MGM Resorts International
Form 10-Q
August 09, 2010

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

(Mark One)

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

For the quarterly period ended June 30, 2010

OR

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

For the transition period from __________ to __________

Commission File No. 001-10362

MGM Resorts International

(Exact name of registrant as specified in its charter)

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

3600 Las Vegas Boulevard South, Las Vegas, Nevada 89109

(Address of principal executive offices Zip Code)

(702) 693-7120

(Registrant s telephone number, including area code)

MGM MIRAGE

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (Check one):

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

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

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

Class	Outstanding at August 2, 2010
Common Stock, $.01 par value	441,317,101 shares

MGM RESORTS INTERNATIONAL AND SUBSIDIARIES
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Part I. FINANCIAL INFORMATION
Item 1. Financial Statements

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

	June 30, 2010	December 31, 2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,013,208	$ 2,056,207
Accounts receivable, net	363,031	368,474
Inventories	96,805	101,809
Income tax receivable	194,474	384,555
Deferred income taxes	34,901	38,487
Prepaid expenses and other	89,537	103,969
Total current assets	1,791,956	3,053,501
Property and equipment, net	14,814,594	15,069,952
Other assets		
Investments in and advances to unconsolidated affiliates	2,118,498	3,611,799
Goodwill	86,353	86,353
Other intangible assets, net	343,192	344,253
Other long-term assets, net	832,954	352,352
Total other assets	3,380,997	4,394,757
	$ 19,987,547	$ 22,518,210
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	$ 117,463	$ 173,719
Current portion of long-term debt		1,079,824
Accrued interest on long-term debt	221,447	206,357
Other accrued liabilities	856,077	923,701
Total current liabilities	1,194,987	2,383,601
Deferred income taxes	2,653,470	3,031,303
Long-term debt	13,046,639	12,976,037
Other long-term obligations	243,293	256,837

Commitments and contingencies (Note 4)

Stockholders equity		
Common stock, $.01 par value: authorized 600,000,000 shares; Issued and outstanding 441,314,885 and 441,222,251 shares	4,413	4,412
Capital in excess of par value	3,457,200	3,497,425
Retained earnings (accumulated deficit)	(609,685)	370,532
Accumulated other comprehensive loss	(2,770)	(1,937)
Total stockholders equity	2,849,158	3,870,432
	$ 19,987,547	$ 22,518,210

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

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MGM RESORTS INTERNATIONAL AND SUBSIDIARIES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Revenues				
Casino	$ 589,392	$ 625,570	$ 1,200,149	$ 1,290,297
Rooms	345,219	350,295	659,122	705,339
Food and beverage	360,217	357,859	676,373	696,256
Entertainment	123,935	123,373	240,617	241,430
Retail	51,062	54,311	94,951	102,260
Other	137,060	130,529	257,839	254,219
Reimbursed costs	90,361	13,273	183,684	26,956
	1,697,246	1,655,210	3,312,735	3,316,757
Less: Promotional allowances	(159,551)	(161,055)	(317,648)	(323,807)
	1,537,695	1,494,155	2,995,087	2,992,950
Expenses				
Casino	346,367	349,831	692,312	725,348
Rooms	108,009	106,147	208,755	216,974
Food and beverage	204,675	199,032	387,287	393,359
Entertainment	90,261	88,622	181,257	176,364
Retail	30,579	34,455	58,578	66,076
Other	84,127	72,222	162,154	142,345
Reimbursed costs	90,361	13,273	183,684	26,956
General and administrative	282,404	273,617	558,458	534,857
Corporate expense	31,950	43,006	56,828	67,367
Preopening and start-up expenses	537	9,410	4,031	17,481
Property transactions, net	1,126,282	3,248	1,126,971	(191,877)
Depreciation and amortization	164,766	174,368	327,900	351,226
	2,560,318	1,367,231	3,948,215	2,526,476
Income (loss) from unconsolidated affiliates	(26,194)	4,175	(107,112)	19,724
Operating income (loss)	(1,048,817)	131,099	(1,060,240)	486,198
Non-operating income (expense)				
Interest income	876	6,296	1,642	10,678
Interest expense, net	(291,169)	(201,287)	(555,344)	(372,923)

Non-operating items from unconsolidated affiliates	(31,574)	(12,314)	(54,924)	(23,445)
Other, net	7,713	(234,181)	148,802	(235,519)
	(314,154)	(441,486)	(459,824)	(621,209)
Loss before income taxes	(1,362,971)	(310,387)	(1,520,064)	(135,011)
Benefit for income taxes	479,495	97,812	539,847	27,635
Net loss	$ (883,476)	$ (212,575)	$ (980,217)	$ (107,376)
Loss per share of common stock				
Basic	$ (2.00)	$ (0.60)	$ (2.22)	$ (0.34)
Diluted	$ (2.00)	$ (0.60)	$ (2.22)	$ (0.34)

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

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MGM RESORTS INTERNATIONAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Cash flows from operating activities		
Net loss	$ (980,217)	$ (107,376)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	327,900	351,226
Amortization of debt discounts, premiums and issuance costs	39,731	18,512
(Gain) loss on retirement of long-term debt	(140,642)	58,265
Provision for doubtful accounts	19,135	31,488
Stock-based compensation	17,557	17,756
Business interruption insurance lost profits		(15,115)
Property transactions, net	1,126,971	(191,877)
Convertible note investment impairment		175,690
Loss from unconsolidated affiliates	165,529	20,450
Distributions from unconsolidated affiliates	19,909	32,331
Deferred income taxes	(349,177)	117,561
Change in current assets and liabilities		
Accounts receivable	(15,316)	(18,697)
Inventories	5,004	7,979
Income taxes receivable and payable	183,211	(72,354)
Prepaid expenses and other	14,432	3,684
Accounts payable and accrued liabilities	(88,691)	(52,889)
Business interruption insurance recoveries		16,391
Other	4,508	(4,996)
Net cash provided by operating activities	349,844	388,029
Cash flows from investing activities		
Capital expenditures, net of construction payable	(79,095)	(93,514)
Proceeds from sale of Treasure Island, net		746,266
Dispositions of property and equipment	99	153
Investments in and advances to unconsolidated affiliates	(302,000)	(757,731)
Property damage insurance recoveries		7,186
Other	14,810	(4,656)
Net cash used in investing activities	(366,186)	(102,296)
Cash flows from financing activities		
Net repayments under bank credit facilities maturities of 90 days or less	(3,112,807)	(2,671,119)
Borrowings under bank credit facilities maturities longer than 90 days	5,122,565	6,661,492
Repayments under bank credit facilities maturities longer than 90 days	(4,341,560)	(5,576,340)
Issuance of senior notes, net	1,995,000	1,459,120

Retirement of senior notes	(508,640)	(1,011,647)
Debt issuance costs	(98,531)	(99,991)
Issuance of common stock in public offering, net		1,103,737
Issuance of common stock upon exercise of stock options		632
Capped call transactions	(81,478)	
Payment of Detroit Economic Development Corporation bonds		(49,393)
Other	(1,206)	(666)
Net cash used in financing activities	(1,026,657)	(184,175)
Cash and cash equivalents		
Net increase (decrease) for the period	(1,042,999)	101,558
Change in cash related to assets held for sale		14,154
Balance, beginning of period	2,056,207	295,644
Balance, end of period	$ 1,013,208	$ 411,356
Supplemental cash flow disclosures		
Interest paid, net of amounts capitalized	$ 500,523	$ 348,778
Federal, state and foreign income taxes paid, net of refunds	(361,533)	(78,215)
Non-cash investing and financing activities		
Increase (decrease) in investment in CityCenter related to change in completion guarantee liability	$ 115,892	$ (141,000)

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

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MGM RESORTS INTERNATIONAL AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 ORGANIZATION AND BASIS OF PRESENTATION

Organization. MGM Resorts International (the Company) is a Delaware corporation, formerly named MGM MIRAGE. As of June 30, 2010, 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. Tracinda Corporation has significant influence with respect to the election of directors and other matters, but it does not have the power to solely determine these matters. MGM Resorts International acts largely as a holding company and, through wholly-owned subsidiaries, owns and/or operates casino resorts.

The Company owns and operates the following casino resorts in Las Vegas, Nevada: Bellagio, MGM Grand Las Vegas, The Mirage, Mandalay Bay, Luxor, New York-New York, Monte Carlo, Excalibur, and Circus Circus Las Vegas. Operations at MGM Grand Las Vegas include management of The Signature at MGM Grand Las Vegas, a condominium-hotel consisting of three towers. Other Nevada operations include Circus Circus Reno, Gold Strike in Jean, and Railroad Pass in Henderson. The Company and its local partners own and operate MGM Grand Detroit in Detroit, Michigan. The Company also owns and operates two resorts in Mississippi: Beau Rivage in Biloxi and Gold Strike Tunica. The Company also owns Shadow Creek, an exclusive world-class golf course located approximately ten miles north of its Las Vegas Strip resorts, Primm Valley Golf Club at the California/Nevada state line and Fallen Oak golf course in Saucier, Mississippi. The Company completed the sale of Treasure Island casino resort in March 2009.

MGM Hospitality seeks to leverage the Company s management expertise and well-recognized brands through strategic partnerships and international expansion opportunities, both gaming and non-gaming, while focusing on international growth. The Company has entered into management agreements for casino and non-casino resorts throughout the world including developments located in the People s Republic of China, India, Egypt, Vietnam and the United Arab Emirates.

The Company owns 50% of CityCenter, located between Bellagio and Monte Carlo. The other 50% of CityCenter is owned by Infinity World Development Corp (Infinity World), a wholly-owned subsidiary of Dubai World, a Dubai, United Arab Emirates government decree entity. CityCenter consists of Aria, a 4,000-room casino resort; Mandarin Oriental Las Vegas, a 400-room non-gaming boutique hotel; Crystals, a 425,000 square foot retail district; 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, Vdara, Mandarin Oriental and Crystals all opened in December 2009 and the residential units within CityCenter began the closing process in early 2010. 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 the agreements governing the Company s management of Aria and Vdara). In addition, the Company receives an annual fee of $3 million for the management of Crystals.

The Company has 50% interests in MGM Grand Macau, Grand Victoria and Silver Legacy. Pansy Ho Chiu-King owns the other 50% of MGM Grand Macau. Grand Victoria is a riverboat casino in Elgin, Illinois. An affiliate of Hyatt Gaming owns the other 50% of Grand Victoria and also operates the resort. Silver Legacy is located in Reno, adjacent to Circus Circus Reno, and the other 50% is owned by Eldorado LLC.

The Company also has a 50% economic interest in Borgata Hotel Casino Spa located on Renaissance Pointe in the Marina area of Atlantic City, New Jersey; the Company s interest is held in trust and currently offered for sale. Boyd Gaming Corporation owns the other 50% of Borgata and also operates the resort. See Note 2 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 settlement discussed in Note 2, the Company has agreed that an affiliate of the Company would withdraw its license application for this development.

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

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Non-refundable insurance recoveries received in excess of the net book value of damaged assets, clean-up and demolition costs, and post-event costs are recognized as income in the period received or committed based on the Company s estimate of the total claim for property damage and business interruption compared to the recoveries received at that time. Gains on insurance recoveries related to business interruption are recorded within General and administrative expenses and gains related to property damage are recorded within Property transactions, net. Insurance recoveries related to business interruption are classified as operating cash flows and recoveries related to property damage are classified as investing cash flows in the statement of cash flows.

The Company settled its final claim with its insurance carriers related to the Monte Carlo fire in the first quarter of 2009 for a total of $74 million. The pre-tax impact on the Company s statements of operations for the period ending June 30, 2009 related to such insurance recoveries included a $15 million reduction of General and administrative expense and a $7 million offset to Property transactions, net.

Fair value measurement. Fair value measurements affect the Company s accounting and impairment assessments of its long-lived assets, investments in unconsolidated affiliates, goodwill, and other intangibles. 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.

In connection with its accounting for the March 2010 amended and restated credit facility as discussed in Note 3, the Company estimated fair value of its senior credit facility using Level 1 inputs. The Company also uses Level 1 inputs for its long-term debt fair value disclosures. 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.

Reimbursed expenses. The Company recognizes costs reimbursed pursuant to management services as revenue in the period it incurs the costs. Reimbursed costs relate mainly to the Company s management of CityCenter.

Recently issued accounting standards. Certain amendments to Accounting Standards Codification (ASC) Topic 810, Consolidation, became 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. 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 the Company s consolidated financial statements.

Basis of presentation. As permitted by the rules and regulations of the Securities and Exchange Commission, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These consolidated financial statements should be read in conjunction with the Company s 2009 annual consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2009.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments which include only normal recurring adjustments necessary to present fairly the Company s financial position as of June 30, 2010 and the results of its operations and cash flows for the three and six month periods ended June 30, 2010 and 2009. The results of operations for such periods are not necessarily indicative of the results to be expected for the full year. Certain reclassifications, which have no effect on previously reported net income, have been made to the 2009 financial statements to conform to the 2010 presentation. The prior year reclassifications relate to the classification of reimbursed costs as separate financial statement line items, while in past periods these costs were recorded to Other revenues and expenses. The total amount reclassified to reimbursed costs revenue and expense for the three and six months ended June 30, 2009 was $13 million and $27 million, respectively.

NOTE 2 INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

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

	June 30, 2010	December 31, 2009
	(In thousands)	
CityCenter Holdings, LLC CityCenter (50%)	$ 1,500,629	$ 2,546,099
Marina District Development Company Borgata (50%)		466,774
Elgin Riverboat Resort Riverboat Casino Grand Victoria (50%)	293,613	296,248
MGM Grand Paradise Limited Macau (50%)	284,669	258,465
Circus and Eldorado Joint Venture Silver Legacy (50%)	27,714	28,345
Other	11,873	15,868
	$ 2,118,498	$ 3,611,799

As discussed further below, the Company s investment in CityCenter decreased due to a $1.12 billion impairment charge, the Company s share of impairment related to residential inventory at CityCenter, and the Company s share of CityCenter s operating losses. The Company s $1.5 billion CityCenter investment and advances balance includes $173 million related to completion guarantee payments to be repaid from condominium sale proceeds as discussed in Note 4.

As a result of the Company s ownership interest in Borgata being placed into a trust, as discussed below, the Company no longer has significant influence over Borgata; therefore, the Company discontinued the equity method of accounting for Borgata at the point the assets were placed in the trust, and accounts for its rights under the trust arrangement under the cost method of accounting. The Company also reclassified the carrying value of its investment related to Borgata to Other long-term assets, net in the accompanying consolidated balance sheet as of June 30, 2010. Earnings and losses that relate to the investment that were previously accrued remain as a part of the carrying amount of the investment. Distributions received by the trust that do not exceed the Company s share of earnings are recognized currently in earnings. However, distributions to the trust that exceed the Company s share of earnings for such periods will be applied to reduce the carrying amount of its investment. In the second quarter of 2010, the trust received distributions from the joint venture of $15 million, of which $6 million was recorded as a reduction of the carrying value and $9 million was recorded as Other, net non-operating income.

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

	Three Months		Six Months	
For the periods ended June 30,	**2010**	**2009**	**2010**	**2009**
		(In thousands)		
Income (loss) from unconsolidated affiliates	$ (26,194)	$ 4,175	$ (107,112)	$ 19,724
Preopening and start-up expenses		(8,848)	(3,493)	(16,729)
Non-operating items from unconsolidated affiliates	(31,574)	(12,314)	(54,924)	(23,445)
	$ (57,768)	$ (16,987)	$ (165,529)	$ (20,450)

Included in income (loss) from unconsolidated affiliates for the three and six months ended June 30, 2010 is the Company s share of impairment charges relating to completed CityCenter residential inventory. Due to the completion of construction of the Mandarin Oriental residential inventory in the first quarter and completion of the Veer residential inventory in the second quarter, CityCenter is required to carry its residential inventory at the lower of its carrying value or fair value less costs to sell. CityCenter management determined the fair value less costs to sell was below carrying value and as a result recorded impairment charges for the Mandarin Oriental residential inventory in the first quarter and the Veer residential inventory in the second quarter. Fair value of the residential inventory 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. These analyses resulted in impairment charges of approximately $171 million in the first quarter of 2010 and $57 million in the second quarter of 2010. The Company recognized 50% of such impairment charges, resulting in pre-tax charges of approximately $29 million and $114 million in the three and six month periods ended June 30, 2010, respectively.

Borgata. In March 2010, the New Jersey Casino Control Commission (the CCC) approved the Company s settlement agreement with the New Jersey Division of Gaming Enforcement (the DGE) pursuant to which the Company placed its 50% ownership interest in the Borgata Hotel Casino & Spa and related leased land in Atlantic City into a divestiture trust. Following the transfer of these interests into trust, the Company ceased to be regulated by the CCC or the DGE, except as otherwise provided by the trust agreement and the settlement agreement. Boyd Gaming Corporation s (Boyd) 50% interest is not affected by the settlement.

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The terms of the settlement mandate the sale of the trust property within a 30-month period. During the first 18 months, the Company has the right to direct the trustee to sell the trust property, subject to approval of the CCC. If a sale is not concluded by that time, the trustee is responsible for selling the trust property during the following 12-month period. Prior to the consummation of the sale, the divestiture trust will retain any cash flows received in respect of the trust property, but will pay property taxes and other costs attributable to the trust property to the extent that minimum trust cash balances are maintained. The Company is the sole economic beneficiary of the trust and will be permitted to reapply for a New Jersey gaming license beginning 30 months after the completion of the sale of the trust assets.

In connection with the settlement agreement discussed above, the Company entered into an amendment to its joint venture agreement with Boyd to permit the transfer of its 50% ownership interest into the trust in connection with the Company s settlement agreement with the DGE. 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 will 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.

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. Due to circumstances surrounding the Company s negotiations with the DGE, the Company 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 at that time because the Company determined that the fair value of its 50% investment in the Borgata joint venture exceeded its carrying value. The Company does not expect the settlement agreement or amendments to the joint venture agreement to have a material adverse affect on the carrying value of the Company s investment.

In July 2010, the Company entered into an agreement to sell four long-term ground leases and their respective underlying real property parcels, approximately 11.3 acres, underlying the Borgata for $73 million. The transaction is subject to customary closing conditions contained in the purchase and sale agreement, including approval by the New Jersey Casino Control Commission and the New Jersey Division of Gaming Enforcement. The Company expects the transaction to close by the fourth quarter of 2010 and expects to record a small gain on the sale.

CityCenter. In accordance with the CityCenter joint venture agreement, as amended, and the CityCenter bank credit facility, as amended, the Company has 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 4 for further discussion. The credit facility allows for the first $250 million of net residential sales proceeds to be used to fund project costs which would otherwise be funded under the new completion guarantee. The joint venture agreement provides 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.

At June 30, 2010, the Company reviewed its CityCenter investment for impairment using revised operating forecasts developed by CityCenter management late in the second quarter. Based on current and forecasted market conditions and because CityCenter s results of operations through June 30, 2010 were below previous forecasts, and the revised operating forecasts were lower than previous forecasts, management concluded it should review the carrying value of its investment. The Company s discounted cash flow analysis for CityCenter included estimated future cash inflows from operations, including residential sales, and estimated