derive personal profit from the sale of Company common stock to the public; that defendants caused plaintiffs and other shareholders to purchase MGM MIRAGE common stock at artificially inflated prices; and that defendants imprudently implemented a share repurchase program during the relevant time period to the detriment of the Company.

The lawsuits are:

Robert Lowinger v. MGM MIRAGE, et al. Filed August 19, 2009. Case No. 2:09-cv-01558-RCL-LRL, U.S. District Court for the District of Nevada. Khachatur Hovhannisyan v. MGM MIRAGE, et al. Filed October 19, 2009. Case No. 2:09-cv-02011-LRH-RJJ, U.S. District Court for the District of Nevada. These putative class actions name MGM MIRAGE and certain former and current directors and officers and allege violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. On November 4, 2009, the Court entered an Order consolidating for all purposes the Lowinger and Hovhannisyan actions before the Honorable Robert C. Jones, with such consolidated actions captioned as In re MGM MIRAGE Securities Litigation.

Mario Guerrero v. James J. Murren, et al. Filed September 14, 2009. Case No. 2:09-cv-01815-KJD-RJJ, U.S. District Court for the District of Nevada. This purported shareholder derivative action against certain former and current directors and officers alleges, among other things, breach of fiduciary duty by defendants asserted improper financial reporting, insider selling and misappropriation of information; and unjust enrichment. MGM MIRAGE is named as a nominal defendant.

Regina Shamberger v. J. Terrence Lanni, et al. Filed September 14, 2009. Case No. 2:09-cv-01817-PMP-GWF, U.S. District Court for the District of Nevada. This purported shareholder derivative action against certain former and current directors and officers alleges, among other things, breach of fiduciary duty by defendants asserted insider selling and misappropriation of information; waste of corporate assets; and unjust enrichment. MGM MIRAGE is named as a nominal defendant.

Charles Kim v. James J. Murren, et al. Filed September 23, 2009. Case No. A-09-599937-C, Eighth Judicial District Court, Clark County, Nevada. This purported shareholder derivative action against certain former and current directors and officers alleges, among other things, breach of fiduciary duty by defendants asserted dissemination of false and misleading statements to the public, failure to maintain internal controls, and failure to properly oversee and manage the Company; unjust enrichment; abuse of control; gross mismanagement; and waste of corporate assets. MGM MIRAGE is named as a nominal defendant.

Sanjay Israni v. Robert H. Baldwin, et al. Filed September 25, 2009. Case No. CV-09-02914, Second Judicial District Court, Washoe County, Nevada. This purported shareholder derivative action against certain former and current directors and a Company officer alleges, among other things, breach of fiduciary duty by defendants asserted insider selling and misappropriation of information; abuse of control; gross mismanagement; waste of corporate assets; unjust enrichment; and contribution and indemnification. MGM MIRAGE is named as a nominal defendant.

The lawsuits seek unspecified compensatory damages, restitution and disgorgement of alleged profits, injunctive relief related to corporate governance and/or attorneys fees and costs. The Company intends to vigorously defend itself against these claims.

Other

We and our subsidiaries are also defendants in various other lawsuits, most of which relate to routine matters incidental to our business. We do not believe that the outcome of such pending litigation, considered in the aggregate, will have a material adverse effect on the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of our security holders during the fourth quarter of 2009.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock Information

Our common stock is traded on the New York Stock Exchange under the symbol MGM. The following table sets forth, for the calendar quarters indicated, the high and low sale prices of our common stock on the New York Stock Exchange Composite Tape.

	2009		2008	
	High	**Low**	**High**	**Low**
First quarter	$ 16.89	$ 1.81	$ 84.92	$ 57.26
Second quarter	14.01	2.34	62.90	33.00
Third quarter	14.25	5.34	38.49	21.65
Fourth quarter	12.72	8.54	27.70	8.00

There were approximately 4,348 record holders of our common stock as of February 16, 2010.

We have not paid dividends on our common stock in the last two fiscal years. As a holding company with no independent operations, our ability to pay dividends will depend upon the receipt of dividends and other payments from our subsidiaries. Furthermore, our senior credit facility contains financial covenants that could restrict our ability to pay dividends. Our Board of Directors periodically reviews our policy with respect to dividends, and any determination to pay dividends in the future will be at the sole discretion of the Board of Directors.

Share Repurchases

Our share repurchases are only conducted under repurchase programs approved by our Board of Directors and publicly announced. We did not repurchase shares of our common stock during the quarter ended December 31, 2009. The maximum number of shares available for repurchase under our May 2008 repurchase program was 20 million as of December 31, 2009.

Equity Compensation Plan Information

The following table includes information about our equity compensation plans at December 31, 2009:

	Number of securities to be issued upon exercise of outstanding options,	Weighted average per share exercise price of outstanding options,	Number of securities remaining available for future issuance under equity

	warrants and rights	warrants and rights	compensation plans
	(In thousands, except per share data)		
Equity compensation plans approved by security holders(1)	29,291	$ 23.17	13,022

(1) As of December 31, 2009 we had 1.1 million restricted stock units outstanding that do not have an exercise price; therefore, the weighted average per share exercise price only relates to outstanding stock options and stock appreciation rights.

ITEM 6. SELECTED FINANCIAL DATA

	For The Years Ended December 31,				
	2009	2008	2007	2006	2005
	(In thousands, except per share data)				
Net revenues	$ 5,978,589	$ 7,208,767	$ 7,691,637	$ 7,175,956	$ 6,128,843
Operating income (loss)	(963,876)	(129,603)	2,863,930	1,758,248	1,330,065
Income (loss) from continuing operations	(1,291,682)	(855,286)	1,400,545	635,996	435,366
Net income (loss)	(1,291,682)	(855,286)	1,584,419	648,264	443,256
Basic earnings per share:					
Income (loss) from continuing operations	$ (3.41)	$ (3.06)	$ 4.88	$ 2.25	$ 1.53
Net income (loss) per share	(3.41)	(3.06)	5.52	2.29	1.56
Weighted average number of shares	378,513	279,815	286,809	283,140	284,943
Diluted earnings per share:					
Income (loss) from continuing operations	$ (3.41)	$ (3.06)	$ 4.70	$ 2.18	$ 1.47
Net income (loss) per share	(3.41)	(3.06)	5.31	2.22	1.50
Weighted average number of shares	378,513	279,815	298,284	291,747	296,334
At year-end:					
Total assets	$ 22,518,210	$ 23,274,716	$ 22,727,686	$ 22,146,238	$ 20,699,420
Total debt, including capital leases	14,060,270	13,470,618	11,182,003	12,997,927	12,358,829
Stockholders equity	3,870,432	3,974,361	6,060,703	3,849,549	3,235,072
Stockholders equity per share	$ 8.77	$ 14.37	$ 20.63	$ 13.56	$ 11.35
Number of shares outstanding	441,222	276,507	293,769	283,909	285,070

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

Acquisitions and Dispositions

Our acquisition of Mandalay Resort Group closed on April 25, 2005.

In April 2007, we sold the Primm Valley Resorts.

In June 2007, we sold the Colorado Belle and Edgewater resorts in Laughlin, Nevada (the Laughlin Properties).

In 2007, we recognized a $1.03 billion pre-tax gain on the contribution of CityCenter to a joint venture.

In March 2009, we sold the Treasure Island casino resort (TI) in Las Vegas, Nevada and recorded a gain on the sale of $187 million.

The results of the Primm Valley Resorts and the Laughlin Properties are classified as discontinued operations for all applicable periods presented, including the gain on sales of such assets.

Other

Beau Rivage was closed from August 2005 to August 2006 due to Hurricane Katrina.

During 2007 and 2006, we recognized our share of profits from the sale of condominium units at The Signature at MGM Grand. We recognized $93 million and $117 million (pre-tax) of such income in 2007 and 2006, respectively.

During 2007 and 2006, we recognized $284 million and $86 million, respectively, of pre-tax income for insurance recoveries related to Hurricane Katrina.

In 2008, we recognized a $1.2 billion non-cash impairment charge related to goodwill and indefinite-lived intangible assets recognized in the Mandalay acquisition.

In 2009, we recorded non-cash impairment charges of $176 million related to our M Resort note, $956 million related to our investment in CityCenter, $203 million related to our share of the CityCenter residential impairment, and $548 million related to our land holdings on Renaissance Pointe in Atlantic City and capitalized development costs related to our postponed MGM Grand Atlantic City Project.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Overview

Liquidity and Financial Position

We have significant indebtedness and we have significant financial commitments in 2010. On December 30, 2009, we borrowed the $1.6 billion then available to us under our senior credit facility in order to increase our capacity for issuing additional senior secured notes under our existing public notes indentures; we repaid this borrowing on January 4, 2010. Therefore, as of December 31, 2009, we had a higher than normal cash balance of $2.1 billion. As of December 31, 2009, we had approximately $14.1 billion of total long-term debt including amounts outstanding under our senior credit facility. As discussed below, on February 25, 2010, we entered into an agreement amending our senior credit facility, which, among other things, provides for an extension of the maturity date for a portion of our senior credit facility (subject to the fulfillment of certain conditions), provided for a reduction in the credit exposures of lenders agreeing to such extensions, and an increase in applicable interest rates payable to such lenders.

As of December 31, 2009 our financial obligations in 2010 included $1.1 billion related to maturities of long-term debt; $1.0 billion in estimated interest payments on outstanding debt; and an estimated $394 million under our CityCenter completion guarantee which we expect to be partially offset by up to $244 million in proceeds from the sale of residential units at CityCenter, though the timing of receipt of such proceeds is uncertain. In addition, we expect to invest approximately $250 million in currently uncommitted capital expenditures at our resorts in 2010.

Giving effect to the January 4, 2010 repayment, we had approximately $1.6 billion available under our senior credit facility to fund our 2010 obligations as of December 31, 2009. We have no other existing sources of borrowing availability, except to the extent we reduce amounts outstanding under the senior credit facility. In addition, we historically have generated significant cash flows from operations; we generated approximately $1.4 billion in cash flows from operations before deducting cash paid for interest in 2009. We also expect to receive tax refunds of approximately $385 million during 2010.

On February 25, 2010 we entered into an amendment (the Amendment) to our senior credit facility which:

- Provides us a period through June 30, 2010 to raise sufficient capital to make the Required Prepayments described below;
- Permits us to issue not more than $850 million of secured indebtedness to finance all or a portion of the Required Prepayments;
- Permits us to transfer our 50% interest in Borgata and certain land and cash into a trust see Borgata below; and
- Requires the payment of an amendment fee to all lenders under our credit facility.

Pursuant to the Amendment, a restatement of our senior credit facility (the Restated Loan Agreement) will become effective upon making of the Required Prepayments and satisfaction of certain documentary conditions provided that these occur no later than June 30, 2010.

The Restated Loan Agreement:

Requires us to make a 20% reduction in credit exposures of those of our lenders which have agreed to extend their commitments, other than lenders which have waived such reduction (the Required Prepayments approximately $820 million);

Subject to the making of the Required Prepayments and the fulfillment of certain other conditions, re-tranches the senior credit facility so that approximately $1.4 billion of revolving loans and commitments will be effectively converted into term loans, leaving a revolving credit commitment of $2.0 billion, approximately $300 million of which will mature in October 2011;

Requires us to repay in full the approximately $1.2 billion owed to lenders which have not agreed to extend their commitments on or before the existing maturity date in October 2011;

Extends (subject to certain conditions) the maturity date for the remaining approximately $3.6 billion of the loans and lending commitments (adjusted for the Required Prepayments) under the credit facility through February 21, 2014;

Provides for extension fees and a 100 basis point increase in interest rate for extending lenders; and

Continues the existing minimum EBITDA and maximum annual capital expenditure convenants with periodic step-ups during the extension period.

In addition, the Restated Loan Agreement will allow us to issue unsecured debt and equity securities to refinance indebtedness maturing prior to October 3, 2011 and the $1.2 billion portion of the obligations owed to non-extending Lenders. Following the repayment of such lenders and the fulfillment of certain other conditions, the maturity of the balance of the senior credit facility will be extended to February 21, 2014 and the Restated Loan Agreement will thereafter permit us to issue unsecured debt and equity securities to refinance indebtedness which matures prior to the maturity date of the extended facilities. However, (a) indebtedness in amounts issued in excess of $250 million over such interim maturities requires ratable prepayment of the credit facilities in an amount equal to 50% of the net cash proceeds of such excess, and (b) equity amounts issued in excess of $500 million over such interim maturities require ratable prepayment of the credit facilities in an amount equal to 50% of the net cash proceeds of such excess.

Current Operations

At December 31, 2009, our operations consisted of 15 wholly-owned casino resorts and 50% investments in five other casino resorts, including:

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

Other operations include the Shadow Creek golf course in North Las Vegas and Fallen Oak golf course in Saucier, Mississippi. We also own the Primm Valley Golf Club at the California state line, which is currently operated by a third party. In December 2008, we entered into an agreement to sell TI; the sale closed in March 2009.

CityCenter. The other 50% of CityCenter is owned by Infinity World Development Corp (Infinity World), a wholly-owned subsidiary of Dubai World, a Dubai, United Arab Emirates government decree entity. CityCenter consists of Aria, a 4,000-room casino resort; Mandarin Oriental Las Vegas, a 400-room non-gaming boutique hotel; Crystals, a 425,000 square foot retail district, including shops, dining and entertainment venues; and Vdara, a 1,495-room luxury condominium-hotel. In addition, CityCenter features residential units in the Residences at

Mandarin Oriental 225 units, and Veer approximately 670 units. Aria opened on December 16, 2009 and Vdara, Mandarin Oriental and Crystals all opened in early December 2009. The residential units within CityCenter began the sales closing process in early 2010. Additionally, CityCenter postponed the opening of The Harmon Hotel & Spa, a 400-room non-gaming boutique hotel, until such time as we and Infinity World mutually agree to proceed with its completion. We receive a management fee of 2% of gross revenues for the management of Aria and Vdara, and 5% of EBITDA, as defined. In addition, we receive an annual fee of $3 million for the management of Crystals.

Borgata. In May 2009, the New Jersey Division of Gaming Enforcement (the DGE) issued a report which recommended to the New Jersey Casino Control Commission (the New Jersey Commission) that, among other things, our Macau joint venture partner be found to be unsuitable and we be directed to disengage from any business association with such Macau joint venture partner. We are currently involved in constructive settlement discussions with the DGE, which have centered on us placing our 50% ownership interest in the Borgata Hotel Casino & Spa and related leased land in Atlantic City into a divestiture trust (the Trust) for which we would be the sole economic beneficiary. Any settlement is subject to both DGE and New Jersey Commission approval.

In February 2010, we entered into an amendment to our joint venture agreement with Boyd Gaming Corporation (Boyd) to permit the transfer of our 50% ownership interest into the Trust in connection with our potential settlement agreement with the DGE. The amendment also includes the following provisions that would become effective only upon the transfer of the joint venture interests into Trust: Boyd would receive a priority partnership distribution of approximately $31 million (equal to the excess prior capital contributions by Boyd) upon successful refinancing of the Borgata credit facility; in addition, Boyd would receive a payment from the Trust equal to the greater of $10 million or 3% of the proceeds from the sale of our 50% interest in Borgata.

If we reach a settlement agreement with the DGE, we will discontinue the equity method of accounting for Borgata at the point the assets are placed in the Trust and will account for our rights under the trust arrangement under the cost method of accounting. Earnings and losses that relate to the investment that were previously accrued will remain as a part of the carrying amount of the investment. Distributions received by the Trust in subsequent periods that do not exceed our share of earnings will be recognized currently in earnings. However, distributions to the Trust in subsequent periods that exceed our share of earnings for such periods will be applied to reduce the carrying amount of our investment.

Key Performance Indicators

Our primary business is the ownership and operation of casino resorts, which includes offering gaming, hotel, dining, entertainment, retail and other resort amenities. Over half of our net revenue is derived from non-gaming activities, a higher percentage than many of our competitors, as our operating philosophy is to provide a complete resort experience for our guests, including non-gaming amenities for which our guests are willing to pay a premium. Our significant convention and meeting facilities allow us to maximize hotel occupancy and customer volumes during off-peak times such as mid-week or during traditionally slower leisure travel periods, which also leads to better labor utilization. We believe that we own several of the premier casino resorts in the world and have continually reinvested in our resorts to maintain our competitive advantage.

As a resort-based company, our operating results are highly dependent on the volume of customers at our resorts, which in turn affects the price we can charge for our hotel rooms and other amenities. We also generate a significant portion of our operating income from the high-end gaming segment, which can be a cause for variability in our results. Key performance indicators related to revenue 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 win percentage is in the range of 18% to 22% of table games drop and our normal slots win percentage is in the range of 7% to 8% of slots handle;

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

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

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

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

Impact of Economic Conditions and Credit Markets on Our Results of Operations

The state of the U.S. economy has negatively affected our results of operations since 2008 and we expect to continue to be affected by certain aspects of the current economic conditions high unemployment and weak housing market, for example into 2010. The decrease in liquidity in the credit markets which began in late 2007 and accelerated in late 2008 also significantly affected our results of operations and financial condition.

Uncertain economic conditions continue to affect our customers spending levels. Travel and travel-related expenditures have been particularly affected as businesses and consumers have altered their spending patterns which has led to decreases in visitor volumes and customer spending. Businesses responded to the difficult economic conditions by reducing travel budgets. This factor, along with perceptions surrounding certain types of business travel, negatively affected convention attendance in Las Vegas in 2009. Convention and catering customers cancelled or postponed a significant number of events occurring during 2008, 2009, and early 2010. Other conditions currently or recently present in the economic environment which tend to negatively affect our operating results include:

- Weaknesses in employment and increases in unemployment;
- Weak consumer confidence;
- Weak housing market and significant declines in housing prices and related home equity; and
- Decreases in air capacity to Las Vegas.

Because of these economic conditions, we have increasingly focused on managing costs and continue to review all areas of operations for efficiencies. We continually manage staffing levels across all our resorts and have reduced our salaried management positions. As a result, the average number of full-time equivalents at our resorts for the year ended December 31, 2009 was 11% lower than 2008, which was 8% lower than 2007.

In addition, we did not pay discretionary bonuses for 2008 due to not meeting our internal profit targets; we suspended Company contributions to our 401(k) plan and our nonqualified deferred compensation plans in 2009; we rescinded cost of living increases for non-union employees in 2009; and we reached an agreement with our primary union to defer the 2009 contractual pay increase. We paid discretionary bonuses for 2009 in February 2010 and we will provide general salary increases to certain salaried employees in 2010. However, company matching contributions to our 401(k) plan and our nonqualified deferred compensation plans will remain frozen until such time as we believe it is prudent to reinstate these benefits.

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

In connection with the amendments to our senior credit facility in 2008, 2009, and 2010, we will incur higher interest costs;

Senior notes issued in November 2008, May 2009 and September 2009 carry significantly higher interest rates than the notes maturing in 2009 and 2010, which will also lead to higher interest costs; and

Several credit agencies downgraded our credit rating in 2008 and 2009, which may affect our ability to access future capital and cause future borrowings to carry higher interest rates.

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Impairment Charges

Atlantic City Renaissance Pointe Land. We reviewed the carrying value of our Renaissance Pointe land holdings for impairment at December 31, 2009 as we do not intend to pursue development of our MGM Grand Atlantic City project for the foreseeable future. Our Renaissance Pointe land holdings include a 72-acre development site and 10 acres of land subject to a long-term lease with the Borgata joint venture. The fair value of the development land was determined based on a market approach, and the fair value of land subject to the long-term lease with Borgata was determined using a discounted cash flow analysis using expected contractual cash flows under the lease discounted at a market capitalization rate. As a result, we recorded a non-cash impairment charge of $548 million in the 2009 fourth quarter, which was included in Property transactions, net related to our land holdings on Renaissance Pointe and capitalized development costs.

CityCenter. At September 30, 2009, we reviewed our CityCenter investment for impairment using revised operating forecasts developed by CityCenter management late in the third quarter of 2009. In addition, the impairment charge related to CityCenter s residential real estate under development discussed below further indicated that our investment may have experienced an other-than-temporary decline in value. Our discounted cash flow analysis for CityCenter included estimated future cash outflows for construction and maintenance expenditures and future cash inflows from operations, including residential sales. Based on our analysis, we determined that the carrying value of our investment exceeded its fair value and therefore an impairment was indicated. We intend to, and believe we will be able to, retain our investment in CityCenter; however, due to the extent of the shortfall and our assessment of the uncertainty of fully recovering our investment, we determined that the impairment was other-than-temporary and recorded an impairment charge of $956 million included in Property transactions, net.

In addition, included in Income (loss) from unconsolidated affiliates is our share of an impairment charge relating to CityCenter residential real estate under development (REUD). CityCenter was required to review its REUD for impairment at September 30, 2009, mainly due to CityCenter s September 2009 decision to discount the prices of its residential inventory by 30%. This decision and related market conditions led to CityCenter management s conclusion that the carrying value of the REUD is not recoverable based on estimates of undiscounted cash flows. As a result, CityCenter was required to compare the fair value of its REUD to its carrying value and record an impairment charge in the third quarter of 2009 for the shortfall. Fair value of the REUD was determined using a discounted cash flow analysis based on management s current expectations of future cash flows. The key inputs in the discounted cash flow analysis included estimated sales prices of units currently under contract and new unit sales, the absorption rate over the sell-out period, and the discount rate. This analysis resulted in an impairment charge of approximately $348 million of the REUD. We recognized 50% of such impairment charge, adjusted by certain basis differences, resulting in a pre-tax charge of $203 million. Once the residential inventory is complete, in the first quarter of 2010, CityCenter will be required to measure such inventory at the lower of a) its carrying value, or b) fair value less costs to sell. It is reasonably possible that the fair value less cost to sell of the residential inventory at completion will be below the inventory s carrying value, and that the joint venture will be required to record an additional impairment charge at that time. We would record 50% of any such impairment charge, adjusted for certain basis differences.

M Resort Note. At June 30, 2009, we reviewed our M Resort Note for impairment. Based on our review of the operating results of M Resort, as well as the M Resort s management s revised cash flow projections post-opening, which were significantly lower than original predictions due to market and general economic conditions, we determined that the fair value of the M Resort Note was $0, that the decline in value was other-than-temporary, and that the entire amount of the indicated impairment related to a credit loss. Based on these conclusions, we recorded a pre-tax impairment of $176 million in the second quarter of 2009 within Other non-operating expense.

2008 Goodwill Impairment. We perform our annual impairment test related to goodwill and indefinite-lived intangible assets during the fourth quarter of each year. No impairment charges were recorded as a result of our 2009 analysis. As a result of our 2008 analysis, we recognized a non-cash impairment charge of $1.2 billion. The impairment charge related solely to the goodwill and other indefinite-lived intangible assets recognized in the 2005 acquisition of Mandalay Resort Group, and represented substantially all of the goodwill recognized at the time of the Mandalay acquisition and a minor portion of the value of trade names related to the Mandalay resorts. The impairment charge resulted from factors affected by economic conditions at the time, including: 1) lower market valuation multiples for gaming assets; 2) higher discount rates resulting from turmoil in the credit and equity markets; and 3) cash flow forecasts for the Mandalay resorts.

Hurricane Katrina and the Monte Carlo Fire

We maintain insurance for both property damage and business interruption relating to catastrophic events, such as Hurricane Katrina affecting Beau Rivage in August 2005 and the rooftop fire at Monte Carlo in January 2008. Business interruption coverage covers lost profits and other costs incurred during the closure period and up to six months following re-opening.

Hurricane Katrina. We reached final settlement agreements with our insurance carriers related to Hurricane Katrina in late 2007. In total, we received insurance recoveries of $635 million, which exceeded the $265 million net book value of damaged assets and post-storm costs incurred. We recognized the $370 million of excess insurance recoveries in income in 2007 and 2006. In 2007, $67 million and $217 million of such excess insurance recoveries were recognized as offsets to General and administrative expense and Property transactions, net, respectively.

Monte Carlo fire. We reached final settlement agreements for the Monte Carlo Fire in early 2009. In total, we received $74 million of proceeds from our insurance carriers. We recognized the $41 million of excess insurance recoveries in income in 2009 and 2008, with recoveries offsetting a write-down of $4 million related to the net book value of damaged assets, demolition costs of $7 million, and operating costs of $21 million. In 2009, $15 million and $7 million of such excess insurance recoveries were recognized as offsets to General and administrative expense and Property transactions, net, respectively. In 2008, $9 million and $10 million of such excess insurance recoveries were recognized as offsets to General and administrative expense and Property transactions, net, respectively.

Results of Operations

The following discussion is based on our consolidated financial statements for the years ended December 31, 2009, 2008 and 2007. Certain results referenced in this section are on a same store basis excluding the results of TI.

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Summary Financial Results

The following table summarizes our financial results:

	Year Ended December 31,				
	2009	Percentage Change	2008	Percentage Change	2007
	(In thousands, except per share data)				
Net revenues	$ 5,978,589	(17)%	$ 7,208,767	(6)%	$ 7,691,637
Operating expenses:					
Casino and hotel operations	3,539,306	(12)%	4,034,374	0%	4,027,558
General and administrative	1,100,193	(14)%	1,278,944	2%	1,251,952
Corporate expense	143,764	32%	109,279	(44)%	193,893
Preopening	53,013	130%	23,059	(75)%	92,105
Property transactions, net	1,328,689	10%	1,210,749	NM	(186,313)
CityCenter gain				NM	(1,029,660)
Depreciation and amortization	689,273	(11)%	778,236	11%	700,334
Total operating expenses	6,854,238	(8)%	7,434,641	47%	5,049,869
Income (loss) from unconsolidated affiliates	(88,227)	(192)%	96,271	(57)%	222,162
Operating income (loss)	$ (963,876)	(644)%	$ (129,603)	(105)%	$ 2,863,930
Income (loss) from continuing operations	$ (1,291,682)	(51)%	$ (855,286)	(161)%	$ 1,400,545
Net income (loss)	(1,291,682)	(51)%	(855,286)	(154)%	1,584,419
Diluted income (loss) from continuing operations per share	$ (3.41)	(11)%	$ (3.06)	(165)%	$ 4.70
Diluted net income (loss) per share	(3.41)	(11)%	(3.06)	(158)%	5.31

Net revenues decreased in 2009 and 2008 largely due to the economic factors discussed in Impact of Economic Conditions and Credit Markets on Our Results of Operations. As discussed further in Operating Results Detailed Revenue Information revenues have decreased across all business lines. We reduced departmental operating expenses to maximize operating results by implementing cost savings efforts, but due to our leveraged business model a significant portion of the decline in revenue affected operating results and earnings.

Corporate expense increased in 2009 as a result of higher legal and advisory costs associated with our activities to improve our financial position as well as the accrual of bonus expense in 2009. Corporate expense in 2008 declined from 2007 as a result of cost reduction efforts throughout the year and no bonus accrual due to not meeting internal profit targets. In addition, corporate expenses in 2007 included costs associated with the CityCenter joint venture transaction.

Depreciation and amortization expense decreased in 2009 due to certain assets becoming fully depreciated and the sale of TI. In 2008, depreciation increased 11% due to the significant capital investments in our resorts in the previous few years. In addition, other transactions, events, and impairment charges had a significant impact on our earnings performance, certain of which we discussed in the Executive Overview section. As a result, operating loss was $964 million and $130 million in 2009 and 2008, respectively.

Operating Results Adjusted EBITDA

Adjusted EBITDA is earnings before interest and other non-operating income (expense), taxes, depreciation and amortization, preopening and start-up expenses, and property transactions, net. Adjusted Property EBITDA is Adjusted EBITDA before corporate expense and stock compensation expense and in 2007 the gain on our CityCenter transaction. Adjusted EBITDA and Adjusted Property EBITDA information is presented solely as a supplemental disclosure to reported GAAP measures because we believe that these measures are 1) widely used measures of operating performance in the gaming industry, and 2) a principal basis for valuation of gaming companies.

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

In addition, capital allocation, tax planning, financing and stock compensation awards are all managed at the corporate level. Therefore, we use Adjusted Property EBITDA as the primary measure of our operating resorts performance.

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

On a same store basis, Adjusted EBITDA decreased 38% in 2009 and 23% in 2008. Excluding the $203 million impact from the residential impairment charge recorded by CityCenter, the $12 million impairment charge related to our postponed joint venture project on the North Las Vegas Strip, and Monte Carlo insurance recoveries, Adjusted EBITDA decreased 27% in 2009.

On a same store basis, Adjusted Property EBITDA decreased 34% in 2009 and 24% in 2008. Excluding the charges noted above, Adjusted Property EBITDA decreased 23% in 2009 with a margin of 25% versus 28% in 2008. These decreases were largely due to the factors discussed in Summary Financial Results and Impact of Economic Conditions and Credit Markets on Our Results of Operations. Our regional resorts were affected to a lesser extent than our Las Vegas Strip resorts Adjusted Property EBITDA at Gold Strike Tunica increased 43% in 2009 on top of a 19% increase in 2008. Adjusted Property EBITDA at MGM Grand Detroit was flat in 2009 and 2008.

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

	Year Ended December 31, 2009	2008 (In thousands)	2007
Adjusted EBITDA	$ 1,107,099	$ 1,882,441	$ 2,440,396
Preopening and start-up expenses	(53,013)	(23,059)	(92,105)
Property transactions, net	(1,328,689)	(1,210,749)	186,313
Gain on CityCenter transaction			1,029,660
Depreciation and amortization	(689,273)	(778,236)	(700,334)
Operating income (loss)	(963,876)	(129,603)	2,863,930
Non-operating income (expense)			
Interest expense, net	(775,431)	(609,286)	(708,343)
Other, net	(273,286)	69,901	2,841
	(1,048,717)	(539,385)	(705,502)
Income (loss) from continuing operations before income tax	(2,012,593)	(668,988)	2,158,428
Benefit (provision) for income taxes	720,911	(186,298)	(757,883)
Income (loss) from continuing operations	(1,291,682)	(855,286)	1,400,545
Discontinued operations			183,874
Net income (loss)	$ (1,291,682)	$ (855,286)	$ 1,584,419

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

	Year Ended December 31, 2009				
	Operating Income (Loss)	Preopening and Start-up Expenses	Property Transactions, Net (In thousands)	Depreciation and Amortization	Adjusted EBITDA
Bellagio	$ 157,079	$	$ 2,326	$ 115,267	$ 274,672
MGM Grand Las Vegas	123,378		30	90,961	214,369
Mandalay Bay	65,841	948	(73)	93,148	159,864
The Mirage	74,756		313	66,049	141,118

Luxor	37,527	(759)	181	39,218	76,167
Treasure Island	12,730		(1)		12,729
New York-New York	45,445		1,631	31,479	78,555
Excalibur	47,973		(16)	24,173	72,130
Monte Carlo	16,439		(4,740)	24,895	36,594
Circus Circus Las Vegas	4,015		(9)	23,116	27,122
MGM Grand Detroit	90,183		7,336	40,491	138,010
Beau Rivage	16,234		157	49,031	65,422
Gold Strike Tunica	29,010		(209)	16,250	45,051
Management operations	7,285		2,473	8,564	18,322
Other operations	(4,172)		(57)	5,988	1,759
Unconsolidated resorts	(139,896)	52,824			(87,072)
	583,827	53,013	9,342	628,630	1,274,812
Stock compensation	(36,571)				(36,571)
Corporate	(1,511,132)		1,319,347	60,643	(131,142)
	$ (963,876)	$ 53,013	$ 1,328,689	$ 689,273	$ 1,107,099

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	Year Ended December 31, 2008				
	Operating Income (Loss)	Preopening and Start-up Expenses	Property Transactions, Net	Depreciation and Amortization	Adjusted EBITDA
			(In thousands)		
Bellagio	$ 257,415	$	$ 1,130	$ 133,755	$ 392,300
MGM Grand Las Vegas	170,049	443	2,639	97,661	270,792
Mandalay Bay	145,005	11	1,554	101,925	248,495
The Mirage	99,061	242	6,080	62,968	168,351
Luxor	84,948	1,116	2,999	43,110	132,173
Treasure Island	63,454		1,828	37,729	103,011
New York-New York	74,276	726	3,627	32,830	111,459
Excalibur	83,953		961	25,235	110,149
Monte Carlo	46,788		(7,544)	25,380	64,624
Circus Circus Las Vegas	33,745		5	22,401	56,151
MGM Grand Detroit	77,671	135	6,028	53,674	137,508
Beau Rivage	22,797		76	48,150	71,023
Gold Strike Tunica	15,093		2,326	13,981	31,400
Management operations	6,609			10,285	16,894
Other operations	(5,367)		2,718	6,244	3,595
Unconsolidated resorts	76,374	20,281			96,655
	1,251,871	22,954	24,427	715,328	2,014,580
Stock compensation	(36,277)				(36,277)
Corporate	(1,345,197)	105	1,186,322	62,908	(95,862)
	$ (129,603)	$ 23,059	$ 1,210,749	$ 778,236	$ 1,882,441

	Year Ended December 31, 2007					
	Operating Income	Preopening and Start-up Expenses	Property Transactions, net	Gain on CityCenter Transaction	Depreciation and Amortization	Adjusted EBITDA
			(In thousands)			
Bellagio	$ 306,916	$	$ 6,543	$	$ 126,724	$ 440,183
MGM Grand Las Vegas	289,849	1,130	6,895		98,530	396,404
Mandalay Bay	188,996		8,598		91,812	289,406
The Mirage	172,779		1,218		59,936	233,933
Luxor	132,418	20	3,247		38,163	173,848
Treasure Island	95,820		109		32,129	128,058
New York-New York	108,099	101	477		33,326	142,003
Excalibur	117,123		261		21,973	139,357

Monte Carlo	87,655	1,286	1,117		22,831	112,889
Circus Circus Las Vegas	59,868		5		20,936	80,809
MGM Grand Detroit	81,836	26,257	(570)		31,822	139,345
Beau Rivage	321,221		(216,673)		47,726	152,274
Gold Strike Tunica	12,231		462		13,651	26,344
CityCenter	(57,297)	21,541	788		4,052	(30,916)
Other operations	3,942		4,630		6,451	15,023
Unconsolidated resorts	181,123	41,039				222,162
	2,102,579	91,374	(182,893)		650,062	2,661,122
Gain on City Center transaction	1,029,660			(1,029,660)		
Stock compensation	(47,276)	731				(46,545)
Corporate	(221,033)		(3,420)		50,272	(174,181)
	$ 2,863,930	$ 92,105	$ (186,313)	$ (1,029,660)	$ 700,334	$ 2,440,396

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Operating Results Detailed Revenue Information

The following table presents detail of our net revenues:

	Year Ended December 31,				
	2009	Percentage Change	2008	Percentage Change	2007
			(In thousands)		
Casino revenue, net:					
Table games	$ 955,238	(11)%	$ 1,078,897	(12)%	$ 1,228,296
Slots	1,579,038	(12)%	1,795,226	(5)%	1,897,610
Other	83,784	(18)%	101,557	(10)%	113,148
Casino revenue, net	2,618,060	(12)%	2,975,680	(8)%	3,239,054
Non-casino revenue:					
Rooms	1,370,135	(28)%	1,907,093	(10)%	2,130,542
Food and beverage	1,362,325	(14)%	1,582,367	(4)%	1,651,655
Entertainment, retail and other	1,293,762	(9)%	1,419,055	3%	1,376,417
Non-casino revenue	4,026,222	(18)%	4,908,515	(5)%	5,158,614
	6,644,282	(16)%	7,884,195	(6)%	8,397,668
Less: Promotional allowances	(665,693)	(1)%	(675,428)	(4)%	(706,031)
	$ 5,978,589	(17)%	$ 7,208,767	(6)%	$ 7,691,637

Table games revenue decreased 11%, or 9% on a same store basis, due to a decrease in overall table games volume, despite an increase of 33% for baccarat volume. The table games hold percentage was near the mid-point of our normal range for all years presented.

Slots revenue decreased 12% in 2009, or 9% on a same store basis, driven by a decrease in volume at our Las Vegas Strip resorts. Most of our Las Vegas Strip resorts experienced decreases in the high single digits, while MGM Grand Detroit and Gold Strike Tunica experienced decreases in the low single digits. In 2008, slots revenue at Bellagio and Mandalay Bay decreased 4% while the majority of our other Las Vegas Strip resorts experienced year-over-year decreases in the low double digits. Slots revenue increased 7% at MGM Grand Detroit and 5% at Gold Strike Tunica in 2008.

Room revenue decreased 28%, or 24% on a same store basis, in 2009 and 10% in 2008 as a result of a decrease in occupancy and lower average room rates. The following table shows key hotel statistics for our Las Vegas Strip resorts:

	Year Ended December 31,		
	2009	2008	2007

Occupancy %	91%	92%	96%
Average Daily Rate (ADR)	$ 111	$ 148	$ 161
Revenue per Available Room (REVPAR)	$ 100	$ 137	$ 154

Food and beverage, entertainment, and retail revenues in 2009 and 2008 were negatively affected by lower customer spending and decreased occupancy at our resorts. In 2009, entertainment revenues benefited from the addition of *Terry Fator* at The Mirage. In 2008, entertainment revenues benefited from the addition of *Believe* at Luxor. Other revenues in 2009 and 2008 included reimbursed costs from CityCenter, which were recognized as other revenue with corresponding amounts recognized as other expense. Reimbursed costs for CityCenter were $95 million in 2009 and $46 million in 2008.

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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 related to employee stock-based awards:

	Year Ended December 31, 2009	2008 (In thousands)	2007
Casino	$ 10,080	$ 10,828	$ 11,513
Other operating departments	4,287	3,344	3,180
General and administrative	9,584	9,485	12,143
Corporate expense and other	12,620	12,620	19,707
Discontinued operations			(865)
	$ 36,571	$ 36,277	$ 45,678

Preopening and start-up expenses consisted of the following:

	Year Ended December 31, 2009	2008 (In thousands)	2007
CityCenter	$ 52,010	$ 17,270	$ 24,169
MGM Grand Macau			36,853
MGM Grand Detroit		135	26,257
Other	1,003	5,654	4,826
	$ 53,013	$ 23,059	$ 92,105

Preopening and start-up expenses increased in 2009 as CityCenter prepared for its December 2009 opening. Subsequent to the CityCenter joint venture transaction in November 2007, we only recognize our 50% share of these preopening costs. MGM Grand Macau s preopening and start-up expenses in 2007 related to our share of that venture s preopening costs.

Property transactions, net consisted of the following:

	Year Ended December 31, 2009	2008 (In thousands)	2007
CityCenter investment write-down	$ 955,898	$	$
Atlantic City Renaissance Pointe land impairment	548,347		
		1,179,788	

Goodwill and other indefinite-lived intangible assets impairment charge			
Other write-downs and impairments	17,629	52,170	33,624
Demolition costs		9,160	5,665
Insurance recoveries	(7,186)	(9,639)	(217,290)
Gain on sale of TI	(187,442)		
Other net (gains) losses on asset sales or disposals	1,443	(20,730)	(8,312)
	$ 1,328,689	$ 1,210,749	$ (186,313)

See discussion of Atlantic City Renaissance Pointe land, CityCenter investment, insurance recoveries, and goodwill and other indefinite-lived intangible assets impairment charges under Executive Overview. Other write-downs during 2009 primarily related to the write-off of various abandoned construction projects. Other write-downs and impairments in 2008 included $30 million related to land and building assets of Primm Valley Golf Club. The 2008 period also includes demolition costs associated with various room remodel projects and a gain on the sale of an aircraft of $25 million. Insurance recoveries in 2009 and 2008 relate to the Monte Carlo fire and Hurricane Katrina in 2007.

Write-downs and impairments in 2007 included write-offs related to discontinued construction projects and a write-off of the carrying value of the Nevada Landing building assets due to its closure in March 2007. The 2007 period also includes demolition costs primarily related to the Mandalay Bay room remodel.

Operating Results Income (Loss) from Unconsolidated Affiliates

We recognized a loss from unconsolidated affiliates of $88 million in 2009. These results include $203 million impact from the impairment charge recorded by CityCenter related to its residential real estate under development and a $12 million charge related to development costs for our postponed joint venture project on the North Las Vegas Strip. Income from unconsolidated affiliates in 2009 benefited from increased operating results at MGM Grand Macau, which earned operating income of $60 million, an increase of 74% over 2008, and $14 million related to insurance proceeds recognized at the Borgata. Income from unconsolidated affiliates in 2007 included $93 million related to the sale of condominium units at The Signature at MGM Grand.

Non-operating Results

The following table summarizes information related to interest on our long-term debt:

	Year Ended December 31,		
	2009	2008	2007
		(In thousands)	
Total interest incurred	$ 997,897	$ 773,662	$ 930,138
Interest capitalized	(222,466)	(164,376)	(215,951)
Interest allocated to discontinued operations			(5,844)
	$ 775,431	$ 609,286	$ 708,343
Cash paid for interest, net of amounts capitalized	$ 807,523	$ 622,297	$ 731,618
Weighted average total debt balance	$ 13.2 billion	$ 12.8 billion	$ 13.0 billion
End-of-year ratio of fixed-to-floating debt	61/39	58/42	71/29
Weighted average interest rate	7.6%	6.0%	7.1%

In 2009, gross interest costs increased compared to 2008 mainly due to higher average debt balances during 2009, higher interest rates for borrowings under our senior credit facility in 2009, higher interest rates for newly issued fixed rate borrowings, as well as breakage fees for voluntary repayments of our revolving credit facility. In 2008, gross interest costs decreased compared to 2007 mainly due to lower interest rates on our variable rate borrowings.

Capitalized interest increased in 2009 due to higher CityCenter investment balances and higher weighted average cost of debt. Capitalized interest decreased in 2008 compared to 2007 due to less capitalized interest on CityCenter and cessation of capitalized interest related to our investment in MGM Grand Macau upon opening in December 2007. The amounts presented above exclude non-cash gross interest and corresponding capitalized interest related to our CityCenter delayed equity contribution.

The following table summarizes information related to our income taxes:

	Year Ended December 31,		
	2009	2008	2007
		(In thousands)	
Income (loss) from continuing operations before income tax	$ (2,012,593)	$ (668,988)	$ 2,158,428

Income tax (benefit) provision		(720,911)		186,298		757,883
Effective income tax rate		35.8%		NM		35.1%
Cash (received from) paid for income taxes, net of refunds	$	(53,863)	$	437,874	$	391,042

The income tax benefit provided on pre-tax loss in 2009 was greater than the Federal statutory rate of 35% primarily as a result of state tax benefit on the write-down of land in Atlantic City. The write-down of goodwill in 2008, which is treated as a permanently non-deductible item in our federal income tax provision, caused us to incur a provision for income tax expense even though our pre-tax result was a loss for the year. Excluding the effect of the goodwill write-down, the effective tax rate from continuing operations for 2008 was 37.3%. This is higher than the 2007 rate due to the effect of the CityCenter transaction on the 2007 rate, which greatly minimized the effect of permanent and other tax items, and due to the deduction taken in 2007 for domestic production activities resulting primarily from the CityCenter transaction.

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We received a net refund of cash taxes in 2009 due to income tax net operating losses incurred in 2009 and refunds of taxes that were paid in 2008. Cash taxes were paid in 2008 despite the pre-tax operating loss due to the non-deductible goodwill write-down and cash taxes paid on the CityCenter gain in 2008. Since the CityCenter gain was realized in the fourth quarter of 2007, the associated income taxes were paid in 2008. Excluding the cash taxes paid on the CityCenter gain, cash taxes were approximately $250 million less in 2008 than in 2007.

Liquidity and Capital Resources

Cash Flows Summary

Our cash flows consisted of the following:

	Year Ended December 31,		
	2009	2008	2007
	(In thousands)		
Net cash provided by operating activities	$ 587,914	$ 753,032	$ 994,416
Investing cash flows:			
Capital expenditures, net of construction payable	(136,850)	(781,754)	(2,917,409)
Proceeds from contribution of CityCenter			2,468,652
Proceeds from sale of assets	746,266		578,873
Purchase of convertible note			(160,000)
Investments in and advances to unconsolidated affiliates	(963,685)	(1,279,462)	(31,420)
Property damage insurance recoveries	7,186	21,109	207,289
Other	16,828	58,667	63,316
Net cash provided by (used in) investing activities	(330,255)	(1,981,440)	209,301
Financing cash flows:			
Net borrowings (repayments) under bank credit facilities	(198,156)	2,480,450	(1,152,300)
Issuance of long-term debt	1,921,751	698,490	750,000
Repayment of long-term debt	(1,176,452)	(789,146)	(1,402,233)
Issuance of common stock	1,104,418		1,192,758
Issuance of common stock upon exercise of stock awards	637	14,116	97,792
Purchases of common stock		(1,240,856)	(826,765)
Other	(163,448)	(40,972)	100,211
Net cash provided by (used in) financing activities	1,488,750	1,122,082	(1,240,537)
Net increase (decrease) in cash and cash equivalents	$ 1,746,409	$ (106,326)	$ (36,820)

Cash Flows Operating Activities

Trends in our operating cash flows tend to follow trends in our operating income, excluding gains and losses from investing activities and net property transactions, since our business is primarily cash-based. Cash flow from operations decreased 22% in 2009 due to a decrease in operating income and the sale of TI. Operating cash flows also decreased due to a $47 million increase in our receivable from CityCenter, partially offset by increased distributions from unconsolidated affiliates.

Cash flow from operations decreased 24% in 2008 partially due to a decrease in operating income. The 2008 period also included a significant tax payment, approximately $300 million, relating to the 2007 CityCenter transaction. In addition, cash flow from operations in 2007 included $211 million of net cash outflows related to real estate under development expenditures partially offset by residential sales deposits when CityCenter was wholly owned, and $93 million related to the sale of condominium units at The Signature.

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At December 31, 2009 and 2008, we held cash and cash equivalents of $2.1 billion and $296 million, respectively. On December 30, 2009, we borrowed the remaining availability of $1.6 billion under our senior credit facility and repaid such borrowings immediately after year end.

We require a certain amount of cash on hand to operate our resorts. Beyond our cash on hand, we utilize a company-wide cash management system to minimize the amount of cash held 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 bank credit facilities.

Cash Flows Investing Activities

A significant portion of our investing activities over the past three years related to our CityCenter joint venture. In 2009, we made equity contributions of $731 million to CityCenter. In 2008, we made loans and equity contributions totaling $1.15 billion. In 2007, we invested $962 million in capital expenditures excluding capitalized interest, prior to contributing assets to the joint venture in November 2007 and receiving $2.5 billion in proceeds.

We received $746 million in net proceeds related to the sale of TI in 2009. The insurance recoveries classified as investing cash flows relate to the Monte Carlo fire in 2009 and 2008 and Hurricane Katrina in 2007. Also in 2007, we received net proceeds of $597 million from the sale of the Primm Valley Resorts and the Laughlin Properties.

Capital expenditures of $137 million in 2009 consisted primarily of room remodel projects and various property enhancements, including capitalized interest.

In 2008, capital expenditures of $782 million related to the following, including related capitalized interest:

- $64 million for CityCenter people mover and related assets;
- $19 million related to construction costs for MGM Grand Detroit;
- $61 million of development costs related to MGM Grand Atlantic City;
- $230 million related to room remodel projects; and
- $408 million for various other property enhancements and amenities.

In 2007, capital expenditures of $2.9 billion related to the following, including related capitalized interest;

- $1.1 billion for CityCenter prior to contributing assets to joint venture;
- $359 million related to construction costs for MGM Grand Detroit;
- $63 million of construction costs related to rebuilding Beau Rivage;
- $584 million related to purchase of land on Las Vegas Strip;
- $102 million related to corporate aircraft;
- $205 million related to room remodel projects; and

$474 million for various other property enhancements and amenities.

Cash Flows Financing Activities

Excluding the $1.6 billion borrowed under the senior credit facility in late December and repaid immediately after year end, we repaid net debt of $1.1 billion in 2009. In addition, pursuant to our development agreement, we repaid $50 million of bonds issued by the Economic Development Corporation of the City of Detroit. In May 2009, we issued approximately 164.5 million shares of our common stock at $7 per share, for total net proceeds to us of $1.2 billion.

We issued the following senior notes during 2009:

$650 million of 10.375% senior secured notes due 2014;

$850 million of 11.125% senior secured notes due 2017; and

$475 million of 11.375% senior notes due 2018.

We repaid the following principal amounts of senior and senior subordinated notes during 2009:

$226.3 million 6.5% senior notes (redeemed $122.3 million prior to maturity essentially at par);

$820 million 6% senior notes (redeemed $762.6 million prior to maturity essentially at par and the remaining $57.4 million was repaid at maturity); and

$100 million 7.25% senior debentures (redeemed prior to maturity for $127 million).

In 2008, we borrowed net debt of $2.4 billion including $2.5 billion under our senior credit facility. Also in 2008, we issued $750 million of 13% senior secured notes due 2013.

We repaid the following senior and senior subordinated notes at maturity during 2008:

$180.4 million of 6.75% senior notes; and

$196.2 million of 9.5% senior notes.

Also in 2008, we repurchased $345 million of principal amounts of various series of our outstanding senior notes at a purchase price of $263 million in open market repurchases as part of a repurchase program authorized by our Board of Directors. We also redeemed at par $149.4 million of the principal amount of our 7% debentures due 2036 pursuant to a one-time put option by the holders of such debentures.

In 2007, we repaid net debt of $1.8 billion including $1.2 billion under our senior credit facility. In 2007, we issued $750 million of 7.5% senior notes maturing in 2016 and we repaid the following senior and senior subordinated notes at their scheduled maturity: $710 million of 9.75% senior subordinated notes; $200 million of 6.75% senior notes; and $492.2 million of 10.25% senior subordinated notes.

In 2007, we received approximately $1.2 billion from the sale of 14.2 million shares of our common stock to Infinity World Investments at a price of $84 per share.

Our share repurchases are only conducted under repurchase programs approved by our Board of Directors and publicly announced. In May 2008, our Board of Directors approved a 20 million share authorization which was still fully available at December 31, 2009. We did not repurchase any shares of common stock during 2009. In 2008, we repurchased 18.1 million shares at an average price of $68.36. In 2007, we repurchased 9.9 million shares at an average price of $83.92.

Principal Debt Arrangements

Our long-term debt consists of publicly held senior, senior secured, and senior subordinated notes and our senior credit facility. We pay fixed rates of interest ranging from 5.875% to 13% on the senior, senior secured, and subordinated notes. At December 31, 2009, our senior credit facility had a capacity of $5.5 billion consisting of a term loan facility of $2.1 billion and a revolving credit facility of $3.4 billion and interest was based on LIBOR margin of 4.00%, with a LIBOR floor of 2.00%, and a base margin at 3.00%, with a base rate floor of 4.00%. In late December 2009 we borrowed the remaining availability under the senior credit facility of $1.6 billion in order to increase our capacity for issuing additional senior secured notes under our existing public notes indentures and immediately repaid such amounts after year-end. Our senior credit facility contains certain financial and non-financial covenants. The financial covenants include 1) a quarterly minimum EBITDA test, based on a rolling 12-month EBITDA; and 2) a covenant limiting annual capital expenditures. As discussed in Executive Overview we entered into an amendment to our senior credit facility on February 25, 2010.

All of our principal debt arrangements are guaranteed by each of our material subsidiaries, other than MGM Grand Detroit, LLC, our foreign subsidiaries, and our insurance subsidiaries. MGM Grand Detroit is a guarantor under the senior credit facility, but only to the extent that MGM Grand Detroit, LLC borrows under such facility. At December 31, 2009, the outstanding amount of borrowings related to MGM Grand Detroit, LLC was $450 million. In connection with our May 2009 senior credit facility amendment, MGM Grand Detroit granted lenders a security interest in its assets to secure its obligations under the senior credit facility.

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Also in connection with our May 2009 senior credit facility amendment, we granted a security interest in Gold Strike Tunica and certain undeveloped land on the Las Vegas Strip to secure up to $300 million of obligations under the senior credit facility. In addition, substantially all of the assets of New York-New York serve as collateral for the 13% senior secured notes issued in 2008 and substantially all of the assets of Bellagio and The Mirage serve as collateral for the 10.375% and 11.125% senior secured notes issued in 2009. Upon the issuance of the 10.375% and 11.125% senior secured notes, the holders of our 13% senior secured notes due 2013 obtained an equal and ratable lien in all collateral securing these notes. Otherwise, none of our assets serve as collateral for our principal debt arrangements.

Other Factors Affecting Liquidity

Long-term debt payable in 2010. We repaid $297 million of principal of senior notes due in February 2010 and have $782 million of principal of senior notes due in September 2010.

Borgata settlement discussions. As discussed in Executive Overview, we are involved in constructive settlement discussions with the DGE for an agreement under which we will sell our 50% ownership interest in Borgata and related leased land in Atlantic City. Prior to the consummation of the sale, the Trust will retain any cash flows received in respect of the assets in trust, but will pay property taxes and other costs attributable to the trust property. We have received significant distributions from Borgata in the past few years, and not receiving such distributions until the ultimate sale could negatively affect our liquidity in future periods.

Off Balance Sheet Arrangements

Investments in unconsolidated affiliates. Our off balance sheet arrangements consist primarily of investments in unconsolidated affiliates, which currently consist primarily of our investments in CityCenter, Borgata, Grand Victoria, Silver Legacy, and MGM Grand Macau. We have not entered into any transactions with special purpose entities, nor have we engaged in any derivative transactions. Our unconsolidated affiliate investments allow us to realize the proportionate benefits of owning a full-scale resort in a manner that minimizes our initial investment. We have not historically guaranteed financing obtained by our investees, and there are no other provisions of the venture agreements 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.

CityCenter completion guarantee. In April 2009, we entered into a new completion guarantee in conjunction with the CityCenter credit facility which amended the original completion guarantees to a) relieve Dubai World of its completion guarantee as amounts are funded from its letter of credit, and b) require an unlimited completion and cost overrun guarantee from us, secured by our interests in the assets of Circus Circus Las Vegas and certain adjacent undeveloped land. Also affecting the potential exposure under the completion guarantee is the ability to utilize up to $244 million of net residential proceeds to fund construction costs, though the timing of receipt of such proceeds is uncertain. As of December 31, 2009, we recorded a net liability of $150 million, classified as Other accrued liabilities , which represents the low end of our estimated range for our net obligation under the completion guarantee. We believe that it is reasonably possible we will be required to fund a net obligation of up to $300 million. In January and February 2010 we funded $217 million under the completion guarantee. CityCenter will repay such amounts to us from proceeds of residential units.

Letters of credit. At December 31, 2009, we had outstanding letters of credit totaling $37 million. Though not subject to a letter of credit, we have an agreement with the Nevada Gaming Control Board to maintain $113 million of cash at the corporate level to support normal bankroll requirements at our Nevada operations.

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Commitments and Contractual Obligations

The following table summarizes our scheduled contractual obligations as of December 31, 2009:

	2010	2011	2012	2013	2014	Thereafter
			(In millions)			
Long-term debt	$ 1,080	$ 6,042	$ 545	$ 1,384	$ 1,159	$ 3,932
Estimated interest payments on long-term debt(1)	1,035	877	587	515	355	370
Capital leases	2	2	1			
Operating leases	16	13	11	8	6	45
Tax liabilities(2)	5					
Long-term liabilities	12	4	4	2	2	26
CityCenter funding commitments(3)	394					
Other purchase obligations:						
Construction commitments	8	2				
Employment agreements	99	45	14	3		
Entertainment agreements(4)	99	4				
Other(5)	96	21	13	8		
	$ 2,846	$ 7,010	$ 1,175	$ 1,920	$ 1,522	$ 4,373

(1) Estimated interest payments on long-term debt are based on principal amounts outstanding at December 31, 2009 and management s forecasted LIBOR rates for our bank credit facility.

(2) Approximately $195 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.

(3) Under our completion guarantee for CityCenter, we are committed to fund amounts in excess of currently funded project costs. Based on current forecasted expenditures, we estimate that we will be required to fund approximately $394 for such guarantee during 2010 excluding the benefit of proceeds to be received from residential closings up to $244 million.

(4) Our largest entertainment commitments consist of minimum contractual payments to Cirque du Soleil, which performs shows at several of our resorts. We are generally contractually committed for a period of 12 months based on our ability to exercise certain termination rights; however, we expect these shows to continue for longer periods.

(5) The amount for 2010 includes approximately $63 million of open purchase orders. Other commitments are for various contracts, including advertising, maintenance and other service agreements.

See Executive Overview for discussion of the impacts of the above contractual obligations on our liquidity and financial position.

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.

Allowance for Doubtful Casino Accounts Receivable

Marker play represents a significant portion of the table games volume at Bellagio, MGM Grand Las Vegas, Mandalay Bay and The Mirage. Our other facilities do not emphasize marker play to the same extent, although we offer markers to customers at those casinos as well. We maintain strict controls over the issuance of markers and aggressively pursue collection from those 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. At December 31, 2009 and 2008, approximately 40% and 52%, respectively, of our casino accounts receivable was 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, 2009 and 2008, approximately 46% and 34%, respectively, of our casino accounts receivable was owed by customers from the Far East.

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 resorts where marker play is not significant, the allowance is generally established by applying standard reserve percentages to aged account balances. At resorts where marker play is significant, we apply standard reserve percentages to aged account balances under a specified dollar amount and specifically analyze the collectibility 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. We also monitor regional and global economic conditions and forecasts to determine if reserve levels are adequate.

The collectibility of unpaid markers 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:

	At December 31,		
	2009	**2008**	**2007**
		(In thousands)	
Casino accounts receivable	$ 261,025	$ 243,600	$ 266,059
Allowance for doubtful casino accounts receivable	88,557	92,278	76,718
Allowance as a percentage of casino accounts receivable	34%	38%	29%
Percentage of casino accounts outstanding over 180 days	24%	21%	18%

The allowance for doubtful accounts as a percentage of casino accounts receivable has decreased in the current year due to a larger percentage of current receivables, although percentage of accounts over 180 days has increased slightly from prior year. At December 31, 2009, a 100 basis-point change in the allowance for doubtful accounts as a percentage of casino accounts receivable would change net income by $2 million, or less than $0.01 per share.

Fixed Asset Capitalization and Depreciation Policies

Property and equipment are stated at cost. For the majority of our property and equipment, cost has been determined based on estimated fair values in connection with 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, since we typically do not borrow funds directly related to a development project. 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.

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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. 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 a) held for sale or b) 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, 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 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. We estimate future cash flows using our internal budgets. When appropriate, we discount future cash flows using a weighted-average cost of capital, developed using a standard capital asset pricing model, based on guideline companies in our industry.

Goodwill represents the excess of purchase price over fair market value of net assets acquired in business combinations. We review goodwill and indefinite-lived intangible assets at least annually and between annual test dates in certain circumstances. We perform our annual impairment test for goodwill and indefinite-lived intangible assets in the fourth quarter of each fiscal year. 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. 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.

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 capitalization rates and the discount rates used in the goodwill impairment test are highly judgmental and dependent in large part on expectations of future market conditions.

See Executive Overview and Results of Operations for discussion of write-downs and impairments of long-lived assets, goodwill and intangible assets recorded in 2009, 2008 and 2007. Other than mentioned therein, we are not aware of events or circumstances through December 31, 2009 that would cause us to review any material long-lived assets, goodwill or indefinite-lived intangible assets for impairment.

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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 these 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 utilizing estimates of future cash flows and market indicators of discount rates and terminal year capitalization rates. See Executive Overview for discussion of impairment charges recorded in 2009 related to our investment in CityCenter.

Income Taxes

We recognize deferred tax assets, net of applicable reserves, related to net operating loss carryforwards and certain temporary differences with a future tax benefit to the extent that realization of such benefit is more likely than not. Otherwise, a valuation allowance is applied. Except for certain New Jersey state net operating losses, certain other New Jersey state deferred tax assets and a foreign tax credit carryforward, we believe that it is more likely than not that our deferred tax assets are fully realizable because of the future reversal of existing taxable temporary differences and future projected taxable income.

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.

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 50 percent likely of being realized. We review uncertain tax positions 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 (Other accrued liabilities) or long-term (Other long-term liabilities) based on the time until expected payment. Additionally, we recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense.

We file income tax returns in the U.S. federal jurisdiction, various state and local jurisdictions, and foreign jurisdictions, although the taxes paid in foreign jurisdictions are not material. As of December 31, 2009, we were no longer subject to examination of our U.S. consolidated federal income tax returns filed for years ended prior to 2003. In the fourth quarter of 2009, we reached settlement with the IRS in post-Appeals mediation with respect to issues related to a land sale transaction in 2002. We agreed to an additional tax liability of $2 million and associated interest for the 2002 tax year as a result of this settlement. We paid most of this tax and associated interest in a prior year in order to minimize the amount of interest due. All matters concerning the IRS audit of the 2001 and 2002 federal income tax returns are now settled. The IRS is currently examining our federal income tax returns for the 2003 and 2004 tax years. We anticipate this audit will close sometime in 2010 and we will likely protest many of the issues under audit. Federal income tax returns for years subsequent to 2004 are also subject to examination.

During 2009, the IRS completed its audit of the 2004 through 2006 tax years of a subsidiary of ours treated as a partnership for income tax purposes and we submitted a protest to IRS Appeals with respect to issues relating to the tax treatment of payments made by the subsidiary under an agreement to develop, own and operate a hotel casino in the City of Detroit.

During 2009, the IRS completed its audit of an unconsolidated affiliate of ours for the 2003 and 2004 tax years and we and our joint venture partner submitted a protest to IRS Appeals of various issues raised by the IRS in the audit.

In the first quarter of 2010, the IRS informed us that it was closing its examination of the federal income tax return of Mandalay Resort Group for the pre-acquisition year ended April 25, 2005 and will issue a No-Change Letter. The statute of limitations for assessing tax for the Mandalay Resort Group federal income tax return for the year ended January 31, 2005 has been extended but such return is not currently under examination by the IRS.

As of December 31, 2009, we were no longer subject to examination of our various state and local tax returns filed for years ended prior to 2005. During 2009, the state of Illinois notified us that it would initiate an audit of our Illinois combined returns for the 2006 and 2007 tax years. We anticipate this audit will begin during 2010. A Mandalay Resort Group subsidiary return for the pre-acquisition year ended April 25, 2005 is under examination by the City of Detroit and the statute of limitations for assessing tax will expire in 2010 unless extended. No other state or local income tax returns of ours are currently under exam.

Stock-based Compensation

We account for stock options and stock appreciation rights (SARs) measuring fair value using the Black-Scholes model. For restricted stock units, compensation expense is calculated based on the fair market value of our stock on the date of grant. There are several management assumptions required to determine the inputs into the Black-Scholes model. Our volatility and expected term assumptions can significantly affect the fair value of stock options and SARs. The extent of the impact will depend, in part, on the extent of awards in any given year. In 2009, we granted 6.8 million SARs with a total fair value of $37 million. In 2008, we granted 4.9 million SARs with a total fair value of $72 million. In 2007, we granted 2.6 million SARs with a total fair value of $68 million.

For 2009 awards, a 10% change in the volatility assumption (82% for 2009; for sensitivity analysis, volatility was assumed to be 74% and 90%) would have resulted in a $2.5 million, or 7%, change in fair value. A 10% change in the expected term assumption (4.7 years for 2009; for sensitivity analysis, expected term was assumed to be 4.2 years and 5.2 years) would have resulted in a $1.4 million, or 4%, change in fair value. These changes in fair value would have been recognized over the five-year vesting period of such awards. It should be noted that a change in the expected term would cause other changes, since the risk-free rate and volatility assumptions are specific to the term; we did not attempt to adjust those assumptions in performing the sensitivity analysis above.

Recently Issued Accounting Standards

We adopted various accounting standards during 2009, none of which had a material effect on our consolidated financial statements. In addition, certain amendments to Accounting Standards Codification (ASC) Topic 810 Consolidation become effective for us beginning January 1, 2010. Such amendments include changes to the quantitative approach to determine the primary beneficiary of a variable interest entity (VIE). An enterprise must determine if its variable interest or interests give it a controlling financial interest in a VIE by evaluating whether 1) the enterprise has the power to direct activities of the VIE that have a significant effect on economic performance, and 2) the enterprise has an obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE. The amendments to ASC 810 also require ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE. The adoption of these amendments did not have a material effect on our consolidated financial statements.

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Market Risk

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

As of December 31, 2009, long-term variable rate borrowings represented approximately 39% of our total borrowings. Assuming a 100 basis-point increase in LIBOR over the 2% floor specified in our senior credit facility, our annual interest cost would change by approximately $55 million based on amounts outstanding at December 31, 2009. The following table provides additional information about our long-term debt subject to changes in interest rates:

	Debt maturing in,							Fair Value December 31,
	2010	2011	2012	2013	2014	Thereafter	Total	2009
	(In millions)							
Fixed rate	$ 1,081	$ 530	$ 545	$ 1,345	$ 1,141	$ 3,902	$ 8,544	$ 7,960
Average interest rate	8.7%	7.9%	6.8%	10.1%	8.4%	9.4%	9.0%	
Variable rate	$	$ 5,512	$	$	$	$	$ 5,512	$ 4,975
Average interest rate	N/A	6.0%	N/A	N/A	N/A	N/A	6.0%	

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We incorporate by reference the information appearing under Market Risk in Item 7 of this Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our Consolidated Financial Statements and Notes to Consolidated Financial Statements, including the Independent Registered Public Accounting Firm s Report thereon, referred to in Item 15(a)(1) of this Form 10-K, are included at pages 59 to 97 of this Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Management s Annual Report on Internal Control Over Financial Reporting

Management s Annual Report on Internal Control Over Financial Reporting, referred to in Item 15(a)(1) of this Form 10-K, is included at page 57 of this Form 10-K.

Attestation Report of the Independent Registered Public Accounting Firm

The Independent Registered Public Accounting Firm s Attestation Report on our internal control over financial reporting referred to in Item 15(a)(1) of this Form 10-K, is included at page 58 of this Form 10-K.

Changes in Internal Control Over Financial Reporting

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

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We incorporate by reference the information appearing under Executive Officers of the Registrant in Item 1 of this Form 10-K and under Election of Directors and Corporate Governance in our definitive Proxy Statement for our 2010 Annual Meeting of Stockholders, which we expect to file with the Securities and Exchange Commission on or before April 30, 2010 (the Proxy Statement).

ITEM 11. EXECUTIVE COMPENSATION

We incorporate by reference the information appearing under Executive and Director Compensation and Other Information and Corporate Governance Compensation Committee Interlocks and Insider Participation, and Compensation Committee Report in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

We incorporate by reference the information appearing under Equity Compensation Plan Information in Item 5 of this Form 10-K, and under Principal Stockholders and Election of Directors in the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

We incorporate by reference the information appearing under Transactions with Related Persons and Corporate Governance in the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

We incorporate by reference the information appearing under Selection of Independent Registered Public Accounting Firm in the Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a)(1). **Financial Statements.**

Included in Part II of this Report:
Management s Annual Report on Internal Control Over Financial Reporting
Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting
Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements
Consolidated Balance Sheets December 31, 2009 and 2008
Years Ended December 31, 2009, 2008 and 2007
Consolidated Statements of Operations
Consolidated Statements of Cash Flows
Consolidated Statements of Stockholders Equity
Notes to Consolidated Financial Statements

Audited consolidated financial statements for CityCenter Holdings, LLC as of December 31, 2009 and 2008 and for the years ended December 31, 2009 and 2008 and the period from November 2, 2007 (date of inception) to December 31, 2007, are presented in Exhibit 99.3 and are incorporated herein by reference.

(a)(2). **Financial Statement Schedule.**

Years Ended December 31, 2009, 2008 and 2007
Schedule II Valuation and Qualifying Accounts

We have omitted schedules other than the one listed above because they are not required or are not applicable, or the required information is shown in the financial statements or notes to the financial statements.

(a)(3). **Exhibits.**

Exhibit Number	Description
3(1)	Certificate of Incorporation of the Company, as amended through 1997 (incorporated by reference to Exhibit 3(1) to Registration Statement No. 33-3305 and to Exhibit 3(a) to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 1997).
3(2)	Certificate of Amendment to Certificate of Incorporation of the Company, dated January 7, 2000, relating to an increase in the authorized shares of common stock (incorporated by reference to Exhibit 3(2) to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (the 1999 10-K)).
3(3)	Certificate of Amendment to Certificate of Incorporation of the Company, dated January 7, 2000, relating to a 2-for-1 stock split (incorporated by reference to Exhibit 3(3) to the 1999 10-K).
3(4)	Certificate of Amendment to Certificate of Incorporation of the Company, dated August 1, 2000, relating to a change in name of the Company (incorporated by reference to Exhibit 3(i).4 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2000 (the September 2000 10-Q)).
3(5)	Certificate of Amendment to Certificate of Incorporation of the Company, dated June 3, 2003, relating to compliance with provisions of the New Jersey Casino Control Act relating to holders of Company securities (incorporated by reference to Exhibit 3.1 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2003).
3(6)	Certificate of Amendment to Certificate of Incorporation of the Company, dated May 3, 2005, relating to an increase in the authorized shares of common stock (incorporated by reference to Exhibit 3.10 to Amendment No. 1 to the Company s Form 8-A filed with the Commission on May 11, 2005).
3(7)	Amended and Restated Bylaws of the Company, effective August 4, 2009 (incorporated by reference to Exhibit 3 to the Company s Current Report on Form 8-K dated August 3, 2009).
4.1(1)	Indenture dated July 21, 1993, by and between Mandalay and First Interstate Bank of Nevada, N.A., as Trustee with respect to $150 million aggregate principal amount of 7.625% Senior Subordinated Debentures due 2013 (incorporated by reference to Exhibit 4(a) to Mandalay s Current Report on Form 8-K dated July 21, 1993).
4.1(2)	Indenture, dated February 1, 1996, by and between Mandalay and First Interstate Bank of Nevada, N.A., as Trustee (the Mandalay February 1996 Indenture) (incorporated by reference to Exhibit 4(b) to Mandalay s Current Report on Form 8-K dated January 29, 1996).
4.1(3)	Supplemental Indenture, dated as of November 15, 1996, by and between Mandalay and Wells Fargo Bank (Colorado), N.A., (successor to First Interstate Bank of Nevada, N.A.), as Trustee, to the Mandalay February 1996 Indenture, with respect to $150 million aggregate principal amount of 6.70% Senior Notes due 2096 (incorporated by reference to Exhibit 4(c) to Mandalay s Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 1996 (the Mandalay October 1996 10-Q)).
4.1(4)	6.70% Senior Notes due February 15, 2096 in the principal amount of $150,000,000 (incorporated by reference to Exhibit 4(d) to the Mandalay October 1996 10-Q).

4.1(5)	Indenture, dated November 15, 1996, by and between Mandalay and Wells Fargo Bank (Colorado), N.A., as Trustee (the Mandalay November 1996 Indenture) (incorporated by reference to Exhibit 4(e) to the Mandalay October 1996 10-Q).
4.1(6)	Supplemental Indenture, dated as of November 15, 1996, to the Mandalay November 1996 Indenture, with respect to $150 million aggregate principal amount of 7.0% Senior Notes due 2036 (incorporated by reference to Exhibit 4(f) to the Mandalay October 1996 10-Q).

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Exhibit Number	Description
4.1(7)	7.0% Senior Notes due February 15, 2036, in the principal amount of $150,000,000 (incorporated by reference to Exhibit 4(g) to the Mandalay October 1996 10-Q).
4.1(8)	Indenture, dated as of August 1, 1997, between MRI and First Security Bank, National Association, as trustee (the MRI 1997 Indenture) (incorporated by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q of MRI for the fiscal quarter ended June 30, 1997 (the MRI June 1997 10-Q)).
4.1(9)	Supplemental Indenture, dated as of August 1, 1997, to the MRI 1997 Indenture, with respect to $100 million aggregate principal amount of 7.25% Debentures due 2017 (incorporated by reference to Exhibit 4.2 to the MRI June 1997 10-Q).
4.1(10)	Second Supplemental Indenture, dated as of October 10, 2000, to the MRI 1997 Indenture (incorporated by reference to Exhibit 4(14) to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (the 2000 10-K)).
4.1(11)	Indenture, dated as of September 15, 2000, among the Company, as issuer, the Subsidiary Guarantors parties thereto, as guarantors, and U.S. Trust Company, National Association, as trustee, with respect to $850 million aggregate principal amount of 8.5% Senior Notes due 2010 (incorporated by reference to Exhibit 4 to the Company s Amended Current Report on Form 8-K/A dated September 12, 2000).
4.1(12)	First Supplemental Indenture, dated as of September 15, 2000, among the Company, Bellagio Merger Sub, LLC and U.S. Trust Company, National Association, as trustee (incorporated by reference to Exhibit 4(11) to the 2000 10-K).
4.1(13)	Second Supplemental Indenture, dated as of December 31, 2000, among the Company, MGM Grand Hotel & Casino Merger Sub, LLC and U.S. Trust Company, National Association, as trustee (incorporated by reference to Exhibit 4(17) to the 2000 10-K).
4.1(14)	Indenture, dated as of January 23, 2001, among the Company, as issuer, the Subsidiary Guarantors parties thereto, as guarantors, and United States Trust Company of New York, as trustee, with respect to $400 million aggregate principal amount of 8.375% Senior Subordinated Notes due 2011 (incorporated by reference to Exhibit 4 to the Company s Current Report on Form 8-K dated January 18, 2001).
4.1(15)	Indenture dated as of December 20, 2001 by and among Mandalay and The Bank of New York, with respect to $300 million aggregate principal amount of 9.375% Senior Subordinated Notes due 2010 (incorporated by reference to Exhibit 4.1 to Mandalay s Form S-4 Registration Statement No. 333-82936).
4.1(16)	Indenture dated as of March 21, 2003 by and among Mandalay and The Bank of New York with respect to $400 million aggregate principal amount of Floating Rate Convertible Senior Debentures due 2033 (incorporated by reference to Exhibit 4.44 to Mandalay s Annual Report on Form 10-K for the fiscal year ended January 31, 2003).
4.1(17)	First Supplemental Indenture dated as of July 26, 2004, relating to Mandalay s Floating Rate Senior Convertible Debentures due 2033 (incorporated by reference to Exhibit 4 to Mandalay s Current Report on Form 8-K dated July 26, 2004).
4.1(18)	Indenture, dated as of July 31, 2003, by and between Mandalay and The Bank of New York with respect to $250 million aggregate principal amount of 6.5% Senior Notes due 2009 (incorporated by reference to Exhibit 4.1 to Mandalay s Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2003).
4.1(19)	Indenture, dated as of September 17, 2003, among the Company, as issuer, the Subsidiary Guarantors parties thereto, as guarantors, and U.S. Bank National Association, as trustee, with respect to $1,050 million 6% Senior Notes due 2009 (incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K dated September 11, 2003).
4.1(20)	Indenture, dated as of November 25, 2003, by and between Mandalay and The Bank of New York with respect to $250 million aggregate principal amount of 6.375% Senior Notes due 2011 (incorporated by

	reference to Exhibit 4.1 to Mandalay s Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2003).
4.1(21)	Indenture dated as of February 27, 2004, among the Company, as issuer, the Subsidiary Guarantors, as guarantors, and U.S. Bank National Association, as trustee, with respect to $525 million 5.875% Senior Notes due 2014 (incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K, dated February 27, 2004).

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Exhibit Number	Description
4.1(22)	Indenture dated as of August 25, 2004, among the Company, as issuer, certain subsidiaries of the Company, as guarantors, and U.S. Bank National Association, as trustee, with respect to $550 million 6.75% Senior Notes due 2012 (incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K dated August 25, 2004).
4.1(23)	Indenture, dated June 20, 2005, among MGM MIRAGE, certain subsidiaries of MGM MIRAGE, and U.S. Bank National Association, with respect to $500 million aggregate principal amount of 6.625% Senior Notes due 2015 (incorporated by reference to Exhibit 99.1 to the Company s Current Report on Form 8-K dated June 20, 2005).
4.1(24)	Supplemental Indenture, dated September 9, 2005, among MGM MIRAGE, certain subsidiaries of MGM MIRAGE, and U.S. Bank National Association, with respect to $375 million aggregate principal amount of 6.625% Senior Notes due 2015 (incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K dated September 9, 2005).
4.1(25)	Indenture, dated April 5, 2006, among MGM MIRAGE, certain subsidiaries of MGM MIRAGE, and U.S. Bank National Association, with respect to $500 million aggregate principal amount of 6.75% Senior Notes due 2013 and $250 million original principal amount of 6.875% Senior Notes due 2016 (incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K dated April 5, 2006).
4.1(26)	Indenture dated as of December 21, 2006, among MGM MIRAGE, certain subsidiaries of MGM MIRAGE, and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K dated December 21, 2006 (the December 2006 8-K)).
4.1(27)	Supplemental Indenture dated as of December 21, 2006, by and among MGM MIRAGE, certain subsidiaries of MGM MIRAGE, and U.S. Bank National Association, with respect to $750 million aggregate principal amount of 7.625% Senior Notes due 2017 (incorporated by reference to Exhibit 4.2 to the December 2006 8-K).
4.1(28)	Second Supplemental Indenture dated as of May 17, 2007 among MGM MIRAGE, certain subsidiaries of MGM MIRAGE, and U.S. Bank National Association, with respect to $750 million aggregate principal amount of 7.5% Senior Notes due 2016 (incorporated by reference to Exhibit 4.2 to the Company s Current Report on Form 8-K dated May 17, 2007).
4.1(29)	Indenture dated as of November 14, 2008, among MGM MIRAGE, certain subsidiaries of MGM MIRAGE, and U.S. Bank National Association, with respect to $750 million aggregate principal amount of 13% Senior Secured Notes due 2013 (incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K dated November 20, 2008).
4.1(30)	Security Agreement, dated as of November 14, 2008, between New York-New York Hotel & Casino, LLC, and U.S. Bank National Association (incorporated by reference to Exhibit 4.2 to the Company s Current Report on Form 8-K dated November 20, 2008).
4.1(31)	Pledge Agreement, dated as of November 14, 2008, among MGM MIRAGE, New PRMA Las Vegas Inc., and U.S. Bank National Association (incorporated by reference to Exhibit 4.3 to the Company s Current Report on Form 8-K dated November 20, 2008).
4.1(32)	Indenture, dated as of May 19, 2009, among MGM MIRAGE, certain subsidiaries of MGM MIRAGE, and U.S. Bank National Association, with respect to $650 million aggregate principal amount of 10.375% Senior Secured Notes due May 2014 (incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K dated May 18, 2009).
4.1(33)	Security Agreement, dated as of May 19, 2009, among Bellagio, LLC, The Mirage Casino-Hotel and U.S. Bank National Association (incorporated by reference to Exhibit 4.2 to the Company s Current Report on Form 8-K dated May 18, 2009).

4.1(34)	Pledge Agreement, dated as of May 19, 2009, between Mirage Resorts, Incorporated and U.S. Bank National Association (incorporated by reference to Exhibit 4.3 to the Company s Current Report on Form 8-K dated May 18, 2009).
4.1(35)	First Supplemental Indenture, dated as of June 15, 2009, by and among MGM MIRAGE, certain subsidiaries of MGM MIRAGE, and U.S. Bank National Association, with respect to $750 million aggregate principal amount of 13% Senior Secured Notes due 2013 (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated June 15, 2009).

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Exhibit Number	Description
4.1(36)	Indenture, dated as of September 22, 2009, among MGM MIRAGE, certain subsidiaries of MGM MIRAGE, and U.S. Bank National Association, with respect to $475 million aggregate principal amount of 11.375% Senior Notes due 2018 (incorporated by reference to Exhibit 4 to the Company s Current Report on Form 8-K dated September 22, 2009).
4.2(1)	Schedule setting forth material details of the Guarantee (Mirage Resorts, Incorporated 6.75% Notes due August 1, 2007 and 7.25% Debentures Due August 1, 2017), dated as of May 31, 2000, by the Company and certain of its subsidiaries, in favor of First Security Bank, National Association, as trustee for the benefit of the holders of the Notes pursuant to the Indenture referred to therein (incorporated by reference to Exhibit 10.7 to the Company s Current Report on Form 8-K dated May 22, 2000 (the May 2000 8-K)).
4.2(2)	Schedule setting forth material details of the Guarantee (Mirage Resorts, Incorporated 6.625% Notes due February 1, 2005 and 7.25% Debentures Due August 1, 2017), dated as of May 31, 2000, by the Company and certain of its subsidiaries, in favor of The Chase Manhattan Bank, as trustee for the benefit of the holders of the Notes pursuant to the Indenture referred to therein (incorporated by reference to Exhibit 10.8 to the May 2000 8-K).
4.2(3)	Guarantee (MGM MIRAGE 8.5% Senior Notes due 2010), dated as of April 25, 2005, by certain subsidiaries of MGM MIRAGE, in favor of The Bank of New York N.A., as successor to U.S. Trust Company, National Association, for the benefit of the holders of the Notes pursuant to the Indenture referred to therein (incorporated by reference to Exhibit 10.7 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2005 (the September 2005 10-Q)).
4.2(4)	Guarantee (Mandalay Resort Group 7.625% Senior Subordinated Notes due 2013), dated as of April 25, 2005, by certain subsidiaries of MGM MIRAGE, in favor of The Bank of New York, as trustee for the benefit of the holders of the Notes pursuant to the Indenture referred to therein (incorporated by reference to Exhibit 10.9 to the September 2005 10-Q).
4.2(5)	Guarantee (MGM MIRAGE 8.375% Senior Subordinated Notes due 2011), dated as of April 25, 2005, by certain subsidiaries of MGM MIRAGE, in favor of The Bank of New York N.A., successor to the United States Trust Company of New York, as trustee for the benefit of holders of the Notes pursuant to the Indenture referred to therein (incorporated by reference to Exhibit 10.11 to the September 2005 10-Q).
4.2(6)	Guarantee (MGM MIRAGE 6.0% Senior Notes due 2009), dated as of April 25, 2005, by certain subsidiaries of MGM MIRAGE, in favor of U.S. Bank National Association, as trustee for the benefit of the holders of the Notes pursuant to the Indenture referred to therein (incorporated by reference to Exhibit 10.12 to the September 2005 10-Q).
4.2(7)	Guarantee (MGM MIRAGE 6.0% Senior Notes due 2009 (Exchange Notes)), dated as of April 25, 2005, by certain subsidiaries of MGM MIRAGE, in favor of U.S. Bank National Association, as trustee for the benefit of the holders of the Notes pursuant to the Indenture referred to therein (incorporated by reference to Exhibit 10.13 to the September 2005 10-Q).
4.2(8)	Guarantee (MGM MIRAGE 5.875% Senior Notes due 2014), dated as of April 25, 2005, by certain subsidiaries of MGM MIRAGE, in favor of U.S. Bank National Association, as trustee for the benefit of the holders of the Notes pursuant to the Indenture referred to therein (incorporated by reference to Exhibit 10.14 to the September 2005 10-Q).
4.2(9)	Guarantee (MGM MIRAGE 5.875% Senior Notes due 2014 (Exchange Notes)), dated as of April 25, 2005, by certain subsidiaries of MGM MIRAGE, in favor of U.S. Bank National Association, as trustee for the benefit of the holders of the Notes pursuant to the Indenture referred to therein (incorporated by reference to Exhibit 10.15 to the September 2005 10-Q).
4.2(10)	

Guarantee (MGM MIRAGE 6.75% Senior Notes due 2012), dated as of April 25, 2005, by certain subsidiaries of MGM MIRAGE, in favor of U.S. Bank National Association, as trustee for the benefit of the holders of the Notes pursuant to the Indenture referred to therein (incorporated by reference to Exhibit 10.16 to the September 2005 10-Q).

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Exhibit Number	Description
4.2(11)	Guarantee (Mirage Resorts, Incorporated 7.25% Debentures due 2017), dated as of April 25, 2005, by certain subsidiaries of MGM MIRAGE, in favor of Wells Fargo Bank Northwest, National Association, as trustee for the benefit of the holders of the Notes pursuant to the Indenture referred to therein (incorporated by reference to Exhibit 10.17 to the September 2005 10-Q).
4.2(12)	Guarantee (Mandalay Resort Group 9.375% Senior Subordinated Notes due 2010), dated as of April 25, 2005, by certain subsidiaries of MGM MIRAGE, in favor of The Bank of New York, as trustee for the benefit of the holders of the Notes pursuant to the Indenture referred to therein (incorporated by reference to Exhibit 10.20 to the September 2005 10-Q).
4.2(13)	Guarantee (Mandalay Resort Group 6.70% Senior Notes due 2096), dated as of April 25, 2005, by certain subsidiaries of MGM MIRAGE, in favor of The Bank of New York, as successor in interest to First Interstate Bank of Nevada, N.A., as trustee for the benefit of the holders of the Notes pursuant to the Indenture referred to therein (incorporated by reference to Exhibit 10.21 to the September 2005 10-Q).
4.2(14)	Guarantee (Mandalay Resort Group 7.0% Senior Notes due 2036), dated as of April 25, 2005, by certain subsidiaries of MGM MIRAGE, in favor of The Bank of New York, as trustee for the benefit of the holders of the Notes pursuant to the Indenture referred to therein (incorporated by reference to Exhibit 10.22 to the September 2005 10-Q).
4.2(15)	Guarantee (Mandalay Resort Group Floating Rate Convertible Senior Debentures due 2033), dated as of April 25, 2005, by certain subsidiaries of MGM MIRAGE, in favor of The Bank of New York, as trustee for the benefit of the holders of the Notes pursuant to the Indenture referred to therein (incorporated by reference to Exhibit 10.24 to the September 2005 10-Q).
4.2(16)	Guarantee (Mandalay Resort Group 6.5% Senior Notes due 2009), dated as of April 25, 2005, by certain subsidiaries of MGM MIRAGE, in favor of The Bank of New York, as trustee for the benefit of the holders of the Notes pursuant to the Indenture referred to therein (incorporated by reference to Exhibit 10.25 to the September 2005 10-Q).
4.2(17)	Guarantee (Mandalay Resort Group 6.375% Senior Notes due 2011), dated as of April 25, 2005, by certain subsidiaries of MGM MIRAGE, in favor of The Bank of New York, as trustee for the benefit of the holders of the Notes pursuant to the Indenture referred to therein (incorporated by reference to Exhibit 10.26 to the September 2005 10-Q).
10.1(1)	Fifth Amended and Restated Loan Agreement dated as of October 3, 2006, by and among MGM MIRAGE, as borrower; MGM Grand Detroit, LLC, as co-borrower; the Lenders and Co-Documentation Agents named therein; Bank of America, N.A., as Administrative Agent; the Royal Bank of Scotland PLC, as Syndication Agent; Bank of America Securities LLC and The Royal Bank of Scotland PLC, as Joint Lead Arrangers; and Bank of America Securities LLC, The Royal Bank of Scotland PLC, J.P. Morgan Securities Inc., Citibank North America, Inc. and Deutsche Bank Securities Inc. as Joint Book Managers (the Fifth Amended and Restated Loan Agreement) (incorporated by reference to Exhibit 10 to the Company s Current Report on Form 8-K dated October 3, 2006).
10.1(2)	Amendment No. 1, dated September 30, 2008, to the Fifth Amended and Restated Loan Agreement (incorporated by reference to Exhibit 10 to the Company s Current Report on Form 8-K dated September 30, 2008).
10.1(3)	Amendment No. 2 and Waiver, dated March 16, 2009, to the Fifth Amended and Restated Loan Agreement (incorporated by reference to Exhibit 10 to the Company s Current Report on Form 8-K dated March 16, 2009).
10.1(4)	Amendment No. 3, dated March 26, 2009, to the Fifth Amended and Restated Loan Agreement (incorporated by reference to Exhibit 10 to the Company s Current Report on Form 8-K dated Mach 26, 2009).

10.1(5)	Amendment No. 4, dated April 9, 2009, to the Fifth Amended and Restated Loan Agreement (incorporated by reference to Exhibit 10 to the Company s Current Report on Form 8-K dated April 9, 2009).
10.1(6)	Amendment No. 5 and Waiver, dated April 29, 2009, to the Fifth Amended and Restated Loan Agreement (incorporated by reference to Exhibit 10 to the Company s Current Report on Form 8-K dated April 29, 2009).

Exhibit Number	Description
10.1(7)	Amendment No. 6, dated May 12, 2009, and Waiver to the Fifth Amended and Restated Loan Agreement (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated May 12, 2009).
10.1(8)	Amendment No. 7, dated November 4, 2009, to the Fifth Amended and Restated Loan Agreement (incorporated by reference to Exhibit 10 to the Company s Current Report on Form 8-K dated November 4, 2009).
10.1(9)	Amendment No. 8, dated December 18, 2009 among MGM MIRAGE, MGM Grand Detroit, LLC and Bank of America, N.A., with reference to the Fifth Amended and Restated Loan Agreement, as amended.
10.1(10)	Sponsor Contribution Agreement, dated October 31, 2008, by and among MGM MIRAGE, as sponsor, CityCenter Holdings, LLC, as borrower, and Bank of America, N.A., as Collateral Agent (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated November 6, 2008).
10.1(11)	Amendment No. 1 to Sponsor Contribution Agreement, dated April 29, 2009, among MGM MIRAGE, CityCenter Holdings, LLC and Bank of America, N.A. (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K dated April 29, 2009).
10.1(12)	Sponsor Completion Guarantee, dated October 31, 2008, by and among MGM MIRAGE, as completion guarantor, CityCenter Holdings, LLC, as borrower, and Bank of America, N.A., as Collateral Agent (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K dated November 6, 2008).
10.1(13)	Amended and Restated Sponsor Completion Guarantee, dated April 29, 2009, among MGM MIRAGE, CityCenter Holdings, LLC and Bank of America, N.A. (incorporated by reference to Exhibit 10.3 to the Company s Current Report on Form 8-K dated April 29, 2009).
10.2(1)	Lease, dated August 3, 1977, by and between B&D Properties, Inc., as lessor, and Mandalay, as lessee; Amendment of Lease, dated May 6, 1983 (incorporated by reference to Exhibit 10(h) to Mandalay s Registration Statement (No. 2-85794) on Form S-1).
10.2(2)	Lease by and between Robert Lewis Uccelli, guardian, as lessor, and Nevada Greens, a limited partnership, William N. Pennington, as trustee, and William G. Bennett, as trustee, and related Assignment of Lease (incorporated by reference to Exhibit 10(p) to Mandalay s Registration Statement (No. 33-4475) on Form S-1).
10.2(3)	Public Trust Tidelands Lease, dated February 4, 1999, between the State of Mississippi and Beau Rivage Resorts, Inc. (without exhibits) (incorporated by reference to Exhibit 10.73 to the Annual Report on Form 10-K of MRI for the fiscal year ended December 31, 1999).
*10.3(1)	Nonqualified Stock Option Plan (incorporated by reference to Exhibit 10(1) to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 1996).
*10.3(2)	1997 Nonqualified Stock Option Plan, Amended and Restated February 2, 2004 (incorporated by reference to Exhibit 10.1 to the Company s Quarter report on Form 10-Q for the fiscal quarter ended June 30, 2004).
*10.3(3)	Amendment to the MGM MIRAGE 1997 Nonqualified Stock Option Plan (incorporated by reference to Exhibit 10 to the Company s Current Report on Form 8-K dated July 9, 2007).
*10.3(4)	Amended and Restated MGM MIRAGE 2005 Omnibus Incentive Plan (incorporated by reference to Exhibit 10 to the Company s Current Report on Form 8-K dated April 3, 2009).
*10.3(5)	Amended and Restated Annual Performance-Based Incentive Plan for Executive Officers, giving effect to amendment approved by the Company s shareholders on May 9, 2006 (incorporated by reference to Appendix A to the Company s 2006 Proxy Statement).
*10.3(6)	Deferred Compensation Plan II, dated as of December 30, 2004 (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K dated January 10, 2005 (the January 2005

	8-K).
*10.3(7)	Supplemental Executive Retirement Plan II, dated as of December 30, 2004 (incorporated by reference to Exhibit 10.1 to the January 2005 8-K).

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Exhibit Number	Description
*10.3(8)	Amendment to Deferred Compensation Plan II, dated as of December 21, 2005 (incorporated by reference to Exhibit 10.3(9) to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2005).
*10.3(9)	Amendment No. 1 to the Deferred Compensation Plan II, dated as of July 10, 2007 (incorporated by reference to Exhibit 10.3(11) to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2007 (the 2007 10-K)).
*10.3(10)	Amendment No. 1 to the Supplemental Executive Retirement Plan II, dated as of July 10, 2007 (incorporated by reference to Exhibit 10.3(12) to the 2007 10-K).
*10.3(11)	Amendment No. 2 to the Deferred Compensation Plan II, dated as of October 15, 2007 (incorporated by reference to Exhibit 10.3(13) to the 2007 10-K).
*10.3(12)	Amendment No. 2 to the Supplemental Executive Retirement Plan II, dated as of October 15, 2007 (incorporated by reference to Exhibit 10.3(14) to the 2007 10-K).
*10.3(13)	Amendment No. 1 to the Deferred Compensation Plan II, dated as of November 4, 2008 (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated November 7, 2008).
*10.3(14)	Amendment No. 1 to the Supplemental Executive Retirement Plan II, dated as of November 4, 2008 (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated November 7, 2008).
*10.3(15)	MGM MIRAGE Freestanding Stock Appreciation Right Agreement (incorporated by reference to Exhibit 10.3(15) of the Company s Annual Report on Form 10-K for the year ended December 31, 2008).
*10.3(16)	MGM MIRAGE Restricted Stock Units Agreement (performance vesting) (incorporated by reference to Exhibit 10.3(16) of the Company s Annual Report on Form 10-K for the year ended December 31, 2008).
*10.3(17)	MGM MIRAGE Restricted Stock Units Agreement (time vesting) (incorporated by reference to Exhibit 10.3(17) of the Company s Annual Report on Form 10-K for the year ended December 31, 2008).
*10.3(18)	Employment Agreement, dated September 16, 2005, between the Company and Robert H. Baldwin (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K dated September 16, 2005 (the September 16, 2005 8-K)).
*10.3(19)	Employment Agreement, dated September 16, 2005, between the Company and James J. Murren (incorporated by reference to Exhibit 10.4 to the September 16, 2005 8-K).
*10.3(20)	Employment Agreement, dated September 16, 2005, between the Company and Gary N. Jacobs (incorporated by reference to Exhibit 10.5 to the September 16, 2005 8-K).
*10.3(21)	Employment Agreement, dated March 1, 2007, between the Company and Aldo Manzini (incorporated by reference to Exhibit 10.3(20) to the 2007 10-K).
*10.3(22)	Letter Agreement dated June 19, 2007, between the Company and Aldo Manzini (incorporated by reference to Exhibit 10.3(21) to the 2007 10-K).
*10.3(23)	Employment Agreement, dated December 3, 2007, between the Company and Dan D Arrigo (incorporated by reference to Exhibit 10 to the Company s Current Report on Form 8-K dated December 3, 2007).
*10.3(24)	Amendment No. 1 to Employment Agreement, dated December 31, 2008, between MGM MIRAGE and James J. Murren (incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K dated January 7, 2009).
*10.3(25)	Amendment No. 1 to Employment Agreement, dated December 31, 2008, between MGM MIRAGE and Robert H. Baldwin (incorporated by reference to Exhibit 4.2 to the Company s Current Report on Form 8-K dated January 7, 2009).
*10.3(26)	Amendment No. 1 to Employment Agreement, dated December 31, 2008, between MGM MIRAGE and Gary N. Jacobs (incorporated by reference to Exhibit 4.3 to the Company s Current Report on Form 8-K

dated January 7, 2009).

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Exhibit Number	Description
*10.3(27)	Amendment No. 1 to Employment Agreement, dated December 31, 2008, between MGM MIRAGE and Daniel J. D Arrigo (incorporated by reference to Exhibit 4.4 to the Company s Current Report on Form 8-K dated January 7, 2009).
*10.3(28)	Amendment No. 1 to Employment Agreement, dated December 31, 2008, between MGM MIRAGE and Aldo Manzini (incorporated by reference to Exhibit 4.5 to the Company s Current Report on Form 8-K dated January 7, 2009).
*10.3(29)	Employment Agreement, effective as of April 6, 2009, between the Company and James J. Murren (incorporated by reference to Exhibit 10 to the Company s Amendment No. 1 to Current Report on Form 8-K dated April 6, 2009).
*10.3(30)	Employment Agreement, effective as of August 3, 2009, between the Company and Gary N. Jacobs (incorporated by reference to Exhibit 10 to the Company s Amendment No. 1 to Current Report on Form 8-K dated August 3, 2009).
10.4(1)	Second Amended and Restated Joint Venture Agreement of Marina District Development Company, dated as of August 31, 2000, between MAC, CORP. and Boyd Atlantic City, Inc. (without exhibits) (incorporated by reference to Exhibit 10.2 to the September 2000 10-Q).
10.4(2)	Contribution and Adoption Agreement, dated as of December 13, 2000, among Marina District Development Holding Co., LLC, MAC, CORP. and Boyd Atlantic City, Inc. (incorporated by reference to Exhibit 10.4(15) to the 2000 10-K).
10.4(3)	Amended and Restated Agreement of Joint Venture of Circus and Eldorado Joint Venture by and between Eldorado Limited Liability Company and Galleon, Inc. (incorporated by reference to Exhibit 3.3 to the Form S-4 Registration Statement of Circus and Eldorado Joint Venture and Silver Legacy Capital Corp. Commission File No. 333-87202).
10.4(4)	Amended and Restated Joint Venture Agreement, dated as of June 25, 2002, between Nevada Landing Partnership and RBG, L.P. (incorporated by reference to Exhibit 10.1 to Mandalay s Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2004.)
10.4(5)	Amendment No. 1 to Amended and Restated Joint Venture Agreement, dated as of April 25, 2005, by and among Nevada Landing Partnership, an Illinois general partnership, and RBG, L.P., an Illinois limited partnership (incorporated by reference to Exhibit 10.4(5) to the Company s Annual Report of Form 10-K for the fiscal year ended December 31, 2005).
10.4(6)	Amended and Restated Subscription and Shareholders Agreement, dated June 19, 2004, among Pansy Ho, Grand Paradise Macau Limited, MGMM Macau, Ltd., MGM MIRAGE Macau, Ltd., MGM MIRAGE and MGM Grand Paradise Limited (formerly N.V. Limited) (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated April 19, 2005).
10.4(7)	Amendment Agreement to the Subscription and Shareholders Agreement, dated January 20, 2007, among Pansy Ho, Grand Paradise Macau Limited, MGMM Macau, Ltd., MGM MIRAGE Macau, Ltd., MGM MIRAGE and MGM Grand Paradise Limited (formerly N.V. Limited) (incorporated by reference to Exhibit 10.4(7) to the 2006 10-K).
10.4(8)	Loan Agreement with the M Resort LLC dated April 24, 2007 (incorporated by reference to Exhibit 10 to the Company s Current Report on Form 8-K dated April 24, 2007).
10.4(9)	Amended and Restated Limited Liability Company Agreement of CityCenter Holdings, LLC, dated August 29, 2009 (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated April 29, 2009).
10.4(10)	Limited Liability Company Operating Agreement of IKM JV, LLC, dated September 10, 2007 (incorporated by reference to Exhibit 10 to the Company s Current Report on Form 8-K dated September 10, 2007).

10.4(11)	Amendment No. 1, dated September 30, 2008, to Limited Liability Company Operating Agreement of IKM JV, LLC, dated September 10, 2007 (incorporated by reference to Exhibit 10 to the Company s Current Report on Form 8-K dated October 6, 2008).
10.4(12)	Amendment No. 2, dated April 29, 2009, to Limited Liability Company Operating Agreement of IKM JV, LLC, dated September 10, 2007 (incorporated by reference to Exhibit 10 to the Company s Current Report on Form 8-K dated April 29, 2009).

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Exhibit Number	Description
10.5(1)	Revised Development Agreement among the City of Detroit, The Economic Development Corporation of the City of Detroit and MGM Grand Detroit, LLC (incorporated by reference to Exhibit 10.10 to Company s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2002).
10.5(2)	Revised Development Agreement effective August 2, 2002, by and among the City of Detroit, The Economic Development Corporation of the City of Detroit and Detroit Entertainment, L.L.C. (incorporated by reference to Exhibit 10.61 of Mandalay s Annual Report on Form 10-K for the year ended January 31, 2005).
10.6(1)	Company Stock Purchase and Support Agreement, dated August 21, 2007, by and between MGM MIRAGE and Infinity World Investments, LLC (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K dated August 21, 2007).
10.6(2)	Amendment No. 1, dated October 17, 2007, to the Company Stock Purchase and Support Agreement by and between MGM MIRAGE and Infinity World Investments, LLC (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated October 17, 2007).
10.6(3)	Purchase Agreement dated December 13, 2008, by and among The Mirage Casino-Hotel, as seller, and Ruffin Acquisition, LLC, as purchaser (incorporated by reference to Exhibit 10 to the Company s Amendment No. 1 to Current Report on Form 8-K/A dated January 9, 2009).
10.6(4)	First Amendment to Purchase Agreement, dated March 12, 2009, by and among The Mirage Casino-Hotel, as seller, and Ruffin Acquisition, LLC, as purchaser (incorporated by reference to the Company s to Current Report on Form 8-K dated Mach 12, 2009).
21	List of subsidiaries of the Company.
23	Consent of Deloitte & Touche LLP.
31.1	Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a 14(a) and Rule 15d 14(a).
31.2	Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a 14(a) and Rule 15d 14(a).
**32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
**32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
99.1	Description of our Operating Resorts.
99.2	Description of Regulation and Licensing.
99.3	Audited Consolidated Financial Statements of CityCenter Holdings, LLC as of and for the years ended December 31, 2009 and 2008 and the period from November 2, 2007 (date of inception) to December 31, 2007.

* Management contract or compensatory plan or arrangement.

** Exhibits 32.1 and 32.2 shall not be deemed filed with the Securities and Exchange Commission, nor shall they be deemed incorporated by reference in any filing with the Securities and Exchange Commission under the Securities Exchange Act of 1934 or the Securities Act of 1933, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

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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 for MGM MIRAGE 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. 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;

Oversight by an independent Audit Committee of the Board of Directors.

Management s Evaluation

Management has evaluated the Company s internal control over financial reporting using the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation as of December 31, 2009, 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, 2009 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 MIRAGE

We have audited the internal control over financial reporting of MGM MIRAGE and subsidiaries (the Company) as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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, 2009, based on the criteria established in *Internal Control Integrated Framework* 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 and financial statement schedule as of and for the year ended December 31, 2009. Our report dated February 26, 2010 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada
February 26, 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of MGM MIRAGE

We have audited the accompanying consolidated balance sheets of MGM MIRAGE and subsidiaries (the Company) as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule of Valuation and Qualifying Accounts included in Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule 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 MIRAGE and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

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, 2009, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2010, expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada
February 26, 2010

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MGM MIRAGE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	At December 31, 2009	At December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,056,207	$ 295,644
Accounts receivable, net	368,474	303,416
Inventories	101,809	111,505
Income tax receivable	384,555	64,685
Deferred income taxes	38,487	63,153
Prepaid expenses and other	103,969	155,652
Assets held for sale		538,975
Total current assets	3,053,501	1,533,030
Property and equipment, net	15,069,952	16,289,154
Other assets		
Investments in and advances to unconsolidated affiliates	3,611,799	4,642,865
Goodwill	86,353	86,353
Other intangible assets, net	344,253	347,209
Deposits and other assets, net	352,352	376,105
Total other assets	4,394,757	5,452,532
	$ 22,518,210	$ 23,274,716
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	$ 155,796	$ 142,693
Construction payable	17,923	45,103
Current portion of long-term debt	1,079,824	1,047,614
Accrued interest on long-term debt	206,357	187,597
Other accrued liabilities	923,701	1,549,296
Liabilities related to assets held for sale		30,273
Total current liabilities	2,383,601	3,002,576
Deferred income taxes	3,031,303	3,441,198
Long-term debt	12,976,037	12,416,552
Other long-term obligations	256,837	440,029

Commitments and contingencies (Note 13)		
Stockholders equity		
Common stock, $.01 par value: authorized 600,000,000 shares; issued 441,222,251 and 369,283,995 shares; outstanding 441,222,251 and 276,506,968 shares	4,412	3,693
Capital in excess of par value	3,497,425	4,018,410
Treasury stock, at cost (0 and 92,777,027 shares)		(3,355,963)
Retained earnings	370,532	3,365,122
Accumulated other comprehensive loss	(1,937)	(56,901)
Total stockholders equity	3,870,432	3,974,361
	$ 22,518,210	$ 23,274,716

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

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MGM MIRAGE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year Ended December 31,		
	2009	**2008**	**2007**
Revenues			
Casino	$ 2,618,060	$ 2,975,680	$ 3,239,054
Rooms	1,370,135	1,907,093	2,130,542
Food and beverage	1,362,325	1,582,367	1,651,655
Entertainment	493,799	546,310	560,909
Retail	207,260	261,053	296,148
Other	592,703	611,692	519,360
	6,644,282	7,884,195	8,397,668
Less: Promotional allowances	(665,693)	(675,428)	(706,031)
	5,978,589	7,208,767	7,691,637
Expenses			
Casino	1,459,944	1,618,914	1,646,883
Rooms	427,169	533,559	542,289
Food and beverage	775,018	930,716	947,475
Entertainment	358,026	384,822	395,611
Retail	134,851	168,859	187,386
Other	384,298	397,504	307,914
General and administrative	1,100,193	1,278,944	1,251,952
Corporate expense	143,764	109,279	193,893
Preopening and start-up expenses	53,013	23,059	92,105
Property transactions, net	1,328,689	1,210,749	(186,313)
Gain on CityCenter transaction			(1,029,660)
Depreciation and amortization	689,273	778,236	700,334
	6,854,238	7,434,641	5,049,869
Income (loss) from unconsolidated affiliates	(88,227)	96,271	222,162
Operating income (loss)	(963,876)	(129,603)	2,863,930
Non-operating income (expense)			
Interest income	12,304	16,520	17,210
Interest expense, net	(775,431)	(609,286)	(708,343)
Non-operating items from unconsolidated affiliates	(47,127)	(34,559)	(18,805)
Other, net	(238,463)	87,940	4,436
	(1,048,717)	(539,385)	(705,502)

Income (loss) from continuing operations before income taxes		(2,012,593)		(668,988)		2,158,428
Benefit (provision) for income taxes		720,911		(186,298)		(757,883)
Income (loss) from continuing operations		(1,291,682)		(855,286)		1,400,545
Discontinued operations						
Income from discontinued operations						10,461
Gain on disposal of discontinued operations						265,813
Provision for income taxes						(92,400)
						183,874
Net income (loss)	$	(1,291,682)	$	(855,286)	$	1,584,419
Basic income (loss) per share of common stock						
Income (loss) from continuing operations	$	(3.41)	$	(3.06)	$	4.88
Discontinued operations						0.64
Net income (loss) per share	$	(3.41)	$	(3.06)	$	5.52
Diluted income (loss) per share of common stock						
Income (loss) from continuing operations	$	(3.41)	$	(3.06)	$	4.70
Discontinued operations						0.61
Net income (loss) per share	$	(3.41)	$	(3.06)	$	5.31

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

MGM MIRAGE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31, 2009	2008	2007
Cash flows from operating activities			
Net income (loss)	$ (1,291,682)	$ (855,286)	$ 1,584,419
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	689,273	778,236	700,334
Amortization of debt discounts, premiums and issuance costs	50,852	10,620	4,298
Loss (gain) on retirement of long-term debt	61,563	(87,457)	
Convertible note impairment	175,690		
Provision for doubtful accounts	54,074	80,293	32,910
Stock-based compensation	36,571	36,277	45,678
Business interruption insurance lost profits	(15,115)	(9,146)	(66,748)
Business interruption insurance cost recovery		(27,883)	(5,962)
Property transactions, net	1,328,689	1,210,749	(186,313)
Gain on CityCenter transaction			(1,029,660)
Gain on disposal of discontinued operations			(265,813)
Loss (income) from unconsolidated affiliates	188,178	(40,752)	(162,217)
Distributions from unconsolidated affiliates	93,886	70,546	211,062
Deferred income taxes	(344,690)	79,516	32,813
Changes in assets and liabilities:			
Accounts receivable	(121,088)	20,500	(82,666)
Inventories	6,571	12,366	(8,511)
Income taxes receivable and payable	(334,522)	(346,878)	315,877
Prepaid expenses and other	(17,427)	14,983	10,937
Accounts payable and accrued liabilities	37,158	(187,858)	32,720
Real estate under development			(458,165)
Residential sales deposits			247,046
Business interruption insurance recoveries	16,391	28,891	72,711
Other	(26,458)	(34,685)	(30,334)
Net cash provided by operating activities	587,914	753,032	994,416
Cash flows from investing activities			
Capital expenditures, net of construction payable	(136,850)	(781,754)	(2,917,409)
Proceeds from sale of TI	746,266		
Proceeds from contribution of CityCenter			2,468,652
Proceeds from disposals of discontinued operations, net			578,873
Purchase of convertible note			(160,000)
Investments in and advances to unconsolidated affiliates	(963,685)	(1,279,462)	(31,420)
Property damage insurance recoveries	7,186	21,109	207,289
Dispositions of property and equipment	22,291	85,968	47,571

Other	(5,463)	(27,301)	15,745
Net cash provided by (used in) investing activities	(330,255)	(1,981,440)	209,301
Cash flows from financing activities			
Net borrowings (repayments) under bank credit facilities maturities of 90 days or less	(1,027,193)	2,760,450	(402,300)
Borrowings under bank credit facilities maturities longer than 90 days	6,771,492	8,170,000	6,750,000
Repayments under bank credit facilities maturities longer than 90 days	(5,942,455)	(8,450,000)	(7,500,000)
Issuance of long-term debt	1,921,751	698,490	750,000
Retirement of senior notes	(1,176,452)	(789,146)	(1,402,233)
Debt issuance costs	(112,055)	(48,700)	(5,983)
Issuance of common stock	1,104,418		1,192,758
Issuance of common stock upon exercise of stock awards	637	14,116	97,792
Purchases of common stock		(1,240,856)	(826,765)
Excess tax benefits from stock-based compensation		9,509	102,479
Payment of Detroit Economic Development Corporation Bonds	(49,393)		
Other	(2,000)	(1,781)	3,715
Net cash provided by (used in) financing activities	1,488,750	1,122,082	(1,240,537)
Cash and cash equivalents			
Net increase (decrease) for the year	1,746,409	(106,326)	(36,820)
Cash related to assets held for sale	14,154	(14,154)	
Balance, beginning of year	295,644	416,124	452,944
Balance, end of year	$ 2,056,207	$ 295,644	$ 416,124
Supplemental cash flow disclosures			
Interest paid, net of amounts capitalized	$ 807,523	$ 622,297	$ 731,618
State, federal and foreign income taxes paid, net of refunds	(53,863)	437,874	391,042
Non-cash investing and financing activities			
Carrying value of net assets contributed to joint venture	$	$	$ 2,773,612
CityCenter completion guarantees and delayed equity contributions	(55,000)	1,111,837	

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

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MGM MIRAGE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
(In thousands)

For the Years Ended December 31, 2009, 2008 and 2007

	Common Stock Shares Outstanding	Common Stock Par Value	Capital in Excess of Par Value	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders Equity
alances, January 1, 2007	283,909	$ 3,629	$ 2,806,636	$ (1,597,120)	$ 2,635,989	$ 415	$ 3,849,549
et income					1,584,419		1,584,419
urrency translation justment						583	583
her comprehensive loss om unconsolidated filiate, net						(442)	(442)
otal comprehensive come							1,584,560
ock-based compensation			48,063				48,063
hange in excess tax enefit from stock-based ompensation			115,439				115,439
suance of common stock	14,200		883,980	308,778			1,192,758
suance of common stock rsuant to stock-based ompensation awards	5,510	55	96,691				96,746
rchases of treasury stock	(9,850)			(826,765)			(826,765)
her			353				353
alances, December 31, 007	293,769	3,684	3,951,162	(2,115,107)	4,220,408	556	6,060,703
et loss					(855,286)		(855,286)
urrency translation justment						(3,190)	(3,190)
aluation adjustment to M esort convertible note, net taxes						(54,267)	(54,267)
otal comprehensive loss							(912,743)
ock-based compensation			42,418				42,418
hange in excess tax enefit from stock-based			10,494				10,494

mpensation							
suance of common stock ırsuant to stock-based mpensation awards	888	9	14,107				14,116
urchases of treasury stock	(18,150)			(1,240,856)			(1,240,856)
her			229				229
alances, December 31, 008	276,507	3,693	4,018,410	(3,355,963)	3,365,122	(56,901)	3,974,361
et loss					(1,291,682)		(1,291,682)
urrency translation ljustment						532	532
eclass M Resort nvertible note valuation ljustment to current rnings						54,267	54,267
her comprehensive come from nconsolidated affiliate, t						165	165
otal comprehensive loss							(1,236,718)
ock-based compensation			43,050				43,050
nange in excess tax enefit from stock-based mpensation			(14,854)				(14,854)
suance of common stock	164,450	717	(549,354)	3,355,963	(1,702,908)		1,104,418
suance of common stock ırsuant to stock-based mpensation awards	265	2	(29)				(27)
her			202				202
alances, December 31, 009	441,222	$ 4,412	$ 3,497,425	$	$ 370,532	$ (1,937)	$ 3,870,432

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

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MGM MIRAGE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION

MGM MIRAGE (the Company) is a Delaware corporation. As of December 31, 2009, approximately 37% of the outstanding shares of the Company s common stock were owned by Tracinda Corporation, a Nevada corporation wholly owned by Kirk Kerkorian. Prior to the May 2009 issuance of common stock see Note 14 Tracinda Corporation owned more than 50% of the outstanding shares of the Company s common stock. As a result, Tracinda Corporation had the ability to elect the Company s entire Board of Directors and to determine the outcome of other matters submitted to the Company s stockholders, such as the approval of significant transactions. Following the May 2009 issuance of common stock, Tracinda Corporation continues to have significant influence with respect to the election of directors and other matters, but it no longer has the power to solely determine these matters. MGM MIRAGE acts largely as a holding company and, through wholly-owned subsidiaries, owns and/or operates casino resorts.

The Company owns and operates the following casino resorts in Las Vegas, Nevada: Bellagio, MGM Grand Las Vegas, Mandalay Bay, The Mirage, Luxor, New York-New York, Excalibur, Monte Carlo, and Circus Circus Las Vegas. Operations at MGM Grand Las Vegas include management of The Signature at MGM Grand Las Vegas, a condominium-hotel consisting of three towers. Other Nevada operations include Circus Circus Reno, Gold Strike in Jean, and Railroad Pass in Henderson. The Company has a 50% investment in Silver Legacy in Reno, which is adjacent to Circus Circus Reno. The Company also owns Shadow Creek, an exclusive world-class golf course located approximately ten miles north of its Las Vegas Strip resorts, and Primm Valley Golf Club at the California/Nevada state line.

The Company also owns 50% of CityCenter, located on the Las Vegas Strip between Bellagio and Monte Carlo. The other 50% of CityCenter is owned by Infinity World Development Corp (Infinity World), a wholly-owned subsidiary of Dubai World, a Dubai, United Arab Emirates government decree entity. CityCenter consists of Aria, a 4,000-room casino resort; Mandarin Oriental Las Vegas, a 400-room non-gaming boutique hotel; Crystals, a 425,000 square foot retail district, including shops, dining and entertainment venues; and Vdara, a 1,495-room luxury condominium-hotel. In addition, CityCenter features residential units in the Residences at Mandarin Oriental 225 units and Veer approximately 670 units. Aria opened on December 16, 2009 and Vdara, Mandarin Oriental and Crystals all opened in early December 2009. The residential units within CityCenter began the sales closing process in early 2010. Additionally, CityCenter postponed the opening of The Harmon Hotel & Spa, a 400-room non-gaming boutique hotel, until such time as the Company and Infinity World mutually agree to proceed with its completion. The Company entered into various management agreements with the joint venture for the ongoing operations of CityCenter. The Company receives a management fee of 2% of gross revenues for the management of Aria and Vdara, and 5% of EBITDA, as defined. In addition, the Company receives an annual fee of $3 million for the management of Crystals.

The Company and its local partners own and operate MGM Grand Detroit in Detroit, Michigan. The Company also owns and operates two resorts in Mississippi: Beau Rivage in Biloxi and Gold Strike Tunica.

The Company has 50% interests in three resorts outside of Nevada: MGM Grand Macau, Grand Victoria and Borgata. MGM Grand Macau is a casino resort that opened on December 18, 2007. Pansy Ho Chiu-King owns the other 50% of MGM Grand Macau. Grand Victoria is a riverboat in Elgin, Illinois. An affiliate of Hyatt Gaming owns the other 50% of Grand Victoria and also operates the resort. Borgata is a casino resort located on Renaissance Pointe in the Marina area of Atlantic City, New Jersey. Boyd Gaming Corporation (Boyd) owns the other 50% of Borgata and also operates the resort. See Note 8 for further discussion of Borgata.

The Company owns additional land adjacent to Borgata, a portion of which consists of common roads, landscaping and master plan improvements, and a portion of which was planned for a wholly-owned development, MGM Grand Atlantic City. As part of the potential settlement discussed in Note 8, the Company has agreed that an affiliate of the Company would withdraw its license application for this development. The Company does not intend to pursue this development for the foreseeable future see Note 3 for further discussion of the related impairment charge.

NOTE 2 LIQUIDITY AND FINANCIAL POSITION

The Company has significant indebtedness and it has significant financial commitments in 2010. On December 30, 2009, the Company borrowed the $1.6 billion then available to it under its senior credit facility in order to increase its capacity for issuing additional senior secured notes under its existing public notes indentures; it repaid this borrowing on January 4, 2010. Therefore, as of December 31, 2009, the Company had a higher than normal cash balance of $2.1 billion. As of December 31, 2009, the Company had approximately $14.1 billion of total long-term debt including amounts outstanding under its senior credit facility. As discussed below, on February 25, 2010, the Company entered into an agreement amending its senior credit facility, which, among other things, provides for an extension of the maturity date for a portion of its senior credit facility (subject to the fulfillment of certain conditions), provided for a reduction in the credit exposures of lenders agreeing to such extensions, and an increase in applicable interest rates payable to such lenders.

As of December 31, 2009 the Company s financial obligations in 2010 included $1.1 billion related to maturities of long-term debt; $1.0 billion in estimated interest payments on outstanding debt; and an estimated $394 million under its CityCenter completion guarantee which it expects to be partially offset by up to $244 million in proceeds from the sale of residential units at CityCenter, though the timing of receipt of such proceeds is uncertain. In addition, the Company expects to invest approximately $250 million in currently uncommitted capital expenditures at its resorts in 2010.

Giving effect to the January 4, 2010 repayment, the Company had approximately $1.6 billion available under its senior credit facility to fund its 2010 obligations as of December 31, 2009. The Company has no other existing sources of borrowing availability, except to the extent it reduces amounts outstanding under the senior credit facility. In addition, the Company historically has generated significant cash flows from operations; the Company generated approximately $1.4 billion in cash flows from operations before deducting cash paid for interest in 2009. The Company also expects to receive tax refunds of approximately $385 million during 2010.

On February 25, 2010 the Company entered into an amendment (the Amendment) to its senior credit facility which:

- Provides the Company a period through June 30, 2010 to raise sufficient capital to make the Required Prepayments described below;
- Permits the Company to issue not more than $850 million of secured indebtedness to finance all or a portion of the Required Prepayments;
- Permits the Company to transfer its 50% interest in Borgata and certain land and cash into a trust see Note 8; and
- Requires the payment of an amendment fee to all lenders under the credit facility.

Pursuant to the Amendment, a restatement of the senior credit facility (the Restated Loan Agreement) will become effective upon making of the Required Prepayments and satisfaction of certain documentary conditions provided that these occur no later than June 30, 2010.

The Restated Loan Agreement:

Requires the Company to make a 20% reduction in credit exposures of those of its lenders which have agreed to extend their commitments, other than lenders which waived such reduction (the Required Prepayments approximately $820 million);

Subject to the making of the Required Prepayments and the fulfillment of certain other conditions, re-tranches the senior credit facility so that approximately $1.4 billion of revolving loans and commitments will be effectively converted into term loans, leaving a revolving credit commitment of $2.0 billion, approximately $300 million of which will mature in October 2011;

Requires the Company to repay in full the approximately $1.2 billion owed to lenders which have not agreed to extend their commitments on the existing maturity date in October 2011;

Extends (subject to certain conditions) the maturity date for the remaining approximately $3.6 billion of the loans and lending commitments (adjusted for the Required Prepayments) under the credit facility through February 21, 2014;

Provides for extension fees and a 100 basis point increase in interest rate for extending lenders; and

Continues the existing minimum EBITDA and maximum annual capital expenditures covenants with periodic step-ups during the extension period.

In addition, the Restated Loan Agreement will allow the Company to issue unsecured debt and equity securities to refinance indebtedness maturing prior to October 3, 2011 and the $1.2 billion portion of the obligations owed to non-extending Lenders. Following the repayment of such lenders and the fulfillment of certain other conditions, the maturity of the balance of the senior credit facility will be extended to February 21, 2014 and the Restated Loan Agreement will thereafter permit the Company to issue unsecured debt and equity securities to refinance indebtedness which matures prior to the maturity date of the extended facilities. However, (a) indebtedness in amounts issued in excess of $250 million over such interim maturities requires ratable prepayment of the credit facilities in an amount equal to 50% of the net cash proceeds of such excess, and (b) equity amounts issued in excess of $500 million over such interim maturities require ratable prepayment of the credit facilities in an amount equal to 50% of the net cash proceeds of such excess.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Principles of consolidation. The consolidated financial statements include the accounts of the Company and its subsidiaries. The Company s investments in unconsolidated affiliates which are 50% or less owned are accounted for under the equity method. The Company does not have a variable interest in any variable interest entities. All intercompany balances and transactions have been eliminated in consolidation. The Company s operations are primarily in one segment: operation of casino resorts. Other operations, and foreign operations, are not material.

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. Those 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.

Financial statement impact of Hurricane Katrina and Monte Carlo fire. The Company maintains insurance for both property damage and business interruption relating to catastrophic events, such as Hurricane Katrina which damaged Beau Rivage in August 2005 and the rooftop fire at Monte Carlo in January 2008. Business interruption coverage covers lost profits and other costs incurred during the closure period and up to six months following re-opening.

Non-refundable insurance recoveries received in excess of the net book value of damaged assets, clean-up and demolition costs, and post-event costs are recognized as income in the period received or committed based on the

Company s estimate of the total claim for property damage (recorded as Property transactions, net) and business interruption (recorded as a reduction of General and administrative expenses) compared to the recoveries received at that time. All post-event costs and expected recoveries are recorded net within General and administrative expenses, except for depreciation of non-damaged assets, which is classified as Depreciation and amortization.

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

Hurricane Katrina. The Company reached final settlement agreements with its insurance carriers related to Hurricane Katrina in late 2007. In total, the Company received insurance recoveries of $635 million, which exceeded the $265 million net book value of damaged assets and post-storm costs incurred. The Company recognized the $370 million of excess insurance recoveries in income in 2007 and 2006.

Monte Carlo fire. The Company reached final settlement agreements for the Monte Carlo Fire in early 2009. In total, the Company received $74 million of proceeds from its insurance carriers. The Company recognized the $41 million of excess insurance recoveries in income in 2008 and 2009, with recoveries offsetting a write-down of $4 million related to the net book value of damaged assets, demolition costs of $7 million, and operating costs of $21 million.

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

	Year Ended December 31,		
	2009	2008	2007
	(In thousands)		
Reduction of general and administrative expenses:			
Hurricane Katrina	$	$	$ 66,748
Monte Carlo fire	15,115	9,146	
	$ 15,115	$ 9,146	$ 66,748
Reduction of property transactions, net:			
Hurricane Katrina	$	$	$ 217,290
Monte Carlo fire	7,186	9,639	
	$ 7,186	$ 9,639	$ 217,290

The following table shows the cash flow statement impact of insurance proceeds from Hurricane Katrina and the Monte Carlo fire:

	Year Ended December 31,		
	2009	2008	2007
	(In thousands)		
Cash flows from operating activities:			
Hurricane Katrina	$	$	$ 72,711
Monte Carlo fire	16,391	28,891	

	$ 16,391	$ 28,891	$ 72,711
Cash flows from investing activities:			
Hurricane Katrina	$	$	$ 207,289
Monte Carlo fire	7,186	21,109	
	$ 7,186	$ 21,109	$ 207,289

Fair value measurements. Fair value measurements affect the Company s accounting and impairment assessments of its long-lived assets, goodwill, and other intangibles as discussed further in relevant sections below. 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 fair value measurements in its accounting for investment in The M Resort LLC 6% convertible note maturing June 2015 and embedded call option (the M Resort Note). The fair value of the convertible note was previously measured using Level 2 inputs. As of June 30, 2009, the fair value of the convertible note and embedded call option were measured using Level 3 inputs. See below under Investment in The M Resort LLC convertible note for further discussion of the valuation of the M Resort Note.

The Company uses fair value measurements when assessing impairment of its investments in unconsolidated affiliates. The Company estimates such fair value using a discounted cash flow analysis utilizing Level 3 inputs, including market indicators of discount rates and terminal year capitalization rates see Note 8 for further discussion.

At December 31, 2009, the fair value of the Company s carrying value of its Renaissance Pointe land holdings were measured using Level 2 and Level 3 inputs. See below under Property and Equipment for further discussion of the Renaissance Pointe impairment.

During 2008, the Company used Level 2 inputs to evaluate the fair value of its Primm Valley Golf Club PVGC. See below under Property and Equipment for further discussion of the PVGC impairment.

Cash and cash equivalents. Cash and cash equivalents include investments and interest bearing instruments with maturities of three months 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, construction payable, or other accrued liabilities, as applicable.

Accounts receivable and credit risk. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of casino accounts receivable. The Company issues markers to approved casino customers following background checks and investigations of creditworthiness. At December 31, 2009, a substantial portion of the Company s receivables were due from customers residing in foreign countries. Business or economic conditions or other significant events in these countries could affect the collectibility 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 specific review of customer accounts as well as historical collection experience and current economic and business conditions. Management believes that as of December 31, 2009, no significant concentrations of credit risk existed for which an allowance had not already been recorded.

Inventories. Inventories consist of food and beverage, retail merchandise and operating supplies, and are stated at the lower of cost or market. Cost is determined primarily by the average cost method for food and beverage and supplies and the retail inventory or specific identification methods for retail merchandise.

Property and equipment. Property and equipment are stated at cost. Gains or losses on dispositions of property and equipment are included in the determination of income. Maintenance costs are expensed as incurred. Property and equipment are generally depreciated over the following estimated useful lives on a straight-line basis:

Buildings and improvements	30 to 45 years
Land improvements	10 to 20 years
Furniture and fixtures	3 to 10 years
Equipment	3 to 20 years

The Company evaluates its property and equipment and other long-lived assets for impairment based on its classification as a) held for sale or b) 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 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.

The Company reviewed the carrying value of its Renaissance Pointe land holdings for impairment at December 31, 2009 as management did not intend to pursue its MGM Grand Atlantic City project for the foreseeable future. The Company s Renaissance Pointe land holdings include a 72-acre development site and 10 acres of land subject to a long-term lease with the Borgata joint venture. The fair value of the development land was determined based on a market approach and the fair value of land subject to the long-term lease with Borgata was determined using a discounted cash flow analysis using expected contractual cash flows under the lease discounted at a market capitalization rate. As a result, the Company recorded a non-cash impairment charge of $548 million in the 2009 fourth quarter which was included in Property transactions, net related to its land holdings on Renaissance Pointe and capitalized development costs.

During 2008, the Company concluded that the Primm Valley Golf Club (PVGC) should be reviewed for impairment due to its recent operating losses and the Company s expectation that such operating losses will continue. The estimated future undiscounted cash flows of PVGC did not exceed its carrying value. The Company determined the estimated fair value of PVGC to be approximately $14 million based on the comparable sales approach. The carrying value of PVGC exceeds its estimated fair value and as a result, the Company recorded an impairment charge of $30 million which is included in Property transactions, net for the year ended December 31, 2008.

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.

Investment in The M Resort LLC convertible note. In June 2007, the Company purchased a $160 million convertible note issued by The M Resort LLC, which developed and currently operates a casino resort on Las Vegas Boulevard, 10 miles south of Bellagio. The convertible note matures in June 2015, contains certain optional and mandatory redemption provisions, and is convertible into a 50% equity interest in The M Resort LLC. The convertible note earns interest at 6% which may be paid in cash or accrued in kind for the first five years; thereafter interest must be paid in cash. There are no scheduled principal payments before maturity.

The convertible note was accounted for as a hybrid financial instrument consisting of a host debt instrument and an embedded call option on The M Resort LLC s equity. The debt component was accounted for separately as an available-for-sale marketable security, with changes in value recorded in other comprehensive income. The call option was treated as a derivative with changes in value recorded in earnings. The initial value of the call option was $0 and the initial value of the debt was $155 million, with the discount accreted to earnings over the term of the note. The fair value of the call option was $0 at December 31, 2008 and 2007. At June 30, 2009, the Company determined that the fair value of the M Resort Note was $0, that the decline in value was other-than-temporary, and that the entire amount of the indicated impairment related to a credit loss. The conclusion that the decline in value was other-than-temporary was based on the Company s assessment of actual results since the opening of the M Resort and M Resort s management s revised cash flow projections since its opening, which are significantly lower than original predictions due to market and general economic conditions. Based on the conclusions above, the Company recorded a pre-tax impairment charge of $176 million the accreted value as of May 31, 2009 in the second quarter of 2009 within Other non-operating expense. Of that amount, $82 million was reclassified from accumulated other comprehensive loss, which amount was $54 million net of tax. The Company stopped recording accrued paid-in-kind interest as of May 31, 2009.

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, as well as capital contributions to and distributions from these companies.

The Company evaluates its investments in unconsolidated affiliates for impairment when events or changes in circumstances indicate that the carrying value of such investment may have experienced an other-than-temporary decline in value. If such conditions exist, the Company compares the estimated fair value of the investment to its carrying value to determine if an impairment is indicated and determines whether such impairment is other-than-temporary based on its assessment of all relevant factors. Estimated fair value is determined using a discounted cash flow analysis based on estimated future results of the investee and market indicators of terminal year capitalization rates. See Note 8 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 as a result of the annual impairment review for goodwill and indefinite-lived intangible assets in 2009 and 2007. See Note 9 for results of the Company s 2008 annual impairment tests.

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 the Company s weighted average cost of capital and market indicators of terminal year capitalization rates. 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 the 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 must be 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 and other operating revenues are recognized as services are performed. 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 accommodations, 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 such promotional allowances is primarily included in casino expenses as follows:

	Year Ended December 31,		
	2009	**2008**	**2007**
		(In thousands)	
Rooms	$ 105,821	$ 91,292	$ 96,183

Food and beverage	261,647	288,522	303,900
Other	32,450	30,742	33,457
	$ 399,918	$ 410,556	$ 433,540

Reimbursed expenses. The Company recognizes costs reimbursed pursuant to management services as revenue in the period it incurs the costs. Reimbursed costs related mainly to the Company s management of CityCenter and totaled $99 million for 2009, $47 million for 2008, and $5 million for 2007.

Point loyalty programs. The Company s primary point-loyalty program, in operation at its wholly-owned major resorts and Aria, is Players Club. In Players Club, customers earn points based on their slots play, which can be redeemed for cash or free play at any of the Company s participating resorts. The Company records a liability based on the points earned times the redemption value and records a corresponding reduction in casino revenue. The expiration of unused points results in a reduction of the liability. Customers overall level of table games and slots play is also tracked and used by management in awarding discretionary complimentaries free rooms, food and beverage and other services for which no accrual is recorded. Other loyalty programs at the Company s resorts generally operate in a similar manner, though they generally are available only to customers at the individual resorts. At December 31, 2009 and 2008, the total company-wide liability for point-loyalty programs was $47 million and $52 million, respectively, including amounts classified as liabilities related to assets held for sale.

Advertising. The Company expenses advertising costs the first time the advertising takes place. Advertising expense of continuing operations, which is generally included in general and administrative expenses, was $118 million, $122 million and $141 million for 2009, 2008 and 2007, respectively.

Corporate expense. Corporate expense represents unallocated payroll and 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 until development of a specific project has become probable.

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 and new customer initiatives.

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.

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

	Year Ended December 31,		
	2009	2008	2007
	(In thousands)		
Weighted-average common shares outstanding used in the calculation of basic earnings per share	378,513	279,815	286,809
Potential dilution from stock options, stock appreciation rights and restricted stock			11,475
Weighted-average common and common equivalent shares used in the calculation of diluted earnings per share	378,513	279,815	298,284

The Company had a loss from continuing operations in 2009 and 2008. Therefore, approximately 29 million and 26 million shares, respectively underlying outstanding stock-based awards were excluded from the computation of diluted earnings per share because inclusion would be anti-dilutive. In 2007 shares underlying outstanding stock-based awards excluded from the diluted share calculation were not material.

Currency translation. The Company translates the financial statements of foreign subsidiaries which are not denominated in US 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 charged or credited to other comprehensive income.

Comprehensive income. Comprehensive income includes net income (loss) and all other non-stockholder changes in equity, or other comprehensive income. Elements of the Company s other comprehensive income are reported in the accompanying consolidated statements of stockholders equity, and the cumulative balance of these elements consisted of the following:

	At December 31, 2009	At December 31, 2008
	(In thousands)	
Other comprehensive income from unconsolidated affiliates	$ 165	$
Valuation adjustment to M Resort convertible note, net of taxes		(54,267)
Currency translation adjustments	(2,102)	(2,634)
	$ (1,937)	$ (56,901)

Recently Issued Accounting Standards. The Company adopted various accounting standards during 2009, none of which had a material effect on its consolidated financial statements. In addition, certain amendments to Accounting Standards Codification (ASC) Topic 810 Consolidation become effective for the Company beginning January 1, 2010. Such amendments include changes to the quantitative approach to determine the primary beneficiary of a variable interest entity (VIE). An enterprise must determine if its variable interest or interests give it a controlling financial interest in a VIE by evaluating whether 1) the enterprise has the power to direct activities of the VIE that have a significant effect on economic performance, and 2) the enterprise has an obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE. ASC 810 also requires ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE. The adoption of these amendments did not have a material effect on the Company s consolidated financial statements.

NOTE 4 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

On March 20, 2009, the Company closed the sale of the Treasure Island casino resort (TI) to Ruffin Acquisition, LLC for net proceeds to the Company of approximately $746 million. At closing, the Company received $600 million in cash proceeds and a $175 million secured note bearing interest at 10% payable not later than 36 months after closing. Ruffin Acquisition, LLC exercised its option, provided for by an amendment to the purchase agreement, to prepay the note on or before April 30, 2009 and received a $20 million discount on the purchase price. In connection with the sale of TI, including the transfer of all of the membership interest in TI, TI was released as a guarantor of the outstanding indebtedness of the Company and its subsidiaries. The Company recognized a pre-tax gain of $187 million on the sale, which is included within Property transactions, net.

The assets and liabilities of TI are classified as held for sale as of December 31, 2008. However, the results of its operations have not been classified as discontinued operations because the Company expects to continue to receive significant cash flows from customer migration. The following table summarizes the assets held for sale and liabilities related to assets held for sale in the accompanying consolidated balance sheets for the year ended December 31, 2008:

		December 31, 2008 (In thousands)
Cash	$	14,154
Accounts receivable, net		9,962
Inventories		3,069
Prepaid expenses and other		3,459
Total current assets		30,644
Property and equipment, net		494,807
Goodwill		7,781
Other assets, net		5,743
Total assets		538,975
Accounts payable		4,162
Other current liabilities		26,111
Total current liabilities		30,273
Other long-term obligations		
Total liabilities		30,273
Net assets	$	508,702

In April 2007, the Company completed the sale of Buffalo Bill s, Primm Valley, and Whiskey Pete s casino resorts (the Primm Valley Resorts), not including the Primm Valley Golf Club, with net proceeds to the Company of approximately $398 million. In June 2007, the Company completed the sale of the Colorado Belle and Edgewater in Laughlin (the Laughlin Properties), with net proceeds to the Company of approximately $199 million.

The sale of the Primm Valley Resorts in April 2007 resulted in a pre-tax gain of $202 million and the sale of the Laughlin Properties in June 2007 resulted in a pre-tax gain of $64 million. The results of the Laughlin Properties and Primm Valley Resorts are classified as discontinued operations in the accompanying consolidated statements of operations for the year ended 2007. In 2007, net revenues from discontinued operations were $129 million and interest allocated to discontinued operations based on the ratio of net assets of discontinued operations to total consolidated net assets and debt of the Company was approximately $6 million. The cash flows of discontinued operations are included with the cash flows of continuing operations in the accompanying consolidated statements of cash flows.

NOTE 5 CITYCENTER TRANSACTION

In August 2007, the Company and Dubai World agreed to form a 50/50 joint venture for the CityCenter development. The joint venture, CityCenter Holdings, LLC, is owned equally by the Company and Infinity World. In November

2007 the Company contributed the CityCenter assets which the parties valued at $5.4 billion, subject to certain adjustments. Infinity World contributed $2.96 billion in cash. At the close of the transaction, the Company received a cash distribution of $2.47 billion, of which $22 million was repaid in 2008 to CityCenter as a result of a post-closing adjustment.

The initial contribution of the CityCenter assets was accounted for as a partial sale of real estate. As a partial sale, profit can be recognized when a seller retains an equity interest in the assets, but only to the extent of the outside equity interests, and only if the following criteria are met: 1) the buyer is independent of the seller; 2) collection of the sales price is reasonably assured; and 3) the seller will not be required to support the operations of the property to an extent greater than its proportionate retained interest.

The transaction met criteria 1 and 3, despite the Company s equity interest and ongoing management of the project, because the Company does not control the venture and the management and other agreements between the Company and CityCenter have been assessed as being fair market value contracts. In addition, the Company assessed whether it had a prohibited form of continuing involvement based on the presence of certain contingent repurchase options, including an option to purchase Infinity World s interest if Infinity World or Dubai World is denied required gaming approvals. The Company assessed the probability of such contingency as remote and, therefore, determined that a prohibited form of continuing involvement does not exist.

As described above, the Company did not receive the entire amount of the sales price, as a portion remained in the venture to fund near-term construction costs. Therefore, the Company believes that a portion of the gain does not meet criteria 2 above and has been deferred. The Company recorded a gain of $1.03 billion based on the following (in millions):

Cash received:	
Initial distribution	$ 2,468
Post-closing adjustment	(22)
Net cash received	2,446
Less: 50% of carrying value of assets contributed	(1,387)
Less: Liabilities resulting from the transaction	(29)
	$ 1,030

The Company is accounting for its ongoing investment in CityCenter using the equity method, consistent with its other investments in unconsolidated affiliates. The Company determined that CityCenter is not a variable interest entity, based on the following: 1) CityCenter does not meet the scope exceptions for assessment as a variable interest entity; 2) the equity at risk in CityCenter is sufficient, based on qualitative assessments; 3) the equity holders of CityCenter (the Company and Infinity World) have the ability to control CityCenter and the right/obligation to receive/absorb expected returns/losses of CityCenter; and 4) while the Company s 50% voting rights in CityCenter may not be proportionate to its rights/obligations to receive/absorb expected returns/losses given the fact that the Company manages CityCenter, substantially all of the activities of CityCenter do not involve and are not conducted on behalf of the Company.

NOTE 6 ACCOUNTS RECEIVABLE, NET

Accounts receivable consisted of the following:

	At December 31, 2009	At December 31, 2008
	(In thousands)	
Casino	$ 261,025	$ 243,600
Hotel	117,390	112,985
Other	87,165	46,437
	465,580	403,022
Less: Allowance for doubtful accounts	(97,106)	(99,606)
	$ 368,474	$ 303,416

NOTE 7 PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

	At December 31, 2009	At December 31, 2008
	(In thousands)	
Land	$ 7,121,002	$ 7,449,254
Buildings, building improvements and land improvements	8,428,766	8,806,135
Furniture, fixtures and equipment	3,814,597	3,435,886
Construction in progress	66,902	407,440
	19,431,267	20,098,715
Less: Accumulated depreciation and amortization	(4,361,315)	(3,809,561)
	$ 15,069,952	$ 16,289,154

NOTE 8 INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

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

	At December 31, 2009	2008
	(In thousands)	
CityCenter Holdings, LLC CityCenter (50)%	$ 2,546,099	$ 3,581,188
Marina District Development Company Borgata (50)%	466,774	474,171
Elgin Riverboat Resort-Riverboat Casino Grand Victoria (50)%	296,248	296,746
MGM Grand Paradise Limited Macau (50)%	258,465	252,060
Circus and Eldorado Joint Venture Silver Legacy (50)%	28,345	27,912
Other	15,868	10,788
	$ 3,611,799	$ 4,642,865

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

	Year Ended December 31, 2009	2008	2007
		(In thousands)	
Income (loss) from unconsolidated affiliates	$ (88,227)	$ 96,271	$ 222,162
Preopening and start-up expenses	(52,824)	(20,960)	(41,140)
Non-operating items from unconsolidated affiliates	(47,127)	(34,559)	(18,805)
	$ (188,178)	$ 40,752	$ 162,217

Included in Income (loss) from unconsolidated affiliates for the year ended December 31, 2009 is the Company s share of an impairment charge relating to CityCenter residential real estate under development (REUD). CityCenter was required to review its REUD for impairment as of September 30, 2009, mainly due to CityCenter s September 2009 decision to discount the prices of its residential inventory by 30%. This decision and related market conditions led to CityCenter management s conclusion that the carrying value of the REUD is not recoverable based on estimates of undiscounted cash flows. As a result, CityCenter was required to compare the fair value of its REUD to its carrying value and record an impairment charge for the shortfall. Fair value of the REUD was determined using a discounted cash flow analysis based on management s current expectations of future cash flows. The key inputs in the discounted cash flow analysis included estimated sales prices of units currently under contract and new unit sales, the absorption rate over the sell-out period, and the discount rate. This analysis resulted in an impairment charge of approximately $348 million of the REUD. The Company recognized 50% of such impairment charge, adjusted by certain basis differences, resulting in a pre-tax charge of $203 million. Once the residential inventory is complete in the first quarter of 2010, CityCenter will be required to measure such inventory at the lower of a) its carrying value, or b) fair value less costs to sell. It is reasonably likely that the fair value less cost to sell of the residential inventory at completion will be below the inventory s carrying value, and that the joint venture will be required to record an additional impairment charge at that time. The Company would record 50% of any such impairment, adjusted for certain basis differences.

During 2007, sales of units at The Signature at MGM Grand were completed and the joint venture essentially ceased sales operations. The Company recognized $93 million related to its share of profit from condominium sales, based on when sales were closed in 2007. During the fourth quarter of 2007, the Company purchased the remaining 88 units in Towers B and C from the joint venture for $39 million. These units have been recorded as property, plant and equipment in the accompanying consolidated balance sheets.

CityCenter. In April 2009, the Company and Dubai World entered into an amended and restated joint venture agreement and CityCenter and its lenders entered into an amendment to the bank credit facility. These agreements provided funding for the completion of CityCenter. Under the revised agreements the Company provided an unlimited completion and cost overrun guarantee, secured by its interests in the assets of Circus Circus Las Vegas and certain adjacent undeveloped land see Note 13 for further discussion. The credit facility agreement also allowed for the first $244 million of net residential sales proceeds to be used to fund project costs which would otherwise be funded under the new completion guarantee. In addition, the amended provisions of the joint venture agreement provide that the first $494 million of available distributions must be distributed on a priority basis to Infinity World, with the next $494 million of distributions made to the Company, and distributions shared equally thereafter.

As a result of the amendments to the joint venture agreement and the CityCenter credit facility, the Company concluded that it should reassess, as of June 30, 2009, whether CityCenter is a variable interest entity. The Company s assessment confirmed its previous conclusion that CityCenter is not a variable interest entity and the equity method of accounting remains appropriate, as equity at risk is sufficient and the equity holders continue to control CityCenter and have the right/obligation to receive/absorb expected returns/losses of CityCenter. In addition, while the Company s obligation to absorb expected losses is not proportionate to its 50% voting rights as a result of the changes to the completion guarantees, substantially all of the activities of CityCenter do not involve and are not conducted on behalf of the Company.

At September 30, 2009, the Company reviewed its CityCenter investment for impairment using revised operating forecasts developed by CityCenter management late in the third quarter. In addition, the impairment charge related to CityCenter s residential real estate under development discussed below further indicated that the Company s investment may have experienced an other-than-temporary decline in value. The Company s discounted cash flow analysis for CityCenter included estimated future cash outflows for construction and maintenance expenditures and future cash inflows from operations, including residential sales. Based on its analysis, the Company determined that the carrying value of its investment exceeded its fair value and therefore an impairment was indicated. The Company intends to and believes it will be able to retain its investment in CityCenter; however, due to the extent of the shortfall and the Company s assessment of the uncertainty of fully recovering its investment, the Company determined that the impairment was other-than-temporary and recorded an impairment charge of $956 million included in Property transactions, net.

Borgata. In May 2009, the New Jersey Division of Gaming Enforcement (the DGE) issued a report which recommended to the New Jersey Casino Control Commission (the New Jersey Commission) that, among other things, the Company s Macau joint venture partner be found to be unsuitable and the Company be directed to disengage from any business association with such Macau joint venture partner. The Company is currently involved in constructive settlement discussions with the DGE, which have centered on the Company placing our 50% ownership interest in the Borgata Hotel Casino & Spa and related leased land in Atlantic City into a divestiture trust (the Trust) for which the Company would be the sole economic beneficiary. Any settlement is subject to both DGE and the New Jersey Commission approval.

In February 2010, the Company entered into an amendment to its joint venture agreement with Boyd Gaming Corporation (Boyd) to permit the transfer of its 50% ownership interest into the Trust in connection with its potential settlement agreement with the DGE. The amendment also includes the following provisions that would become effective only upon the transfer of the joint venture interests into Trust: Boyd would receive a priority partnership distribution of approximately $31 million (equal to the excess prior capital contributions by Boyd) upon successful refinancing of the Borgata credit facility; in addition, Boyd would receive a payment from the Trust equal to the greater of $10 million or 3% of the proceeds from the sale of the Company s 50% interest in Borgata.

If the Company reaches a settlement agreement with the DGE, it will discontinue the equity method of accounting for Borgata at the point the assets are placed in the Trust and will account for its rights under the trust arrangement under the cost method of accounting. Earnings and losses that relate to the investment that were previously accrued will remain as a part of the carrying amount of the investment. Distributions received by the Trust in subsequent periods that do not exceed the Company s share of earnings will be recognized currently in earnings. However, distributions to the Trust in subsequent periods that exceed the Company s share of earnings for such periods will be applied to reduce the carrying amount of the Company s investment.

In addition, due to circumstances surrounding the Company s negotiations with the DGE, the Company has reviewed the carrying value of its 50% investment in the Borgata joint venture at December 31, 2009. The Company did not record an impairment charge related to its investment in the Borgata.

Basis differences. The Company s investment in unconsolidated affiliates does not equal the 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 are not being amortized. Differences between the Company s venture-level equity and investment balances are as follows:

	At December 31, 2009	At December 31, 2008
	(In thousands)	(In thousands)
Venture-level equity	$ 4,171,538	$ 3,711,900
Fair value adjustments to investments acquired in business combinations(A)	332,701	321,814
Capitalized interest(B)	382,614	236,810
Adjustment to CityCenter equity upon contribution of net assets by MGM MIRAGE(C)	(605,513)	(640,306)
CityCenter delayed equity contribution and partial completion guarantee(D)		883,831
New completion guarantee(D)	150,000	
Advances to CityCenter, net of discount(E)	323,990	323,950
Write-down of CityCenter investment	(954,862)	
Other adjustments(F)	(188,669)	(195,134)
	$ 3,611,799	$ 4,642,865

(A) Includes: a $90 million increase for Borgata, related to land; a $267 million increase for Grand Victoria, related to indefinite-lived gaming license rights; and a $25 million reduction for Silver Legacy, related to long-term assets and long-term debt.

(B) Relates to interest capitalized on the Company s investment balance during the unconsolidated affiliates development and construction stages. Such amounts are being amortized over the life of the underlying assets.

(C) Relates to land, other fixed assets, real estate under development, and other assets see Note 5. Amount decreased from prior year primarily related to the write-down of REUD and certain intangible assets by the joint venture.

(D) In 2008, the Company recorded increases to its investment and corresponding liabilities for its original partial completion guarantee and equity contributions, both as required under the CityCenter credit facility. These basis differences were resolved by payments made in 2009 and replacement of the original partial completion with the new completion guarantee entered into in 2009 see Note 13.

(E) The advances to CityCenter are recognized as long-term debt by CityCenter; however, since such advances were provided at below market rates, CityCenter recorded the advances at a discount with a corresponding equity contribution. This basis difference will be resolved when the advances are repaid and upon accretion of the discount.

(F) Other adjustments include the deferred gain on the CityCenter transaction as discussed in Note 5. The deferred gain on the CityCenter transaction has been allocated to the underlying assets and will be amortized over the life of the underlying assets.

Joint venture financial information. Summarized balance sheet information of the unconsolidated affiliates is as follows:

	At December 31, 2009	2008
	(In thousands)	
Current assets	$ 807,343	$ 555,615
Property and other assets, net	13,206,662	11,546,361
Current liabilities	1,508,056	945,412
Long-term debt and other liabilities	4,322,204	3,908,088
Equity	8,183,745	7,248,476

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

	Year Ended December 31, 2009	2008 (In thousands)	2007
Net revenues	$ 2,597,368	$ 2,445,835	$ 1,884,504
Operating expenses, except preopening expenses	(2,719,371)	(2,258,033)	(1,447,749)
Preopening and start-up expenses	(105,504)	(41,442)	(79,879)
Operating income (loss)	(227,507)	146,360	356,876
Interest expense	(83,449)	(81,878)	(47,618)
Other non-operating income (expense)	(36,861)	(5,660)	5,194
Net income (loss)	$ (347,817)	$ 58,822	$ 314,452

NOTE 9 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets consisted of the following:

	At December 31, 2009	2008 (In thousands)
Goodwill:		
Mirage Resorts acquisition (2000)	$ 39,648	$ 39,648
Mandalay Resort Group acquisition (2005)	45,510	45,510
Other	1,195	1,195
	$ 86,353	$ 86,353
Indefinite-lived intangible assets:		
Detroit development rights	$ 98,098	$ 98,098
Trademarks, license rights and other	235,672	235,672
	333,770	333,770
Other intangible assets, net	10,483	13,439
	$ 344,253	$ 347,209

Changes in the recorded balances of goodwill are as follows:

Year Ended December 31,

	2009	2008
	(In thousands)	
Balance, beginning of year	$ 86,353	$ 1,262,922
Goodwill impairment charge		(1,168,088)
Other		(8,481)
Balance, end of the year	$ 86,353	$ 86,353

Goodwill related to the Mirage Resorts acquisition relates to Bellagio and The Mirage. The fair values of Bellagio and Mirage are substantially in excess of their carrying values including goodwill. Goodwill related to the Mandalay Resort Group acquisition was primarily assigned to Mandalay Bay, Luxor, Excalibur and Gold Strike Tunica. As a result of the Company s annual impairment test of goodwill in the fourth quarter of 2008, the Company recognized a non-cash impairment charge of goodwill of $1.2 billion included in Property transactions, net. Such charge solely related to goodwill recognized in the Mandalay acquisition and represents the Company s total accumulated impairment losses related to goodwill since January 1, 2002 when the Company adopted new accounting rules for goodwill and intangible assets. Assumptions used in such analysis were affected by current market conditions including: 1) lower market valuation multiples for gaming assets; 2) higher discount rates resulting from turmoil in the credit and equity markets; and 3) current cash flow forecasts for the affected resorts. The remaining balance of the Mandalay acquisition goodwill primarily relates to goodwill assigned to Gold Strike Tunica. The fair value of Gold Strike Tunica is substantially in excess of its carrying value including goodwill.

The Company s indefinite-lived intangible assets balance of $334 million includes trademarks and trade names of $217 million related to the Mandalay acquisition. As a result of the Company s annual impairment test in the fourth quarter of 2008 of indefinite-lived intangible assets, the Company recognized a non-cash impairment charge of $12 million included in Property transactions, net. Such charge solely related to trade names recognized in the Mandalay acquisition. The fair value of the trade names was determined using the relief-from-royalty method and was negatively affected by the factors discussed above relating to the impairment of goodwill. The Company s indefinite-lived intangible assets consist primarily of development rights in Detroit and trademarks.

The Company s remaining finite lived intangible assets consist primarily of customer lists amortized over five years, lease acquisition costs amortized over the life of the related leases, and certain license rights amortized over their contractual life.

NOTE 10 OTHER ACCRUED LIABILITIES

Other accrued liabilities consisted of the following:

	At December 31, 2009	At December 31, 2008
	(In thousands)	
Payroll and related	$ 267,795	$ 251,750
Advance deposits and ticket sales	104,911	105,809
Casino outstanding chip liability	83,957	96,365
Casino front money deposits	80,944	74,165
Other gaming related accruals	80,170	82,827
Taxes, other than income taxes	60,917	59,948
Delayed equity contribution to CityCenter		700,224
CityCenter completion guarantee	150,000	
Other	95,007	178,208
	$ 923,701	$ 1,549,296

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NOTE 11 LONG-TERM DEBT

Long-term debt consisted of the following:

	At December 31, 2009	At December 31, 2008
	(In thousands)	
Senior credit facility	$ 5,511,843	$ 5,710,000
$226.3 million 6.5% senior notes, due 2009, net		226,720
$57.4 million 6% senior notes, due 2009, net		820,894
$297.0 million 9.375% senior subordinated notes, due 2010, net	298,135	305,893
$782 million 8.5% senior notes, due 2010, net	781,689	781,223
$400 million 8.375% senior subordinated notes, due 2011	400,000	400,000
$128.7 million 6.375% senior notes, due 2011, net	129,156	129,399
$544.7 million 6.75% senior notes, due 2012	544,650	544,650
$484.2 million 6.75% senior notes due 2013	484,226	484,226
$150 million 7.625% senior subordinated debentures, due 2013, net	153,190	153,960
$750 million 13% senior secured notes due 2013, net	707,144	699,440
$508.9 million 5.875% senior notes, due 2014, net	507,613	507,304
$650 million 10.375% senior secured notes, due 2014, net	633,463	
$875 million 6.625% senior notes, due 2015, net	878,253	878,728
$242.9 million 6.875% senior notes due 2016	242,900	242,900
$732.7 million 7.5% senior notes due 2016	732,749	732,749
$100 million 7.25% senior debentures, due 2017, net		85,537
$743 million 7.625% senior notes due 2017	743,000	743,000
$850 million 11.125% senior secured notes, due 2017, net	828,438	
$475 million 11.375% senior notes, due 2018, net	462,906	
Floating rate convertible senior debentures due 2033	8,472	8,472
$0.5 million 7% debentures due 2036, net	573	573
$4.3 million 6.7% debentures, due 2096	4,265	4,265
Other notes	3,196	4,233
	14,055,861	13,464,166
Less: Current portion	(1,079,824)	(1,047,614)
	$ 12,976,037	$ 12,416,552

At December 31, 2009, outstanding senior notes due within one year of the balance sheet date were classified as current obligations as the Company s senior credit facility was fully drawn at year end. Immediately following year end, the Company repaid $1.6 billion of its senior credit facility. The senior credit facility had a total capacity of $5.5 billion consisting of a term loan facility of $2.1 billion and a revolving credit facility of $3.4 billion as of December 31, 2009. The weighted average interest rate on outstanding borrowings under the senior credit facility at December 31, 2009 and December 31, 2008 was 6% and 3.4%, respectively. As discussed in Note 2, the Company entered into an amendment to its senior credit facility on February 25, 2010.

Interest expense, net consisted of the following:

	Year Ended December 31,		
	2009	**2008**	**2007**
		(In thousands)	
Total interest incurred	$ 1,028,673	$ 795,049	$ 930,138
Interest capitalized	(253,242)	(185,763)	(215,951)
Interest allocated to discontinued operations			(5,844)
	$ 775,431	$ 609,286	$ 708,343

In conjunction with its May 2009 credit facility amendment, the Company permanently repaid $826 million of credit facility borrowings, and $400 million of previous repayments under separate amendments were treated as permanent reductions. In addition, the Company granted the lenders a security interest in the assets of Gold Strike Tunica and certain undeveloped land on the Las Vegas Strip to secure up to $300 million of obligations under the credit facility, and MGM Grand Detroit, which is a co-borrower under the credit facility, granted lenders a security interest in its assets to secure its obligations under the credit facility. For the year ended December 31, 2009, the Company recorded a loss on early retirement of debt of $23 million related to amendments to its senior credit facility recorded within Other, net.

In May 2009, the Company issued $650 million of 10.375% senior secured notes due 2014 and $850 million of 11.125% senior secured notes due 2017 for net proceeds to the Company of approximately $1.4 billion. The notes are secured by the equity interests and substantially all of the assets of Bellagio and The Mirage, and otherwise rank equally with the Company s existing and future senior indebtedness. Upon the issuance of such notes, the holders of the Company s 13% senior secured notes due 2013 obtained an equal and ratable lien in all collateral securing these notes. The Company s 13% senior secured notes due 2013 are secured by the equity interests and assets of New York-New York and otherwise rank equally with the Company s existing and future senior indebtedness.

The Company s senior credit facility limits the Company s ability to sell assets and requires that (i) 50% of the net proceeds from certain future asset sales must be used to permanently reduce available borrowings under the senior credit facility and (ii) if MGM Grand Detroit is sold, the permanent reduction of available borrowings will not be less than $600 million. Also, under the indentures governing the Company s senior secured notes, upon consummation of a non-collateral asset sale the Company is required to use the after-tax proceeds to 1) make an investment, an acquisition, or capital expenditures; 2) permanently repay indebtedness that ranks equally in right of payment with the secured notes; or 3) make an offer to repurchase a corresponding amount of senior secured notes at par plus accrued interest. The secured note indentures also require that 75% of the consideration received for non-collateral asset sales must be in the form of cash or cash equivalents. For such purposes, any indebtedness of the Company validly released in writing in exchange for assets of the Company and any securities, notes or similar obligations converted by the Company into cash within 180 days will be deemed cash.

In June 2009, the Company redeemed the $100 million 7.25% senior debentures at a cost of $127 million. Also, in June 2009, the Company redeemed, essentially at par, $762.6 million of its 6.0% senior notes due October 2009 and $122.3 million of its 6.5% senior notes due July 2009 as a result of a tender offer process. In October 2009 the Company repaid the remaining $57.4 million of its 6.0% senior notes at maturity. The Company recorded a loss on early retirement of debt of $38 million related to these transactions recorded within Other, net.

In September 2009, the Company issued $475 million of 11.375% senior notes due 2018 for net proceeds to the Company of $451 million which were used to pay down amounts outstanding under the senior credit facility, including a permanent reduction of $226 million as required by the senior credit facility.

During 2008, the Company executed the following transactions related to its senior notes and senior secured notes:

Issued $750 million in aggregate principal amount of 13% senior secured notes due 2013, at a discount to yield 15% with net proceeds to the Company of $687 million;

Redeemed $149.4 million of the aggregate outstanding principal amount of its 7% debentures due 2036 pursuant to a one-time put option by the holders of such debentures;

Repurchased $345 million of principal amounts of various series of its outstanding senior notes at a purchase price of $263 million in open market repurchases under a plan authorized by the Company s Board of Directors; and

Repaid the $180.4 million of 6.75% senior notes and the $196.2 million of 9.5% senior notes at maturity using borrowings under the senior credit facility.

The Company recognized a $6 million gain on the redemption of its 7% debentures and an $82 million gain on the senior note repurchases, included within Other, net.

The credit facility amendment in May 2009 eliminated the Company s requirement to maintain a maximum leverage and interest charge ratio, and permanently waived any previous non-compliance with such ratio tests. At December 31, 2009, the Company was required to maintain a minimum trailing annual EBITDA (as defined) of $900 million. Additionally, the Company was limited to $250 million of annual capital expenditures (as defined) during 2009. At December 31, 2009, the Company was in compliance with the minimum EBITDA and maximum capital expenditures covenants.

The Company and each of its material subsidiaries, excluding MGM Grand Detroit, LLC and the Company s foreign subsidiaries, are directly liable for or unconditionally guarantee the senior credit facility, senior notes, senior debentures, and senior subordinated notes. MGM Grand Detroit, LLC is a guarantor under the senior credit facility, but only to the extent that MGM Grand Detroit, LLC borrows under such facilities. At December 31, 2009, the outstanding amount of borrowings related to MGM Grand Detroit, LLC was $450 million. See Note 19 for consolidating condensed financial information of the subsidiary guarantors and non-guarantors.

Maturities of the Company s long-term debt as of December 31, 2009 are as follows:

	(In thousands)
Years ending December 31, 2010	$ 1,080,291
2011	6,041,859
2012	545,175
2013	1,384,226
2014	1,158,900
Thereafter	3,931,939
	14,142,390
Debt premiums and discounts, net	(86,529)
	$ 14,055,861

The estimated fair value of the Company s long-term debt at December 31, 2009 was approximately $12.9 billion, versus its book value of $14.1 billion. At December 31, 2008, the estimated fair value of the Company s long-term debt was approximately $8.5 billion, versus its book value of $13.5 billion. The estimated fair value of the Company s senior and senior subordinated notes was based on quoted market prices on or about December 31, 2009 and 2008; the fair value of the Company s senior credit facility is determined using estimates based on recent trading prices.

NOTE 12 INCOME TAXES

The Company recognizes deferred income tax assets, net of applicable reserves, related to net operating loss 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) from continuing operations before income tax includes a loss from foreign subsidiaries of $7 million in 2009. Income (loss) from foreign subsidiaries in 2008 and 2007 was not material.

The income tax (benefit) provision attributable to continuing operations and discontinued operations is as follows:

Year Ended December 31,

	2009	2008 (In thousands)	2007
Continuing operations	$ (720,911)	$ 186,298	$ 757,883
Discontinued operations			92,400
	$ (720,911)	$ 186,298	$ 850,283

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The income tax provision (benefit) attributable to income or loss from continuing operations before income taxes is as follows:

	Year Ended December 31, 2009	2008	2007
	(In thousands)		
Current federal	$ (391,281)	$ 186,051	$ 729,249
Deferred federal	(280,603)	(14,537)	16,921
Other noncurrent federal	7,891	8,627	6,326
Provision (benefit) for federal income taxes	(663,993)	180,141	752,496
Current state	1,105	8,608	2,493
Deferred state	(59,217)	(651)	728
Other noncurrent state	1,125	(1,800)	2,166
Provision (benefit) for state income taxes	(56,987)	6,157	5,387
Current foreign	69		
Deferred foreign			
Provision for foreign income taxes	69		
	$ (720,911)	$ 186,298	$ 757,883

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

	Year Ended December 31, 2009	2008	2007
Federal income tax statutory rate	(35.0)%	(35.0)%	35.0%
State income tax (net of federal benefit)	(1.9)	0.8	0.1
Goodwill write-down		61.1	
Reversal of reserves for prior tax years			(0.2)
Foreign jurisdiction losses	0.4	1.0	2.0
Domestic Production Activity deduction			(1.8)
Tax credits	(0.2)	(1.0)	(0.3)
Permanent and other items	0.9	0.9	0.3
	(35.8)%	27.8%	35.1%

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

	At December 31, 2009	At December 31, 2008
	(In thousands)	
Deferred tax assets federal and state		
Bad debt reserve	$ 44,817	$ 41,452
Deferred compensation	13,967	35,978
Net operating loss carryforward	5,336	1,204
Preopening and start-up costs	4,553	4,928
Accruals, reserves and other	39,221	74,916
Investments in unconsolidated affiliates	231,180	
Stock-based compensation	49,910	50,677
Tax credits	2,491	2,491
	391,475	211,646
Less: Valuation allowance	(4,349)	(4,197)
	$ 387,126	$ 207,449
Deferred tax liabilities federal and state		
Property and equipment	$ (3,044,694)	$ (3,386,798)
Long-term debt	(235,372)	(6,500)
Investments in unconsolidated affiliates		(91,220)
Intangibles	(99,876)	(100,976)
	(3,379,942)	(3,585,494)
Deferred taxes foreign		2,034
Less: Valuation allowance		(2,034)
Net deferred tax liability	$ (2,992,816)	$ (3,378,045)

For federal income tax purposes, the Company generated a net operating loss of $1.1 billion in 2009 and general business tax credits of $7 million in 2009 both of which it will carry back to and fully utilize in prior tax years. Consequently, the Company has recorded the tax effect of these items in Income tax receivable at December 31, 2009. The Company has a charitable contribution carryforward of $3 million and a foreign tax credit carryforward of $2 million that will expire if not utilized by 2014 and 2015, respectively.

For state income tax purposes, the Company has Illinois and Michigan net operating loss carryforwards of $21 million and $76 million, respectively, which equates to deferred tax assets, after federal tax effect, of $1 million and $3 million, respectively. The Illinois and Michigan net operating loss carryforwards will expire if not utilized by 2021 and 2019, respectively. The Company has New Jersey net operating loss carryforwards of $23 million, which equates to a deferred tax asset of $1 million, after federal tax effect, and before valuation allowance. The New Jersey net operating loss carryforwards will expire if not utilized by various dates from 2010 through 2029.

At December 31, 2009, there is a $2 million valuation allowance, after federal effect, provided on certain New Jersey state net operating loss carryforwards and other New Jersey state deferred tax assets and a valuation allowance of $2 million on the foreign tax credit because management believes these assets do not meet the more likely than not criteria for recognition. Management believes all other deferred tax assets are more likely than not to be realized because of the future reversal of existing taxable temporary differences and expected future taxable income. Accordingly, there are no other valuation allowances provided at December 31, 2009.

The Company assesses its tax position 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 50 percent likely of being realized. Uncertain tax positions must be reviewed at each balance sheet date. Liabilities recorded as a result of this analysis must generally be recorded separately from any current or deferred income tax accounts, and at December 31, 2009, the Company has classified $5 million as current in Other accrued liabilities and $181 million as long-term in Other long-term obligations, based on the time until expected payment.

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

	Year Ended December 31,		
	2009	2008	2007
Gross unrecognized tax benefits at January 1	$ 102,783	$ 77,328	$ 105,139
Gross increases Prior period tax positions	13,890	25,391	14,423
Gross decreases Prior period tax positions	(10,372)	(12,467)	(47,690)
Gross increases Current period tax positions	60,286	13,058	13,220
Settlements with taxing authorities	(5,210)	(527)	(7,162)
Lapse in statutes of limitations			(602)
Gross unrecognized tax benefits at December 31	$ 161,377	$ 102,783	$ 77,328

The total amount of net unrecognized tax benefits that, if recognized, would affect the effective tax rate was $34 million and $29 million at December 31, 2009 and December 31, 2008, respectively.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. The Company had $24 million and $17 million in interest related to unrecognized tax benefits accrued as of December 31, 2009 and December 31, 2008, respectively. No amounts were accrued for penalties as of either date. Income tax expense for the years ended December 31, 2009, 2008, and 2007 includes interest related to unrecognized tax benefits of $8 million, $6 million, and $7 million, respectively.

The Company files income tax returns in the U.S. federal jurisdiction, various state and local jurisdictions, and foreign jurisdictions, although the taxes paid in foreign jurisdictions are not material. As of December 31, 2009, the Company was no longer subject to examination of its U.S. consolidated federal income tax returns filed for years ended prior to 2003. In the fourth quarter of 2009, the Company reached settlement with the IRS in post-Appeals mediation with respect to issues related to a land sale transaction in 2002. The Company agreed to an additional tax liability of $2 million and associated interest for the 2002 tax year as a result of this settlement. The Company paid most of this tax and associated interest in a prior year in order to minimize the amount of interest due. All matters concerning the IRS audit of the 2001 and 2002 federal income tax returns are now settled. The IRS is currently examining the Company s federal income tax returns for the 2003 and 2004 tax years. The Company anticipates this audit will close sometime in 2010 and the Company will likely protest many of the issues under audit. Consequently, the Company does not believe that it is reasonably possible that these issues will be settled in the next twelve months. Federal income tax returns for years of the Company subsequent to 2004 are also subject to examination.

During 2009, the IRS completed its audit of the 2004 through 2006 tax years of a subsidiary of the Company treated as a partnership for income tax purposes and the Company submitted a protest to IRS Appeals with respect to issues relating to the tax treatment of payments made by the subsidiary under an agreement to develop, own and operate a hotel casino in the City of Detroit. The Company believes that it is reasonably possible that these issues may be settled in the next twelve months.

During 2009, the IRS completed its audit of an unconsolidated affiliate of the Company for the 2003 and 2004 tax years and the Company along with its joint venture partner submitted a protest to IRS Appeals of various issues raised by the IRS in the audit. It is reasonably possible that certain of these issues may be settled in the next twelve months, but others may not.

In the first quarter of 2010, the IRS informed the Company that it was closing its examination of the federal income tax return of Mandalay Resort Group for the pre-acquisition year ended April 25, 2005 and will issue a No-Change Letter. The statute of limitations for assessing tax for the Mandalay Resort Group federal income tax return for the year ended January 31, 2005 has been extended but such return is not currently under examination by the IRS.

As of December 31, 2009, the Company was no longer subject to examination of its various state and local tax returns filed for years ended prior to 2005. During 2009, the state of Illinois notified the Company that it would initiate an audit of the Illinois combined returns of the Company for the 2006 and 2007 tax years. The Company anticipates this audit will begin during 2010. A Mandalay Resort Group subsidiary return for the pre-acquisition year ended April 25, 2005 is under examination by the City of Detroit and the statute of limitations for assessing tax will expire in 2010 unless extended. No other state or local income tax returns of the Company are currently under exam.

The Company believes that it is reasonably possible that the total amounts of unrecognized tax benefits at December 31, 2009 may decrease by a range of $0 to $9 million within the next twelve months on the expectation during such period of: (1) possible settlement of the appeal of the issues raised in the IRS audit of the 2004 through 2006 tax years of a subsidiary of the Company; (2) possible settlement of certain issues under appeal in connection with the IRS audit of the 2003 and 2004 tax years of an unconsolidated affiliate; and (3) the closure of the IRS audit of the federal income tax return of Mandalay Resort Group for the pre-acquisition year ended April 25, 2005.

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, 2009, the Company was obligated under non-cancelable operating leases and capital leases to make future minimum lease payments as follows:

	Operating Leases	Capital Leases
	(In thousands)	
Years ending December 31,		
2010	$ 15,904	$ 1,854
2011	12,768	1,644
2012	10,982	1,217
2013	7,942	37
2014	6,082	
Thereafter	44,687	
Total minimum lease payments	$ 98,365	4,752
Less: Amounts representing interest		(343)
Total obligations under capital leases		4,409
Less: Amounts due within one year		(1,698)
Amounts due after one year		$ 2,711

The current and long-term obligations under capital leases are included in Other accrued liabilities and Other long-term obligations, respectively. Rental expense for operating leases, including rental expense of discontinued operations, was $24 million for December 31, 2009, $29 million for December 31, 2008, and $36 million for December 31, 2007.

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

CityCenter completion guarantee. As discussed in Note 8, in April 2009 the Company entered into a new completion guarantee in conjunction with the CityCenter credit facility which amended the completion guarantees to a) relieve Dubai World of its completion guarantee as amounts are funded from its letter of credit, and b) require an unlimited completion and cost overrun guarantee from the Company, secured by its interests in the assets of Circus Circus Las Vegas and certain adjacent undeveloped land. Also affecting the potential exposure under the completion guarantee is the ability to utilize up to $244 million of net residential proceeds to fund construction costs, though the timing of receipt of such proceeds is uncertain. As of December 31, 2009, the Company has recorded a liability of $150 million, classified as Other accrued liabilities, which represents the low end of its estimated range for its net obligation under the completion guarantee. The Company believes that it is reasonably possible it will be required to fund a net obligation of up to $300 million. In January and February 2010 the Company funded $217 million under the completion guarantee. CityCenter will repay such amounts to the Company from proceeds of residential units.

Other guarantees. The Company is party to various guarantee contracts in the normal course of business, which are generally supported by letters of credit issued by financial institutions. The Company s senior credit facility limits the amount of letters of credit that can be issued to $250 million, and the amount of available borrowings under the senior credit facility is reduced by any outstanding letters of credit. At December 31, 2009, the Company had provided $37 million of total letters of credit. Though not subject to a letter of credit, the Company has an agreement with the Nevada Gaming Control Board to maintain $113 million of cash at the corporate level to support normal bankroll requirements at the Company s Nevada operations.

New Jersey regulatory review of Macau investment. As a result of the DGE s investigation of the Company s relationship with its joint venture partner in Macau, the Company is involved in constructive settlement discussions with the DGE under which it would sell its 50% ownership interest in Borgata and related leased land in Atlantic City see Note 8 for a discussion of the investigation and settlement discussions. If the Company is unable to effectuate such a settlement with the DGE, it may still be subject to action by the New Jersey Commission related to the DGE s report.

The DGE is responsible for investigating licensees and prosecuting matters before the New Jersey Commission. However, the report is merely a recommendation and is not binding on the New Jersey Commission, which has sole responsibility and authority for deciding all regulatory and licensing matters. The New Jersey Commission has not yet taken any action with respect to the report, but on July 27, 2009, the DGE submitted a letter to the New Jersey Commission recommending that the New Jersey Commission reopen the licensing of Borgata to address the ongoing suitability of the Company as a licensee; under New Jersey regulations, the New Jersey Commission is obligated to reopen the licensing. This was a procedural step required by the New Jersey Casino Control Act that does not represent a finding as to the issues raised by the DGE. The Company will have the opportunity to respond to the DGE report in an open public proceeding.

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

NOTE 14 STOCKHOLDERS EQUITY

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

Stock sale to Infinity World. On October 18, 2007, the Company completed the sale of 14.2 million shares of common stock to Infinity World Investments, a wholly-owned subsidiary of Dubai World, at a price of $84 per share for total proceeds of approximately $1.2 billion. These shares were previously held by the Company as treasury stock. Proceeds from the sale were used to reduce amounts outstanding under the senior credit facility.

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Secondary stock offering. In May 2009, the Company issued approximately 164.5 million shares, including approximately 21.5 million shares issued as a result of the underwriters exercising their over-allotment option, of its common stock at $7 per share, for total net proceeds to the Company of approximately $1.1 billion. A portion of the shares were previously held by the Company as treasury stock and a portion of the shares were newly issued. Proceeds from the common stock offering and concurrent offering of senior secured notes were used to repay outstanding amounts under the Company s senior credit facility and redeem certain outstanding senior debentures and senior notes and for general corporate purposes.

Stock repurchases. Share repurchases are only conducted under repurchase programs approved by the Board of Directors and publicly announced. At December 31, 2009, the Company had 20 million shares available for repurchase under the May 2008 authorization. Share repurchase activity was as follows:

	Year Ended December 31, 2009	2008	2007
		(In thousands)	
July 2004 authorization (8 million shares purchased)	$	$	$ 659,592
December 2007 authorization (18.1 million and 1.9 million shares purchased)		1,240,856	167,173
	$	$ 1,240,856	$ 826,765
Average price of shares repurchased	$	$ 68.36	$ 83.92

NOTE 15 STOCK-BASED COMPENSATION

Information about the Company s share-based awards. The Company adopted an omnibus incentive plan in 2005 which, as amended, allows it to grant stock options, stock appreciation rights (SARs), restricted stock, restricted stock units (RSUs), and other stock-based awards to eligible directors, officers and employees of the Company and its subsidiaries. The plans are 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 35 million (20 million prior to an August 2008 amendment) 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.

Stock options and SARs granted under all plans generally have terms of either seven or ten years, and in most cases vest in either four or five equal annual installments. RSUs granted vest ratably over 4 years. The Company s practice is to issue new shares upon exercise or vesting of awards.

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Activity under share-based payment plans. As of December 31, 2009, the aggregate number of share-based awards available for grant under the omnibus plan was 13.0 million. A summary of activity under the Company s share-based payment plans for the year ended December 31, 2009 is presented below:

Stock options and stock appreciation rights

	Shares (000 s)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value ($000 s)
Outstanding at January 1, 2009	25,210	$ 26.98		
Granted	6,814	8.38		
Exercised	(73)	12.74		
Forfeited or expired	(3,740)	21.99		
Outstanding at December 31, 2009	28,211	23.17	3.85	$ 10,627
Vested and expected to vest at December 31, 2009	27,786	23.33	3.82	$ 10,166
Exercisable at December 31, 2009	17,647	25.42	2.88	$ 723

As of December 31, 2009, there was a total of $58 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 2.0 years. The following table includes additional information related to stock options and SARs:

	Year Ended December 31,		
	2009	2008 (In thousands)	2007
Intrinsic value of share-based awards exercised or vested	$ 2,546	$ 33,342	$ 339,154
Income tax benefit from share-based awards exercised or vested	891	10,494	114,641
Proceeds from stock option exercises	637	14,116	97,792

Restricted stock units

	Shares (000 s)	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2009	1,054	$ 18.93

Granted	458	11.57
Vested	(297)	18.92
Forfeited	(135)	18.63
Nonvested at December 31, 2009	1,080	15.85

As of December 31, 2009, there was a total of $55 million of unamortized compensation related to restricted stock units, which is expected to be recognized over a weighted-average period of 1.9 years. $47 million of such unamortized compensation relates to the RSUs granted in our 2008 exchange offer. RSUs granted to corporate officers are subject to certain performance requirements determined by the Committee. Such performance requirements do not apply to RSUs granted in the exchange offer.

Recognition of compensation cost. The Company recognizes the estimated fair value of stock options and SARs granted under the Company s omnibus plan based on the estimated fair value of these awards measured at the date of grant using the Black-Scholes model. For restricted stock units, compensation cost is calculated based on the fair market value of its stock on the date of grant. For stock options awards granted prior to January 1, 2006, the unamortized expense is being recognized on an accelerated basis. For all awards granted after January 1, 2006, such expense is being recognized on a straight-line basis over the vesting period of the awards. Forfeitures are estimated at the time of grant, with such estimate updated periodically and with actual forfeitures recognized currently to the extent they differ from the estimate. The Company capitalizes stock-based compensation related to employees dedicated to construction activities. In addition, the Company charges CityCenter for stock-based compensation related to employees dedicated to CityCenter.

The following table shows information about compensation cost recognized:

	Year Ended December 31, 2009	2008 (In thousands)	2007
Compensation cost:			
Stock options and SARs	$ 21,756	$ 37,766	$ 48,063
Restricted stock and RSUs	21,294	4,652	
Total compensation cost	43,050	42,418	48,063
Less: CityCenter reimbursed costs	(6,415)	(6,019)	(796)
Less: Compensation cost capitalized	(64)	(122)	(1,589)
Compensation cost recognized as expense	36,571	36,277	45,678
Less: Related tax benefit	(12,689)	(12,569)	(15,734)
Compensation expense, net of tax benefit	$ 23,882	$ 23,708	$ 29,944

Compensation cost for stock options and SARs was based on the estimated 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, 2009	2008	2007
Expected volatility	82%	50%	32%
Expected term	4.7 years	4.6 years	4.1 years
Expected dividend yield	0%	0%	0%
Risk-free interest rate	2.4%	2.7%	4.4%
Forfeiture rate	3.5%	3.5%	4.6%
Weighted-average fair value of options granted	$ 5.37	$ 14.49	$ 25.93

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

NOTE 16 EMPLOYEE BENEFIT PLANS

Employees of the Company who are members of various unions are covered by union-sponsored, collectively bargained, multi-employer health and welfare and defined benefit pension plans. The Company recorded an expense of $177 million in 2009, $192 million in 2008 and $194 million in 2007 under such plans. The plans sponsors have not provided sufficient information to permit the Company to determine its share of unfunded vested benefits, if any.

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 $20 million and $22 million at December 31, 2009 and 2008, respectively. The workers compensation liability for claims filed and estimates of claims incurred but not reported was $27 million and $28 million as of December 31, 2009 and December 31, 2008, respectively. Both liabilities are included in Other accrued liabilities.

The Company has retirement savings plans under Section 401(k) of the Internal Revenue Code for eligible employees. The plans allow employees to defer, within prescribed limits, up to 30% of their income on a pre-tax basis through contributions to the plans. The Company suspended contributions to the plan in 2009, though certain employees at MGM Grand Detroit and Four Seasons were still eligible for matching contributions. In the case of certain union employees, the Company contributions to the plan are based on hours worked. The Company recorded charges for 401(k) contributions of $25 million in 2008 and $27 million in 2007.

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. Through December 31, 2008 participants earned a Company match of up to 4% of salary, net of any Company match received under the Company s 401(k) plan. In 2009, the Company suspended contributions to the plan. All employee deferrals vest immediately. The Company matching contributions vest ratably over a three-year period. The Company recorded charges for matching contributions of $1 million in both 2008 and 2007.

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. The Company recorded expense under this plan of $4 million in 2008 and $7 million in 2007.

Pursuant to the amendments of the nonqualified deferred retirement plans and SERP plans during 2008, and consistent with certain transitional relief provided by the Internal Revenue Service pursuant to rules governing nonqualified deferred compensation, the Company permitted participants under the plans to make a one-time election to receive, without penalty, all or a portion of their respective vested account balances. Based on elections made, the Company made payments to participants of $62 million in 2009. In addition, the Company made payments of $57 million to participants in 2008 related to previous versions of these plans that were terminated during the year.

NOTE 17 PROPERTY TRANSACTIONS, NET

Property transactions, net consisted of the following:

	Year Ended December 31,		
	2009	**2008**	**2007**
		(In thousands)	
CityCenter investment impairment	$ 955,898	$	$
Atlantic City Renaissance Pointe land impairment	548,347		
Goodwill and other indefinite-lived intangible assets impairment		1,179,788	
Other write-downs and impairments	17,629	52,170	33,624
Demolition costs		9,160	5,665
Insurance recoveries	(7,186)	(9,639)	(217,290)
Gain on sale of TI	(187,442)		
Other net (gains) losses on asset sales or disposals	1,443	(20,730)	(8,312)
	$ 1,328,689	$ 1,210,749	$ (186,313)

See Note 3 for discussion of the Atlantic City Renaissance Pointe land impairment and Note 8 for discussion of the Company s CityCenter investment impairment. Other write-downs in 2009 included the write-down of the Detroit temporary casino and write-off of various abandoned construction projects.

See discussion of goodwill and other indefinite-lived intangible assets impairment charge recorded in 2008 in Note 9. Other write-downs and impairments in 2008 included $30 million related to land and building assets of Primm Valley Golf Club. The 2008 period also includes demolition costs associated with various room remodel projects and a gain on the sale of an aircraft of $25 million.

Write-downs and impairments in 2007 included write-offs related to discontinued construction projects and a write-off of the carrying value of the Nevada Landing building assets due to its closure in March 2007. The 2007 period also includes demolition costs primarily related to the Mandalay Bay room remodel.

Insurance recoveries in 2009 and 2008 related to the insurance recoveries received related to property damage from the Monte Carlo fire in excess of the book value of the damaged assets and post-fire costs incurred. Insurance recoveries in 2007 related to the insurance recoveries received related to property damage from Hurricane Katrina in excess of the book value of the damaged assets and post-storm costs incurred see Note 2.

NOTE 18 RELATED PARTY TRANSACTIONS

The Company and CityCenter have entered into agreements whereby the Company is responsible for management of the design, planning, development and construction of CityCenter and is managing the operations of CityCenter for a fee. The Company is being reimbursed for certain costs in performing its development and management services. During the years ended December 31, 2009 and 2008, the Company incurred $95 million and $46 million, respectively of costs reimbursable by the joint venture, primarily for employee compensation and certain allocated costs. As of December 31, 2009, CityCenter owes the Company $52 million for unreimbursed development and operations services costs.

Borgata leases 10 acres from the Company on a long-term basis for use in its current operations and for its expansion, and nine acres from the Company on a short-term basis for surface parking. Total payments received from Borgata under these lease agreements were $6 million in each of the years ended December 31, 2009, 2008 and 2007.

The Company paid legal fees to a firm that was affiliated with the Company s former general counsel. Payments to the firm totaled $15 million, $10 million, and $11 million for the years ended December 31, 2009, 2008, and 2007, respectively. The Company owed the firm $1 million and $2 million at December 31, 2009 and 2008, respectively.

Members of the Company s Board of Directors, senior management, and Tracinda signed contracts in 2007 for the purchase of condominium units at CityCenter, at prices consistent with prices charged to unrelated third parties, when CityCenter was a wholly-owned development. The Company collected $6 million of deposits related to such purchases in 2007.

NOTE 19 CONDENSED CONSOLIDATING FINANCIAL INFORMATION

The Company s subsidiaries (excluding MGM Grand Detroit, LLC and certain minor subsidiaries) have fully and unconditionally guaranteed, on a joint and several basis, payment of the senior credit facility, and the senior and senior subordinated notes of the Company and its subsidiaries. Separate condensed consolidating financial statement information for the subsidiary guarantors and non-guarantors as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007 is as follows:

	At December 31, 2009				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Consolidated
			(In thousands)		
Balance Sheet					
Current assets	$ 2,143,019	$ 810,991	$ 99,491	$	$ 3,053,501
Property and equipment, net		14,391,733	690,191	(11,972)	15,069,952
Investments in subsidiaries	17,927,664	447,336		(18,375,000)	
Investments in and advances to unconsolidated affiliates		3,353,334	258,465		3,611,799
Other non-current assets	152,205	507,500	123,253		782,958
	$ 20,222,888	$ 19,510,894	$ 1,171,400	$ (18,386,972)	$ 22,518,210
Current liabilities	$ 344,707	$ 926,780	$ 32,290	$	$ 1,303,777
Current portion of long-term debt	1,079,824				1,079,824
Intercompany accounts	(227,808)	120,603	107,205		
Deferred income taxes	3,031,303				3,031,303
Long-term debt	11,929,050	596,987	450,000		12,976,037
Other long-term obligations	195,380	60,867	590		256,837
Stockholders equity	3,870,432	17,805,657	581,315	(18,386,972)	3,870,432
	$ 20,222,888	$ 19,510,894	$ 1,171,400	$ (18,386,972)	$ 22,518,210

	For The Year Ended December 31, 2009				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Consolidated
			(In thousands)		
Statement of Operations					
Net revenues	$	$ 5,435,274	$ 543,315	$	$ 5,978,589
Equity in subsidiaries earnings	(834,524)	65,531		768,993	
Expenses:					

Casino and hotel operations	14,368	3,223,607	301,331		3,539,306
General and administrative	9,584	996,310	94,299		1,100,193
Corporate expense	33,265	114,394	(3,895)		143,764
Preopening and start-up expenses		53,013			53,013
Property transactions, net		1,321,353	7,336		1,328,689
Depreciation and amortization		648,703	40,570		689,273
	57,217	6,357,380	439,641		6,854,238
Income (loss) from unconsolidated affiliates		(112,856)	24,629		(88,227)
Operating income (loss)	(891,741)	(969,431)	128,303	768,993	(963,876)
Interest expense, net	(946,953)	207,252	(23,426)		(763,127)
Other, net	(192,457)	(62,537)	(30,596)		(285,590)
Income (loss) from continuing operations before income taxes	(2,031,151)	(824,716)	74,281	768,993	(2,012,593)
Provision for income taxes	739,469	(13,726)	(4,832)		720,911
Income (loss) from continuing operations	(1,291,682)	(838,442)	69,449	768,993	(1,291,682)
Net income (loss)	$ (1,291,682)	$ (838,442)	$ 69,449	$ 768,993	$ (1,291,682)

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	For The Year Ended December 31, 2009				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Consolidated
			(In thousands)		
Statement of Cash Flows					
Cash flows from operating activities					
Net cash provided by (used in) operating activities	$ (652,977)	$ 1,154,595	$ 86,296	$	$ 587,914
Cash flows from investing activities					
Capital expenditures, net of construction payables		(135,211)	(1,639)		(136,850)
Proceeds from the sale of TI		746,266			746,266
Investments in and advances to unconsolidated affiliates		(956,550)		(7,135)	(963,685)
Property damage insurance recoveries		7,186			7,186
Dispositions of property and equipment		22,291			22,291
Other		(5,463)			(5,463)
Net cash used in investing activities		(321,481)	(1,639)	(7,135)	(330,255)
Cash flows from financing activities					
Net borrowings (repayments) under bank credit facilities maturities of 90 days or less	(983,593)		(43,600)		(1,027,193)
Borrowings under bank credit facilities maturities longer than 90 days	6,041,492		730,000		6,771,492
Repayments under bank credit facilities maturities longer than 90 days	(5,302,455)		(640,000)		(5,942,455)
Issuance of long-term debt	1,921,751				1,921,751
Retirement of senior notes	(820,010)	(356,442)			(1,176,452)
Debt issuance costs	(112,055)				(112,055)
Issuance of common stock	1,103,738	680			1,104,418
Issuance of common stock upon exercise of stock awards	637				637
Intercompany accounts	1,247,519	(1,222,105)	(32,549)	7,135	
Payment of Detroit Economic Development Corporation bonds			(49,393)		(49,393)

Other	2,543	(4,480)	(63)		(2,000)
Net cash provided by (used in) financing activities	3,099,567	(1,582,347)	(35,605)	7,135	1,488,750
Cash and cash equivalents					
Net increase (decrease) for the year	2,446,590	(749,233)	49,052		1,746,409
Cash related to assets held for sale		14,154			14,154
Balance, beginning of year	2,665	262,494	30,485		295,644
Balance, end of year	$ 2,449,255	$ (472,585)	$ 79,537	$	$ 2,056,207

	At December 31, 2008				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Consolidated
			(In thousands)		
Balance Sheet					
Current assets	$ 126,009	$ 1,346,094	$ 60,927	$	$ 1,533,030
Property and equipment, net		15,564,669	736,457	(11,972)	16,289,154
Investments in subsidiaries	18,920,844	504,684		(19,425,528)	
Investments in and advances to unconsolidated affiliates		4,389,058	253,807		4,642,865
Other non-current assets	194,793	500,717	114,157		809,667
	$ 19,241,646	$ 22,305,222	$ 1,165,348	$ (19,437,500)	$ 23,274,716
Current liabilities	$ 862,648	$ 1,056,311	$ 36,003	$	$ 1,954,962
Current portion of long-term debt	821,284	226,330			1,047,614
Intercompany accounts	(1,501,070)	1,451,897	49,173		
Deferred income taxes	3,441,198				3,441,198
Long-term debt	11,320,620	692,332	403,600		12,416,552
Other long-term obligations	322,605	66,642	50,782		440,029
Stockholders equity	3,974,361	18,811,710	625,790	(19,437,500)	3,974,361
	$ 19,241,646	$ 22,305,222	$ 1,165,348	$ (19,437,500)	$ 23,274,716

	For The Year Ended December 31, 2008				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Consolidated
			(In thousands)		
Statement of Operations					
Net revenues	$	$ 6,623,068	$ 585,699	$	$ 7,208,767
Equity in subsidiaries earnings	(262,825)	49,450		213,375	
Expenses:					
Casino and hotel operations	14,173	3,688,837	331,364		4,034,374
General and administrative	9,485	1,161,197	108,262		1,278,944
Corporate expense	13,869	94,958	452		109,279
Preopening and start-up expenses		22,924	135		23,059
Property transactions, net		1,204,721	6,028		1,210,749
Depreciation and amortization		724,556	53,680		778,236
	37,527	6,897,193	499,921		7,434,641
Income from unconsolidated affiliates		84,942	11,329		96,271
Operating income (loss)	(300,352)	(139,733)	97,107	213,375	(129,603)
Interest expense, net	(517,971)	(58,468)	(16,327)		(592,766)
Other, net	140,968	(61,466)	(26,121)		53,381
Income (loss) from continuing operations before income taxes	(677,355)	(259,667)	54,659	213,375	(668,988)
Provision for income taxes	(177,931)	(3,158)	(5,209)		(186,298)
Income (loss) from continuing operations	(855,286)	(262,825)	49,450	213,375	(855,286)
Net income (loss)	$ (855,286)	$ (262,825)	$ 49,450	$ 213,375	$ (855,286)

	For The Year Ended December 31, 2008				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Consolidated
			(In thousands)		
Statement of Cash Flows					
Cash flows from operating activities					
Net cash provided by (used in) operating activities	$ (977,381)	$ 1,650,663	$ 79,750	$	$ 753,032

Cash flows from investing activities					
Capital expenditures, net of construction payables		(777,033)	(4,721)		(781,754)
Investments in and advances to unconsolidated affiliates		(1,274,814)		(4,648)	(1,279,462)
Property damage insurance recoveries		21,109			21,109
Dispositions of property and equipment		85,968			85,968
Other		(27,301)			(27,301)
Net cash used in investing activities		(1,972,071)	(4,721)	(4,648)	(1,981,440)
Cash flows from financing activities					
Net borrowings (repayments) under bank credit facilities maturities of 90 days or less	2,907,400		(146,950)		2,760,450
Borrowings under bank credit facilities maturities longer than 90 days	7,820,000		350,000		8,170,000
Repayments under bank credit facilities maturities longer than 90 days	(8,290,000)		(160,000)		(8,450,000)
Issuance of long-term debt	699,441	(951)			698,490
Retirement of senior notes	(341,565)	(447,581)			(789,146)
Debt issuance costs	(48,700)				(48,700)
Issuance of common stock upon exercise of stock awards	22,288	(8,172)			14,116
Purchases of common stock	(1,240,856)				(1,240,856)
Intercompany accounts	(575,941)	693,526	(122,233)	4,648	
Excess tax benefits from stock-based compensation	10,690	(1,181)			9,509
Other (used in)		(1,722)	(59)		(1,781)
Net cash provided by financing activities	962,757	233,919	(79,242)	4,648	1,122,082
Cash and cash equivalents					
Net decrease for the year	(14,624)	(87,489)	(4,213)		(106,326)
Cash related to assets held for sale		(14,154)			(14,154)
Balance, beginning of year	17,289	364,137	34,698		416,124
Balance, end of year	$ 2,665	$ 262,494	$ 30,485	$	$ 295,644

	For The Year Ended December 31, 2007				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Consolidated
			(In thousands)		
Statement of Operations					
Net revenues	$	$ 7,204,278	$ 487,359	$	$ 7,691,637
Equity in subsidiaries earnings	2,982,008	34,814		(3,016,822)	
Expenses:					
Casino and hotel operations	14,514	3,738,593	274,451		4,027,558
General and administrative	11,455	1,167,233	73,264		1,251,952
Corporate expense	35,534	158,359			193,893
Preopening and start-up expenses	731	28,264	63,110		92,105
Property transactions, net		(186,313)			(186,313)
Gain on CityCenter transaction		(1,029,660)			(1,029,660)
Depreciation and amortization	1,497	667,015	31,822		700,334
	63,731	4,543,491	442,647		5,049,869
Income from unconsolidated affiliates		222,162			222,162
Operating income	2,918,277	2,917,763	44,712	(3,016,822)	2,863,930
Interest expense, net	(599,178)	(86,473)	(5,482)		(691,133)
Other, net	575	(14,890)	(54)		(14,369)
Income from continuing operations before income taxes	2,319,674	2,816,400	39,176	(3,016,822)	2,158,428
Provision for income taxes	(731,456)	(22,065)	(4,362)		(757,883)
Income from continuing operations	1,588,218	2,794,335	34,814	(3,016,822)	1,400,545
Discontinued operations	(3,799)	187,673			183,874
Net income	$ 1,584,419	$ 2,982,008	$ 34,814	$ (3,016,822)	$ 1,584,419

	For The Year Ended December 31, 2007				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Consolidated
			(In thousands)		
Statement of Cash Flows					
Cash flows from operating activities					
Net cash provided by (used in) operating activities	$ (1,098,889)	$ 2,008,888	$ 84,417	$	$ 994,416

Cash flows from investing activities					
Capital expenditures, net of construction payables		(2,551,123)	(366,286)		(2,917,409)
Proceeds from contribution of CityCenter		2,468,652			2,468,652
Proceeds from disposals of discontinued operations, net		578,873			578,873
Purchase of convertible note		(160,000)			(160,000)
Investments in and advances to unconsolidated affiliates		(7,337)	(19,402)	(4,681)	(31,420)
Property damage insurance recoveries		207,289			207,289
Dispositions of property and equipment		47,571			47,571
Other		37,802	(22,057)		15,745
Net cash provided by (used in) investing activities		621,727	(407,745)	(4,681)	209,301
Cash flows from financing activities					
Net borrowings (repayments) under bank credit facilities maturities of 90 days or less	(654,000)		251,700		(402,300)
Borrowings under bank credit facilities maturities longer than 90 days	6,750,000				6,750,000
Repayments under bank credit facilities maturities longer than 90 days	(7,500,000)				(7,500,000)
Issuance of long-term debt	750,000				750,000
Retirement of senior notes	(710,000)	(692,233)			(1,402,233)
Debt issuance costs	(5,983)				(5,983)
Issuance of common stock	1,192,758				1,192,758
Issuance of common stock upon exercise of stock awards	97,792				97,792
Purchases of common stock	(826,765)				(826,765)
Intercompany accounts	1,912,004	(1,986,354)	69,669	4,681	
Excess tax benefits from stock-based compensation	102,479				102,479
Other		3,470	245		3,715
Net cash provided by (used in) financing activities	1,108,285	(2,675,117)	321,614	4,681	(1,240,537)
Cash and cash equivalents					
Net increase (decrease) for the year	9,396	(44,502)	(1,714)		(36,820)
Balance, beginning of year	7,892	410,354	34,698		452,944

Balance, end of year	$	17,288	$	365,852	$	32,984	$		$	416,124

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NOTE 20 SELECTED QUARTERLY FINANCIAL RESULTS (UNAUDITED)

	Quarter				
	First	Second	Third	Fourth	Total
	(In thousands, except per share amounts)				
2009					
Net revenues	$ 1,498,795	$ 1,494,155	$ 1,533,223	$ 1,452,416	$ 5,978,589
Operating income (loss)	355,099	131,099	(963,419)	(486,655)	(963,876)
Income (loss) from continuing operations	105,199	(212,575)	(750,388)	(433,918)	(1,291,682)
Net income (loss)	105,199	(212,575)	(750,388)	(433,918)	(1,291,682)
Basic income (loss) per share:					
Income (loss) from continuing operations	$ 0.38	$ (0.60)	$ (1.70)	$ (0.98)	$ (3.41)
Net income (loss)	0.38	(0.60)	(1.70)	(0.98)	(3.41)
Diluted income (loss) per share:					
Income (loss) from continuing operations	$ 0.38	$ (0.60)	$ (1.70)	$ (0.98)	$ (3.41)
Net income (loss)	0.38	(0.60)	(1.70)	(0.98)	(3.41)
2008					
Net revenues	$ 1,893,391	$ 1,905,333	$ 1,785,531	$ 1,624,512	$ 7,208,767
Operating income (loss)	341,288	333,784	241,557	(1,046,232)	(129,603)
Income (loss) from continuing operations	118,346	113,101	61,278	(1,148,011)	(855,286)
Net income (loss)	118,346	113,101	61,278	(1,148,011)	(855,286)
Basic income (loss) per share:					
Income (loss) from continuing operations	$ 0.41	$ 0.41	$ 0.22	$ (4.15)	$ (3.06)
Net income (loss)	0.41	0.41	0.22	(4.15)	(3.06)
Diluted income (loss) per share:					
Income (loss) from continuing operations	$ 0.40	$ 0.40	$ 0.22	$ (4.15)	$ (3.06)
Net income (loss)	0.40	0.40	0.22	(4.15)	(3.06)

Because income 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 may not equal the total income per share amounts for the year.

As discussed in Note 3, the Company recorded a $548 million impairment charge related to its Renaissance Pointe Land. The impairment was recorded in the fourth quarter of 2009, and resulted in a $0.73 impact on fourth quarter of 2009 diluted loss per share and a $0.85 impact on full year 2009 diluted loss per share.

As discussed in Note 8, the Company recorded a $956 million impairment charge related to its CityCenter investment and a $203 million charge related to its share of the CityCenter residential impairment. These impairments were recorded in the third quarter of 2009, and resulted in a $1.70 impact on third quarter of 2009 diluted loss per share and a $1.98 impact on full year 2009 diluted loss per share.

As discussed in Note 3, the Company recorded a $176 impairment charge related to its M Resort convertible note. The impairment was recorded in the second quarter of 2009, and resulted in a $0.32 impact on second quarter of 2009 diluted loss per share and a $0.30 impact on full year 2009 diluted loss per share.

As discussed in Note 4, the Company sold TI in the first quarter of 2009 and recorded a gain of $187 million. The sale resulted in an impact of $0.44 on first quarter of 2009 diluted income per share and a $0.31 impact on the full year 2009 diluted loss per share.

As discussed in Note 9, the Company recorded a $1.2 billion impairment charge related to goodwill and indefinite-lived intangible assets recognized in the Mandalay acquisition in 2005. The impairment was recorded in the fourth quarter of 2008, and resulted in a $4.25 impact on fourth quarter 2008 diluted loss per share and a $4.20 impact on full year 2008 diluted loss per share.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MGM MIRAGE

By: /s/ James J. Murren
James J. Murren, Chairman of the Board, Chief Executive Officer and President

Dated: February 26, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ James J. Murren James J. Murren	Chairman of the Board, Chief Executive Officer and President (Principal Executive Officer)	February 26, 2010
/s/ Robert H. Baldwin Robert H. Baldwin	Chief Design and Construction Officer and Director	February 26, 2010
/s/ Daniel J. D Arrigo Daniel J. D Arrigo	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	February 26, 2010
/s/ Robert C. Selwood Robert C. Selwood	Executive Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 26, 2010
/s/ Willie D. Davis Willie D. Davis	Director	February 26, 2010
/s/ Kenny C. Guinn Kenny C. Guinn	Director	February 26, 2010
/s/ Alexis M. Herman Alexis M. Herman	Director	February 26, 2010
/s/ Roland Hernandez	Director	February 26, 2010

Roland Hernandez		
/s/ Kirk Kerkorian	Director	February 26, 2010
Kirk Kerkorian		
/s/ Anthony Mandekic	Director	February 26, 2010
Anthony Mandekic		
/s/ Rose McKinney-James	Director	February 26, 2010
Rose McKinney-James		
/s/ Daniel J. Taylor	Director	February 26, 2010
Daniel J. Taylor		
/s/ Melvin B. Wolzinger	Director	February 26, 2010
Melvin B. Wolzinger		

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SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

Description	Balance at Beginning of Period	Provision for Doubtful Accounts	Write-offs, Net of Recoveries	Balance at End of Period
Allowance for Doubtful Accounts Year Ended December 31, 2009	$ 99,606	$ 54,074	$ (56,574)	$ 97,106
Year Ended December 31, 2008	85,924	80,293	(66,611)	99,606
Year Ended December 31, 2007	90,024	32,910	(37,010)	85,924