

MGM MIRAGE
Form 10-K405
March 26, 2002

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]**

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 [NO FEE REQUIRED]**

For the transition period _____ to _____

Commission File No. 0-16760

MGM MIRAGE

(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

88-0215232
(I.R.S. Employer
Identification Number)

3600 Las Vegas Boulevard South Las Vegas, Nevada 89109
(Address of principal executive office) (Zip Code)

(702) 693-7120

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|-------------------------------|--|
| Common Stock, \$.01 Par Value | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act:

None

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

Indicate by check mark 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 the 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:

The aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant (based on the closing price on the New York Stock Exchange Composite Tape on March 8, 2002) was \$2,729,402,954. As of March 8, 2002, 158,730,229 shares of Registrant's Common Stock, \$.01 par value, were outstanding.

Portions of the Registrant's definitive Proxy Statement for its 2002 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

PART I

ITEM 1. BUSINESS

General

MGM MIRAGE, formerly known as MGM Grand, Inc. (the "Company" or the "Registrant," which may also be referred to as "we," "us" or "our") was organized as a Delaware corporation on January 29, 1986. On March 1, 1999, we completed the acquisition of Primadonna Resorts, Inc. whereby Primadonna became our wholly owned subsidiary. The merger had a total equity value of approximately \$244 million. In addition, Primadonna had outstanding debt of approximately \$315 million. On May 31, 2000, we completed the acquisition of Mirage Resorts, Incorporated whereby Mirage became our wholly owned subsidiary. The merger had a total equity value of approximately \$4.4 billion. In addition, Mirage had outstanding debt of approximately \$2.0 billion.

Our Operating Properties

Through our wholly owned subsidiaries, we own and operate the following hotel-casinos and resorts:

Bellagio an elegant European-style luxury resort located on an approximately 90-acre site with 1,450 feet of frontage at the center of the Las Vegas Strip, which opened on October 15, 1998. The resort overlooks an eight-acre lake inspired by Lake Como in Northern Italy. Each day, more than 1,000 fountains in the lake come alive at regular intervals in a choreographed ballet of water, music and lights. Bellagio features a wide variety of casual and gourmet restaurants in both indoor and outdoor settings (including the world-famous Le Cirque, Olives, Aqua and Picasso restaurants), upscale retail boutiques (including those leased to Armani, Chanel, Gucci, Hermes, Prada, Fred Leighton and Tiffany & Co.) and extensive meeting, convention and banquet space. Bellagio's specially designed theatre offers luxurious seating overlooking a stage that rises and falls in sections into what we believe to be one of the world's largest enclosed bodies of water. The theatre is home to the spectacular show "O" produced and performed by the talented Cirque du Soleil organization. The Bellagio Gallery of Fine Art features rotating exhibitions of original masterpieces from museums and private collections. The surroundings of Bellagio are lushly landscaped with classical gardens and European fountains and pools. Inside, a botanical conservatory is filled with vibrant colors and pleasing scents that change with the seasons. Bellagio was recently awarded the prestigious Five Diamond award by AAA.

MGM Grand Las Vegas The City of Entertainment a multi-themed destination resort, located on approximately 116 acres, with over 350 feet of frontage on the Las Vegas Strip and 1,450 feet of frontage on Tropicana Avenue. The complex is easily accessible from McCarran International Airport and from Interstate 15 via Tropicana Avenue. MGM Grand Las Vegas features a 380,000 square foot state-of-the-art conference center, a 6.6 acre pool and spa complex, an approximately 50 foot tall polished bronze lion sculpture on a 25 foot pedestal, which is the resort's signature, and a Studio 54 nightclub. Other amenities include 13 restaurants (including NOB HILL, voted best new restaurant in Las Vegas in 2001) and 30 retail

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shopping outlets, including 18 owned and 12 leased facilities. Entertainment facilities include: an 11,700 square foot indoor arcade containing carnival games of skill and an extensive video arcade including virtual reality simulators; a 746-seat showroom providing celebrity entertainment; the 343-seat La Femme Theatre; a 1,774-seat showroom specifically designed for the EFX production show, our original grand spectacle special effects stage production; and the MGM Grand Garden, a special events center which seats a maximum of 16,766 patrons and provides a venue for mega-entertainment such as: the spectacular millennium New Years' concert featuring Barbra Streisand; Madonna; Paul McCartney; Cher; Britney Spears; Janet Jackson; Tina Turner; the

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Rolling Stones; Neil Diamond; Elton John; Billy Joel; Jimmy Buffett; Phil Collins; and Bruce Springsteen, as well as championship boxing and other sporting events.

MGM Grand Las Vegas is currently connected to Bally's and Paris hotel-casinos via a one-mile elevated public transit monorail. The monorail was acquired in September 2000 by The Las Vegas Monorail Company, a Nevada nonprofit corporation, which has commenced a system expansion project. When completed, the system will be approximately four miles long and will have seven stations directly connecting eight hotel-casinos on the east side of the Las Vegas Strip to the Las Vegas Convention Center. Completion of the expanded monorail system is scheduled for the first quarter of 2004.

The Mirage a luxurious, tropically themed destination resort located on approximately 100 acres with 2,200 feet of frontage shared with Treasure Island near the center of the Las Vegas Strip. The exterior of the resort is landscaped with palm trees, abundant foliage and more than four acres of lagoons and other water features centered around a 54-foot volcano and waterfall. Each evening, the volcano erupts at regular intervals, sending blasts of steam and water 40 feet into the air, with flames that spectacularly illuminate the front of the resort. Inside the front entrance is an atrium with a tropical garden and additional water features capped by a 100-foot-high glass dome. The atrium has an advanced environmental control system and creative lighting and other special effects designed to replicate the sights, sounds and fragrances of the South Seas. Located at the rear of the hotel, adjacent to the swimming pool area, is a dolphin habitat with nine Atlantic bottlenose dolphins and *The Secret Garden of Siegfried & Roy*, an attraction that allows guests to view the beautiful exotic animals of Siegfried & Roy, the world-famous illusionists who star in a spectacular show at The Mirage. The Danny Gans Theatre in The Mirage, which showcases this talented singer/impersonator, opened to the public in April 2000. In April 2001 the new 90,000 square foot Mirage Events Center opened to the public.

Treasure Island at The Mirage a Caribbean-themed hotel-casino resort located next to The Mirage. Treasure Island and The Mirage are connected by a monorail. The front of Treasure Island, facing the Strip, is an elaborate pirate village where full-scale replicas of a pirate ship and a British frigate regularly engage in a pyrotechnic and special effects sea battle, culminating with the sinking of the frigate. The showroom at Treasure Island features *Mystère*, a unique choreographic mix of magic, special effects and feats of human prowess produced and performed by Cirque du Soleil. In recognition of its superior customer service and upgraded guestrooms, Treasure Island has been awarded the Four Diamond rating by AAA.

New York-New York Hotel and Casino a 47-story destination resort which opened on January 3, 1997. New York-New York, which is located on the Las Vegas Strip at Tropicana Avenue, replicates many of New York City's landmark buildings and icons, including the Statue of Liberty, the Empire State Building, Central Park, the Brooklyn Bridge and a Coney Island-style roller coaster. New York-New York is considered to be one of the most architecturally distinctive buildings in the world. The casino features highly themed interiors: *Park Avenue* with retail shops, *The Financial District* consisting of the cashier's cage, a *Central Park* setting in the central casino area, and *Little Italy* with its traditional food court set inside a typical residential neighborhood. New York-New York also features seven specialty leased restaurants.

Primm Valley Resorts consist of three hotel-casinos and three gas stations on both sides of Interstate 15 at the California/Nevada state line in Primm, Nevada (about 40 miles from Las Vegas) and the Primm Valley Golf Club nearby in California.

Buffalo Bill's Resort & Casino, Primm Valley Resort & Casino, Whiskey Pete's Hotel & Casino, Primm Valley Golf Club and three gas stations including Primm Center which opened in December 2001 (collectively, the "Primm Valley Resorts") form a major destination location and offer, to the more than 13 million vehicles annually traveling through Primm on Interstate 15,

the first opportunity to wager upon entering Nevada and the last opportunity before leaving. We estimate that more than 27% of all passing vehicles stopped at the Primm Valley Resorts in 2001.

Primm Valley Resorts offer an array of amenities and attractions, including a 25,000 square foot conference center, 20 restaurants, 10 of which are leased, and a variety of amusement rides. In addition, the Primm Valley Resorts feature swimming pools, a movie theatre, motion simulation theatres, an interactive water flume ride, "The Desperado" roller coaster and the "Turbo Drop" thrill ride. The 6,100-seat Star of the Desert Arena hosts top-name entertainers and has allowed Primm Valley Resorts to use special events as part of extended stay packages.

In July 1998, the Fashion Outlet of Las Vegas opened to the public. The Fashion Outlet is a highly themed shopping experience containing approximately 400,000 square feet of retail space with over 100 retail outlet stores. The Fashion Outlet is connected to Primm Valley Resort & Casino and is owned and operated by a partnership of TrizecHahn Factory Shops, Inc. and Talisman Companies.

The Golden Nugget the largest, in terms of number of guestrooms and, we believe, the most luxurious hotel-casino in downtown Las Vegas. The Golden Nugget, together with its parking facilities, occupies approximately seven and one-half acres and is located approximately five miles north of The Mirage. It has received the AAA Four Diamond Award for 25 consecutive years. The Golden Nugget has also benefited from the "Fremont Street Experience," a \$70 million entertainment attraction developed by a coalition of several major downtown Las Vegas hotel-casinos (including the Golden Nugget) in conjunction with the City of Las Vegas. This attraction converted Fremont Street into a four-block-long pedestrian mall, topped with a 90-foot by 1,400-foot special effects canopy. Within the canopy are 2.1 million computer-controlled, four-color lights and a 540,000-watt sound system.

The Golden Nugget-Laughlin located on approximately 13 acres with 600 feet of Colorado River frontage near the center of the tourist strip in Laughlin, Nevada, 90 miles south of Las Vegas. The Golden Nugget-Laughlin features a 32,000-square foot casino, 300 hotel rooms (including four suites), four restaurants, three bars, a nightclub, a deli, an ice cream parlor and two gift and retail shops. Other facilities at the Golden Nugget-Laughlin include a swimming pool, a parking garage with space for approximately 1,585 vehicles and approximately four and one-half acres of surface parking for recreational vehicles. We also own and operate a 78-room motel in Bullhead City, Arizona, across the Colorado River from the Golden Nugget-Laughlin.

Monte Carlo Resort & Casino located on approximately 46 acres with 600 feet of frontage on the Las Vegas Strip, approximately one-half mile south of Bellagio. We own 50% of this resort in a joint venture with Mandalay Resort Group, which manages the resort. Monte Carlo has a palatial style reminiscent of the Belle Époque, the French Victorian architecture of the late 19th century. The resort has amenities such as a brew pub featuring live entertainment, a health spa, a beauty salon, a 1,200-seat theatre featuring the world-renowned magician Lance Burton, a large pool area and lighted tennis courts. Monte Carlo is connected to Bellagio by a monorail.

Boardwalk Hotel and Casino located between Bellagio and Monte Carlo on the Las Vegas Strip. This facility includes 654 hotel rooms and 32,000 square feet of casino space. Other amenities at the Boardwalk include a coffee shop, a buffet, a snack bar, an entertainment lounge, two bars, a gift shop, 7,300 square feet of interior meeting space, two outdoor swimming pools and 1,125 garage and surface parking spaces.

Golf Resorts We own and operate an exclusive world-class golf course known as "Shadow Creek," located approximately five miles north of downtown Las Vegas and approximately ten miles north of our Las Vegas Strip hotel-casinos. We also own and operate the Primm Valley

Golf Club, located four miles south of Primm in California, which includes two 18 hole championship courses. All of these golf courses were designed by renowned golf course architect Tom Fazio.

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MGM Grand Detroit our interim casino facility in Detroit, Michigan opened on July 29, 1999. The facility's interior is decorated in an Art Deco motif with a retail outlet, six themed bars, a VIP lounge and four restaurants: the Java Coast; Grand Buffet; Venti Uno; and our signature upscale restaurant, the Hollywood Brown Derby. The site is conveniently located off the Howard Street exit from the John C. Lodge Expressway in downtown Detroit, and has parking for approximately 3,083 vehicles in two parking garages and additional on-site covered parking.

Beau Rivage a luxurious beachfront resort located on a 41-acre site with 1,400 feet of frontage where Interstate 110 meets the Gulf Coast in Biloxi, Mississippi. Beau Rivage opened on March 16, 1999. The graceful driveway leading to Beau Rivage is lined with intricate gardens and stately oak trees. Large trees fill the resort's skylit atrium lobby. Twelve distinctive restaurants offer a variety of dining experiences, from a café nestled in the atrium gardens to a steak and seafood restaurant surrounded by tropical fish and coral reefs. Adjoining its lavish health spa and salon is a lushly landscaped swimming pool, café and special events pavilion overlooking the Gulf of Mexico. Beau Rivage also offers a state-of-the-art convention center, a shopping esplanade, a 1,600-seat theatre and a brew pub with live entertainment nightly. Adjoining the hotel is a deluxe marina capable of accommodating yachts of up to 125 feet in length.

MGM Grand Australia located on 18 acres of beachfront property in Darwin, Northern Territory, Australia. The resort includes a public and private casino, 96 rooms, restaurants and other facilities. We have positioned MGM Grand Australia as a multi-faceted gaming and entertainment facility for the local market and, to a lesser extent, as an exclusive destination resort for international table game customers.

MGM Grand South Africa manages three permanent casinos and one interim casino in the Republic of South Africa. On July 30, 1996, we entered into an agreement with Tsogo Sun Holdings (Pty) Limited, a joint venture company formed by the Southern Sun Group and Tsogo Investment Holding Company (Pty) Limited, to act as the exclusive casino project developer and manager for the joint venture company, which contemplated applying for up to 15 casino licenses in the Republic of South Africa. Under the agreement, we earn fees for the management of all casino operations of Tsogo Sun. Tsogo Sun provides or procures all of the financing necessary for the hotel-casino projects. We have entered into an agreement to sell all of our operations in South Africa. The transaction, which is subject to regulatory approval, is expected to be completed in the second quarter of 2002.

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Hotel-Casino Resort Properties

We have provided below certain information about our hotel-casino resort properties as of December 31, 2001. Except as otherwise indicated, we wholly own and operate these properties.

| Name and Location | Number of Rooms/Suites | Approximate Casino Square Footage | Slots(1) | Gaming Tables(2) |
|-----------------------------------|---------------------------|---|----------|---------------------|
| Domestic Casinos: | | | | |
| <i>Las Vegas Strip, Nevada</i> | | | | |
| Bellagio | 3,005 | 155,000 | 2,433 | 141 |
| MGM Grand Las Vegas | 5,034 | 171,500 | 3,090 | 157 |
| The Mirage | 3,044 | 107,200 | 2,294 | 120 |
| Treasure Island | 2,885 | 83,800 | 1,955 | 75 |
| New York-New York | 2,024 | 84,000 | 2,051 | 71 |
| Monte Carlo(3) | 3,002 | 102,000 | 2,072 | 71 |
| Boardwalk | 654 | 32,000 | 556 | 21 |
| Subtotal | 19,648 | 735,500 | 14,451 | 656 |
| <i>Downtown Las Vegas, Nevada</i> | | | | |

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| Name and Location | Number of Rooms/Suites | Approximate Casino Square Footage | Slots(1) | Gaming Tables(2) |
|--|------------------------|-----------------------------------|----------|------------------|
| The Golden Nugget <i>Laughlin, Nevada</i> | 1,907 | 38,000 | 1,260 | 58 |
| The Golden Nugget-Laughlin <i>Primm, Nevada</i> | 300 | 32,000 | 1,107 | 12 |
| Buffalo Bill's Resort & Casino | 1,240 | 62,100 | 1,336 | 34 |
| Primm Valley Resort & Casino | 625 | 38,000 | 1,262 | 34 |
| Whiskey Pete's Hotel & Casino | 777 | 36,400 | 1,341 | 28 |
| Primm Center | N/A | 350 | 7 | N/A |
| Subtotal | 2,642 | 136,850 | 3,946 | 96 |
| <i>Detroit, Michigan</i> | | | | |
| MGM Grand Detroit(4) | N/A | 75,000 | 2,696 | 78 |
| <i>Biloxi, Mississippi</i> | | | | |
| Beau Rivage | 1,780 | 80,000 | 2,228 | 88 |
| Total Domestic | 26,277 | 1,097,350 | 25,688 | 988 |
| International Casinos: | | | | |
| <i>Darwin, Northern Territory, Australia</i> | | | | |
| MGM Grand Australia | 96 | 23,800 | 371 | 26 |
| <i>South Africa</i> | | | | |
| Nelspruit (5) | N/A | 13,000 | 298 | 12 |
| Witbank (5) | N/A | 15,500 | 322 | 12 |
| Johannesburg (5) | N/A | 90,000 | 1,700 | 70 |
| East London (5) | N/A | 17,000 | 400 | 12 |
| Grand Total | 26,373 | 1,256,650 | 28,779 | 1,120 |

- (1) Includes slot machines and other coin-operated gaming devices.
- (2) Generally includes blackjack ("21"), baccarat, craps, pai gow poker, Caribbean stud poker, wheel of fortune and roulette.
- (3) Owned and operated by a 50-50 joint venture with Mandalay Resort Group.

- (4) On July 29, 1999, we opened our interim casino facility in Detroit.
- (5) We do not own these properties. They are governed by a joint venture agreement among MGM MIRAGE and Tsogo Sun Investment Holdings (Pty) Limited, under which MGM MIRAGE earns fees for the management of all casino operations.

Future Expansion

Detroit, Michigan

The Michigan Gaming Control and Revenue Act provides that not more than three casinos may be licensed at any one time by the State of Michigan and that they be located only in the City of Detroit. In November 1997, at the conclusion of a competitive selection process, the Mayor of Detroit designated MGM Grand Detroit, LLC to develop one of the three authorized hotel-casino complexes. MGM Grand Detroit, Inc., our wholly owned subsidiary, holds a controlling interest in MGM Grand Detroit, LLC and plans to provide substantially all of the equity capital for construction of the permanent facility. A minority interest in MGM Grand Detroit, LLC is held by Partners Detroit, LLC, a Michigan limited liability company owned by residents and entities located in the Detroit metropolitan area. Development of the permanent facility will not proceed until after acquisition by MGM Grand Detroit, LLC of a permanent development site. The design, budget and schedule for development of the permanent facility are at a preliminary stage, will be subject to the risks attendant to large-scale projects and may be subject to additional costs and delays beyond preliminary estimates. No assurance can be given that we will develop a permanent hotel-casino in Detroit, or if we do, as to its ultimate size, configuration or cost. It was originally contemplated that we and the other two developers would cluster all three permanent facilities on a riverfront site proposed by the City. The City has advised us that we must locate our own site for our permanent facility. We and the other developers are currently negotiating with the City amendments of our respective development agreements. Additionally, there is pending litigation (to which we are not a party) in which the United States Court of Appeals has held that the process by which the City selected the two developers other than MGM Grand Detroit violated the First Amendment of the United States Constitution. The matter is now before the United States District Court for further proceedings. In light of the above, the situation in Detroit is fluid, and depending on how these matters are resolved our interests may be adversely affected in a material way.

Atlantic City, New Jersey

In January 1998, the City of Atlantic City deeded to Mirage approximately 180 acres (120 acres of which are developable) at Renaissance Pointe in the Marina area of Atlantic City. In exchange, Mirage agreed to develop a hotel-casino on the site and perform certain other obligations. Mirage also entered into an agreement with two New Jersey State agencies for the construction and joint funding of road improvements necessary to improve access to the Marina area. As called for by the agreement, in October 1997, Mirage deposited funds into escrow for its \$110 million portion of the \$330 million road improvement project. The remainder of the project funding was provided by the two State agencies. Groundbreaking on the road improvements took place in November 1998, and they opened to the public on July 31, 2001.

In November 2000, a limited liability company owned 50-50 with Boyd Gaming Corporation began construction of the Borgata, a 2,000-guestroom hotel-casino resort, on a 27-acre portion of the Renaissance Pointe site. Boyd is overseeing the construction and will operate the resort upon completion. Construction is expected to be completed in the summer of 2003 at a total budgeted cost, including land, of approximately \$1.06 billion. In December 2000, we contributed the 27 acres of land and Boyd contributed \$90 million in cash to the venture, and the venture obtained a \$630 million secured bank credit facility, which is non-recourse to MGM MIRAGE, to fund the project costs. We

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and Boyd are each required to contribute up to an additional \$127 million in cash to the venture and Boyd is required to contribute any additional cash necessary to fund project costs in excess of the agreed project budget. As of December 31, 2001, each partner had made \$55 million of such additional cash contributions to the venture, including contributions made by Mirage prior to the acquisition.

As required by our agreement with Boyd, we have designed and are developing the common roads, landscaping and other master plan improvement for the entire Renaissance Pointe site. As part of the agreement with the City, we are required to remediate environmental contamination at the site, which was a municipal landfill for many years. A substantial portion of the remediation work has been completed. We are proceeding with the design and development of a new wholly owned hotel-casino resort on the Renaissance Pointe site next to the Borgata. The project is in the preliminary design phase and no construction budget or schedule has been developed.

We must apply for and receive numerous governmental permits and satisfy other conditions before construction of a new resort on the Renaissance Pointe site can begin. We cannot be certain of the ultimate construction schedule or cost of construction of the Borgata or any other project on the Renaissance Pointe site. No assurance can be given that we will develop a hotel-casino in New Jersey, or if we do, as to its ultimate size, configuration or cost.

Las Vegas Development

Mirage acquired the Boardwalk and various related properties on June 30, 1998. Combined with land we own adjacent to the Boardwalk, the acquisition provides us with an approximately 55-acre site for future development with over 1,200 feet of frontage on the Las Vegas Strip

between Bellagio and Monte Carlo. The design, timing and cost of any future development on the site will depend on several factors, including the market's ability to absorb new hotel-casino resorts on the Las Vegas Strip, competition from gaming outside of Nevada and the ultimate size and scope of the project, among other factors.

On-Line Gaming

In September 2001, we were awarded one of three internet gaming licenses by the Isle of Man, an independently governed British Crown dependency located in the Irish Sea off the coast of Great Britain. The license was issued by the Department of Home Affairs of the Isle of Man Government pursuant to the Online Gambling Regulation Act and regulations promulgated pursuant thereto. The Isle of Man Government has authorized up to a total of twelve on-line gambling licenses, and on January 30, 2002, the Isle of Man Government announced the awarding of two additional on-line gambling licenses, bringing the total number issued to date to five. We are in the process of developing our on-line gaming site, which will accept wagers only from legal bettors residing in non-United States jurisdictions in which on-line gaming is legal. Commencement of operation of the on-line gambling site is subject to complying with the Online Gambling Regulation Act and the regulations promulgated pursuant thereto, including obtaining certification that the on-line gaming system developed by the Company meets the legal and regulatory requirements of the Isle of Man. Our launch of the on-line gambling site is also subject to the establishment of adequate compliance procedures to the satisfaction of our gaming regulators in other jurisdictions in which we operate land-based hotel and casino properties. We anticipate that the on-line gaming site will be operational within the next year, but we can make no assurance as to when the site may actually become operational.

Other

We regularly evaluate possible expansion and acquisition opportunities in both the domestic and international markets. These opportunities may include the ownership, management and operation of gaming and other entertainment facilities in Nevada or in states other than Nevada or outside of the

United States. We may undertake these opportunities either alone or with joint venture partners. Development and operation of any gaming facility in a new jurisdiction is subject to many contingencies. Several of these contingencies are outside of our control and may include the passage of appropriate gaming legislation, the issuance of necessary permits, licenses and approvals, the availability of appropriate financing and the satisfaction of other conditions. We cannot be sure that we will decide or be able to proceed with any of these acquisition or expansion opportunities.

Marketing

All of our hotels and casinos operate 24 hours each day, every day of the year. We do not consider our business to be particularly seasonal. We believe that the largest portion of our Nevada customers live in Southern California, although other geographic areas are also important.

The level of gaming activity at our casinos is the single largest factor in determining our revenues and operating profit. We also receive a large amount of revenues from room, food and beverage, entertainment and retail operations.

The principal segments of the Nevada and Mississippi gaming markets are tour and travel, leisure travel, high-level wagerers and conventions (including small meetings and corporate incentive programs). Bellagio, MGM Grand Las Vegas and The Mirage each appeals to the upper end of each market segment, balancing their business by using the convention and tour and travel segments to fill the mid-week and off-peak periods. Our marketing strategy for Treasure Island, New York-New York and the Golden Nugget is aimed at attracting middle- to upper-middle-income wagerers, largely from the leisure travel and, to a lesser extent, the tour and travel segments. Since we believe that the number of walk-in customers also affects the success of all of our hotel-casinos, we design our facilities to maximize their attraction to guests of other hotels.

Primm Valley Resorts and Golden Nugget-Laughlin appeal primarily to middle-income customers. Their customers are attracted by room, food and beverage and entertainment prices that are lower than those offered by the major Las Vegas hotel-casinos.

We own and operate an exclusive world-class golf course known as "Shadow Creek," located approximately five miles north of the Golden Nugget and approximately 10 miles north of our Las Vegas Strip hotel-casinos. Our major Las Vegas hotel-casinos offer luxury suite packages that include golf privileges at Shadow Creek. In connection with our marketing activities, we also invite our high-end casino customers to play Shadow Creek on a complimentary basis. We also own and operate the Primm Valley Golf Club, located four miles south of Primm, which includes two 18 hole championship courses used for marketing purposes by our Las Vegas and Primm resorts.

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We believe Beau Rivage is the most luxurious hotel-casino on the Mississippi Gulf Coast. Beau Rivage seeks to attract the most affluent customers in each market segment, particularly those who live in major cities in the South, as well as customers residing in the Gulf Coast region.

MGM Grand Detroit markets primarily to customers within a 150-mile radius of Detroit. Its customers are attracted by its diverse gaming, dining and retail offerings, its convenient location and its ample onsite parking facilities.

MGM Grand Australia has targeted its local Northern Territory market for its primary customer base.

We advertise on radio, television and billboards and in newspapers and magazines in selected cities throughout the United States, as well as on the Internet and by direct mail. We also advertise through our regional marketing offices located in major United States and foreign cities.

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Issuance of Markers

Marker play represents a large portion of the table games volume at Bellagio, MGM Grand Las Vegas 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, with the exception of MGM Grand Australia, where Northern Territory legislation prohibits marker play.

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 customer accounts which are overdue, including the mailing of statements and delinquency notices, personal contacts, the use of outside collection agencies and civil litigation. In Nevada, Mississippi and Michigan, amounts owed for markers which are not timely paid are enforceable under the laws of those states. All other states are required to enforce a judgment for amounts owed for markers which are not timely paid, entered in Nevada, Mississippi or Michigan, pursuant to the Full Faith and Credit Clause of the United States Constitution. Amounts owed for markers which are not timely paid are not legally enforceable in some foreign countries, but the United States assets of foreign customers may be reached to satisfy judgments entered in the United States. A significant portion of our Company's accounts receivable, for amounts unpaid resulting from markers which are not collectible through banking channels, is owed by major casino customers from the Far East. The collectibility of unpaid markers is affected by a number of factors, including changes in currency exchange rates and economic conditions in the customer's home countries.

Supervision of Gaming Activities

In connection with the supervision of gaming activities at our casinos, we maintain stringent controls on the recording of all receipts and disbursements. These audit and cash controls include:

Locked cash boxes on the casino floor;

Employees who are independent of casino operations to perform the daily cash and coin counts;

Constant observation and supervision of the gaming area;

Observation and recording of gaming and other areas by closed-circuit television;

Constant computer monitoring of our slot machines;

Computer tabulation of receipts and disbursements for each of our table games; and

Timely analysis of deviations from expected performance.

Competition

Las Vegas

Our Las Vegas hotel-casinos compete with a large number of other hotel-casinos in the Las Vegas area. Currently there are more than 30 major hotel-casinos located on or near the Las Vegas Strip, 11 major hotel-casinos located in the downtown area (about five miles from the center of the Strip) and several major facilities located elsewhere in the Las Vegas area. As of December 31, 2001, there were approximately 127,000 guestrooms in Las Vegas, representing a 2% increase when compared to 124,000 at December 31, 2000. Las Vegas Convention and Visitors Authority statistics show that visitor volume was 35.0 million in 2001, a 2% decrease from the 35.8 million reported for 2000. Additional new hotel-casinos and expansion projects at existing Las Vegas hotel-casinos have been proposed. We are unable to determine to what extent increased competition will affect our future operating results.

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Primm, Nevada

The Primm Valley Resorts compete primarily with two hotel-casinos located 11 miles north along Interstate 15 in Jean, Nevada and with numerous other hotels and casinos in the Las Vegas area, as well as Native American gaming facilities in Southern California. Recent increases in room capacity on the Las Vegas Strip may increase competition for customers at Primm Valley Resorts. Since many of our current customers stop at Primm as they are driving on Interstate 15 to and from major casino-hotels located in Las Vegas, we believe that our success at Primm is also favorably influenced by the popularity of the Las Vegas resorts. To a lesser extent, the Primm Valley Resorts also compete with gaming establishments in or near Laughlin, Nevada, approximately 90 miles away in Southern Nevada. The addition of major gaming properties, the substantial expansion of existing Laughlin resorts or the addition of Native American gaming facilities in California could have an adverse effect on the number of customers visiting the Primm Valley Resorts.

Laughlin, Nevada

The Golden Nugget-Laughlin competes with eight other casinos in Laughlin, eight of which offer hotel accommodations, as well as with hotel-casinos in Las Vegas, Jean and Primm, Nevada. In recent years, the Laughlin market has been adversely affected by the expansion of casino gaming in Las Vegas and on Native American reservations, particularly in Southern California and Arizona, and we expect these difficult market conditions to continue.

Detroit

An assessment prepared by independent consultants for the Company concludes that the Detroit, Michigan and Windsor, Ontario casino gaming markets are effectively one market, and that aggregate annual revenues of approximately \$1.1 billion will be generated by patrons living within 150 miles of downtown Detroit. MGM Grand Detroit competes in this market with two other interim casinos located in Detroit, as well as a government-owned casino located nearby in Windsor.

Biloxi, Mississippi

Beau Rivage competes with 11 other casinos in the Mississippi Gulf Coast market, nine of which offer hotel accommodations. Gulf Coast casinos also compete in the regional market with a land-based casino in New Orleans and a land-based Native American hotel-casino in central Mississippi. Casinos in the Gulf Coast also compete for the south Florida market with casinos in the Bahamas. Gulf Coast casinos compete to a lesser extent with a number of riverboat casinos in Mississippi and Louisiana.

Australia

The success of MGM Grand Australia depends in part upon a balance of (i) its ability to effectively serve the local community as well as (ii) its ability to make efficient use of its strategic proximity to the Southeast Asian gaming market. The Darwin International Airport is an average of 5.5 hours away from the major Asian cities. However, frequency of scheduled air service is a limiting factor.

There are 13 casinos in Australia competing for the Far East market. Australian casinos operate under exclusive arrangements, which create a regional monopoly for a fixed term. As such, Australian casinos do not compete among themselves for the regional middle to low-end players. However, Far East premium players have become an increasingly important source of revenues; consequently, this market has become very competitive. Due to the competition for premium play customers, and the limitations on scheduled air service, MGM Grand Australia has targeted the local market for its customer base, which has produced relatively stable results.

Other

Our Company's facilities also compete for gaming customers with hotel-casino operations located in other areas of Nevada, Atlantic City, the Bahamas and other parts of the world, and for vacationers with non-gaming tourist destinations such as Hawaii and Florida. Our hotel-casinos compete to a lesser extent with state-sponsored lotteries, off-track wagering, card parlors, riverboat and Native American gaming facilities and other forms of legalized gaming in the United States. In recent years, certain states have legalized, and several other states have considered legalizing, casino gaming. We do not believe that legalization of casino gaming in those jurisdictions would have a material adverse impact on our operations. However, we do believe that the legalization of large-scale land-based casino gaming in or near certain major metropolitan areas, particularly in California, could have a material adverse effect on the Las Vegas market. On March 7, 2000, voters in California approved an amendment to the California constitution that gave Native American tribes in California the right to offer a limited number of slot machines and a range of house-banked card games. A number of tribes have already signed, and others are negotiating, gaming compacts with the State of California. More than 60 compacts had been approved by the federal government as of December 31, 2001, and casino-style gaming is legal in California on those tribal lands. A report released by the Attorney General of the State of California indicates that 40,883 slot machines were in operation in 46 tribal casinos as of November 30, 2001. At this time, we cannot determine the impact this will have on our Nevada casinos.

How We Compete

Our major properties compete on the basis of:

Recruiting, training and retaining well-qualified and motivated employees who provide superior and friendly customer service;

Offering high-quality guestrooms and dining, entertainment and retail options;

Providing unique, "must-see" entertainment attractions;

Our marketing and promotional programs; and

The superior locations and sites of our properties.

The principal negative factors relating to our competitive position are:

Our limited geographic diversification (our major properties are concentrated on the Las Vegas Strip and some of our largest competitors operate in more gaming markets than we do);

There are a number of gaming facilities located closer to where our customers live than our resorts;

Our guestroom, dining and entertainment prices are often higher than those of most of our competitors in each market, although we believe that the quality of our facilities and services is also higher; and

Our hotel-casinos compete to some extent with each other for customers. Bellagio, MGM Grand Las Vegas and The Mirage, in particular, compete for some of the same high-end customers.

Employees and Labor Relations

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As of December 31, 2001, we had approximately 34,000 full-time and 8,000 part-time employees. At that date, we had collective bargaining contracts with unions covering approximately 17,000 of our employees. We do not have union contracts at Beau Rivage, Golden Nugget-Laughlin or the Boardwalk. Although union organizing activities have recently intensified in Las Vegas, we consider our employee relations to be very good.

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Regulation and Licensing

Nevada Government Regulation

The ownership and operation of casino gaming facilities in Clark County, Nevada are subject to: (i) the Nevada Gaming Control Act and the regulations promulgated thereunder (collectively, the "Nevada Act"); and (ii) various local regulations. The Company's gaming operations are subject to the licensing and regulatory control of the Nevada Gaming Commission (the "Nevada Commission"), the Nevada State Gaming Control Board (the "Nevada Board"), the City of Las Vegas and the Clark County Liquor and Gaming Licensing Board (the "CCLGLB"). The Nevada Commission, the Nevada Board, the City of Las Vegas and the CCLGLB are collectively referred to as the "Nevada Gaming Authorities."

The laws, regulations and supervisory procedures of the Nevada Gaming Authorities are based upon declarations of public policy that are concerned with, among other things: (i) the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity; (ii) the establishment and maintenance of responsible accounting practices of licensees, including the establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues; (iii) providing reliable record keeping and requiring the filing of periodic reports with the Nevada Gaming Authorities; (iv) the prevention of cheating and fraudulent practices; and (v) providing a source of state and local revenues through taxation and licensing fees. Any change in such laws, regulations and procedures could have an adverse effect on the Company's gaming operations.

MGM Grand Hotel, LLC, dba MGM Grand Las Vegas, New York-New York Hotel & Casino, LLC, dba New York-New York Hotel & Casino, The Primadonna Company, LLC, dba Primm Valley Resort, Buffalo Bill's and Whiskey Pete's, THE MIRAGE CASINO-HOTEL, dba The Mirage, Bellagio, LLC, dba Bellagio, Treasure Island Corp., dba Treasure Island at The Mirage, GNLV, Corp., dba the Golden Nugget, GNL, Corp., dba the Golden Nugget-Laughlin, Boardwalk Casino, Inc., dba Boardwalk Hotel and Casino, and Victoria Partners, dba Monte Carlo Resort & Casino (collectively referred to as the "Casino Licensees"), operate casinos and are required to be licensed by the Nevada Gaming Authorities. Each gaming license requires the periodic payment of fees and taxes and is not transferable. MGM Grand Las Vegas, New York-New York, The Primadonna Company, LLC and Golden Nugget Manufacturing Corp. are also licensed as manufacturers and distributors of gaming devices and the Boardwalk is licensed as a distributor of gaming devices. The Company and certain of its subsidiaries are also licensed as shareholders, members and/or managers of certain corporate and limited liability company Casino Licensees. The Company's subsidiary MRGS Corp. is licensed as a 50% general partner of Victoria Partners, the joint venture with Mandalay Resort Group that owns and operates Monte Carlo. The Company and Mirage are also each required to be registered by the Nevada Commission as a publicly traded corporation ("Registered Corporation") and as such, each is required periodically to submit detailed financial and operating reports to the Nevada Commission and furnish any other information that the Nevada Commission may require. No person may become a stockholder or member of, or receive any percentage of profits from, the Casino Licensees, Golden Nugget Manufacturing Corp., or MRGS Corp., without first obtaining licenses and approvals from the Nevada Gaming Authorities. The Company, Mirage and the foregoing subsidiaries have obtained from the Nevada Gaming Authorities the various registrations, approvals, permits and licenses required in order to engage in gaming activities in Nevada.

The Nevada Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with, the Company, Mirage, the Casino Licensees, Golden Nugget Manufacturing Corp. or MRGS Corp., to determine whether such individual is suitable or should be licensed as a business associate of a gaming licensee. Officers, directors and certain key employees of the foregoing subsidiaries must file applications with the Nevada Gaming Authorities and may be

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required to be licensed by the Nevada Gaming Authorities. Certain officers, directors and key employees of the Company and Mirage who are actively and directly involved in the gaming activities of the foregoing subsidiaries may be required to be licensed or found suitable by the Nevada Gaming Authorities. The Nevada Gaming Authorities may deny an application for licensing or a finding of suitability for any cause they deem reasonable. A finding of suitability is comparable to licensing, and both require submission of detailed personal and financial information

followed by a thorough investigation. The applicant for licensing or a finding of suitability, or the gaming licensee by which the applicant is employed or for whom the applicant serves, must pay all the costs of the investigation. Changes in licensed positions must be reported to the Nevada Gaming Authorities, and in addition to their authority to deny an application for a finding of suitability or licensure, the Nevada Gaming Authorities have jurisdiction to disapprove a change in a corporate position.

If the Nevada Gaming Authorities were to find an officer, director or key employee unsuitable for licensing or to continue having a relationship with the Company, Mirage, the Casino Licensees, Golden Nugget Manufacturing Corp., or MRGS Corp., such company or companies would have to sever all relationships with such person. In addition, the Nevada Commission may require the Company, Mirage or the foregoing subsidiaries to terminate the employment of any person who refuses to file appropriate applications. Determinations of suitability or of questions pertaining to licensing are not subject to judicial review in Nevada.

The Company, Mirage, the Casino Licensees, Golden Nugget Manufacturing Corp., and MRGS Corp. are required to submit detailed financial and operating reports to the Nevada Commission. Substantially all material loans, leases, sales of securities and similar financing transactions by the Company, Mirage and the foregoing subsidiaries must be reported to or approved by the Nevada Commission.

If it were determined that the Nevada Act was violated by the Casino Licensees, Golden Nugget Manufacturing Corp., or MRGS Corp., the gaming licenses they hold could be limited, conditioned, suspended or revoked, subject to compliance with certain statutory and regulatory procedures. In addition, the Company, Mirage, the foregoing subsidiaries and the persons involved could be subject to substantial fines for each separate violation of the Nevada Act at the discretion of the Nevada Commission. Further, a supervisor could be appointed by the Nevada Commission to operate the Company's gaming properties and, under certain circumstances, earnings generated during the supervisor's appointment (except for the reasonable rental value of the Company's gaming properties) could be forfeited to the State of Nevada. Limitation, conditioning or suspension of any gaming license or the appointment of a supervisor could (and revocation of any gaming license would) materially adversely affect the Company's gaming operations.

Any beneficial holder of the Company's voting securities, regardless of the number of shares owned, may be required to file an application, be investigated, and have his or her suitability as a beneficial holder of the Company's voting securities determined if the Nevada Commission has reason to believe that such ownership would otherwise be inconsistent with the declared policies of the State of Nevada. The applicant must pay all costs of investigation incurred by the Nevada Gaming Authorities in conducting any such investigation.

The Nevada Act requires any person who acquires more than 5% of any class of the Company's voting securities to report the acquisition to the Nevada Commission. The Nevada Act requires that beneficial owners of more than 10% of any class of the Company's voting securities apply to the Nevada Commission for a finding of suitability within thirty days after the Chairman of the Nevada Board mails the written notice requiring such filing. Under certain circumstances, an "institutional investor" as defined in the Nevada Act, which acquires more than 10% but not more than 15% of any class of the Company's voting securities, may apply to the Nevada Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes

only. An institutional investor shall not be deemed to hold voting securities for investment purposes unless the voting securities were acquired and are held in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of the members of the Board of Directors of the Company, any change in the corporate charter, bylaws, management, policies or operations of the Company or any of its gaming affiliates, or any other action that the Nevada Commission finds to be inconsistent with holding the Company's voting securities for investment purposes only. Activities that are not deemed to be inconsistent with holding voting securities for investment purposes only include: (i) voting on all matters voted on by stockholders; (ii) making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in its management, policies or operations; and (iii) such other activities as the Nevada Commission may determine to be consistent with such investment intent. If the beneficial holder of voting securities who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information including a list of beneficial owners. The applicant is required to pay all costs of investigation.

Under the Nevada Act and under certain circumstances, an "institutional investor," as defined in the Nevada Act, which intends to acquire not more than 15% of any class of nonvoting securities of a privately held corporation, limited partnership or limited liability company that is also a registered holding or intermediary company or the holder of a gaming license, may apply to the Nevada Commission for a waiver of the usual prior licensing or finding of suitability requirement if such institutional investor holds such nonvoting securities for investment purposes only. An institutional investor shall not be deemed to hold nonvoting securities for investment purposes unless the nonvoting securities were acquired and are held in the ordinary course of business as an institutional investor, do not give the institutional investor management authority, and do not, directly or indirectly, allow the institutional investor to vote for the election or appointment of members of the board of directors, a general partner or manager, cause any change in the articles of organization, operating agreement, other organic document, management, policies or operations, or cause any other action that the Nevada Commission finds to be inconsistent with holding nonvoting securities for

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investment purposes only. Activities that are not deemed to be inconsistent with holding nonvoting securities for investment purposes only include: (i) nominating any candidate for election or appointment to the entity's board of directors or equivalent in connection with a debt restructuring; (ii) making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in the entity's management, policies or operations; and (iii) such other activities as the Nevada Commission may determine to be consistent with such investment intent. If the beneficial holder of nonvoting securities who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information including a list of beneficial owners. The applicant is required to pay all costs of investigation.

Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Nevada Commission or the Chairman of the Nevada Board may be found unsuitable. The same restrictions apply to a record owner if the record owner, after request, fails to identify the beneficial owner. Any stockholder found unsuitable and who holds, directly or indirectly, any beneficial ownership of the common stock of a Registered Corporation beyond such period of time as may be prescribed by the Nevada Commission may be guilty of a criminal offense. The Company is subject to disciplinary action if, after it receives notice that a person is unsuitable to be a stockholder or to have any other relationship with the Company, Mirage, the Casino Licensees, Golden Nugget Manufacturing Corp., or MRGS Corp., the Company, Mirage or the foregoing subsidiaries (i) pays that person any dividend or interest upon voting securities of the Company, (ii) allows that person to exercise, directly or indirectly, any voting right conferred through securities held by that person, (iii) pays remuneration in any form to that person for services rendered or otherwise, or (iv) fails to pursue all lawful efforts to require such unsuitable person to relinquish his or her voting securities for

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cash at fair market value. Additionally, the CCLGLB has taken the position that it has the authority to approve all persons owning or controlling the stock of any corporation controlling a gaming licensee.

The Nevada Commission may, in its discretion, require the holder of any debt security of a Registered Corporation to file an application, be investigated and be found suitable to own the debt security of a Registered Corporation. If the Nevada Commission determines that a person is unsuitable to own such security, then pursuant to the Nevada Act, the Registered Corporation can be sanctioned, including the loss of its approvals, if without the prior approval of the Nevada Commission, it: (i) pays to the unsuitable person any dividend, interest, or any distribution whatsoever; (ii) recognizes any voting right by such unsuitable person in connection with such securities; (iii) pays the unsuitable person remuneration in any form; or (iv) makes any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation or similar transaction.

The Company is required to maintain a current stock ledger in Nevada that may be examined by the Nevada Gaming Authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Nevada Gaming Authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. The Company is also required to render maximum assistance in determining the identity of the beneficial owner. The Nevada Commission has the power to require the Company's and Mirage's stock certificates to bear a legend indicating that such securities are subject to the Nevada Act. However, to date, the Nevada Commission has not imposed such a requirement on either the Company or Mirage.

Neither the Company nor Mirage may make a public offering of any securities without the prior approval of the Nevada Commission if the securities or the proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for such purposes. Such approval, if given, does not constitute a finding, recommendation or approval by the Nevada Commission or the Nevada Board as to the accuracy or adequacy of the prospectus or the investment merits of the securities. Any representation to the contrary is unlawful.

On July 26, 2001, the Nevada Commission granted the Company and Mirage prior approval to make public offerings for a period of two years, subject to certain conditions (the "Shelf Approval"). However, the Shelf Approval may be rescinded for good cause without prior notice upon the issuance of an interlocutory stop order by the Chairman of the Nevada Board. The Shelf Approval does not constitute a finding, recommendation or approval by the Nevada Commission or the Nevada Board as to the accuracy or adequacy of the prospectus or the investment merits of the securities offered. Any representation to the contrary is unlawful.

Changes in control of the Company or Mirage through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or any act or conduct by a person whereby he or she obtains control, may not occur without the prior approval of the Nevada Commission. Entities seeking to acquire control of a Registered Corporation must satisfy the Nevada Board and the Nevada Commission concerning a variety of stringent standards prior to assuming control of such Registered Corporation. The Nevada Commission may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control to be investigated and licensed as part of the approval process of the transaction.

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The Nevada legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities and corporate defensive tactics affecting Nevada gaming licensees, and Registered Corporations that are affiliated with those operations, may be injurious to stable and productive corporate gaming. The Nevada Commission has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Nevada's gaming industry and to further Nevada's policy to: (i) assure the financial stability of corporate gaming operators and their affiliates; (ii) preserve the beneficial aspects of conducting business in the corporate form; and

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(iii) promote a neutral environment for the orderly governance of corporate affairs. Approvals are, in certain circumstances, required from the Nevada Commission before the Company can make exceptional repurchases of voting securities above the current market price thereof and before a corporate acquisition opposed by management can be consummated.

The Nevada Act also requires prior approval of a plan of recapitalization proposed by a Registered Corporation's board of directors in response to a tender offer made directly to the Registered Corporation's stockholders for the purpose of acquiring control of the Registered Corporation.

License fees and taxes, computed in various ways depending on the type of gaming or activity involved, are payable to the State of Nevada, the City of Las Vegas and to Clark County. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly, quarterly or annually and are based upon either: (i) a percentage of the gross revenues received; (ii) the number of gaming devices operated; or (iii) the number of table games operated. A casino entertainment tax is also paid by the Casino Licensees where certain entertainment is provided in a cabaret, nightclub, cocktail lounge or casino showroom in connection with the serving or selling of food, refreshments or merchandise. Nevada licensees that hold a license as a manufacturer or a distributor, such as MGM Grand Las Vegas, New York-New York, The Primadonna Company, LLC, the Boardwalk and Golden Nugget Manufacturing Corp., also pay certain fees and taxes to the State of Nevada.

Any person who is licensed, required to be licensed, registered, required to be registered, or is under common control with such persons (collectively, "Licensees"), and who proposes to become involved in a gaming venture outside of Nevada, is required to deposit with the Nevada Board, and thereafter maintain, a revolving fund in the amount of \$10,000 to pay the expenses of investigation by the Nevada Board of their participation in such foreign gaming. The revolving fund is subject to increase or decrease at the discretion of the Nevada Commission. Thereafter, Licensees are also required to comply with certain reporting requirements imposed by the Nevada Act. Licensees are also subject to disciplinary action by the Nevada Commission if they knowingly violate any laws of the foreign jurisdiction pertaining to the foreign gaming operation, fail to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations, engage in activities that are harmful to the State of Nevada or its ability to collect gaming taxes and fees, or employ a person in the foreign operation who has been denied a license or a finding of suitability in Nevada on the ground of personal unsuitability.

The sale of alcoholic beverages by the Casino Licensees is subject to licensing, control and regulation by the applicable local authorities. All licenses are revocable and are not transferable. The agencies involved have full power to limit, condition, suspend or revoke any such license, and any such disciplinary action could (and revocation would) have a material adverse effect upon the Company's operations.

Pursuant to a 1985 agreement between the State of Nevada and the United States Department of the Treasury (the "Treasury"), the Nevada Commission and the Nevada Board have authority, under Regulation 6A of the Nevada Act, to enforce their own cash transaction reporting laws applicable to casinos which substantially parallel the federal Bank Secrecy Act. Under the Money Laundering Suppression Act of 1994 which was passed by Congress, the Secretary of the Treasury retained the ability to permit states, including Nevada, to continue to enforce their own cash transaction reporting laws applicable to casinos. The Nevada Act requires gaming licensees to file reports related to cash purchases of chips, cash wagers, cash deposits or cash payment of gaming debts, if any such transactions aggregate more than \$10,000 in a 24-hour period. Casinos are required to monitor receipts and disbursements of currency in excess of \$10,000 and report them to the Nevada Board, which in turn reports them to the Treasury. Pursuant to amendments to the Nevada Act that became effective on October 1, 1997, casinos are also required to file suspicious activity reports directly with an office of the Treasury and provide copies thereof to the Nevada Board. Although it is not possible to quantify

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the full impact of these requirements on the Company's business, the changes are believed to have had some adverse effect on results of operations since inception.

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Michigan Government Regulation and Taxation

The Michigan Gaming Control and Revenue Act subjects the ownership and operation of casino gaming facilities to extensive state licensing and regulatory requirements. The Michigan Act also authorizes local regulation of casino gaming facilities by the City of Detroit, provided that any such local ordinances regulating casino gaming are consistent with the Michigan Act and rules promulgated to implement it.

The Michigan Act creates the Michigan Gaming Control Board and authorizes it to grant casino licenses to not more than three applicants who have entered into development agreements with the City of Detroit. The Michigan Board is granted extensive authority to conduct background investigations and determine the suitability of casino license applicants, affiliated companies, officers, directors, or managerial employees of applicants and affiliated companies and persons or entities holding a one percent or greater direct or indirect interest in an applicant or affiliated company. Institutional investors holding less than certain specified amounts of debt or equity securities are exempted from meeting the suitability requirements of the Michigan Act, provided such securities are issued by a publicly traded corporation, such as MGM MIRAGE, and the securities were purchased for investment purposes only and not for the purpose of influencing or affecting the affairs of the issuer.

The Michigan Act imposes the burden of proof on the applicant for a casino license to establish its suitability to receive and hold the license. The applicant must establish its suitability as to integrity, moral character and reputation, business probity, financial ability and experience, responsibility, and other criteria deemed appropriate by the Michigan Board. A casino license is valid for a period of one year and the Michigan Board may refuse to renew it upon a determination that the licensee no longer meets the requirements for licensure.

The Michigan Board may, among other things, revoke, suspend or restrict a casino license. Substantial fines or forfeiture of assets for violations of gaming laws or rules may also be levied against a casino licensee. In the event that a casino license is revoked or suspended for more than 120 days, the Michigan Act provides for the appointment of a conservator who, among other things, is required to sell or otherwise transfer the assets of the casino licensee or former licensee to another person or entity who meets the requirements of the Michigan Act for licensure.

The Michigan Board has adopted administrative rules, which became effective on June 23, 1998, to implement the terms of the Michigan Act. Among other things, the rules impose more detailed substantive and procedural requirements with respect to casino licensing and operations. Included are requirements regarding such things as licensing investigations and hearings, record keeping and retention, contracting, reports to the Michigan Board, internal control and accounting procedures, security and surveillance, extensions of credit to gaming patrons, conduct of gaming, and transfers of ownership interests in licensed casinos. The rules also establish numerous Michigan Board procedures regarding licensing, disciplinary and other hearings, and similar matters. The rules have the force of law and are binding on the Michigan Board as well as on applicants for or holders of casino licenses.

The Detroit City Council enacted an ordinance entitled "Casino Gaming Authorization and Casino Development Agreement Certification and Compliance." The ordinance authorizes casino gaming only by operators who are licensed by the Michigan Board and are parties to a development agreement which has been approved and certified by the City Council and is currently in effect or are acting on behalf of such parties. The development agreement between MGM Grand Detroit, LLC, Detroit and the Economic Development Corporation of Detroit has been so approved and certified and is currently in effect. The ordinance requires each casino operator to submit to the Mayor of Detroit and to the City Council periodic reports regarding the operator's compliance with its development agreement or,

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in the event of non-compliance, reasons for non-compliance and an explanation of efforts to comply. The ordinance requires the Mayor of Detroit to monitor each casino operator's compliance with its development agreement, to take appropriate enforcement action in the event of default and to notify the City Council of defaults and enforcement action taken and, if a development agreement is terminated, it requires the City Council to transmit notice of such action to the Michigan Board within five business days along with Detroit's request that the Michigan Board revoke the relevant operator's certificate of suitability or casino license. If a development agreement is terminated, the Michigan Act requires the Michigan Board to revoke the relevant operator's casino license upon the request of Detroit.

The Michigan Act effectively provides that each of the three casinos in Detroit shall pay a wagering tax equal to 18% of its adjusted gross receipts, to be paid 8.1% to Michigan and 9.9% to Detroit, an annual municipal service fee equal to the greater of \$4 million or 1.25% of its adjusted gross receipts to be paid to Detroit to defray its cost of hosting casinos and an annual assessment, as adjusted based upon a consumer price index, in the initial amount of approximately \$8.3 million to be paid by each casino to Michigan to defray its regulatory enforcement and other casino-related costs. These are in addition to the taxes, fees and assessments customarily paid by business entities situated in Detroit.

Mississippi Government Regulation

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We conduct our Mississippi gaming operations through an indirect subsidiary, Beau Rivage Resorts, Inc., which owns and operates the Beau Rivage casino in the City of Biloxi, Mississippi. The ownership and operation of casino facilities in Mississippi are subject to extensive state and local regulation, but primarily the licensing and regulatory control of the Mississippi Gaming Commission and the Mississippi State Tax Commission.

The Mississippi Gaming Control Act, which legalized dockside casino gaming in Mississippi, was enacted on June 29, 1990. Although not identical, the Mississippi Act is similar to the Nevada Gaming Control Act. Effective October 29, 1991, the Mississippi Gaming Commission adopted regulations in furtherance of the Mississippi Act which are also similar in many respects to the Nevada gaming regulations.

The laws, regulations and supervisory procedures of Mississippi and the Mississippi Gaming Commission seek to:

prevent unsavory or unsuitable persons from having any direct or indirect involvement with gaming at any time or in any capacity;

establish and maintain responsible accounting practices and procedures;

maintain effective control over the financial practices of licensees, including establishing minimum procedures for internal fiscal affairs and safeguarding of assets and revenues, providing reliable record keeping and making periodic reports to the Mississippi Gaming Commission;

prevent cheating and fraudulent practices;

provide a source of state and local revenues through taxation and licensing fees; and

ensure that gaming licensees, to the extent practicable, employ Mississippi residents.

The regulations are subject to amendment and interpretation by the Mississippi Gaming Commission. Changes in Mississippi law or the regulations or the Mississippi Gaming Commission's interpretations thereof may limit or otherwise materially affect the types of gaming that may be conducted, and could have a material adverse effect on us and our Mississippi gaming operations.

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The Mississippi Act provides for legalized dockside gaming at the discretion of the 14 counties that either border the Gulf Coast or the Mississippi River, but only if the voters in such counties have not voted to prohibit gaming in that county. As of January 1, 2002, dockside gaming was permissible in nine of the 14 eligible counties in the state and gaming operations had commenced in Adams, Coahoma, Hancock, Harrison, Tunica, Warren and Washington counties. Under Mississippi law, gaming vessels must be located on the Mississippi River or on navigable waters in eligible counties along the Mississippi River, or in the waters of the State of Mississippi lying south of the state in eligible counties along the Mississippi Gulf Coast. The law permits unlimited stakes gaming on permanently moored vessels on a 24-hour basis and does not restrict the percentage of space which may be utilized for gaming. There are no limitations on the number of gaming licenses which may be issued in Mississippi. The legal age for gaming in Mississippi is 21.

Beau Rivage Resorts and Beau Rivage Distribution Corp. ("BRDC"), a subsidiary of Beau Rivage Resorts, are subject to the licensing and regulatory control of the Mississippi Gaming Commission. Beau Rivage Resorts is licensed as a Mississippi gaming operator, and BRDC is licensed as a Mississippi distributor of gaming devices. Gaming licenses require the periodic payment of fees and taxes and are not transferable. Gaming licenses are issued for a maximum term of three years and must be renewed periodically thereafter. Beau Rivage Resorts received its Mississippi gaming license on June 20, 1996 and a renewal on June 21, 1998. BRDC received its Mississippi distributor's license on August 20, 1998. On May 18, 2000, the Mississippi Gaming Commission renewed the licenses of both Beau Rivage Resorts and BRDC for terms of three years each, effective June 22, 2000.

On May 18, 2000, the Mississippi Gaming Commission registered MGM MIRAGE under the Mississippi Act as a publicly traded holding company of Beau Rivage Resorts and BRDC. As a registered publicly traded corporation, MGM MIRAGE is subject to the licensing and regulatory control of the Mississippi Gaming Commission, and is required to periodically submit detailed financial, operating and other reports

to the Mississippi Gaming Commission and furnish any other information which the Mississippi Gaming Commission may require. If MGM MIRAGE is unable to satisfy the registration requirements of the Mississippi Act, MGM MIRAGE and its licensed subsidiaries cannot own or operate gaming facilities in Mississippi. Beau Rivage Resorts and BRDC are also required to periodically submit detailed financial, operating and other reports to the Mississippi Gaming Commission and the Mississippi State Tax Commission and to furnish any other information required thereby. No person may become a stockholder of or receive any percentage of profits from a licensed subsidiary of a holding company without first obtaining licenses and approvals from the Mississippi Gaming Commission.

Certain of our officers, directors and employees must be found suitable or be licensed by the Mississippi Gaming Commission. We believe that we have applied for all necessary findings of suitability with respect to these persons, although the Mississippi Gaming Commission, in its discretion, may require additional persons to file applications for findings of suitability. In addition, any person having a material relationship or involvement with us may be required to be found suitable, in which case those persons must pay the costs and fees associated with the investigation. A finding of suitability requires submission of detailed personal and financial information followed by a thorough investigation. There can be no assurance that a person who is subject to a finding of suitability will be found suitable by the Mississippi Gaming Commission. The Mississippi Gaming Commission may deny an application for a finding of suitability for any cause that it deems reasonable. Findings of suitability must be periodically renewed.

Changes in certain licensed positions must be reported to the Mississippi Gaming Commission. In addition to its authority to deny an application for a finding of suitability, the Mississippi Gaming Commission has jurisdiction to disapprove a change in a licensed position. The Mississippi Gaming Commission has the power to require us to suspend or dismiss officers, directors and other key

employees or sever relationships with other persons who refuse to file appropriate applications or whom the authorities find unsuitable to act in their capacities.

Employees associated with gaming must obtain work permits that are subject to immediate suspension. The Mississippi Gaming Commission will refuse to issue a work permit to a person convicted of a felony and it may refuse to issue a work permit to a gaming employee if the employee has committed various misdemeanors or knowingly violated the Mississippi Act or for any other reasonable cause.

At any time, the Mississippi Gaming Commission has the power to investigate and require a finding of suitability of any record or beneficial stockholders of a publicly traded corporation registered with the Mississippi Gaming Commission, regardless of the percentage of ownership. Mississippi law requires any person who acquires more than 5% of the voting securities of a publicly traded corporation registered with the Mississippi Gaming Commission to report the acquisition to the Mississippi Gaming Commission, and that person may be required to be found suitable. Also, any person who becomes a beneficial owner of more than 10% of the voting securities of such a company, as reported to the Mississippi Gaming Commission, must apply for a finding of suitability by the Mississippi Gaming Commission. An applicant for finding of suitability must pay the costs and fees that the Mississippi Gaming Commission incurs in conducting the investigation. The Mississippi Gaming Commission has generally exercised its discretion to require a finding of suitability of any beneficial owner of more than 5% of a registered public or private company's voting securities. However, the Mississippi Gaming Commission has adopted a policy that may permit institutional investors to own beneficially up to 10% and, under certain circumstances, up to 15%, of a registered public or private company's voting securities without a finding of suitability.

Under certain circumstances, an "institutional investor," as defined by the Mississippi Gaming Commission's Policy on Findings of Suitability of Institutional Shareholders (adopted January 20, 2000 and amended June 21, 2001), which acquires more than 10% but not more than 15% of a registered public or private company's voting securities, may apply to the Executive Director of the Mississippi Gaming Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes only. An institutional investor shall not be deemed to hold voting securities for investment purposes unless the voting securities were acquired and are held in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of the members of the board of directors of the registered public or private company, any change in the registered public or private company's corporate charter, bylaws, management, policies or operations of the registered public or private company or any of its gaming affiliates, or any other action which the Mississippi Gaming Commission finds to be inconsistent with holding the registered public or private company's voting securities for investment purposes only. Activities that are not deemed to be inconsistent with holding voting securities for investment purposes only include:

voting, directly or indirectly through the delivery of a proxy furnished by the board of directors, on all matters voted upon by the holders of such voting securities;

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serving as a member of any committee of creditors or security holders;

nominating any candidate for election or appointment to the board of directors in connection with a debt restructuring;

accepting appointment or election (or having a representative accept appointment or election) as a member of the board of directors in connection with a debt restructuring and serving in that capacity until the conclusion of the member's term;

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making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in its management, policies or operations; and

such other activities as the Mississippi Gaming Commission may determine to be consistent with such investment intent.

If a stockholder who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information including a list of beneficial owners. The Mississippi Gaming Commission may at any time dissolve, suspend, condition, limit or restrict a finding of suitability to own a registered public company's equity interests for any cause it deems reasonable.

We may be required to disclose to the Mississippi Gaming Commission upon request the identities of the holders of any debt or other securities. In addition, under the Mississippi Act, the Mississippi Gaming Commission may, in its discretion:

require holders of debt securities of registered corporations to file applications;

investigate the holders; and

require the holders to be found suitable to own the debt securities.

Although the Mississippi Gaming Commission generally does not require the individual holders of obligations such as notes to be investigated and found suitable, the Mississippi Gaming Commission retains the discretion to do so for any reason, including but not limited to a default, or where the holder of the debt instrument exercises a material influence over the gaming operations of the entity in question. Any holder of debt securities required to apply for a finding of suitability must pay all investigative fees and costs of the Mississippi Gaming Commission in connection with the investigation.

Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Mississippi Gaming Commission may be found unsuitable. Any person found unsuitable and who holds, directly or indirectly, any beneficial ownership of our securities beyond the time that the Mississippi Gaming Commission prescribes, may be guilty of a misdemeanor. We will be subject to disciplinary action if, after receiving notice that a person is unsuitable to be a stockholder, a holder of our debt securities or to have any other relationship with us, we:

pay the unsuitable person any dividend, interest or other distribution whatsoever;

recognize the exercise, directly or indirectly, of any voting rights conferred through such securities held by the unsuitable person;

pay the unsuitable person any remuneration in any form for services rendered or otherwise, except in limited and specific circumstances;

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make any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation or similar transaction; or

fail to pursue all lawful efforts to require the unsuitable person to divest himself or herself of the securities, including, if necessary, the immediate purchase of the securities for cash at a fair market value.

Beau Rivage Resorts and BRDC must maintain in Mississippi a current ledger with respect to the ownership of their equity securities and MGM MIRAGE must maintain in Mississippi a current list of its stockholders which must reflect the record ownership of each outstanding share of any equity security issued by MGM MIRAGE. The ledger and stockholder lists must be available for inspection by the Mississippi Gaming Commission at any time. If any of our securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Mississippi Gaming Commission. A failure to make that disclosure may be grounds for finding the

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record holder unsuitable. The company must also render maximum assistance in determining the identity of the beneficial owner.

The Mississippi Act requires that the certificates representing securities of a registered publicly traded corporation bear a legend to the general effect that the securities are subject to the Mississippi Act and the regulations of the Mississippi Gaming Commission. On May 18, 2000, the Mississippi Gaming Commission granted us a waiver of this legend requirement. The Mississippi Gaming Commission has the power to impose additional restrictions on us and the holders of our securities at any time.

Substantially all loans, leases, sales of securities and similar financing transactions by a licensed gaming subsidiary must be reported to or approved by the Mississippi Gaming Commission. A licensed gaming subsidiary may not make a public offering of its securities, but may pledge or mortgage casino facilities if it obtains the prior approval of the Mississippi Gaming Commission. We may not make a public offering of our securities without the prior approval of the Mississippi Gaming Commission if any part of the proceeds of the offering is to be used to finance the construction, acquisition or operation of gaming facilities in Mississippi or to retire or extend obligations incurred for those purposes. The approval, if given, does not constitute a recommendation or approval of the accuracy or adequacy of the prospectus or the investment merits of the securities subject to the offering. On October 15, 2001, the Mississippi Gaming Commission granted us a waiver of the prior approval requirement for our securities offerings for a period of two years, subject to certain conditions. The waiver may be rescinded for good cause without prior notice upon the issuance of an interlocutory stop order by the Executive Director of the Mississippi Gaming Commission.

Under the regulations of the Mississippi Gaming Commission, Beau Rivage Resorts and BRDC may not guarantee a security issued by MGM MIRAGE pursuant to a public offering, or pledge their assets to secure payment or performance of the obligations evidenced by such a security issued by MGM MIRAGE, without the prior approval of the Mississippi Gaming Commission. Similarly, MGM MIRAGE may not pledge the stock or other ownership interests of Beau Rivage Resorts or BRDC, nor may the pledgee of such ownership interests foreclose on such a pledge, without the prior approval of the Mississippi Gaming Commission. Moreover, restrictions on the transfer of an equity security issued by Beau Rivage Resorts or BRDC and agreements not to encumber such securities granted by MGM MIRAGE are ineffective without the prior approval of the Mississippi Gaming Commission. The waiver of the prior approval requirement for MGM MIRAGE's securities offerings received from the Mississippi Gaming Commission on October 15, 2001 includes a waiver of the prior approval requirement for such guarantees, pledges and restrictions of Beau Rivage Resorts and BRDC, subject to certain conditions.

MGM MIRAGE cannot change its control through merger, consolidation, acquisition of assets, management or consulting agreements or any form of takeover without the prior approval of the Mississippi Gaming Commission. The Mississippi Gaming Commission may also require controlling stockholders, officers, directors, and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

The Mississippi Legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities and other corporate defensive tactics that affect corporate gaming licensees in Mississippi and corporations whose stock is publicly traded that are affiliated with those licensees may be injurious to stable and productive corporate gaming. The Mississippi Gaming Commission has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Mississippi's gaming industry and to further Mississippi's policy to:

assure the financial stability of corporate gaming operators and their affiliates;

preserve the beneficial aspects of conducting business in the corporate form; and

promote a neutral environment for the orderly governance of corporate affairs.

MGM MIRAGE may be required to obtain approval from the Mississippi Gaming Commission before it may make exceptional repurchases of voting securities in excess of the current market price of its common stock (commonly called "greenmail") or before it may consummate a corporate acquisition opposed by management. The regulations also require prior approval by the Mississippi Gaming Commission if MGM MIRAGE adopts a plan of recapitalization proposed by its Board of Directors opposing a tender offer made directly to the stockholders for the purpose of acquiring control of MGM MIRAGE.

Neither MGM MIRAGE nor Beau Rivage Resorts may engage in gaming activities in Mississippi while MGM MIRAGE, Beau Rivage Resorts and/or persons found suitable to be associated with the gaming license of Beau Rivage Resorts conduct gaming operations outside of Mississippi without approval of the Mississippi Gaming Commission. The Mississippi Gaming Commission may require means for it to have access to information concerning MGM MIRAGE's and its affiliates' out-of-state gaming operations. Gaming operations in Nevada were approved when Beau Rivage Resorts was first licensed in Mississippi. MGM MIRAGE has received waivers of foreign gaming approval from the Mississippi Gaming Commission for the conduct of gaming operations in Michigan, New Jersey, Northern Territory (Australia), Mpumalanga, Gauteng, Eastern Cape and Kwazulu-Natal Provinces (Republic of South Africa) and California and may be required to obtain the approval or a waiver of such approval from the Mississippi Gaming Commission before engaging in any additional future gaming operations outside of Mississippi.

If the Mississippi Gaming Commission decides that a licensed gaming subsidiary violated a gaming law or regulation, the Mississippi Gaming Commission could limit, condition, suspend or revoke the license of the subsidiary. In addition, we, the licensed subsidiary and the persons involved could be subject to substantial fines for each separate violation. A violation under any of MGM MIRAGE's other operating subsidiaries' gaming licenses may be deemed a violation of Beau Rivage Resorts' gaming license. Because of a violation, the Mississippi Gaming Commission could attempt to appoint a supervisor to operate the casino facilities. Limitation, conditioning or suspension of Beau Rivage Resorts' gaming license or MGM MIRAGE's registration as a publicly traded holding company of Beau Rivage Resorts, or the appointment of a supervisor could, and the revocation of any gaming license or registration would, materially adversely affect our Mississippi gaming operations.

A licensed gaming subsidiary must pay license fees and taxes, computed in various ways depending on the type of gaming involved, to the State of Mississippi and to the county or city in which the licensed gaming subsidiary conducts operations. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly, quarterly or annually and are based upon:

a percentage of the gross gaming revenues received by the casino operations;

the number of slot machines operated by the casino; and

the number of table games operated by the casino.

The license fee payable to the State of Mississippi is based upon "gaming receipts," generally defined as gross receipts less payouts to customers as winnings, and equals:

4% of gaming receipts of \$50,000 or less per month;

6% of gaming receipts over \$50,000 and less than \$134,000 per month; and

8% of gaming receipts over \$134,000 per month.

These license fees are allowed as a credit against our Mississippi income tax liability for the year paid. The gross revenue fee imposed by the Mississippi cities and counties in which casino operations are located is in addition to the fees payable to the State of Mississippi and equals approximately 4% of the gaming receipts.

The Mississippi Gaming Commission adopted a regulation in 1994 requiring as a condition of licensure or license renewal that a gaming establishment's plan include a 500 car parking facility in close proximity to the casino complex and infrastructure facilities which will amount to at least 25% of the casino cost. Infrastructure facilities are defined in the regulation to include a hotel with at least 250 rooms, theme park, golf course and other similar facilities. With the opening of its resort hotel and other amenities, Beau Rivage Resorts is in compliance with this requirement. On January 21, 1999, the Mississippi Gaming Commission adopted an amendment to this regulation which increased the infrastructure requirement to 100% from the existing 25%; however, the regulation grandfathers existing licensees and applies only to new casino projects and casinos that are not operating at the time of acquisition or purchase, and would therefore not apply to Beau Rivage Resorts. In any event, Beau Rivage would comply with such requirement.

Both the local jurisdiction and the Alcoholic Beverage Control Division of the Mississippi State Tax Commission license, control and regulate the sale of alcoholic beverages by Beau Rivage Resorts. Beau Rivage is in an area designated as a special resort area, which allows casinos located therein to serve alcoholic beverages on a 24-hour basis. The Alcoholic Beverage Control Division requires that the key officers and managers of MGM MIRAGE and Beau Rivage Resorts and all owners of more than 5% of Beau Rivage Resorts' equity submit detailed personal, and in some instance, financial information to the Alcoholic Beverage Control Division and be investigated and licensed. All such licenses are non-transferable. The Alcohol Beverage Control Division has the full power to limit, condition, suspend or revoke any license for the service of alcoholic beverages or to place a licensee on probation with or without conditions. Any disciplinary action could, and revocation would, have a material adverse effect upon the casino's operations.

Australia Government Regulation

The Northern Territory of Australia, like Nevada, has comprehensive laws and regulations governing the conduct of gaming. Our Australian operations are subject to the Gaming Control Act of 1993 and regulations promulgated thereunder and to the licensing and general control of the Minister for Racing, Gaming and Licensing. MGM Grand Australia Pty Ltd. has entered into a casino operator's agreement with the Minister pursuant to which MGM Grand Australia was granted a license to conduct casino gaming on an exclusive basis through June 30, 2015 in the northern half of the Northern Territory (which includes Darwin, its largest city, where MGM Grand Australia is located). The license provides for a tax payable to the Northern Territory government on gross profits derived from gaming, including gaming devices. The license is not exclusive with respect to gaming devices, and the Minister may permit such devices to be placed in limited numbers in locations not operated by MGM Grand Australia. However, under the license, through June 30, 2005 a portion of the operators' win on such gaming devices is to be offset against gaming tax otherwise payable by MGM Grand Australia.

The license may be terminated if MGM Grand Australia breaches the casino operator's agreement or the Northern Territory law or fails to operate in accordance with the requirements of the license. The Northern Territory authorities have the right under the Northern Territory law, the casino operator's agreement and the license to monitor and approve virtually all aspects of the conduct of gaming by MGM Grand Australia.

Additionally, under the terms of the license, the Minister has the right to approve the directors and corporate secretary of MGM MIRAGE and its subsidiaries which own or operate MGM Grand

Australia, as well as changes in the ownership or corporate structure of such subsidiaries. MGM MIRAGE is required to file with the Northern Territory authorities copies of all documents required to be filed by MGM MIRAGE or any of its subsidiaries with the Nevada gaming authorities. In the event of any person becoming the beneficial owner of 10% or more of our outstanding stock, the Minister must be so notified and may investigate the suitability of such person. If the Minister determines such person to be unsuitable and following such determination such person remains the beneficial owner of 10% or more of our stock, that would constitute a default under the license.

New Jersey Government Regulation

The ownership and operation of hotel-casino facilities and gaming activities in Atlantic City, New Jersey are subject to extensive state regulation under the New Jersey Casino Control Act and the regulations of the New Jersey Casino Control Commission and other applicable laws. In order to operate a hotel-casino property in New Jersey, a company must obtain a license from the New Jersey Commission and obtain numerous other licenses, permits and approvals from other state as well as local governmental authorities. The New Jersey Act also established

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the New Jersey Division of Gaming Enforcement to investigate all license applications, enforce the provisions of the New Jersey Act and regulations and prosecute all proceedings for violations of the New Jersey Act and regulations before the New Jersey Commission.

The New Jersey Commission has broad discretion regarding the issuance, renewal, revocation and suspension of casino licenses. The New Jersey Act and regulations concern primarily the good character, honesty, integrity and financial stability of casino licensees, their intermediary and holding companies, their employees, their security holders and others financially interested in casino operations; financial and accounting practices used in connection with casino operations; rules of games, levels of supervision of games and methods of selling and redeeming chips; manner of granting credit, duration of credit and enforceability of gaming debts; and distribution of alcoholic beverages.

Our wholly owned subsidiary, MGM Grand Atlantic City, Inc., has applied to be licensed by the New Jersey Commission to operate a casino, and MGM MIRAGE has applied to be approved as a qualified holding company. On July 24, 1996, MGM MIRAGE and MGM Grand Atlantic City, Inc., and their then officers, directors, and 5% or greater shareholders were found suitable for licensing by the New Jersey Commission. On June 27, 1995, the New Jersey Commission found Mirage and its then officers, directors and 5% or greater shareholders suitable for licensing. These findings of suitability are subject to review and revision by the New Jersey Commission based upon a change in any material fact that is relevant to the findings. Furthermore, we and our subsidiaries are required to submit additional information to the New Jersey Commission and New Jersey Division in connection with the Borgata or any hotel-casino resort project of our own and additional approvals must be obtained from the New Jersey Commission in order for us or any subsidiary of ours to be licensed to own or operate a hotel-casino.

The New Jersey Act further provides that each person who directly or indirectly holds any beneficial interest or ownership of the securities issued by a casino licensee or any of its intermediary or holding companies, those persons who, in the opinion of the New Jersey Commission, have the ability to control the casino licensee or its intermediary or holding companies or elect a majority of the board of directors of such companies, other than a banking or other licensed lending institution which makes a loan or holds a mortgage or other lien acquired in the ordinary course of business, lenders and underwriters of such companies are required to be qualified by the New Jersey Commission. However, with respect to a publicly traded holding company such as MGM MIRAGE, a waiver of qualification may be granted by the New Jersey Commission, with the concurrence of the Director of the New Jersey Division, if the New Jersey Commission determines that such persons or entities are not significantly involved in the activities of a casino licensee and in the case of security holders, do not have the ability to control MGM MIRAGE or elect one or more of its directors. There exists a

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rebuttable presumption that any person holding 5% or more of the equity securities of a casino licensee's intermediary or holding company or a person having the ability to elect one or more of the directors of such a company has the ability to control the company and thus must obtain qualification from the New Jersey Commission.

Notwithstanding this presumption of control, the New Jersey Act provides for a waiver of qualification for passive "institutional investors," as defined by the New Jersey Act, if the institutional investor purchased publicly traded securities for investment purposes only and where such securities constitute less than 10% of the equity securities of a casino licensee's holding or intermediary company or debt securities of a casino licensee's holding or intermediary company representing a percentage of the outstanding debt of such company not exceeding 20% or a percentage of any issue of the outstanding debt of such company not exceeding 50%. The waiver of qualification is subject to certain conditions including, upon request of the New Jersey Commission, filing a certified statement that the institutional investor has no intention of influencing or affecting the affairs of the issuer, except that an institutional investor holding voting securities shall be permitted to vote on matters put to a vote of the holders of outstanding voting securities. Additionally, a waiver of qualification may also be granted to institutional investors holding a higher percentage of securities of a casino licensee's holding or intermediary company upon a showing of good cause.

The New Jersey Act requires the certificate of incorporation of a publicly traded holding company to provide that any securities of such corporation are held subject to the condition that if a holder is found to be disqualified by the New Jersey Commission pursuant to the New Jersey Act, such holder shall dispose of his interest in such company. Accordingly, we amended our certificate of incorporation to provide that a holder of our securities must dispose of such securities if the holder is found disqualified under the New Jersey Act. In addition, we amended our certificate of incorporation to provide that we may redeem the stock of any holder found to be disqualified.

If the New Jersey Commission should find a security holder to be unqualified to be a holder of securities of a casino licensee or holding company, not only must the disqualified holder dispose of such securities but in addition, commencing on the date the New Jersey Commission serves notice upon such a company of the determination of disqualification, it shall be unlawful for the disqualified holder to:

receive any dividends or interest upon any such securities;

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exercise, directly or through any trustee or nominee, any right conferred by such securities; or

receive any remuneration in any form from the licensee for services rendered or otherwise.

If the New Jersey Commission should find a security holder to be unqualified to be a holder of securities of a casino licensee or holding company, the New Jersey Commission shall take any necessary action to protect the public interest, including the suspension or revocation of the casino license, except that if the disqualified person is the holder of securities of a publicly traded holding company, the New Jersey Commission shall not take action against the casino license if:

the holding company has the corporate charter provisions concerning divestiture of securities by disqualified owners required by the New Jersey Act;

the holding company has made good faith efforts, including the pursuit of legal remedies, to comply with any order of the New Jersey Commission; and

the disqualified holder does not have the ability to control the company or elect one or more members of the company's board of directors.

If the New Jersey Commission determines that a casino licensee has violated the New Jersey Act or regulations, or if any security holder of MGM MIRAGE or a casino licensee who is required to be

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qualified under the New Jersey Act is found to be disqualified but does not dispose of the securities, a casino licensee could be subject to fines or its license could be suspended or revoked. If a casino licensee's license is revoked after issuance, the New Jersey Commission could appoint a conservator to operate and to dispose of the hotel-casino facilities operated by such casino licensee. Net proceeds of a sale by a conservator and net profits of operations by a conservator, at least up to an amount equal to a fair return on investment which is reasonable for casinos or hotels, would be paid to us.

The New Jersey Act imposes an annual tax of 8% on gross casino revenues, as defined in the New Jersey Act. In addition, casino licensees are required to invest 1.25% of gross casino revenues for the purchase of bonds to be issued by the Casino Reinvestment Development Authority or make other approved investments equal to that amount. In the event the investment requirement is not met, the casino licensee is subject to a tax in the amount of 2.5% on gross casino revenues. The New Jersey Commission has established fees for the issuance or renewal of casino licenses and hotel-casino alcoholic beverage licenses and an annual license fee on each slot machine.

In addition to compliance with the New Jersey Act and regulations relating to gaming, any property built in Atlantic City by MGM Grand Atlantic City, Inc. or any other subsidiary of ours must comply with the New Jersey and Atlantic City laws and regulations relating to, among other things, the Coastal Area Facilities Review Act, construction of buildings, environmental considerations and the operation of hotels.

Factors that May Affect Our Future Results

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

This Form 10-K and our 2001 Annual Report to Stockholders contain some forward-looking statements. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They contain words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "may," "could," "might" and other words or phrases of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, new projects, future performance, the outcome of contingencies such as legal proceedings and future financial results. From time to time, we also provide oral or written forward-looking statements in our Forms 10-Q and 8-K, press releases and other materials we release to the public.

Any or all of our forward-looking statements in this Form 10-K, in our 2001 Annual Report to Stockholders and in any other public statements we make may turn out to be wrong. They can be affected by inaccurate assumptions we might make or by known or unknown risks

and uncertainties. Many factors mentioned in this Form 10-K for example, government regulation and the competitive environment will be important in determining our future results. Consequently, no forward-looking statement can be guaranteed. Our actual future results may differ materially.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our Form 10-K, 10-Q and 8-K reports to the Securities and Exchange Commission. Also note that we provide the following cautionary discussion of risks, uncertainties and possible inaccurate assumptions relevant to our business. These are factors that we think could cause our actual results to differ materially from expected and historical results. Other factors in addition to those listed here could also adversely affect us. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

Our debt increased significantly as a result of the acquisition of Mirage. At December 31, 2001, we had approximately \$5.5 billion of indebtedness (down from approximately \$5.9 billion at

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December 31, 2000). The interest rate on a large portion of our long-term debt is subject to fluctuation based on changes in short-term interest rates and the ratings which national rating agencies assign to our outstanding debt securities. Our bank credit agreements and the indentures governing our debt securities do not prohibit us from borrowing additional funds in the future. Our interest expense could increase as a result of these factors. Additionally, our indebtedness could increase our vulnerability to general adverse economic and industry conditions, limit our flexibility in planning for or reacting to changes in our business and industry, limit our ability to borrow additional funds and place us at a competitive disadvantage compared to other less leveraged competitors. Our ability to reduce our outstanding debt will be subject to our future cash flows, other capital requirements and other factors, some of which are not within our control.

As described under "Competition," we operate in a very competitive environment, particularly in Las Vegas. To the extent that hotel room capacity is expanded by others in a market where our hotel-casinos are located, competition will increase. The completion of a number of room expansions and the opening of new hotel-casinos led to an approximate 16% increase in hotel room capacity in Las Vegas since the end of 1998, thereby increasing competition in all segments of the Las Vegas market. Visitor volume increased by 14% between 1998 and 2001. Three new mega-resorts opened in Las Vegas in 1999 and one opened in 2000. New additions to the Las Vegas market could adversely impact our future results. The business of our Nevada hotel-casinos might also be adversely affected if gaming operations of the type conducted in Nevada were to be permitted under the laws of other states, particularly California. Similarly, legalization of gaming in any jurisdiction located near Detroit or Atlantic City, or the establishment of new large-scale gaming operations on nearby Native American reservations, could adversely affect our Detroit casino or our planned Atlantic City operations. Any expansion of gaming activities in the Gulf Coast region could have an adverse effect on Beau Rivage.

On March 7, 2000, California voters approved an amendment to the California constitution that gave Native American tribes in California the right to offer a limited number of slot machines and a range of house-banked card games. A number of tribes have already signed, and others are negotiating, gaming compacts with the State of California. More than 60 compacts had been approved by the federal government as of December 31, 2001, and casino-style gaming is legal in California on those tribal lands. A report released by the Attorney General of the State of California indicates that 40,883 slot machines were in operation in 46 tribal casinos as of November 30, 2001. At this time, we cannot determine the impact this will have on our Nevada casinos.

As discussed under "Regulation and Licensing," the ownership and operation of gaming facilities are subject to extensive federal, state, provincial and local laws, regulations and ordinances, which are administered by the relevant regulatory agencies in each jurisdiction. Changes in applicable laws, regulations or ordinances could have a significant effect on our operations. In addition, we are subject to various gaming taxes, which are subject to possible increase at any time. For example, in January 2000, a Nevada state senator filed an initiative petition seeking to increase the state gross gaming tax rate from 6¹/₄% to 11¹/₄%. In June 1999, the National Gambling Impact Study Commission, which conducted a two-year study of legal gaming in the United States, reported its findings and recommendations to Congress. Some of the recommendations made in its report, if implemented, might result in additional regulation of the gaming industry and could have an adverse effect on the industry, including our Company. In Mississippi, in three separate instances, referenda were proposed which, if approved, would have amended the Mississippi constitution to ban gaming in Mississippi and would have required all currently legal gaming entities to cease operations within two years of the ban. All three of the proposed

referenda have been ruled illegal by Mississippi state trial courts. The proponents of

the most recent referendum filed a notice of appeal of the trial court ruling with the Mississippi Supreme Court, which affirmed the trial court ruling. Any such referendum must be approved by the Mississippi Secretary of State and signatures of approximately 91,700 registered voters must be gathered and certified in order for such a proposal to be included on a statewide ballot for consideration by the voters. The next election for which the proponents could attempt to place such a proposal on the ballot would be in November 2002. While it is too early in the process for us to make any prediction with respect to whether such a referendum will appear on a ballot or the likelihood of such a referendum being approved by the voters, if this or any similar initiative were ultimately adopted, it could have a material adverse effect on our Company.

We operate an interim casino in Detroit, Michigan under a development agreement with the City. We are committed to building a larger permanent hotel/casino facility. It was originally contemplated that we and the other two developers would cluster all three permanent facilities on a riverfront site proposed by the City. The City has advised us that we must locate our own site for our permanent facility. We and the other developers are currently negotiating with the City amendments of our respective development agreements. Additionally, there is pending litigation (to which we are not a party) in which the United States Court of Appeals has held that the process by which the City selected the two developers other than MGM Grand Detroit violated the First Amendment of the United States Constitution. The matter is now before the United States District Court for further proceedings. In light of the above, the situation in Detroit is fluid, and depending on how these matters are resolved our interests may be adversely affected in a material way.

Our business is affected by local, national and international general economic and market conditions in the locations where we operate and where our customers live. Bellagio, MGM Grand Las Vegas and The Mirage are particularly affected by the economic situation in the Far East, and all of our Nevada properties are affected by economic conditions in California. A recession or economic slowdown could cause a reduction in visitation to our properties, which would adversely affect our operating results.

We are a large consumer of electricity and other energy. Accordingly, the substantial increases in energy costs which have recently occurred and are expected to continue will have a negative impact on our operating results. Additionally, higher energy and gasoline prices which affect our customers may result in reduced visitation to our properties and a reduction in our revenues.

Many of our customers travel by air. As a result, the cost and availability of air service and the impact of events like those of September 11, 2001, can affect our business. Additionally, there is one principal interstate highway between Las Vegas and Southern California, where a large number of our customers reside. Capacity restraints of that highway or any other traffic disruptions may affect the number of customers who visit our facilities.

The events of September 11, 2001, and the potential for future terrorist attacks or acts of war or hostility have created many economic and political uncertainties which could adversely impact our business and results of operations.

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. 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 and unanticipated cost increases. Any of these circumstances could give rise to delays or cost overruns. Major expansion projects at our existing resorts can also result in disruption of our business during the construction period.

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The gaming industry represents a significant source of tax revenues, particularly to the State of Nevada and its counties and cities. From time to time, various state and federal legislators and other officials have proposed changes in tax law, or in the administration of the law, affecting the gaming industry. We believe that our recorded tax balances are adequate. However, we cannot determine with certainty the likelihood of possible changes in tax law or its administration. These changes, if adopted, could have a material negative effect on our operating results.

Claims have been brought against us and our subsidiaries in various legal proceedings, and additional legal and tax claims arise from time to time. It is possible that our cash flows and results of operations could be affected by the resolution of these claims. We believe that the ultimate disposition of current matters will not have a material impact on our financial condition or results of operations. Please see the further discussion under "Legal Proceedings" in Item 3 of this Form 10-K.

There is intense competition to attract and retain qualified management and other employees in the gaming industry. Our inability to recruit or retain personnel could adversely affect our business.

Tracinda Corporation beneficially owns approximately 51% of our outstanding common stock as of March 8, 2002. As a result, Tracinda has the ability to elect our entire Board of Directors and determine the outcome of other matters submitted to our stockholders, such as the approval of significant transactions.

You should also be aware that while we from time to time communicate with securities analysts, we do not disclose to them any material non-public information, internal forecasts or other confidential business information. Therefore, you should not assume that we agree with any statement or report issued by any analyst, irrespective of the content of the statement or report. To the extent that reports issued by securities analysts contain projections, forecasts or opinions, those reports are not our responsibility.

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Executive Officers of the Registrant

The following table sets forth, as of March 8, 2002, 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 |
|-----------------------|-----|--|
| J. Terrence Lanni | 58 | Chairman and Chief Executive Officer |
| Robert H. Baldwin | 51 | President and Chief Executive Officer of Mirage Resorts, Incorporated and Director |
| John T. Redmond | 43 | President and Chief Executive Officer of MGM Grand Resorts, LLC and Director |
| James J. Murren | 40 | President, Chief Financial Officer, Treasurer and Director |
| Gary N. Jacobs | 56 | Executive Vice President General Counsel, Secretary and Director |
| William J. Hornbuckle | 44 | Executive Vice President Marketing |
| Alan Feldman | 43 | Senior Vice President Public Affairs |
| Phyllis A. James | 49 | Senior Vice President and Senior Counsel |
| Cynthia Kiser Murphey | 44 | Senior Vice President Human Resources |
| Glenn D. Bonner | 50 | Vice President Chief Information Officer |

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| Name | Age | Position |
|----------------------|-----|---|
| Daniel J. D'Arrigo | 33 | Vice President Finance |
| Kyle Edwards | 49 | Vice President Security |
| James H. Fox | 42 | Vice President Internal Audit |
| Anthony Gladney | 37 | Vice President National Diversity Relations |
| Richard L. Jones | 49 | Vice President Purchasing |
| Shelley A. Mansholt | 39 | Vice President Corporate Communications |
| Punam Mathur | 41 | Vice President Corporate Diversity and Community Affairs |
| Jennifer D. Michaels | 33 | Vice President Public Relations |
| Robert C. Selwood | 46 | Vice President Accounting |
| Francine A. Vazquez | 33 | Assistant Secretary |
| Betty M. Wilson | 54 | Vice President Tax |
| Bryan L. Wright | 38 | Vice President, Assistant General Counsel and Assistant Secretary |

Mr. Lanni has served as Chairman of the Company since July 1995. He served as Chief Executive Officer of the Company from June 1995 to December 1999, and since March 2001.

Mr. Baldwin has served as President and Chief Executive Officer of Mirage since June 2000. He served as Chief Financial Officer and Treasurer of Mirage from September 1999 to June 2000. He has been President and Chief Executive Officer of Bellagio, LLC or its predecessor since June 1996. He

served as President and Chief Executive Officer of The Mirage Casino- Hotel from August 1987 to April 1997.

Mr. Redmond has served as President and Chief Executive Officer of MGM Grand Resorts, LLC since March 2001. He served as Co-Chief Executive Officer of the Company from December 1999 to March 2001. He served as President and Chief Operating Officer of Primadonna Resorts from March 1999 to December 1999. He served as Vice Chairman of MGM Grand Detroit, LLC from April 1998 to February 2000, and as its Chairman since February 2000. He served as Senior Vice President of MGM Grand Development, Inc. from August 1996 to September 1998. Prior thereto, he was Senior Vice President and Chief Financial Officer of Caesars World, Inc.'s Caesars Palace and Desert Inn hotel-casinos and served in various other senior operational and development positions with Caesars World, Inc.

Mr. Murren has served as President of the Company since December 1999, as Chief Financial Officer since January 1998 and as Treasurer since November 2001. He served as Executive Vice President of the Company from January 1998 to December 1999. Prior thereto, he was Managing Director and Co-Director of Research for Deutsche Morgan Grenfell, having served that firm in various other capacities since 1984.

Mr. Jacobs has served as Executive Vice President-General Counsel of the Company since June 2000 and as Secretary since January 2002. Prior thereto, he was a partner with the law firm of Christensen, Miller, Fink, Jacobs, Glaser, Weil & Shapiro, LLP, and is currently of counsel to that firm.

Mr. Hornbuckle has served as Executive Vice President Marketing of the Company since July 2001. He served as President and Chief Operating Officer of MGM Grand Las Vegas from October 1998 to July 2001. He served as Executive Vice President of Operations of MGM Grand Las Vegas from April 1998 to October 1998. Prior thereto, he served as President and Chief Operating Officer of Planet Hollywood Hotel and served in various other senior operational positions with Caesars World, Inc. and Treasure Island.

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Mr. Feldman has served as Senior Vice President Public Affairs of the Company since September 2001. He was Vice President Public Affairs of the Company from June 2000 to September 2001, and served as Vice President of Public Affairs for Mirage from March 1990 through May 2000.

Ms. James has served as Senior Vice President and Senior Counsel of the Company since March 2002. From 1994 through 2001 she served as Corporation (General) Counsel and Law Department Director for the City of Detroit, the nation's ninth largest city. 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. Prior thereto, from 1985 until 1994, she practiced law as a partner with the firm of Pillsbury, Madison & Sutro.

Ms. Murphey has served as Senior Vice President Human Resources of the Company since November 2000. She served as Senior Vice President Human Resources and Administration of MGM Grand Las Vegas from November 1995 through October 2000.

Mr. Bonner has served as Vice President Chief Information Officer of the Company since June 2000. He served as Chief Information Officer of Mirage from January 1997 through May 2000. Prior thereto, he was a Managing Consultant with Microsoft Corporation from October 1994 through January 1997.

Mr. D'Arrigo has served as Vice President Finance of the Company since December 2000. He served as Assistant Vice President of the Company from January 2000 through December 2000. Prior thereto, he served as Director of Corporate Finance of the Company from January 1997 through

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January 2000 and as Manager of Corporate Finance of the Company from October 1995 through January 1997.

Mr. Edwards has served as Vice President Security of the Company since December 1999. Prior thereto, he served as Deputy Chief of the Patrol Division and Investigative Services Division of the Las Vegas Metropolitan Police Department ("LVMPD"), having served in various other senior capacities with the LVMPD since 1973.

Mr. Fox has served as Vice President Internal Audit of the Company since November 1997. Prior thereto, he was a Manager with Arthur Andersen LLP, a public accounting firm, from February 1996 through November 1997.

Mr. Gladney has served as Vice President National Diversity Relations of the Company since December 2001. He served as Vice President Corporate Diversity of the Company from August 2000 through December 2001 and as Vice President of Community Affairs of MGM Grand Las Vegas from March 1999 through August 2000. Prior thereto, he served as Executive Director of Community Affairs of MGM Grand Las Vegas from February 1997 through March 1999, and as Director of Community Affairs of MGM Grand Las Vegas from January 1996 through February 1997.

Mr. Jones has served as Vice President Corporate Purchasing of the Company since August 2000. He served as Project Procurement Manager of the Company from January 1998 through August 2000. Prior thereto, he was Vice President Corporate Purchasing of Caesars World, Inc. from February 1995 through January 1998.

Ms. Mansholt has served as Vice President Corporate Communications of the Company since December 2001. She was Assistant Vice President of Public Relations of the Company from June 2000 to December 2001. She served as Assistant Vice President of Public Relations for MGM Grand Las Vegas from 1997 through May 2000 and was Assistant Vice President of Entertainment Sales & Marketing for MGM Grand Las Vegas from 1996 to 1997.

Ms. Mathur has served as Vice President Corporate Diversity and Community Affairs of the Company since December 2001. She served as Vice President Community Affairs of the Company from November 2000 through December 2001 and as Director of Community Affairs of the Company from June 2000 through October 2000. She served as Director of Community Affairs of Mirage from April 1996 through May 2000.

Ms. Michaels has served as Vice President Public Relations of the Company since November 2001. She was Assistant Vice President of Public Relations from June 2000 through November 2001 and Director of Public Relations for Mirage from 1998 through May 2000. Prior thereto, she had been the Assistant Director of Public Relations for Mirage since 1995.

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Mr. Selwood has served as Vice President Accounting of the Company since December 2000. He served as Director of Corporate Finance of Mirage from April 1993 through December 2000.

Ms. Vazquez has served as Assistant Secretary of the Company since January 2002. She served as Executive Assistant to the Secretary/Treasurer from March 1998 to January 2002. She served as Executive Assistant to the Vice President of Corporate Security from April 1996 to March 1998.

Ms. Wilson has served as Vice President Taxes of the Company since June 2000. She served as Vice President Taxes of Caesars World, Inc. from December 1995 through March 2000.

Mr. Wright has served as Vice President and Assistant General Counsel of the Company since July 2001 and as its Assistant Secretary since January 2002. Prior thereto, he served as Vice President and Assistant General Counsel of Boyd Gaming Corporation from February 2000 to July 2001 and as Associate General Counsel of Boyd Gaming Corporation from September 1993 to February 2000.

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ITEM 2. PROPERTIES

Substantially all of the Company's assets other than assets of its foreign subsidiaries and certain assets in use at MGM Grand Detroit have been pledged as collateral for our senior notes and principal credit facilities. These notes and facilities had outstanding balances of approximately \$4.5 billion at December 31, 2001.

Bellagio occupies an approximately 90-acre site. We own the entire site except for one acre which we lease under a ground lease that expires (giving effect to our options to renew) in 2073. Our principal executive offices are located at Bellagio.

MGM Grand Las Vegas occupies an approximately 116-acre site which we own.

The Mirage and Treasure Island share an approximately 100-acre site which we own.

New York-New York occupies an approximately 20-acre site which we own.

Primm Valley Resorts are located on approximately 143 acres. We lease substantially all of the land under a ground lease that expires (giving effect to our renewal option) in 2068. We own approximately 16 acres immediately north of Buffalo Bill's that are the site of Company-owned mobile homes rented to employees. We also own approximately 573 acres in California, four miles south of Primm, which is the location of the Primm Valley Golf Club. Approximately 125 of these acres remain available for future development.

Primm Valley Resorts are not served by a municipal water system. We have rights to water in various wells located on federal land in the vicinity of the Primm Valley Resorts and have received permits to pipe the water to the Primm Valley Resorts. These permits and rights are subject to the jurisdiction and ongoing regulatory authority of the U.S. Bureau of Land Management, the States of Nevada and California and local governmental units. We believe that adequate water for the Primm Valley Resorts is available; however, we cannot be certain that the future needs will be within the permitted allowance. Also, we can give no assurance that any future requests for additional water will be approved or that no further requirements will be imposed by governmental agencies on our use and delivery of water for the Primm Valley Resorts.

The Golden Nugget occupies approximately seven and one-half acres. We own the buildings and approximately 90% of the land. We lease the remaining land under three ground leases that expire (giving effect to our options to renew) on dates from 2025 to 2046.

The Golden Nugget-Laughlin, including approximately two acres where the motel in Bullhead City, Arizona is located, occupies approximately 15.5 acres, all of which we own.

Monte Carlo occupies approximately 46 acres owned by Victoria Partners (the joint venture that owns and operates Monte Carlo). At December 31, 2001, Monte Carlo was subject to a deed of trust securing bank financing of \$87 million.

The Boardwalk occupies an approximately nine-acre site which we own. We also own approximately 45 acres of property adjacent to the Boardwalk which is available for future development.

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We own approximately 700 acres of land in North Las Vegas, including 240 acres occupied by Shadow Creek.

MGM Grand Detroit is located on approximately 4.3 acres which we own.

Beau Rivage occupies approximately 41 acres (including 10 acres of tidelands) in Biloxi, Mississippi. We own the land and we lease the tidelands from the State of Mississippi under a lease that expires (giving effect to our option to renew) in 2049. We also own approximately 508 acres in the Biloxi area for the potential development of a world-class golf course.

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MGM Grand Australia occupies an approximately 18-acre site which we own. At December 31, 2001, MGM Grand Australia was subject to a mortgage securing bank financing of approximately \$17 million.

We own approximately 190 acres in Atlantic City consisting principally of three different parcels in casino-zoned areas. Our 50% owned venture with Boyd is currently constructing the Borgata on a 27-acre portion of the Renaissance Pointe site, adjacent to our largest parcel. The Borgata property is owned by the venture and collateralized by a mortgage securing a bank credit facility in the amount of up to \$630 million, none of which has been borrowed to date.

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.

ITEM 3. LEGAL PROCEEDINGS

On April 26, 1994, an individual filed a complaint in a class action lawsuit in the United States District Court for the Middle District of Florida against 41 manufacturers, distributors and casino operators of video poker and electronic slot machines, including the Company. On May 10, 1994, another plaintiff filed a complaint in a class action lawsuit alleging substantially the same claims in the same court against 48 defendants, including the Company. On September 26, 1995, another plaintiff filed a complaint in a class action lawsuit alleging substantially the same claims in the United States District Court for the District of Nevada against 45 defendants, including the Company. The court consolidated the three cases in the United States District Court for the District of Nevada. The consolidated complaint claims that we and the other defendants have engaged in a course of fraudulent and misleading conduct intended to induce people to play video poker and electronic slot machines based on a false belief concerning how the gaming machines operate, as well as the chances of winning. Specifically, the plaintiffs allege that the gaming machines are not truly random as advertised to the public, but are pre-programmed in a predictable and manipulative manner. The complaint alleges violations of the Racketeer Influenced and Corrupt Organizations Act, as well as claims of common law fraud, unjust enrichment and negligent misrepresentation, and asks for unspecified compensatory and punitive damages. In December 1997, the court granted in part and denied in part the defendants' motions to dismiss the complaint for failure to state a claim and ordered the plaintiffs to file an amended complaint, which they filed in February 1998. We, along with most of the other defendants, have answered the amended complaint and continue to deny the allegations contained in the amended complaint. The parties have fully briefed the issues regarding class certification, which are currently pending before the court. The court has stayed discovery pending resolution of these issues.

In December 1997, the trustee of the bankruptcy estate of Ken Mizuno ("Mizuno") filed a complaint against Mirage in the United States Bankruptcy Court for the Central District of California, which was amended in February 1998. The amended complaint claims that Mizuno, a Japanese national, repaid various debts to Mirage's casinos prior to the commencement of Mizuno's bankruptcy case in June 1992 for which Mizuno was not legally liable and which were not legally collectible under Japanese law. The amended complaint alleges that these repayments constituted fraudulent transfers under federal and state law and seeks to require Mirage to pay the value of the transfers, totaling at least \$61,418,250, plus interest, to the bankruptcy trustee. In August 1998, the Bankruptcy Court granted Mirage's motion to dismiss the complaint based on the statute of limitations. The plaintiff appealed to the United States District Court for the Central District of California, which reversed the dismissal in January 1999. Mirage appealed the District Court's ruling to the Ninth Circuit Court of Appeal. The underlying adversary proceeding was transferred to the District of Nevada while the Ninth Circuit appeal was pending. After the transfer, Mirage moved to dismiss the adversary proceeding on grounds other than those that were on appeal to the Ninth Circuit. In February 2000, the District Court granted Mirage's motion to dismiss several counts of the complaint. As a result, the trustee's remaining claims against Mirage are for recovery of payments by Mizuno of the gaming debts of others.

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made within one year of the bankruptcy filing, totaling approximately \$5,500,000. The trustee's attempt to obtain an interlocutory appeal from the Ninth Circuit was denied. In September 2000, the Ninth Circuit affirmed the District Court's order, which held that the trustee's original complaint was timely filed. There were no material developments relating to this case in 2001. We intend to continue to defend this case vigorously.

The Company is a defendant in a similar adversary proceeding in a bankruptcy case pending in the United States Bankruptcy Court for the Central District of California. The adversary complaint, which was filed in December 1997, alleges that the debtor, Mizuno, transferred approximately \$1.1 million to the Desert Inn, which was then owned by a subsidiary of the Company, in 1988 and 1989 in payment of casino debts of various individuals. The complaint alleges that these transfers were fraudulent conveyances and seeks damages against the Company in an amount not less than approximately \$1.1 million. The Company answered the complaint in January 1998, denying the allegations and asserting that the complaint failed to state a claim upon which relief could be granted. Also in January 1998, the Company filed a motion to transfer venue to the United States Bankruptcy Court for the District of Nevada. The Bankruptcy Court denied this motion without prejudice. In February 1998, the plaintiff indicated his intent to file an amended adversary complaint asserting that Mizuno's payment of his own casino debt at the Desert Inn in the approximate amount of \$20 million also constituted a fraudulent conveyance. In July 1998, the Bankruptcy Court entered an order granting the Company's motion for dismissal for failure to state a claim based on statute of limitations grounds. The plaintiff's motion for reconsideration in Bankruptcy Court was denied in November 1998. The plaintiff filed an appeal to the District Court from the Bankruptcy Court's order granting the Company's motion for dismissal and the Bankruptcy Court's denial of the motion for reconsideration. The District Court heard the appeal while the Mirage appeal on similar issues was before the Ninth Circuit Court of Appeal. Because of the Ninth Circuit appeal, the District Court stayed all proceedings pending the ruling of the Ninth Circuit in the Mirage case. In September 2000, following the Ninth Circuit's ruling in the Mirage case discussed above, the District Court reversed the Bankruptcy Court's ruling in the Desert Inn case and, in October 2000, remanded the adversary proceeding to the Bankruptcy Court for further proceedings. There were no material developments relating to this case in 2001. We intend to continue to defend this case vigorously.

On September 28, 1999, a former stockholder of our subsidiary which owns and operates the Boardwalk Hotel and Casino filed a first amended complaint in a putative class action lawsuit in District Court for Clark County, Nevada against Mirage and certain former directors and principal stockholders of the Boardwalk subsidiary. The complaint alleged that Mirage induced the other defendants to breach their fiduciary duties to Boardwalk's minority stockholders by devising and implementing a scheme by which Mirage acquired Boardwalk at significantly less than the true value of its shares. The complaint sought an unspecified amount of compensatory damages from Mirage and punitive damages from the other defendants, whom we are required to defend and indemnify. In June 2000, the court granted our motion to dismiss the complaint for failure to state a claim upon which relief may be granted. The plaintiff has appealed the ruling to the Nevada Supreme Court. The parties filed briefs with the Nevada Supreme Court, and oral arguments were conducted in October, 2001. It is expected that the Nevada Supreme Court will issue its opinion sometime in 2002.

On July 18, 2001, an individual, Mary Kraft, filed a complaint in the Wayne County Circuit Court in Detroit, Michigan, against International Game Technology, Anchor Gaming, Inc. and the three operators of casinos in Detroit, Michigan, including a subsidiary of the Company. The plaintiff claims the bonus wheel feature of the Wheel of Fortune® and I Dream of Jeannie slot machines, which are manufactured, designed and programmed by International Game Technology and/or Anchor Gaming, Inc., are deceptive and misleading. Specifically, plaintiff alleges that the bonus wheels on these games do not randomly land on a given dollar amount but are programmed to provide a predetermined frequency of pay-outs. The complaint alleges violations of the Michigan Consumer Protection Act,

common law fraud and unjust enrichment and asks for unspecified compensatory and punitive damages, disgorgement of profits, injunctive and other equitable relief, and costs and attorney's fees. The plaintiff seeks to certify a class of any individual in Michigan who has played either of these games since June of 1999. The machines and their programs were approved for use by the Michigan Gaming Control Board, the administrative agency responsible for policing the Detroit casinos. The Company, along with the other casino operators, has filed a motion for summary judgment arguing that the plaintiff's complaint fails to state a claim as a matter of law. Additionally, the Company, along with the other casino operators, have filed motions for summary judgment arguing that the court has no jurisdiction to decide this matter and that all the allegations in the complaint regarding the alleged deceptive nature of the machines are directed to the manufacturers of the machines and are not the casinos' responsibility. We intend to continue to defend this case vigorously.

A plaintiff, Jon Ren, has filed a complaint in the Wayne County Circuit Court in Detroit, Michigan against all three Detroit casinos alleging that as a result of the decision of the 6th Circuit Court of Appeals in the LacVieux litigation, the casinos have operated their facilities in Michigan without valid and legitimate gaming licenses. As a result, the plaintiff seeks to certify a class on behalf of all persons who have lost money at the casinos, enjoin the casinos from further operations, award damages (including disgorgement of all profits from the casinos) and award additional miscellaneous relief. The case is premised on violations of the Michigan Gaming Act, fraud, violation of general Michigan public policy and unjust enrichment. The Company's operating subsidiary had not been granted a preference and was not a party to the LacVieux litigation. Therefore, the decision from the 6th Circuit in the LacVieux litigation does not affect the Company. The Company intends to defend this case

vigorously.

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 this other 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 2001.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is traded on the New York Stock Exchange under the symbol "MGG." 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.

| | 2001 | | 2000 | |
|----------------|----------|----------|----------|----------|
| | High | Low | High | Low |
| First quarter | \$ 32.20 | \$ 22.50 | \$ 25.16 | \$ 18.44 |
| Second quarter | 32.73 | 23.95 | 35.25 | 23.00 |
| Third quarter | 32.85 | 16.19 | 38.81 | 32.13 |
| Fourth quarter | 29.36 | 21.10 | 38.38 | 24.94 |

There were approximately 4,460 record holders of our common stock as of March 8, 2002.

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ITEM 6. SELECTED FINANCIAL DATA

For the Years Ended December 31,

| | 2001 | 2000 | 1999 | 1998 | 1997 |
|--|--------------|--------------|--------------|------------|------------|
| (In thousands, except share and per share data) | | | | | |
| Net revenues | \$ 4,009,618 | \$ 3,105,488 | \$ 1,336,937 | \$ 742,337 | \$ 797,954 |
| EBITDA(1) | 1,133,134 | 997,058 | 421,659 | 218,117 | 287,064 |
| Operating profit | 665,626 | 572,509 | 223,553 | 141,835 | 194,254 |
| Operating income | 627,902 | 537,716 | 209,868 | 131,574 | 190,970 |
| Income before extraordinary item and cumulative effect of change in accounting principle | 170,593 | 166,160 | 95,124 | 68,948 | 115,256 |
| Net income | 169,815 | 160,744 | 86,058 | 68,948 | 111,018 |
| Basic earnings per share | | | | | |
| Income before extraordinary item and cumulative effect of change in accounting principle | \$ 1.07 | \$ 1.15 | \$ 0.82 | \$ 0.62 | \$ 1.01 |
| Extraordinary item loss on early retirements of debt, net of income tax benefit | | (0.04) | (0.01) | | (0.04) |

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For the Years Ended December 31,

| | | | | | |
|---|---------------|---------------|--------------|--------------|--------------|
| Cumulative effect of change in accounting principle preopening costs, net of income tax benefit | | | (0.07) | | |
| Net income per share | \$ 1.07 | \$ 1.11 | \$ 0.74 | \$ 0.62 | \$ 0.97 |
| Weighted average number of shares | 158,771,000 | 145,300,000 | 116,580,000 | 111,356,000 | 114,950,000 |
| Diluted earnings per share | | | | | |
| Income before extraordinary item and cumulative effect of change in accounting principle | \$ 1.06 | \$ 1.13 | \$ 0.80 | \$ 0.61 | \$ 0.98 |
| Extraordinary item loss on early retirements of debt, net of income tax benefit | | (0.04) | (0.01) | | (0.04) |
| Cumulative effect of change in accounting principle preopening costs, net of income tax benefit | | | (0.07) | | |
| Net income per share | \$ 1.06 | \$ 1.09 | \$ 0.72 | \$ 0.61 | \$ 0.94 |
| Weighted average number of shares | 160,822,000 | 147,901,000 | 120,086,000 | 112,684,000 | 117,670,000 |
| Cash dividends per share (2) | \$ 0.10 | \$ 0.10 | \$ 0.10 | \$ 0.10 | \$ 0.10 |
| At year-end | | | | | |
| Total assets | \$ 10,497,443 | \$ 10,734,601 | \$ 2,743,454 | \$ 1,745,030 | \$ 1,377,102 |
| Total debt, including capital leases | 5,465,608 | 5,880,819 | 1,330,206 | 545,049 | 68,365 |
| Stockholders' equity | 2,510,700 | 2,382,445 | 1,023,201 | 948,231 | 1,088,908 |
| Stockholders' equity per share | \$ 15.95 | \$ 14.97 | \$ 8.98 | \$ 9.11 | \$ 9.39 |
| Number of shares outstanding | 157,396,000 | 159,130,000 | 113,880,000 | 104,066,000 | 115,970,000 |

The selected financial data above includes information for MGM Grand Las Vegas, which commenced operations on December 18, 1993, New York-New York, which commenced operations on January 3, 1997 and was 50% owned until March 1, 1999 when the Company acquired the remaining 50%, the Primm Properties, which were acquired on March 1, 1999, MGM Grand Australia, which was acquired on September 7, 1995, MGM Grand South Africa, which began managing casinos in the

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Republic of South Africa in October 1997, MGM Grand Detroit, which commenced operations on July 29, 1999 and the Mirage properties, which were acquired on May 31, 2000.

(1) EBITDA consists of operating income plus depreciation and amortization, one-time charges (which consist of master plan asset disposition, preopening and other, restructuring costs and write-downs and impairments) and corporate expense. EBITDA should not be construed as an alternative to operating income, as an indicator of the Company's operating performance, or as an alternative to cash flows generated by operating, investing or financing activities as an indicator of cash flows, or a measure of liquidity, or as any other measure of performance determined in accordance with generally accepted accounting principles.

(2) On December 13, 1999 the Board of Directors approved an initial quarterly cash dividend of \$0.10 per share to stockholders of record on February 10, 2000. The dividend was paid on March 1, 2000. As a result of the acquisition of Mirage Resorts, Incorporated, the Company announced on April 19, 2000 that the quarterly dividend policy was discontinued.

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

Results of Operations

Two major acquisitions had a significant impact on our operating results for 1999, 2000 and 2001. The March 1, 1999 acquisition of Primadonna Resorts, Inc. added the three Primm Properties located at the California/Nevada state line, as well as the one-half interest in New York-New York on the Las Vegas Strip which we did not previously own through a joint venture with Primadonna. The May 31, 2000 acquisition of Mirage Resorts, Incorporated added four wholly owned and one joint venture resort on the Las Vegas Strip, as well as resorts in downtown Las Vegas and Laughlin, Nevada and Biloxi, Mississippi. Additionally, the July 29, 1999 opening of MGM Grand Detroit contributed significantly to our growth over the last three years.

2001 Compared with 2000

Effects of September 11

Our operating results reflect a substantial decline in business volumes at our hotel and casino resorts immediately after the terrorist attacks of September 11, 2001. Our hotels on the Las Vegas Strip averaged an unprecedented low 64% occupancy level from September 11 through September 30, at average room rates substantially below those of the comparable periods of prior years. This reduction in customer traffic also resulted in lower casino, food and beverage, entertainment and retail revenues. Business volumes strengthened through the balance of the year, and by year-end our occupancy levels had essentially returned to normal, with a resulting improvement in casino and non-casino revenues. Room rates also improved, but were not yet back to seasonally normal levels by year-end.

Management responded to the decline in business volumes caused by the September 11 attacks by implementing cost containment strategies which included a significant reduction in payroll and a refocusing of several of our marketing programs. Approximately 6,400 employees (on a full-time equivalent basis) were laid off or terminated from our Nevada operations, and an additional 315 were laid off or terminated at Beau Rivage in Biloxi, Mississippi. The \$24 million of restructuring costs in 2001 principally represents severance pay, extended health care coverage and other related costs in connection with these personnel reductions. We also reassessed the carrying value of certain assets in light of the September 11 attacks, and recognized a write-down and impairment charge of \$47 million during the third quarter of 2001. Most of this charge related to our land on the Atlantic City Boardwalk, which is included in the "Deposits and other assets, net" caption on the accompanying balance sheet.

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In addition to the charges described above, we also reassessed our accounts receivable, retail inventory and health accrual reserves, and recorded additional charges against operating income totaling \$41 million to bring these reserves to appropriate levels in light of the changes in our operations related to September 11.

Operating Comparisons

Net revenues for the year ended December 31, 2001 were \$4.01 billion, an increase of \$904 million, or 29%, versus the \$3.11 billion recorded in 2000. The Mirage properties generated net revenues of \$2.48 billion, an increase of \$1.03 billion versus their seven-month results in 2000, while net revenues at the MGM Grand properties (MGM Grand Las Vegas, New York-New York, the Primm Properties, MGM Grand Detroit, MGM Grand Australia and MGM Grand South Africa) declined by \$128 million, or 8%, to \$1.53 billion.

The decrease in revenues at the MGM Grand properties was concentrated in the casino area. Consolidated casino revenues for 2001 were \$2.16 billion, an increase of \$378 million, or 21%, over the prior year. The Mirage properties generated casino revenues of \$1.19 billion in 2001, an increase of \$491 million over their seven-month results in 2000, while casino revenues at the MGM Grand properties decreased by \$113 million, or 10%, to \$969 million. This decrease was principally the result of declines of \$47 million, \$31 million and \$26 million at MGM Grand Las Vegas, MGM Grand Detroit and the Primm Properties, respectively. These declines were all attributable primarily to reduced gaming volumes. The volume decreases at MGM Grand Las Vegas are attributable to the impact of the September 11 attacks. The Primm Properties were faced with increased competition from Native American casinos, as well as the impact of higher gasoline and utility costs in California, while volumes at MGM Grand Detroit were impacted by a competitor's opening of the third and final Detroit casino in November 2000. The declines in Detroit were offset in part by improved volumes in the fourth quarter of 2001, as traffic delays caused by increased border security caused a shift in volume away from a competitor casino in Windsor, Ontario.

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Consolidated room revenues for 2001 were \$846 million, an increase of \$232 million, or 38%, over the prior year. Room revenues at the Mirage properties totaled \$568 million, an increase of \$239 million over the seven-month result from 2000. Room revenues at the MGM Grand properties declined by only 3% despite the significant impact on business following the September 11 attacks, reflecting the strength of our hotel business prior to September 11. MGM Grand Las Vegas benefited from having 3% more available rooms during 2001 versus 2000, as a room remodeling project had been ongoing in the prior year, and also achieved a small increase in average daily room rate.

Consolidated food and beverage, entertainment, retail and other revenues were \$1.37 billion for 2001, an increase of \$401 million, or 41%, over the results for 2000. The Mirage properties contributed a \$407 million increase, as revenues were \$958 million for 2001 versus \$551 million for the seven-month period in 2000. Food and beverage, entertainment, retail and other revenues at the MGM Grand properties declined by only 2% from the comparable 2000 levels, despite the impact on business of the September 11 attacks.

Income from unconsolidated affiliate of \$37 million represents our 50% share of the operating results of Monte Carlo for 2001. Our share of that entity's results was \$22 million for the seven months following the Mirage acquisition in 2000.

Consolidated operating expenses (before preopening expenses, restructuring costs, write-downs and impairments and corporate expense) were \$3.27 billion for 2001, an increase of \$866 million, or 36%, over the \$2.40 billion reported in the prior year. The Mirage properties generated an \$885 million increase in operating expenses, with \$2.04 billion of current-period costs versus \$1.15 billion in the seven-month period in 2000, while operating costs at the MGM Grand properties decreased by \$19 million, or 2%. As noted above, operating revenues at the MGM Grand properties declined by 8%

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versus their results from 2000. Additional charges related to receivables, retail inventories and health accruals, as described above, affected margins during 2001, as did increased energy costs and intensified competitive conditions, particularly with respect to the Primm Properties.

Corporate expense increased significantly in the first half of 2001 as a result of the Mirage acquisition, then decreased significantly in the second half of the year, reflecting our progress in integrating corporate functions following the acquisition and our focus on cost containment after the September 11 attacks. For the year, corporate expense was \$38 million, an increase of 8% over the amount recorded in 2000.

Interest expense, net of amounts capitalized, was \$349 million for 2001 versus \$273 million in the prior year. Total interest cost was \$428 million in 2001 versus \$364 million in 2000. This increase reflected higher average debt levels attributable to the financing of the Mirage acquisition, offset in part by savings associated with interest rate swaps and a significant reduction in interest rates on borrowings under our bank credit facilities. Interest capitalized declined from \$91 million in 2000 to \$79 million in 2001. In January 2001, we announced that our near-term development focus would be on the Atlantic City market. As a result, we suspended the capitalization of interest on our Las Vegas Strip project until the development process for that project is further advanced. This suspension of interest capitalization more than offset the impact of a full year of interest capitalization on our Atlantic City development projects versus seven months of capitalization in the prior year.

2000 Compared with 1999

Net revenues for the year ended December 31, 2000 were \$3.11 billion, representing an increase of \$1.77 billion, or 132%, over the \$1.34 billion recorded in 1999. The Mirage properties generated \$1.45 billion of this increase and the Primm Properties and New York-New York provided an additional net increase of \$81 million. MGM Grand Detroit generated net revenues of \$394 million during 2000 versus \$171 million for its approximately five months of operation in 1999. The increases at the Primm Properties, New York-New York and MGM Grand Detroit were generally proportionate to the increase in the length of time each property was included in the consolidated results. MGM Grand Las Vegas achieved record net revenues of \$764 million, representing a 3% increase over the \$740 million recorded in 1999.

Consolidated casino revenues for the year ended December 31, 2000 were \$1.79 billion, representing an increase of \$967 million, or 118%, over the \$819 million achieved in 1999. The Mirage properties accounted for \$704 million of the increase. The Primm Properties and New York-New York accounted for an additional \$47 million of casino revenues, generating \$273 million in 2000 versus the \$226 million recorded in the 10 months these properties were owned during 1999. MGM Grand Detroit recorded casino revenues of \$380 million in 2000, an increase of \$215 million from the \$165 million achieved in its approximately five months of operation in 1999. MGM Grand Las Vegas achieved a small increase in casino revenues in 2000, due to an increase in table games volume that was largely offset by increased customer discounts.

Consolidated room revenues for 2000 were \$615 million, representing an increase of \$356 million, or 138%, versus 1999. The Mirage properties generated \$329 million of this increase, while the Primm Properties and New York-New York accounted for another \$17 million. The balance of the increase related to MGM Grand Las Vegas, where room revenues increased from \$187 million to \$198 million, despite a 3% reduction in available room nights due to a room remodeling project which was completed in August 2000. Average daily room rate and revenue

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per available room at MGM Grand Las Vegas each increased by 7% versus the 1999 period, to \$110 and \$106, respectively.

Consolidated food and beverage revenues nearly tripled, from \$178 million in 1999 to \$511 million in 2000. The Mirage properties contributed \$287 million of the \$333 million increase. Food and beverage revenues at MGM Grand Las Vegas rose by 18%, from \$123 million in 1999 to a record

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\$145 million in 2000. This increase was attributable primarily to increased food and beverage sales at the MGM Grand Conference Center as well as increased beverage sales at the Studio 54 nightclub. The balance of the consolidated increase was attributable to MGM Grand Detroit, the Primm Properties and New York-New York.

Consolidated entertainment, retail and other revenues for 2000 were \$458 million, an increase of \$270 million, or 144%, over the \$188 million reported in 1999. This increase was also primarily attributable to the Mirage properties, which contributed \$264 million of the increase.

Income from unconsolidated affiliate of \$22 million for 2000 represented our 50% share of the operating results of Monte Carlo since the joint venture interest was acquired as part of the Mirage acquisition. The \$6 million recorded in 1999 represented our 50% share of the operating results of New York-New York for the first two months of 1999, after which New York-New York became a wholly owned subsidiary.

Consolidated operating expenses (before preopening expenses, restructuring costs, write-downs and impairments and corporate expense) were \$2.40 billion in 2000, representing an increase of \$1.36 billion, or 131%, over the \$1.04 billion recorded in 1999. The Mirage properties generated \$1.15 billion of this increase and the Primm Properties and New York-New York had an additional net increase of \$56 million. MGM Grand Detroit reported \$271 million during 2000 versus \$125 million for its approximately five months of operation in 1999. Operating margins were generally consistent between the years with the exception of MGM Grand Detroit, which showed strong improvement resulting from cost containment measures and improved operating efficiencies achieved following commencement of operations at this new facility.

During the year ended December 31, 2000, management implemented comprehensive restructuring plans designed to reduce costs and improve efficiencies within the Company. The implementation of these plans resulted in a charge against earnings totaling \$24 million, primarily related to consolidation of certain general and administrative functions at New York-New York and MGM Grand Las Vegas, various contract terminations and staffing reductions, the buyout of various leases and other related items. Approximately 195 people were affected by the reductions, primarily at our operating properties (excluding the Mirage properties) relating to duplicative functions within marketing, entertainment, retail, information systems and human resources.

During June 2000, we recognized a charge against earnings of \$102 million related to certain projects previously under development which management has determined not to pursue, the divesting of certain non-strategic assets and the re-evaluation of certain other assets, all as a result of the Mirage acquisition.

Corporate expense increased to \$35 million in 2000 versus \$14 million in 1999. This increase was primarily attributable to the Mirage acquisition, reflecting higher corporate operating expenses related to a larger corporate structure and higher airplane costs due to the operation of two corporate airplanes compared to only one in the prior year.

Interest income increased from \$2 million in 1999 to \$13 million in 2000. This increase was largely the result of interest earned on cash temporarily invested prior to its use in the Mirage acquisition, as well as a somewhat higher level of invested cash balances associated with the significant increase in the size of our operations.

Interest expense, net for 2000 was \$273 million, versus \$60 million in the prior year. This increase was a function of substantial increases both in interest cost and interest capitalized, each as a result of the Mirage acquisition. Interest cost was \$364 million in 2000 versus \$76 million in 1999, as our total debt increased from \$1.31 billion at December 31, 1999 to \$5.87 billion at December 31, 2000. This increase reflects the debt issued and assumed in connection with the Mirage acquisition. Interest capitalized increased to \$91 million from the \$16 million recorded in the prior year. A substantial

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majority of the interest capitalized in 2000 related to development projects on the Las Vegas Strip and in the Marina area of Atlantic City, on development sites acquired in the Mirage acquisition.

Extraordinary loss of \$5 million in 2000, net of income tax benefit, reflects the write-off of unamortized debt costs from our previous \$1.25 billion revolving credit facility and from the portion of the \$1.3 billion term loan extinguished during the year. Extraordinary loss of \$1 million in 1999, net of income tax benefit, reflects the write-off of unamortized debt costs from the New York-New York bank facility, which was extinguished on March 31, 1999.

Cumulative effect of change in accounting principle of \$8 million in 1999, net of income tax benefit, reflects our adoption of Statement of Position 98-5, which requires that costs associated with start-up activities be expensed as incurred.

Liquidity and Capital Resources

As of December 31, 2001 and December 31, 2000, we held cash and cash equivalents of \$209 million and \$228 million, respectively. Cash provided by operating activities was \$794 million for both 2001 and 2000, compared with \$290 million for 1999.

On May 31, 2000, we completed the Mirage acquisition whereby Mirage shareholders received \$21 per share in cash. Funds needed to complete the acquisition were approximately \$6.2 billion. These funds were used for payments to Mirage shareholders and holders of Mirage stock options, refinancing of certain indebtedness of Mirage and MGM Grand, payment of fees and expenses in connection with the Mirage acquisition and general corporate purposes. In order to fund the Mirage acquisition, we borrowed \$4.21 billion under our new senior credit facilities, completed the private placement of 46.5 million shares of our common stock for a total purchase price of approximately \$1.23 billion, issued \$710 million of senior subordinated notes and used cash on hand to fund the remaining balance.

During 2000, \$118 million was drawn down on the \$1.25 billion revolving credit facility and \$730 million was repaid, including a final balance of \$700 million that was refinanced via borrowings under the new senior facilities. During 2000, \$4.21 billion was drawn down and \$1.30 billion was repaid on the new senior facilities and \$2.91 billion remained outstanding at the end of the year. During 2001, an additional \$749 million was repaid on the senior facilities, including the final \$461 million balance of the \$1.3 billion term loan component of such facilities. This left \$2.16 billion outstanding under the \$2.8 billion facilities at December 31, 2001, including \$207 million outstanding under an \$800 million revolving facility which matures on April 5, 2002. An additional \$127 million of this balance has been repaid as of March 7, 2002. We intend to refinance any remaining balance on this facility prior to or upon maturity through its renewal or through other financing alternatives.

During 2000, \$26 million was drawn down and \$130 million was repaid on the Detroit credit facility and \$65 million remained outstanding at the end of the year. This balance was repaid during 2001.

On May 5, 2000, our shelf registration statement, which allows us to issue up to a total of \$2.75 billion of debt and equity securities from time to time in public offerings, was declared effective by the Securities and Exchange Commission. We issued \$710 million of senior subordinated notes in May 2000 to partially fund the Mirage acquisition. We also issued \$850 million of senior notes in September 2000 and \$400 million of senior subordinated notes in January 2001, the proceeds of which were used to partially repay the \$1.3 billion term loan component of the new senior facilities. After giving effect to these issuances, the shelf registration statement has \$790 million in remaining capacity at December 31, 2001 for the issuance of future debt or equity securities. Any future public offering of securities under the shelf registration statement will only be made by means of a prospectus supplement.

During the years ended December 31, 2001, 2000 and 1999, our capital expenditures were \$328 million, \$336 million and \$375 million, respectively. The 2001 capital expenditures included general property improvements at our resorts, such as the ongoing room refurbishment program at The Mirage, restaurant and entertainment enhancements at MGM Grand Las Vegas and New York-New York, the construction of a new convenience store/gas station/welcome center at the Primm Properties, the completion of the Mirage Events Center and the upgrading of slot equipment at several of our properties in preparation for the 2002 introduction of our new Players Club. Capital expenditures for 2001 also included the acquisition of the building housing MGM Grand Detroit, the acquisition of a new corporate aircraft and pre-construction activities associated with ongoing development projects, including capitalized interest. The 2000 capital expenditures related to general property improvements at our resorts, including the room refurbishment program at MGM Grand Las Vegas, the acquisition of land by MGM Grand Detroit and other land acquisitions and pre-construction activities associated with ongoing development projects, including capitalized interest. During 1999, \$83 million was expended on MGM Grand Las Vegas master plan improvements, which were completed in early 2000, and \$162 million was expended on the development of the MGM Grand Detroit interim casino.

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In November 1997, MGM Grand Detroit, LLC (in which we hold a controlling interest) was selected to be the developer of one of three permanent hotel-casino complexes to be located in the City of Detroit. Development of the permanent facility will not proceed until after acquisition by MGM Grand Detroit, LLC of a permanent development site. The design, budget and schedule for development of the permanent facility are at a preliminary stage, will be subject to the risks attendant to large-scale projects and may be subject to additional costs and delays beyond preliminary estimates. No assurance can be given that we will develop a permanent hotel-casino in Detroit, or if we do, as to its ultimate size, configuration or cost.

In January 1998, the City of Atlantic City deeded to Mirage approximately 180 acres (120 acres of which are developable) at Renaissance Pointe in the Marina area of Atlantic City. In exchange, Mirage agreed to develop a hotel-casino on the site and perform certain other obligations. Mirage also entered into an agreement with two New Jersey State agencies for the construction and joint funding of road improvements necessary to improve access to the Marina area. As called for by the agreement, in October 1997, Mirage deposited funds into escrow for its \$110 million portion of the \$330 million road improvement project. The remainder of the project funding was provided by the two State agencies. Groundbreaking on the road improvements took place in November 1998, and they opened to the public on July 31, 2001.

In November 2000, a limited liability company owned 50-50 with Boyd Gaming Corporation began construction of the Borgata, a 2,000-guestroom hotel-casino resort, on a 27-acre portion of the Renaissance Pointe site. Boyd is overseeing the construction and will operate the resort upon completion. Construction is expected to be completed in the summer of 2003 at a total budgeted cost, including land, of approximately \$1.06 billion. In December 2000, we contributed the 27 acres of land and Boyd contributed \$90 million in cash to the venture, and the venture obtained a \$630 million secured bank credit facility, which is non-recourse to MGM MIRAGE, to fund the project costs. We and Boyd are each required to contribute up to an additional \$127 million in cash to the venture and Boyd is required to contribute any additional cash necessary to fund project costs in excess of the agreed project budget. As of December 31, 2001, each partner had made \$55 million of such additional cash contributions to the venture, including contributions made by Mirage prior to the acquisition.

As required by our agreement with Boyd, we have designed and are developing the common roads, landscaping and other master plan improvement for the entire Renaissance Pointe site. As part of the agreement with the City, we are required to remediate environmental contamination at the site, which was a municipal landfill for many years. A substantial portion of the remediation work has been completed. We are proceeding with the design and development of a new wholly owned hotel-casino

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resort on the Renaissance Pointe site next to the Borgata. The project is in the preliminary design phase and no construction budget or schedule has been developed.

We must apply for and receive numerous governmental permits and satisfy other conditions before construction of a new resort on the Renaissance Pointe site can begin. We cannot be certain of the ultimate construction schedule or cost of construction of the Borgata or any other project on the Renaissance Pointe site.

On August 5, 1999, we announced a 12-month stock repurchase program for up to 10 million shares of our common stock. We purchased a total of 3.1 million shares at an approximate cost of \$66 million through February 2000. The repurchase program was suspended as a result of the Mirage acquisition and subsequently expired.

On December 13, 1999, our Board of Directors approved a two-for-one split of our common stock and declared an initial quarterly cash dividend of \$0.10 per share, after giving effect to the stock split. The additional shares were distributed on February 25, 2000 to stockholders of record on February 10, 2000. The cash dividend totaling approximately \$11 million was paid on March 1, 2000 to stockholders of record on February 10, 2000. All references to share and per share data herein have been adjusted retroactively to give effect to the stock split. Concurrently, the Board of Directors increased the number of authorized shares of our common stock from 75 million shares to 300 million shares. As a result of the Mirage acquisition, we announced on April 19, 2000 the discontinuance of the quarterly dividend policy.

On August 29, 2001, we announced a stock repurchase program for up to 10 million shares of our common stock. We purchased a total of 2.2 million shares at an approximate cost of \$46 million through December 31, 2001.

Our debt increased substantially as a result of the Mirage acquisition. We intend to continue our focus on utilizing available free cash flow to reduce indebtedness, as well as to finance our ongoing operations. We expect to finance operations, capital expenditures and existing debt obligations through cash flow from operations, cash on hand, bank credit facilities and, depending on market conditions, public offerings of securities under the shelf registration statement.

Market Risk

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Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk associated with our 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 and commercial paper program. Since the Mirage acquisition was completed on May 31, 2000, we have issued \$1.25 billion of long-term fixed rate debt and reduced outstanding bank credit facility borrowings by \$2.20 billion. As a result, as of December 31, 2001, long-term fixed rate borrowings represented approximately 61% of our total borrowings. During June 2001, we entered into interest rate swap agreements designated as fair value hedges of our \$500 million principal amount of fixed rate debt due in 2005. During September and October 2001, those swap agreements were terminated and replaced by new agreements designated as fair value hedges of \$550 million of fixed rate debt due in 2005 and 2006. We received payments of \$13 million representing the fair value of the earlier agreements upon their termination. Under the terms of the agreements, we make payments based on specified spreads over six-month LIBOR, and receive payments equal to the interest payments due on the fixed rate debt. Giving effect to these agreements, our fixed rate and floating rate borrowings represent approximately 51% and 49%, respectively, of total borrowings.

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The following table provides information about our interest rate swaps at December 31, 2001:

| | | |
|----------------------|------------------|------------------|
| Maturity Date | February 1, 2005 | October 15, 2006 |
| Notional Value | \$300 million | \$250 million |
| Estimated Fair Value | \$(6) million | \$(7) million |
| Pay Rate * | 4.35% | 4.71% |
| Receive Rate | 6.95% | 7.25% |

*Interest rates are determined in arrears. These rates have been estimated based on implied forward rates in the yield curve.

Recently Issued Accounting Standards

Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," was issued in June 2001. The statement provides that goodwill will no longer be amortized effective January 1, 2002, but will instead be reviewed for impairment upon adoption of the statement and at least annually thereafter. The balance of goodwill at December 31, 2001 was \$103 million. We have not yet completed our initial assessment of potential impairment of this balance.

Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," was issued in August 2001. The statement requires one accounting model be used for long-lived assets to be disposed of by sale and broadens the presentation of discontinued operations to include more disposal transactions. The adoption of the new statement, which is effective for fiscal years beginning after December 15, 2001, is not expected to have a material effect on our financial position or results of operations.

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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, referred to in Item 14(a)(1) of this Form 10-K, are included at pages 57 to 82 of this Form 10-K.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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" in our definitive Proxy Statement for our 2001 Annual Meeting of Stockholders, which we expect to file with the Securities and Exchange Commission on or about March 29, 2002 (the "Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION

We incorporate by reference the information appearing under "Executive Compensation and Other Information" in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

We incorporate by reference the information appearing under "Principal Stockholders" in the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We incorporate by reference the information appearing under "Certain Transactions" in the Proxy Statement.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

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

Included in Part II of this Report:
Report of Independent Public Accountants
Consolidated Balance Sheets December 31, 2001 and 2000
Years Ended December 31, 2001, 2000 and 1999
Consolidated Statements of Income
Consolidated Statements of Stockholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

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

Included in Part IV of this Report:
Years Ended December 31, 2001, 2000 and 1999
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.**

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| Exhibit Number | Description |
|-------------------|---|
| 2 | Agreement and Plan of Merger, dated as of March 6, 2000, among Mirage Resorts, Incorporated ("MRI"), the Company and MGMGMR Acquisition, Inc. (incorporated by reference to Exhibit 2 to the Company's Current Report on Form 8-K dated March 6, 2000). |
| 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 (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) | Amended and Restated Bylaws of the Company, effective January 1, 2001 (incorporated by reference to Exhibit 3(5) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (the "2000 10-K")). |

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|------|--|
| 4(1) | Indenture, dated as October 15, 1996, between MRI and Firststar Bank of Minnesota, N.A., as trustee (the "MRI 1996 Indenture") (incorporated by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q of MRI (Commission File No. 01-6697) for the fiscal quarter ended September 30, 1996 (the "MRI September 1996 10-Q")). |
| 4(2) | Supplemental Indenture, dated as October 15, 1996, to the MRI 1996 Indenture (incorporated by reference to Exhibit 4.2 to the MRI September 1996 10-Q). |
| 4(3) | 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(4) | Supplemental Indenture, dated as of August 1, 1997, to the MRI 1997 Indenture (incorporated by reference to Exhibit 4.2 to the MRI June 1997 10-Q). |
| 4(5) | Indenture, dated as of February 2, 1998, among the Company, as issuer, the Guarantors parties thereto, as guarantors, and PNC Bank, National Association, as trustee (incorporated by reference to Exhibit 4(1) to the Company's Current Report on Form 8-K, dated February 23, 1998 (the "February 1998 8-K")). |
| 4(6) | Indenture, dated as of February 4, 1998, between MRI and PNC Bank, National Association, as trustee (the "MRI 1998 Indenture") (incorporated by reference to Exhibit 4(e) to the Annual Report on Form 10-K of MRI for the fiscal year ended December 31, 1997 (the "MRI 1997 10-K")). |
| 4(7) | Supplemental Indenture, dated as of February 4, 1998, to the MRI 1998 Indenture (incorporated by reference to Exhibit 4(f) to the MRI 1997 10-K). |
| 4(8) | Schedule setting forth material details of the Indenture, dated as of February 6, 1998, among the Company, as issuer, the Guarantors parties thereto, as guarantors, and U.S. Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4(2) to the February 1998 8-K). |

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- 4(9) Indenture, dated as of May 31, 2000, among the Company, as issuer, the Subsidiary Guarantors parties thereto, as guarantors, and The Bank of New York, as trustee (incorporated by reference to Exhibit 4 to the Company's Current Report on Form 8-K dated May 22, 2000 (the "May 2000 8-K")).
- 4(10) 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 (incorporated by reference to Exhibit 4 to the Company's Amended Current Report on Form 8-K/A dated September 12, 2000).
- 4(11) 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(12) First Supplemental Indenture, dated as of September 30, 2000, among the Company, Bellagio Merger Sub, LLC and The Bank of New York, as trustee (incorporated by reference to Exhibit 4(12) to the 2000 10-K).
- 4(13) Second Supplemental Indenture, dated as of October 10, 2000, to the MRI 1996 Indenture (incorporated by reference to Exhibit 4(13) to the 2000 10-K).

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- 4(14) Second Supplemental Indenture, dated as of October 10, 2000, to the MRI 1997 Indenture (incorporated by reference to Exhibit 4(14) to the 2000 10-K).
- 4(15) Second Supplemental Indenture, dated as of October 10, 2000, to the MRI 1998 Indenture (incorporated by reference to Exhibit 4(15) to the 2000 10-K).
- 4(16) Second Supplemental Indenture, dated as of December 31, 2000, among the Company, MGM Grand Hotel & Casino Merger Sub, LLC and The Bank of New York, as trustee (incorporated by reference to Exhibit 4(16) to the 2000 10-K).
- 4(17) 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(18) 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 (incorporated by reference to Exhibit 4 to the Company's Current Report on Form 8-K dated January 18, 2001).
- 10.1(1) Loan Agreement, dated September 6, 1995, among MGM Grand Australia Pty Ltd., as Borrower, each Guarantor named therein, the banks named therein and Bank of America Australia Limited, as Agent (incorporated by reference to Exhibit 10(22) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995 (the "1995 10-K")).
- 10.1(2) MGM Grand, Inc. Continuing Guaranty, dated as of September 1, 1995 (incorporated by reference to Exhibit 10(23) to the 1995 10-K).
- 10.1(3) Loan Agreement, dated as of March 31, 1999, among MGM Grand Detroit II, LLC, as Borrower, the Lenders, Syndication Agent and Documentation Agent therein named and Bank of America National Trust and Savings Association, as Administrative Agent, and Nationsbank Montgomery Securities LLC, as Lead Arranger and Sole Book Manager (without schedules or exhibits) (incorporated by reference to Exhibit 10.1(3) to the 2000 10-K).
- 10.1(4) Term Loan Agreement, dated as of April 7, 2000, among the Company, as Borrower, MGM Grand Atlantic City, Inc. and MGM Grand Detroit, LLC, as Co-Borrowers, the Banks, Syndication Agent, Documentation Agents and Co-Documentation Agents therein named and Bank of America, N.A., as Administrative Agent, and Banc of America Securities LLC, as Lead Arranger and Sole Book Manager (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated April 11, 2000 (the "April 2000 8-K")).
- 10.1(5) Second Amended and Restated Loan Agreement, dated as of April 10, 2000, among the Company, as Borrower, MGM Grand Atlantic City, Inc. and MGM Grand Detroit, LLC, as Co-Borrowers, the Banks, Syndication Agent, Documentation Agents and Co-Documentation Agents therein named and Bank of America, N.A., as Administrative Agent, and Banc of America Securities LLC, as Lead Arranger and Sole Book Manager (incorporated by reference to Exhibit 10.1 to the April

2000 8-K).

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- 10.1(6) Subsidiary Guaranty (Second Amended and Restated Loan Agreement), dated as of May 31, 2000, by the Company and certain of its subsidiaries, in favor of Bank of America, N.A., as Administrative Agent for the benefit of the Banks that are party to the Loan Agreement referred to therein (incorporated by reference to Exhibit 10.1 to the May 2000 8-K).
- 10.1(7) Schedule setting forth material details of the Subsidiary Guarantee (364-Day Loan Agreement), by the Company and certain of its subsidiaries, in favor of Bank of America, N.A., as Administrative Agent for the benefit of the Banks that are party to the Loan Agreement referred to therein (incorporated by reference to Exhibit 10.2 to the May 2000 8-K).
- 10.1(8) Schedule setting forth material details of the Subsidiary Guarantee (Term Loan Agreement) by the Company and certain of its subsidiaries, in favor of Bank of America, N.A., as Administrative Agent for the benefit of the Banks that are party to the Loan Agreement referred to therein (incorporated by reference to Exhibit 10.3 to the May 2000 8-K).
- 10.1(9) Guarantee, dated as of May 31, 2000, by certain subsidiaries of the Company, in favor of The Chase Manhattan Bank, as successor in interest to PNC Bank, National Association, as trustee for the benefit of the holders of Notes pursuant to the Indenture referred to therein (incorporated by reference to Exhibit 10.4 to the May 2000 8-K).
- 10.1(10) Schedule setting forth material details of the Guarantee, dated as of May 31, 2000, by certain subsidiaries of the Company, in favor of U.S. Trust Company, National Association (formerly known as U.S. Trust Company of California, N.A.), as trustee for the benefit of the holders of Notes pursuant to the Indenture referred to therein (incorporated by reference to Exhibit 10.5 to the May 2000 8-K).
- 10.1(11) Guarantee (Mirage Resorts, Incorporated 7.25% Senior Notes Due October 15, 2006), dated as of May 31, 2000, by the Company and certain of its subsidiaries, in favor of Firststar Bank of Minnesota, N.A., as trustee for the benefit of the holders of Notes pursuant to the Indenture referred to therein (incorporated by reference to Exhibit 10.6 to the May 2000 8-K).
- 10.1(12) Schedule setting forth material details of the Guarantee (Mirage Resorts, Incorporated 6.625% Notes Due February 1, 2005 and 6.75% Notes Due February 1, 2008), 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 10.7 to the May 2000 8-K).
- 10.1(13) 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 10.8 to the May 2000 8-K).
- 10.1(14) Instrument of Joinder, dated as of May 31, 2000, by MRI and certain of its wholly owned subsidiaries, in favor of the beneficiaries of the Guarantees referred to therein (incorporated by reference to Exhibit 10.9 to the May 2000 8-K).

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- 10.1(15) Omnibus Amendment Agreement, dated as of September 6, 2000, among the Company, as Borrower, MGM Grand Atlantic City, Inc. and MGM Grand Detroit, LLC, as Co-Borrowers, the Banks therein named and Bank of America, N.A., as Administrative Agent (incorporated by reference by Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 6, 2000).
- 10.1(16) Second Omnibus Amendment Agreement, dated as of December 21, 2000, among the Company, as Borrower, MGM Grand Atlantic City, Inc. and MGM Grand Detroit, LLC, as Co-Borrowers, the Banks therein named and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1(17) to the 2000 10-K).
- 10.1(17) Amendment and Restated 364-Day Loan Agreement, dated as of April 6, 2001, among the Company, as Borrower, MGM Grand Atlantic City, Inc. and MGM Grand Detroit, LLC, as Co-Borrowers, the Banks, Syndication Agent, Documentation Agents and Co- Documentation Agents therein named and Bank of America, N.A., as Administrative Agent, and Banc of

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America Securities LLC, as Lead Arranger and Sole Book Manager (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2001 (the "March 2001 10-Q")).

- 10.1(18) Third Amendment Agreement, dated as of April 6, 2001, among the Company, as Borrower, MGM Grand Atlantic City, Inc. and MGM Grand Detroit, LLC, as Co-Borrowers, the Banks therein named and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.3 to the March 2001 10-Q).
- 10.1(19) Fourth Amendment Agreement, dated as of December 11, 2001, among the Company, as borrower, MGM Grand Atlantic City, Inc. and MGM Grand Detroit, LLC, as Co-Borrowers, the Banks therein named and Bank of America, N.A., as Administrative Agent.
- 10.2(1) Lease, dated September 4, 1962, and Agreement, dated March 25, 1975, between the Trustees of the Fraternal Order of Eagles, Las Vegas Aerie 1213, and MRI (incorporated by reference to Exhibit 10(c) to Registration Statement No. 33-5694 filed by GNLV FINANCE CORP. and GNLV, CORP. (the "GNLV Registration Statement")).
- 10.2(2) Lease Agreement, dated July 1, 1973, and Amendment to Lease, dated February 27, 1979, between First National Bank of Nevada, Trustee under Private Trust No. 87, and MRI (incorporated by reference to Exhibit 10(d) to the GNLV Registration Statement).
- 10.2(3) Lease, dated April 30, 1976, between Elizabeth Properties Trust, Elizabeth Zahn, Trustee, and MRI (the "Elizabeth Properties Trust Lease") (incorporated by reference to Exhibit 10(e) to the GNLV Registration Statement).
- 10.2(4) Amended and Restated Ground Lease Agreement, dated July 1, 1993, between Primm South Real Estate Company and The Primadonna Corporation (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Primadonna Resorts, Inc. (Commission File No. 0-21732) for the fiscal quarter ended September 30, 1993).

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- 10.2(5) First Amendment to the Amended and Restated Ground Lease Agreement and Consent and Waiver, dated as of August 25, 1997, between The Primadonna Corporation and Primm South Real Estate Company (incorporated by reference to Exhibit 10.31 to the Annual Report on Form 10-K of Primadonna Resorts, Inc. for the fiscal year ended December 31, 1997).
- 10.2(6) 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 (the "MRI 1999 10-K")).
- 10.2(7) Letter agreement, dated March 21, 2000, amending the Elizabeth Properties Trust Lease (incorporated by reference to Exhibit 10.2(7) to the 2000 10-K).
- *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 (the "1996 10-K")).
- *10.3(2) Incentive Stock Option Plan (incorporated by reference to Exhibit 10(2) to the 1996 10-K).
- *10.3(3) 1997 Nonqualified Stock Option Plan, giving effect to amendment approved by the Company's shareholders on August 1, 2000 (incorporated by reference to Exhibit 10.3 to the September 2000 10-Q).
- *10.3(4) 1997 Incentive Stock Option Plan, giving effect to amendment approved by the Company's shareholders on August 1, 2000 (incorporated by reference to Exhibit 10.4 to the September 2000 10-Q).
- *10.3(5) Annual Performance Based Incentive Plan for Executive Officers, giving effect to amendment approved by the Company's shareholders on August 1, 2000 (incorporated by reference to Appendix I to the Company's definitive Proxy Statement filed under cover of Schedule 14A on July 6, 2000).
- *10.3(6) Employment Agreement, dated December 9, 1998, between the Company and Scott Langsner (incorporated by reference to Exhibit 10(33) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (the "1998 10-K")).
- *10.3(7) Employment Agreement, dated as of February 21, 2000, between the Company and J. Terrence Lanni (incorporated by

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reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2000 (the "June 2000 10-Q").

- *10.3(8) Employment Agreement, dated as of June 1, 2000, between the Company and John T. Redmond (incorporated by reference to Exhibit 10.2 to the June 2000 10-Q).
- *10.3(9) Employment Agreement, dated as of June 1, 2000, between the Company and Daniel M. Wade (incorporated by reference to Exhibit 10.3 to the June 2000 10-Q).
- *10.3(10) Employment Agreement, dated as of June 1, 2000, between the Company and James J. Murren (incorporated by reference to Exhibit 10.4 to the June 2000 10-Q).
- *10.3(11) Employment Agreement, dated as of June 1, 2000, between the Company and Gary N. Jacobs (incorporated by reference to Exhibit 10.5 to the June 2000 10-Q).

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- *10.3(12) Non-Qualified Deferred Compensation Plan, dated as of January 1, 2001 (incorporated by reference to Exhibit 10.3(12) to the 2000 10-K).
- *10.3(13) Supplemental Executive Retirement Plan, dated as of January 1, 2001 (incorporated by reference to Exhibit 10.3(13) to the 2000 10-K).
- *10.3(14) Employment Agreement, dated as of July 9, 2001, between the Company and William J. Hornbuckle.
- 10.4(1) An Agreement Between the City of Atlantic City and Mirage Resorts, Incorporated for the Development of the Huron North Redevelopment Area, dated May 3, 1996 (without exhibits) (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of MRI for the fiscal quarter ended March 31, 1996 (the "MRI March 1996 10-Q").
- 10.4(2) Completion Guaranty, dated as of May 3, 1996, by MRI in favor of the City of Atlantic City (incorporated by reference to Exhibit 10.2 to the MRI March 1996 10-Q).
- 10.4(3) Road Development Agreement, dated as of January 10, 1997, among MRI, the State of New Jersey (the "State") and South Jersey Transportation Authority ("SJTA") (without schedules or exhibits), and Assignment and Assumption Agreement, dated as of January 10, 1997, between MRI and Atlandia Design and Furnishings Inc. ("Atlandia") (incorporated by reference to Exhibit 99 to the Current Report on Form 8-K of MRI dated January 10, 1997).
- 10.4(4) First Amendment to Road Development Agreement, dated as of July 31, 1997, among the State, SJTA and Atlandia (incorporated by reference to Exhibit 10.7 to the Quarterly Report on Form 10-Q of MRI for the fiscal quarter ended September 30, 1997 (the "MRI September 1997 10-Q").
- 10.4(5) Design/Build Contract, dated September 8, 1997, between Atlandia and Yonkers Contracting Company, Inc./Granite Construction Company, a Joint Venture (incorporated by reference to Exhibit 10.13 to the MRI September 1997 10-Q).
- 10.4(6) Second Amendment to Road Development Agreement, dated as of October 10, 1997 among the State, SJTA and Atlandia (without schedules or exhibits) (incorporated by reference to Exhibit 10.10 to the MRI September 1997 10-Q).
- 10.4(7) An Amendment to the May 3, 1996 Agreement Between the City of Atlantic City and Mirage Resorts, Incorporated for the Development of the Huron North Redevelopment Area, dated January 8, 1998 (without exhibits) (incorporated by reference to Exhibit 10(nnn) to the MRI 1997 10-K).
- 10.4(8) A Second Amendment to the May 3, 1996 Agreement Between the City of Atlantic City and Mirage Resorts, Incorporated for the Development of the Huron North Redevelopment Area, dated December 15, 1998 (incorporated by reference to Exhibit 10.77 to the Annual Report on Form 10-K of MRI for the fiscal year ended December 31, 1998 (the "MRI 1998 10-K").
- 10.4(9) A Third Amendment to the May 3, 1996 Agreement Between the City of Atlantic City and Mirage Resorts, Incorporated for the Development of the Huron North Redevelopment Area, dated January 13, 1999 (without exhibits) (incorporated by reference to Exhibit 10.80 to the MRI 1998 10-K).

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- 10.4(10) Amended and Restated Third Amendment to Road Development Agreement, dated as of February 1, 1999, among the State, SJTA and AC Holding Corp. (incorporated by reference to Exhibit 10.76 to the MRI 1998 10-K).
- 10.4(11) Fourth Amendment to Road Development Agreement, dated as of October 30, 1999, among the State, SJTA and AC Holding Corp. (incorporated by reference to Exhibit 10.72 to the MRI 1999 10-K).
- 10.4(12) 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(13) H-Tract Tri-Party Agreement, dated October 18, 2000, among Marina District Development Company, MAC, CORP. and the City of Atlantic City (without exhibits) (incorporated by reference to Exhibit 10.4(13) to the 2000 10-K).
- 10.4(14) A Fourth Amendment to the May 3, 1996 Agreement Between the City of Atlantic City and Mirage Resorts, Incorporated for the Development of the Huron North Redevelopment Area, dated October 18, 2000 (without exhibits) (incorporated by reference to Exhibit 10.4(14) to the 2000 10-K).
- 10.4(15) 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).
- 10.5(1) Amended and Restated Development Agreement, dated as of April 9, 1998, among the City of Detroit, The Economic Development Corporation of the City of Detroit and MGM Grand Detroit, LLC for the City of Detroit Casino Development Project (the "Amended and Restated Development Agreement") (incorporated by reference to Exhibit 10(41) to the 1998 10-K).
- 10.5(2) First Amendment to the Amended and Restated Development Agreement, dated June 25, 1998 (incorporated by reference to Exhibit 10(42) to the 1998 10-K).
- 10.5(3) Letter dated January 26, 1999 from MGM Grand Detroit, LLC to the City of Detroit and The Economic Development Corporation of the City of Detroit (incorporated by reference to Exhibit 10(43) to the 1998 10-K).
- 10.5(4) Second Amendment to the Amended and Restated Development Agreement, dated December 1999 (incorporated by reference to Exhibit 10(24) to the 1999 10-K).
- 10.5(5) Third Amendment to the Amended and Restated Development Agreement, dated November 30, 2000.
- 10.5(6) Fourth Amendment to the Amended and Restated Development Agreement, dated November 2001.
- 10.6(1) Joint Venture Agreement of Victoria Partners, dated as of December 9, 1994, among MRGS Corp., Gold Strike L.V. and MRI (without exhibit) (the "Joint Venture Agreement") (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K of MRI dated December 9, 1994).

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- 10.6(2) Amendment No. 1 to the Joint Venture Agreement, dated as of April 17, 1995 (incorporated by reference to Exhibit 10(c) to the Quarterly Report on Form 10-Q of MRI for the fiscal quarter ended March 31, 1995).
- 10.6(3) Amendment No. 2 to the Joint Venture Agreement, dated as of September 25, 1995 (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q of MRI for the fiscal quarter ended September 30, 1995).
- 10.6(4) Amendment No. 3 to the Joint Venture Agreement, dated as of February 28, 1996 (incorporated by reference to Exhibit 10(nnn) to the Annual Report on Form 10-K of MRI for the fiscal year ended December 31, 1995).
- 10.6(5) Amendment No. 4 to the Joint Venture Agreement, dated as of May 29, 1996 (incorporated by reference to Exhibit 10(b)

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to the Quarterly Report on Form 10-Q of Mandalay Resort Group (Commission File No. 01-8570) for the fiscal quarter ended April 30, 1996).

- 10.7 Stock Purchase Agreement, dated as of April 14, 2000, between the Company and the Purchasers named therein (incorporated by reference to Exhibit 10.6 to the June 2000 10-Q).
 - 10.8 Casino Operator's Agreement, dated March 12, 2001, between Timothy Denney Baldwin, Minister for Racing, Gaming and Licensing, Diamond Leisure Pty. Limited and MGM Grand Australia Pty Ltd. (incorporated by reference to Exhibit 10.1 to the March 2001 10-Q).
 - 21 List of subsidiaries of the Company.
 - 23 Consent of Arthur Andersen LLP.
 - 99 Letter confirming receipt of representation letter from Arthur Andersen LLP.
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*
Management contract or compensatory plan or arrangement.

(b)
Reports on Form 8-K.

We filed the following Current Reports on Form 8-K during the three-month period ended December 31, 2001:

Current Report on Form 8-K, dated October 1, 2001, filed by the Company on October 2, 2001, in which events under Item 5, Other Events, and Item 7, Financial Statements and Exhibits, were reported.

Current Report on Form 8-K, dated October 30, 2001, filed by the Company on November 2, 2001, in which events under Item 5, Other Events, and Item 7, Financial Statements and Exhibits, were reported.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders
of MGM MIRAGE

We have audited the accompanying consolidated balance sheets of MGM MIRAGE (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity and cash flows for the years ended December 31, 2001, 2000 and 1999. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of MGM MIRAGE and subsidiaries as of December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years ended December 31, 2001, 2000 and 1999 in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial statement schedule of Valuation and Qualifying Accounts for the years ended December 31, 2001, 2000 and 1999 is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a required part of the basic financial statements. This schedule has been

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subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Las Vegas, Nevada
January 31, 2002

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MGM MIRAGE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

| | As of December 31, | |
|---|----------------------|----------------------|
| | 2001 | 2000 |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 208,971 | \$ 227,968 |
| Accounts receivable, net | 144,374 | 236,650 |
| Inventories | 78,037 | 86,279 |
| Income tax receivable | 12,077 | 11,264 |
| Deferred income taxes | 148,845 | 162,934 |
| Prepaid expenses and other | 69,623 | 70,549 |
| | <u>661,927</u> | <u>795,644</u> |
| Total current assets | 661,927 | 795,644 |
| Property and equipment, net | 8,891,645 | 9,064,233 |
| Other assets | | |
| Investment in unconsolidated affiliates | 632,949 | 521,807 |
| Goodwill, net | 103,059 | 54,281 |
| Deposits and other assets, net | 207,863 | 298,636 |
| | <u>943,871</u> | <u>874,724</u> |
| Total other assets | 943,871 | 874,724 |
| | <u>\$ 10,497,443</u> | <u>\$ 10,734,601</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 75,787 | \$ 65,317 |

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| | As of December 31, | |
|---|----------------------|----------------------|
| | 2001 | 2000 |
| Current portion of long-term debt | 168,079 | 521,308 |
| Accrued interest on long-term debt | 78,938 | 77,738 |
| Other accrued liabilities | 565,106 | 568,842 |
| Total current liabilities | 887,910 | 1,233,205 |
| Deferred income taxes | 1,746,272 | 1,730,158 |
| Long-term debt | 5,295,313 | 5,348,320 |
| Other long-term obligations | 57,248 | 40,473 |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Common stock, \$.01 par value: authorized 300,000,000 shares, issued 163,685,876 and 163,189,205 shares; outstanding 157,396,176 and 159,130,205 shares | 1,637 | 1,632 |
| Capital in excess of par value | 2,049,841 | 2,041,820 |
| Treasury stock, at cost (6,289,700 and 4,059,000 shares) | (129,399) | (83,683) |
| Retained earnings | 597,771 | 427,956 |
| Other comprehensive loss | (9,150) | (5,280) |
| Total stockholders' equity | 2,510,700 | 2,382,445 |
| | \$ 10,497,443 | \$ 10,734,601 |

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

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MGM MIRAGE AND SUBSIDIARIES

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

| | Year Ended December 31, | | |
|--------------------------------------|-------------------------|------------------|------------------|
| | 2001 | 2000 | 1999 |
| Revenues | | | |
| Casino | \$ 2,163,808 | \$ 1,785,978 | \$ 818,992 |
| Rooms | 846,215 | 614,707 | 258,364 |
| Food and beverage | 723,745 | 511,180 | 178,300 |
| Entertainment, retail and other | 646,105 | 457,898 | 187,803 |
| Income from unconsolidated affiliate | 36,816 | 22,068 | 6,084 |
| | 4,416,689 | 3,391,831 | 1,449,543 |
| Less promotional allowances | 407,071 | 286,343 | 112,606 |
| | 4,009,618 | 3,105,488 | 1,336,937 |

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| | Year Ended December 31, | | |
|---|--------------------------------|-------------------|------------------|
| | | | |
| Expenses | | | |
| Casino | 1,127,065 | 859,305 | 392,174 |
| Rooms | 239,725 | 183,760 | 82,862 |
| Food and beverage | 415,015 | 297,602 | 103,022 |
| Entertainment, retail and other | 425,536 | 287,665 | 113,848 |
| Provision for doubtful accounts | 71,244 | 42,016 | 19,597 |
| General and administrative | 597,899 | 438,082 | 203,775 |
| Preopening expenses and other | 5,106 | 5,624 | 71,496 |
| Restructuring costs | 23,721 | 23,519 | |
| Write-downs and impairments | 47,955 | 102,225 | |
| Depreciation and amortization | 390,726 | 293,181 | 126,610 |
| | 3,343,992 | 2,532,979 | 1,113,384 |
| Operating profit | 665,626 | 572,509 | 223,553 |
| Corporate expense | 37,724 | 34,793 | 13,685 |
| Operating income | 627,902 | 537,716 | 209,868 |
| Non-operating income (expense) | | | |
| Interest income | 6,106 | 12,964 | 2,142 |
| Interest expense, net | (349,478) | (272,856) | (59,853) |
| Interest expense from unconsolidated affiliate | (2,370) | (2,043) | (1,058) |
| Other, net | (4,571) | (741) | (946) |
| | (350,313) | (262,676) | (59,715) |
| Income before income taxes, extraordinary item and cumulative effect of change in accounting principle | 277,589 | 275,040 | 150,153 |
| Provision for income taxes | (106,996) | (108,880) | (55,029) |
| Income before extraordinary item and cumulative effect of change in accounting principle | 170,593 | 166,160 | 95,124 |
| Extraordinary item | | | |
| Loss on early retirements of debt, net of income tax benefits of \$419, \$2,983 and \$484 | (778) | (5,416) | (898) |
| Cumulative effect of change in accounting principle | | | |
| Preopening costs, net of income tax benefit of \$4,399 | | | (8,168) |
| Net income | \$ 169,815 | \$ 160,744 | \$ 86,058 |
| Basic Income Per Share of Common Stock | | | |
| Income before extraordinary item and cumulative effect of change in accounting principle | \$ 1.07 | \$ 1.15 | \$ 0.82 |
| Extraordinary item loss on early retirements of debt, net | | (0.04) | (0.01) |
| Cumulative effect of change in accounting principle preopening costs, net | | | (0.07) |
| Net income per share | \$ 1.07 | \$ 1.11 | \$ 0.74 |
| Diluted Income Per Share of Common Stock | | | |

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| | Year Ended December 31, | | |
|--|-------------------------|---------|---------|
| | | | |
| Income before extraordinary item and cumulative effect of change in accounting principle | \$ 1.06 | \$ 1.13 | \$ 0.80 |
| Extraordinary item loss on early retirements of debt, net | | (0.04) | (0.01) |
| Cumulative effect of change in accounting principle preopening costs, net | | | (0.07) |
| | | | |
| Net income per share | \$ 1.06 | \$ 1.09 | \$ 0.72 |
| | | | |

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

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MGM MIRAGE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

| | Year Ended December 31, | | |
|---|-------------------------|-------------|-----------|
| | 2001 | 2000 | 1999 |
| | | | |
| Cash flows from operating activities | | | |
| Net income | \$ 169,815 | \$ 160,744 | \$ 86,058 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 390,726 | 293,181 | 126,610 |
| Amortization of debt discount and issuance costs | 30,505 | 31,257 | 1,958 |
| Provision for doubtful accounts | 71,244 | 42,016 | 19,597 |
| Loss on early retirements of debt | 1,197 | 8,399 | 1,382 |
| Cumulative effect of change in accounting principle | | | 12,567 |
| Write-downs and impairments | 47,955 | 102,225 | |
| Income from unconsolidated affiliate | (34,446) | (20,025) | (5,026) |
| Distributions from unconsolidated affiliate | 36,000 | 24,000 | |
| Deferred income taxes | 65,619 | 35,595 | 27,489 |
| Changes in assets and liabilities: | | | |
| Accounts receivable | 23,726 | (57,281) | (13,884) |
| Inventories | 7,464 | 4,293 | (4,067) |
| Income taxes receivable and payable | (8,512) | 71,754 | (5,966) |
| Prepaid expenses | 1,070 | (2,731) | (9,332) |
| Accounts payable, accrued liabilities and other | (8,617) | 100,611 | 52,491 |
| | | | |
| Net cash provided by operating activities | 793,746 | 794,038 | 289,877 |
| | | | |
| Cash flows from investing activities | | | |
| Purchases of property and equipment | (327,936) | (336,499) | (375,260) |
| Acquisition of Primadonna Resorts, Inc., net of cash acquired | | | (13,346) |
| Acquisition of Mirage Resorts, Incorporated, net of cash acquired | | (5,315,466) | |
| Dispositions of property and equipment | 26,840 | 150,172 | 6,487 |
| Investment in joint venture | (38,250) | | |
| Change in construction payable | 3,368 | (14,361) | (9,507) |

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| | Year Ended December 31, | | |
|--|-------------------------|-------------|------------|
| Other | (16,227) | (17,018) | 4,933 |
| Net cash used in investing activities | (352,205) | (5,533,172) | (386,693) |
| Cash flows from financing activities | | | |
| Net borrowing (repayment) under bank credit facilities | (819,704) | 2,182,386 | 756,045 |
| Issuance of long-term debt | 400,000 | 1,547,052 | |
| Retirements of debt | | | (374,500) |
| Debt issuance costs | (8,529) | (75,099) | |
| Purchases of treasury stock | (45,716) | (52,579) | (295,235) |
| Sale of treasury stock | | 474,720 | |
| Cash dividend paid | | (11,341) | |
| Issuance of common stock | 9,974 | 780,441 | 50,072 |
| Other | 3,437 | | |
| Net cash provided by (used in) financing activities | (460,538) | 4,845,580 | 136,382 |
| Cash and cash equivalents | | | |
| Net increase (decrease) for the year | (18,997) | 106,446 | 39,566 |
| Balance, beginning of year | 227,968 | 121,522 | 81,956 |
| Balance, end of year | \$ 208,971 | \$ 227,968 | \$ 121,522 |
| Supplemental cash flow disclosures | | | |
| Interest paid, net of amounts capitalized | \$ 317,773 | \$ 200,716 | \$ 56,035 |
| State and federal income taxes paid | 19,342 | 30,537 | 26,068 |

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, except share amounts)

For the Years Ended December 31, 2001, 2000 and 1999

| | Common Stock | | Capital in Excess of Par Value | Treasury Stock | Retained Earnings | Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|------------------------------------|-----------------------|--------------|--------------------------------------|-------------------|----------------------|---|----------------------------------|
| | Shares Outstanding | Par Value | | | | | |
| Balances, December 31, 1998 | 104,066,188 | \$ 1,161 | \$ 968,199 | \$ (210,589) | \$ 192,606 | \$ (3,146) | \$ 948,231 |
| Net income | | | | | 86,058 | | 86,058 |
| Currency translation adjustment | | | | | | 1,997 | 1,997 |

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Common Stock

| | | | | | | | |
|--|--------------------|--------------|------------------|------------------|----------------|----------------|------------------|
| Total comprehensive income | | | | | | | 88,055 |
| Issuance of common stock pursuant to stock option grants | 3,358,254 | 33 | 43,096 | | (16) | | 43,113 |
| Issuance of common stock for Primadonna merger | 19,020,606 | 190 | 243,371 | | (95) | | 243,466 |
| Purchases of treasury stock | (12,565,200) | | | | (295,235) | | (295,235) |
| Tax benefit from stock option exercises | | | 6,959 | | | | 6,959 |
| Dividend payable | | | | | (11,388) | | (11,388) |
| Balances, December 31, 1999 | 113,879,848 | 1,384 | 1,261,625 | (505,824) | 267,165 | (1,149) | 1,023,201 |
| Net income | | | | | 160,744 | | 160,744 |
| Currency translation adjustment | | | | | | (4,131) | (4,131) |
| Total comprehensive income | | | | | | | 156,613 |
| Issuance of common stock pursuant to stock option grants | 1,244,157 | 13 | 16,880 | | | | 16,893 |
| Issuance of common stock in private placement | 46,500,000 | 235 | 756,368 | 474,720 | | | 1,231,323 |
| Purchases of treasury stock | (2,493,800) | | | | (52,579) | | (52,579) |
| Tax benefit from stock option exercises | | | 6,947 | | | | 6,947 |
| Dividend payment adjustment | | | | | 47 | | 47 |
| Balances, December 31, 2000 | 159,130,205 | 1,632 | 2,041,820 | (83,683) | 427,956 | (5,280) | 2,382,445 |
| Net income | | | | | 169,815 | | 169,815 |
| Currency translation adjustment | | | | | | (2,086) | (2,086) |
| Derivative loss from unconsolidated affiliate | | | | | | (1,784) | (1,784) |
| Total comprehensive income | | | | | | | 165,945 |
| Issuance of common stock pursuant to stock option grants | 496,671 | 5 | 5,884 | | | | 5,889 |
| Purchases of treasury stock | (2,230,700) | | | | (45,716) | | (45,716) |
| Tax benefit from stock option exercises | | | 2,137 | | | | 2,137 |
| | 157,396,176 | \$ 1,637 | \$ 2,049,841 | \$ (129,399) | \$ 597,771 | \$ (9,150) | \$ 2,510,700 |

Common Stock

Balances, December 31,
2001

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"), formerly known as MGM Grand, Inc., is a Delaware corporation, incorporated on January 29, 1986. As of December 31, 2001, approximately 52% of the outstanding shares of the Company's common stock were owned by Tracinda Corporation, a Nevada corporation wholly owned by Kirk Kerkorian.

On May 31, 2000, the Company completed the acquisition (the "Mirage Acquisition") of Mirage Resorts, Incorporated ("Mirage") (see Note 3). Mirage, through wholly owned subsidiaries, owns and operates the following hotel, casino and entertainment resorts: Bellagio, a European-style luxury resort; The Mirage, a tropically-themed destination resort; Treasure Island at The Mirage, a Caribbean-themed hotel and casino resort; and the Boardwalk Hotel and Casino, all of which are located on the Las Vegas Strip. Mirage owns a 50% interest in the joint venture that owns and operates the Monte Carlo Resort & Casino, a palatial-style hotel and casino also located on the Las Vegas Strip. Mirage owns and operates Shadow Creek, an exclusive world-class golf course located approximately ten miles north of its Las Vegas Strip properties. Mirage also owns and operates the Golden Nugget, a hotel and casino in downtown Las Vegas, the Golden Nugget-Laughlin, located in Laughlin, Nevada, and Beau Rivage, a beachfront resort located in Biloxi, Mississippi.

Through wholly owned subsidiaries, the Company owns and operates the MGM Grand Hotel and Casino ("MGM Grand Las Vegas"), a hotel, casino and entertainment complex, and New York-New York Hotel and Casino, a destination resort, both located on the Las Vegas Strip. The Company, through wholly owned subsidiaries, also owns and operates three resorts located in Primm, Nevada at the California/Nevada state line: Whiskey Pete's, Buffalo Bill's and the Primm Valley Resort (the "Primm Properties"), as well as two championship golf courses located near the Primm Properties. Prior to March 1, 1999, the Company was a 50% owner of New York-New York. The remaining 50% interest, along with the Primm Properties and the nearby golf courses, were acquired via the acquisition of Primadonna Resorts, Inc. on March 1, 1999 (the "Primadonna Acquisition") (see Note 3).

The Company, through its wholly owned subsidiary, MGM Grand Detroit, Inc., and its local partners formed MGM Grand Detroit, LLC, to develop a hotel, casino and entertainment complex in Detroit, Michigan. On July 29, 1999, MGM Grand Detroit, LLC commenced gaming operations in an interim facility located directly off of the John C. Lodge Expressway in downtown Detroit.

A limited liability company owned 50-50 with Boyd Gaming Corporation is developing the Borgata, a hotel and casino resort on 27 acres at Renaissance Pointe, located in the Marina area of Atlantic City, New Jersey. The Company also owns approximately 95 acres adjacent to the Borgata site which is available for future development.

Through its wholly owned subsidiary, MGM Grand Australia Pty Ltd., the Company owns and operates the MGM Grand Hotel and Casino in Darwin, Australia ("MGM Grand Australia"), which is located on 18 acres of beachfront property on the north central coast of Australia.

Through its wholly owned subsidiary, MGM Grand South Africa, Inc., the Company manages three permanent casinos and one interim casino in the Republic of South Africa. The Company receives management fees from its partner, Tsogo Sun Gaming & Entertainment, which is responsible for providing all project costs. The Company has entered into an agreement to sell its operations in South Africa. The transaction, which is subject to regulatory approval, is expected to be completed in the second quarter of 2002.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Principles of consolidation. The consolidated financial statements include the accounts of the Company and its subsidiaries. Investments in unconsolidated affiliates which are 50% or less owned are accounted for under the equity method (see Note 13). All significant intercompany balances and transactions have been eliminated in consolidation.

Management's use of estimates. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles. Those principles require 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.

Cash and cash equivalents. Cash and cash equivalents include investments in bank certificates of deposit and other interest bearing instruments with initial maturities of three months or less. Such investments are carried at cost which approximates market value.

Concentrations of credit risk. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of casino accounts receivable.

The Company extends credit to approved casino customers following background checks and investigations of creditworthiness. At December 31, 2001, a substantial portion of the Company's receivables was 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.

An estimated allowance for doubtful accounts is maintained to reduce the Company's receivables to their carrying amount, which approximates fair value. Management believes that as of December 31, 2001, no significant concentrations of credit risk existed for which an allowance had not already been determined and recorded.

Inventories. Inventories generally consist of food and beverage, retail merchandise and operating supplies, and are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

Property and equipment. Property and equipment are stated at cost. Maintenance and repairs that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in the determination of income. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|-----------------------------------|----------------|
| Buildings and improvements | 15 to 40 years |
| Equipment, furniture and fixtures | 3 to 7 years |
| Land improvements | 10 to 15 years |
| Leasehold improvement | 5 to 20 years |

Capital leases are depreciated over the estimated useful life of the assets or the life of the lease, whichever is shorter.

Goodwill. Goodwill represents the excess of purchase price over fair market value of net assets acquired in business combinations. The Company's goodwill relates to the 1995 acquisition of MGM Grand Australia and the 2000 Mirage Acquisition. The Company has historically amortized goodwill on a straight-line basis over 40 years.

Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," was issued in June 2001. The statement provides that goodwill will no longer be amortized effective

January 1, 2002, but will instead be reviewed for impairment upon adoption of the statement and at least annually thereafter. The balance of goodwill at December 31, 2001 was \$103 million. The Company has not yet completed its initial assessment of potential impairment of this balance.

Casino revenues and promotional allowances. Casino revenue is the aggregate net difference between gaming wins and losses. The retail value of accommodations, food and beverage, and other services furnished to hotel-casino guests without charge is included in gross revenue and then deducted as promotional allowances. The estimated cost of providing such promotional allowances was primarily included in casino expenses as follows:

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| | Year Ended December 31, | | |
|-------------------|-------------------------|------------|-----------|
| | 2001 | 2000 | 1999 |
| | (In thousands) | | |
| Rooms | \$ 66,702 | \$ 40,346 | \$ 18,627 |
| Food and beverage | 187,477 | 124,750 | 42,681 |
| Other | 19,203 | 22,516 | 11,701 |
| | \$ 273,382 | \$ 187,612 | \$ 73,009 |

Currency translation. The Company accounts for currency translation in accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation." The Australian results of operations and the balance sheet are translated from Australian dollars to U.S. dollars. Balance sheet accounts are translated at the exchange rate in effect at each year-end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments resulting from this process are charged or credited to other comprehensive income (loss).

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.

Corporate expense. Corporate expense represents unallocated payroll and aircraft costs, professional fees and various other expenses not directly related to the Company's hotel-casino 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 relatively certain.

Advertising. The Company expenses advertising costs the first time the advertising takes place. Advertising expense included in general and administrative expenses was \$47 million, \$41 million and \$29 million for 2001, 2000 and 1999, respectively.

Preopening expense. Effective January 1, 1999, the Company adopted Statement of Position 98-5 ("SOP 98-5"), "Reporting on the Costs of Start-up Activities." SOP 98-5 requires that all companies expense costs of start-up activities as those costs are incurred. The term "start-up" includes preopening, pre-operating and organization activities. As a result of the adoption of SOP 98-5, in 1999 the Company recognized a cumulative effect of the accounting change (net of tax) of \$8 million, relating principally to its development project in Detroit.

Related parties. The Company's related party transactions generally fall into the following categories:

Payment of license fees to an entity affiliated through common ownership

Payment of professional fees to firms affiliated with certain of our directors

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Payment to certain directors for consulting services outside of the scope of their duties as directors

Rental of aircraft from entities affiliated through common ownership.

Such transactions aggregated \$3 million in 2001, \$7 million in 2000 and \$2 million in 1999, and included aggregate payments of \$5 million for legal fees and \$2 million for license fees.

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,

| | 2001 | 2000 | 1999 |
|--|----------------|---------|---------|
| | (In thousands) | | |
| Weighted-average common shares outstanding (used in the calculation of basic earnings per share) | 158,771 | 145,300 | 116,580 |
| Potential dilution from the assumed exercise of common stock options | 2,051 | 2,601 | 3,506 |
| Weighted-average common and common equivalent shares (used in the calculation of diluted earnings per share) | 160,822 | 147,901 | 120,086 |

Reclassification. The consolidated financial statements for prior years reflect certain reclassifications to conform with the current year presentation, which have no effect on previously reported net income.

In the fourth quarter of 2000, the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board reached a consensus on Issue 00-14, "Accounting for Certain Sales Incentives." EITF 00-14 requires that sales incentives be recorded as a reduction of revenue. The Company's existing policy related to rooms, food and beverage and other non-casino revenues complied with EITF 00-14. The Company adopted EITF 00-14 in the first quarter of 2001 as it related to incentives to induce casino play, which were previously classified as operating expenses. Incentives of \$85 million for 2000 and \$41 million for 1999 have been reclassified to conform to the current presentation, with no effect on previously reported operating income or net income.

In the first quarter of 2001, the EITF reached a consensus on certain issues in EITF 00-22, "Accounting for 'Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future." EITF 00-22 requires that the redemption of points, such as points earned in slot players clubs, be recorded as a reduction of revenue. The Company adopted the consensus provisions of EITF 00-22 in the first quarter of 2001. Slot club incentives of \$41 million for 2000 and \$12 million for 1999, previously recorded as operating expenses, have been reclassified to conform to the current presentation, with no effect on previously recorded operating income or net income.

NOTE 3 ACQUISITIONS

On May 31, 2000, the Company completed the Mirage Acquisition whereby Mirage shareholders received \$21 per share in cash. The acquisition had a total equity value of approximately \$4.4 billion. In addition, the Company assumed approximately \$2.0 billion of Mirage's outstanding debt, of which approximately \$1.0 billion was refinanced and \$950 million remains outstanding. The transaction was accounted for as a purchase and, accordingly, the purchase price was allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of the acquisition. The estimated fair value of assets acquired and liabilities assumed (net of the debt refinanced at the

time of the acquisition) were \$8.0 billion and \$2.7 billion, respectively. The operating results for Mirage are included in the Consolidated Statements of Income from the date of acquisition.

On March 1, 1999, the Company completed the Primadonna Acquisition for approximately 19 million shares of the Company's common stock valued at approximately \$244 million plus the assumption of debt totaling \$315 million. Primadonna shareholders received .66 share of the Company's common stock for every Primadonna share held. The transaction was accounted for as a purchase and, accordingly, the purchase price was allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of the acquisition. The estimated fair value of assets acquired and liabilities assumed were \$742 million and \$498 million, respectively. The operating results for Primadonna are included in the Consolidated Statements of Income from the date of acquisition.

The following unaudited pro forma consolidated financial information for the Company has been prepared assuming both the Primadonna Acquisition and Mirage Acquisition had occurred on January 1, 1999:

Year Ended December 31,

| | 2000 | 1999 |
|--|--|--------------|
| | (In thousands, except per share amounts) | |
| Net Revenues | \$ 4,162,325 | \$ 3,770,353 |
| Operating Income | \$ 711,368 | \$ 538,536 |
| Income before Extraordinary Item and Cumulative Effect of Change in Accounting Principle | \$ 190,380 | \$ 109,987 |
| Net Income | \$ 184,964 | \$ 70,343 |
| Basic Earnings per Share | | |
| Income before Extraordinary Item and Cumulative Effect of Change in Accounting Principle | \$ 1.20 | \$ 0.66 |
| Net Income | \$ 1.16 | \$ 0.42 |
| Weighted Average Basic Shares Outstanding | 158,932 | 165,590 |
| Diluted Earnings per Share | | |
| Income before Extraordinary Item and Cumulative Effect of Change in Accounting Principle | \$ 1.18 | \$ 0.65 |
| Net Income | \$ 1.15 | \$ 0.41 |
| Weighted Average Diluted Shares Outstanding | 161,533 | 169,769 |

This unaudited pro forma consolidated financial information is not necessarily indicative of what the Company's actual results would have been had the acquisitions been completed on January 1, 1999, or of future results.

NOTE 4 ACCOUNTS RECEIVABLE, NET

Accounts receivable consisted of the following:

| | At December 31, | |
|--------|-----------------|------------|
| | 2001 | 2000 |
| | (In thousands) | |
| Casino | \$ 189,434 | \$ 239,382 |
| Hotel | 41,408 | 57,102 |
| Other | 16,504 | 23,556 |
| | 247,346 | 320,040 |

| | At December 31, | |
|---------------------------------------|-----------------|------------|
| | 2001 | 2000 |
| Less: Allowance for doubtful accounts | (102,972) | (83,390) |
| | \$ 144,374 | \$ 236,650 |

NOTE 5 PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

| | At December 31, | |
|---|-----------------|--------------|
| | 2001 | 2000 |
| | (In thousands) | |
| Land | \$ 4,116,008 | \$ 4,208,653 |
| Buildings and improvements | 3,740,468 | 3,628,126 |
| Equipment, furniture, fixtures and leasehold improvements | 1,770,270 | 1,654,154 |
| Equipment under capital lease | 4,994 | 26,256 |
| Construction in progress | 261,635 | 191,443 |
| | 9,893,375 | 9,708,632 |
| Less accumulated depreciation and amortization | (1,001,730) | (644,399) |
| | \$ 8,891,645 | \$ 9,064,233 |

NOTE 6 OTHER ACCRUED LIABILITIES

Other accrued liabilities consisted of the following:

| | At December 31, | |
|------------------------------|-----------------|------------|
| | 2001 | 2000 |
| | (In thousands) | |
| Accrued salaries and related | \$ 176,494 | \$ 146,030 |
| Casino front money | 63,421 | 76,706 |
| Casino chip liability | 53,201 | 56,639 |
| Other liabilities | 271,990 | 289,467 |
| | \$ 565,106 | \$ 568,842 |

NOTE 7 LONG-TERM DEBT

Long-term debt consisted of the following:

| | At December 31, | |
|--|-----------------|------|
| | 2001 | 2000 |

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At December 31,

(In thousands)

| | | |
|--|---------------------|---------------------|
| \$2.0 Billion Revolving Credit Facility | \$ 1,949,800 | \$ 1,634,500 |
| \$1.3 Billion Term Loan | | 461,000 |
| \$800 Million (Previously \$1.0 Billion) Revolving Credit Facility | 207,000 | 810,000 |
| MGM Grand Detroit, LLC Credit Facility, due 2003 | | 65,000 |
| Australian Bank Facility, due 2004 | 17,306 | 25,468 |
| \$300 Million 6.95% Senior Notes, due 2005, net | 299,249 | 296,568 |
| \$200 Million 6.625% Senior Notes, due 2005, net | 189,847 | 181,442 |
| \$250 Million 7.25% Senior Notes, due 2006, net | 221,427 | 225,313 |
| \$710 Million 9.75% Senior Subordinated Notes, due 2007, net | 703,204 | 701,949 |
| \$200 Million 6.75% Senior Notes, due 2007, net | 176,196 | 173,093 |
| \$200 Million 6.75% Senior Notes, due 2008, net | 174,426 | 171,446 |
| \$200 Million 6.875% Senior Notes, due 2008, net | 198,215 | 197,922 |
| \$850 Million 8.50% Senior Notes, due 2010, net | 845,610 | 845,103 |
| \$400 Million 8.375% Senior Subordinated Notes, due 2011 | 400,000 | |
| \$100 Million 7.25% Senior Debentures, due 2017, net | 79,982 | 79,450 |
| Other Notes | 1,130 | 1,374 |
| | <u>5,463,392</u> | <u>5,869,628</u> |
| Less Current Portion | (168,079) | (521,308) |
| | <u>\$ 5,295,313</u> | <u>\$ 5,348,320</u> |

Total interest incurred during 2001, 2000 and 1999 was \$428 million, \$364 million and \$76 million, respectively, of which \$79 million, \$91 million and \$16 million, respectively, was capitalized.

On April 11, 2000, the Company entered into three senior credit agreements providing for bank financing totaling \$4.3 billion from syndicates of banks each led by Bank of America, N.A. (collectively, the "Senior Facilities"). The Senior Facilities consisted of (1) a \$2.0 billion senior revolving credit facility which matures on May 31, 2005 (the "\$2.0 billion Revolving Credit Facility") which amended, extended and increased a \$1.25 billion facility; (2) a \$1.0 billion senior revolving credit facility which matured on April 6, 2001 and was replaced by an \$800 million senior revolving credit facility which matures on April 5, 2002 (the "\$800 million Revolving Credit Facility"); and (3) a \$1.3 billion senior term loan which matured on April 6, 2001 (the "\$1.3 billion Term Loan"). Interest on the Senior Facilities is based on the bank reference rate or Eurodollar rate. As of December 31, 2001 and 2000, the Company's borrowing rate was approximately 3.2% and 7.8%, respectively. The Senior Facilities contain certain covenants, including the requirement to maintain certain financial ratios. On May 31, 2000, the Company borrowed \$4.21 billion under the Senior Facilities to fund the Mirage Acquisition, refinance certain indebtedness of Mirage and the Company, pay fees and expenses in connection with the Mirage Acquisition and for general corporate purposes. On September 15, 2000, the Company used the proceeds from the issuance of senior notes to repay \$839 million of the \$1.3 billion Term Loan. The remaining balance was repaid during the first quarter of 2001, principally using the proceeds of a senior subordinated note offering. The Company intends to refinance the remaining balance of the \$800 million Revolving Credit Facility prior to or upon maturity through its renewal or through other financing alternatives. Stand-by letters of credit totaling \$50 million were outstanding as of December 31, 2001 under the \$2.0 billion Revolving Credit Facility, principally to support municipal financing used in connection with the proposed MGM Grand Detroit permanent casino.

On May 5, 2000, the Company's shelf registration statement, which allows the Company to issue a total of up to \$2.75 billion of debt and equity securities from time to time in public offerings, was declared effective by the Securities and Exchange Commission. On May 31, 2000, the Company issued under the shelf registration statement \$710 million of senior subordinated notes, which carry a coupon of 9.75% and are due on June 1, 2007. These senior subordinated notes contain certain basic covenants consistent with this type of indenture. Proceeds from this offering were used to repay a portion of the then outstanding borrowings under Mirage's senior credit facility. On September 15, 2000, the Company issued under the shelf registration statement \$850 million of senior notes, which carry a coupon of 8.50% and are due on September 15, 2010. These senior notes contain covenants consistent with the Company's other senior notes. On January 23, 2001, the Company issued under the shelf registration statement \$400 million of senior subordinated notes, which carry a coupon of 8.375% and are due on February 1, 2011. These senior subordinated notes contain covenants consistent with the Company's other senior subordinated notes. Proceeds from the September 2000 and January 2001 offerings were used to repay a portion of the \$1.3 billion Term Loan as discussed above. Remaining

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capacity under the shelf registration statement after issuance of these notes is \$790 million. Any future public offering of securities under the shelf registration statement will only be made by means of a prospectus supplement.

The Company established a commercial paper program during 2001 that provides for the issuance, on a revolving basis, of up to \$500 million outstanding principal amount of uncollateralized short-term notes. The Company is required to maintain credit availability under its revolving credit facility equal to the outstanding principal amount of commercial paper borrowings. No commercial paper borrowings were outstanding at December 31, 2001.

In connection with the Mirage Acquisition, all of the outstanding Mirage senior notes and debentures became obligations of the Company. The notes and debentures are in various tranches as follows: (1) \$200 million 6.625% senior notes due February 2005; (2) \$250 million 7.25% senior notes due October 2006; (3) \$200 million 6.75% senior notes due August 2007; (4) \$200 million 6.75% senior notes due February 2008; and (5) \$100 million 7.25% senior debentures due August 2017 (collectively, the "Mirage Notes"). The Mirage Notes as well as the Company's other senior notes are *pari passu* with the Senior Facilities and contain various restrictive covenants, in general similar to the Senior Facilities.

The Company and each of its material subsidiaries, including Mirage but excluding MGM Grand Detroit, LLC, are directly liable for or unconditionally guarantee the Senior Facilities, the senior notes, the Mirage Notes and the senior subordinated notes. MGM Grand Detroit, LLC is a guarantor under the Senior Facilities, but only to the extent that the proceeds of borrowings under such facilities are made available to MGM Grand Detroit, LLC. As of December 31, 2001, the Company was in compliance with all covenant provisions associated with the aforementioned obligations.

During January 2002, Moody's Investors Service lowered its rating on the Company's senior notes to one level below investment grade. As a result, substantially all of the Company's assets other than assets of its foreign subsidiaries and certain assets in use at MGM Grand Detroit have been pledged as collateral for the Company's senior notes and the Senior Facilities.

The Company attempts to limit its exposure to interest rate risk by managing the mix of its long-term fixed rate borrowings and short-term borrowings under its bank credit facilities and commercial paper program. Since the Mirage Acquisition was completed on May 31, 2000, the Company has issued \$1.25 billion of long-term fixed rate debt and reduced outstanding bank credit facility borrowings by \$2.20 billion. As a result, as of December 31, 2001, long-term fixed rate borrowings represented approximately 61% of the Company's total borrowings. During June 2001, the Company entered into interest rate swap agreements designated as fair value hedges of its \$500 million of fixed rate debt due in 2005. During September and October 2001, those swap agreements were

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terminated and replaced by new agreements designated as fair value hedges of \$550 million of fixed rate debt due in 2005 and 2006. Under the terms of these agreements, the Company makes payments based on specified spreads over six-month LIBOR, and receives payments equal to the interest payments due on the fixed rate debt. Giving effect to these agreements, the Company's fixed rate and floating rate borrowings represent approximately 51% and 49%, respectively, of total borrowings.

The interest rate swap agreements qualify for the "shortcut" method allowed under Statement of Financial Accounting Standards No. 133, which allows an assumption of no ineffectiveness in the hedging relationship. As such, there is no income statement impact from changes in the fair value of the hedging instruments. Instead, the fair value of the instruments is recorded as an asset or liability on the Company's balance sheet, with an offsetting adjustment to the carrying value of the related debt. Other long-term obligations in the accompanying December 31, 2001 consolidated balance sheet include \$13 million representing the fair value of the interest rate swap agreements at that date, with a corresponding aggregate decrease in the carrying value of the Company's 6.95% senior notes due in 2005 and 7.25% senior notes due in 2006. This is the principal amount the Company would have been required to pay had the swap agreements been terminated on that date. The Company received payments totaling \$13 million during September and October 2001 upon the termination of swap agreements as described above. This amount was added to the carrying value of the Company's 6.95% and 6.625% senior notes due in 2005, and will be amortized and recorded as a reduction in interest expense over the remaining life of those notes.

Maturities of the Company's long-term debt as of December 31, 2001 are as follows:

| | (In thousands) |
|---------------------------|----------------|
| Years ending December 31, | |
| 2002 | \$ 213,358 |
| 2003 | 6,352 |

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| | (In thousands) |
|---------------------------|----------------|
| 2004 | 5,164 |
| 2005 | 2,449,945 |
| 2006 | 250,157 |
| Thereafter | 2,660,260 |
| | 5,585,236 |
| Debt discount | (120,908) |
| Swap valuation adjustment | (12,758) |
| Swap deferred gain | 11,822 |
| | \$ 5,463,392 |

Amounts due in 2002 for which borrowing capacity was available under the Company's long-term credit facilities have been excluded from current liabilities in the accompanying consolidated balance sheet.

The estimated fair value of the Company's long-term debt at December 31, 2001 was approximately \$5.59 billion, versus its book value of approximately \$5.46 billion. At December 31, 2000, the estimated fair value of the Company's long-term debt was approximately \$6.01 billion, versus its book value of approximately \$5.87 billion. The estimated fair value of the Company's public debt securities was based on quoted market prices on or about December 31, 2001 and 2000. The estimated fair value of the Company's outstanding credit facility borrowings was assumed to approximate book value due to the short-term nature of the borrowings.

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NOTE 8 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, 2001, 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, | | |
| 2002 | \$ 16,603 | \$ 1,131 |
| 2003 | 13,579 | 1,209 |
| 2004 | 10,873 | 63 |
| 2005 | 8,733 | |
| 2006 | 8,709 | |
| Thereafter | 346,275 | |
| | \$ 404,772 | 2,403 |
| Amount representing interest | | (187) |
| Total obligation under capital leases | | 2,216 |

| | <u>Operating Leases</u> | <u>Capital Leases</u> |
|----------------------------------|-----------------------------|---------------------------|
| Less: amount due within one year | | (1,110) |
| Amount due after one year | | \$ 1,106 |

The current and long-term obligations under capital leases are included in the "Other accrued liabilities" and "Other long-term obligations" captions, respectively, in the accompanying consolidated balance sheets.

Rental expense for operating leases was \$24 million, \$18 million and \$9 million for the years ended December 31, 2001, 2000 and 1999, respectively.

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 9 STOCKHOLDERS' EQUITY

On March 1, 1999, the Company issued approximately 19 million shares of its common stock valued at approximately \$244 million in connection with the Primadonna Acquisition.

On June 10, 1999, the Company announced a \$25.00 per share tender offer for up to 12 million shares of its common stock. The offer commenced on June 17, 1999 and expired on July 23, 1999. Based upon the final results, 30.2 million shares of the Company's common stock were tendered, and accordingly, the shares were prorated. The total acquisition cost of the 12 million shares was approximately \$282 million. The Company recognized certain non-recurring compensation costs totaling approximately \$19 million related to exercisable options that were tendered.

On August 5, 1999, the Company announced a 12-month stock repurchase program for up to 10 million shares of its common stock. The Company purchased a total of 3.1 million shares for an approximate cost of \$66 million through February 2000. The repurchase program was suspended as a result of the Mirage Acquisition and subsequently expired.

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On December 13, 1999, the Board of Directors approved a two-for-one split of the Company's common stock and declared an initial quarterly cash dividend of \$0.10 per share, after giving effect to the stock split. The additional shares were distributed on February 25, 2000 to stockholders of record on February 10, 2000. All references to share and per share data herein have been adjusted retroactively to give effect to the stock split. Concurrently, the Board of Directors increased the number of authorized shares of the Company's common stock from 75 million shares to 300 million shares. As a result of the Mirage Acquisition, the Company announced on April 19, 2000 the discontinuance of the quarterly dividend policy.

On April 18, 2000, the Company completed a private placement of 46.5 million shares of its common stock for a total purchase price of \$1.23 billion. On May 18, 2000, as required by the private placement agreement, the Company filed a shelf registration statement to register the resale of these shares. Tracinda Corporation purchased 23 million shares in the private placement.

On August 29, 2001, the Company announced a stock repurchase program for up to 10 million shares of its common stock. The Company purchased a total of 2.2 million shares at a total cost of \$46 million through December 31, 2001.

NOTE 10 STOCK OPTION PLANS

The Company has adopted nonqualified stock option plans and incentive stock option plans which provide for the granting of stock options to eligible directors, officers and employees. The plans are administered by the Compensation and Stock Option Committee of the Board of Directors. Salaried officers, directors and other key employees of the Company and its subsidiaries are eligible to receive options. The exercise price in each instance is 100% of the fair market value of the Company's common stock on the date of grant. The options have 10-year terms and in most cases are exercisable in either four or five equal annual installments.

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On November 13, 2001, the Company offered its employees and members of its Board of Directors the opportunity to exchange all outstanding stock options to purchase shares of Company common stock which had an exercise price of at least \$23.00 per share for replacement options equal to 90% of the number of eligible options surrendered. On December 12, 2001, the Company accepted for cancellation approximately 5.7 million shares, which represented 52.4% of the options eligible for exchange. Subject to the terms and conditions of the exchange offer, the Company will grant approximately 5.1 million replacement options to an aggregate 199 option holders. The Company intends to grant the replacement options under its 1997 Nonqualified Stock Option Plan no earlier than June 13, 2002, the first business day that is at least six months and one day after the expiration of the offer and no later than July 5, 2002, the fifteenth business day thereafter.

As of December 31, 2001, the aggregate number of shares subject to options available for grant under all of the plans was 8.4 million. After giving effect to the numbers of options the Company is required to grant pursuant to the terms of the above mentioned exchange offer, the number of shares subject to options available for grant was 3.3 million.

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A summary of the status of the Company's nonqualified stock option and incentive stock option plans for each of the years ended December 31, 2001, 2000 and 1999 is presented below:

| | 2001 | | 2000 | | 1999 | |
|----------------------------------|-------------------|--|-------------------|--|-------------------|--|
| | Shares (000's) | Weighted Average Exercise Price | Shares (000's) | Weighted Average Exercise Price | Shares (000's) | Weighted Average Exercise Price |
| Outstanding at beginning of year | 17,567 | \$ 24.22 | 10,992 | \$ 17.00 | 9,402 | \$ 12.89 |
| Granted | 905 | \$ 29.41 | 8,738 | \$ 31.55 | 5,712 | \$ 21.11 |
| Exercised | (759) | \$ 17.23 | (1,244) | \$ 13.36 | (3,358) | \$ 12.00 |
| Terminated | (6,664) | \$ 31.49 | (919) | \$ 22.98 | (764) | \$ 19.00 |
| Outstanding at end of year | 11,049 | \$ 20.67 | 17,567 | \$ 24.22 | 10,992 | \$ 17.00 |
| Exercisable at end of year | 5,664 | \$ 18.10 | 3,536 | \$ 15.25 | 3,006 | \$ 14.02 |

The following table summarizes information about stock options outstanding at December 31, 2001:

| Range of Exercise Prices | Options Outstanding | | | Options Exercisable | |
|--------------------------|----------------------------------|---|--|----------------------------------|--|
| | Number Outstanding (000's) | Weighted Average Remaining Contractual Life (Years) | Weighted Average Exercise Price | Number Outstanding (000's) | Weighted Average Exercise Price |
| \$ 4.74 - \$ 9.47 | 75 | 0.6 | \$ 6.92 | 75 | \$ 6.92 |
| \$ 9.48 - \$14.21 | 4,289 | 5.3 | \$ 13.09 | 3,004 | \$ 13.03 |
| \$14.22 - \$18.94 | 878 | 5.8 | \$ 17.53 | 376 | \$ 16.97 |
| \$18.95 - \$23.68 | 911 | 7.8 | \$ 20.64 | 535 | \$ 20.38 |
| \$23.69 - \$28.41 | 2,439 | 7.8 | \$ 24.03 | 1,046 | \$ 23.93 |
| \$28.42 - \$33.15 | 1,926 | 8.3 | \$ 31.74 | 494 | \$ 32.46 |
| \$33.16 - \$37.88 | 531 | 8.4 | \$ 33.43 | 134 | \$ 33.44 |
| | 11,049 | 6.7 | \$ 20.67 | 5,664 | \$ 18.10 |

Had the Company accounted for these plans under the fair value method allowed by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"),

the Company's net income and earnings per share would have been reduced to the following pro forma amounts:

| | Year Ended December 31, | | |
|-----------------------------------|--|------------|-----------|
| | 2001 | 2000 | 1999 |
| | (In thousands, except per share amounts) | | |
| Net income | | | |
| As reported | \$ 169,815 | \$ 160,744 | \$ 86,058 |
| Pro forma | \$ 138,494 | \$ 135,455 | \$ 77,030 |
| Basic earnings per share | | | |
| As reported | \$ 1.07 | \$ 1.11 | \$ 0.74 |
| Pro forma | \$ 0.87 | \$ 0.93 | \$ 0.66 |
| Diluted earnings per share | | | |
| As reported | \$ 1.06 | \$ 1.09 | \$ 0.72 |
| Pro forma | \$ 0.86 | \$ 0.92 | \$ 0.64 |

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2001, 2000 and 1999, respectively: risk-free interest rates of 4% in 2001 and 6% in 2000 and 1999; no expected dividend yields for the years presented; expected lives of 5, 5 and 8 years, respectively; and expected volatility of 40%, 38% and 36%, respectively. The estimated weighted average fair value of options granted in 2001, 2000 and 1999 was \$12.23, \$13.25 and \$11.15, respectively.

NOTE 11 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 \$65 million in 2001, \$38 million in 2000 and \$5 million in 1999 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 for its non-union employees. The liability for claims filed and estimates of claims incurred but not reported is included in the "Other accrued liabilities" caption in the accompanying consolidated balance sheets.

The Company has a retirement savings plan under Section 401(k) of the Internal Revenue Code covering its non-union employees. The plans allow employees to defer, within prescribed limits, up to 20% (15% prior to August 1, 2001) of their income on a pre-tax basis through contributions to the plans. The Company matches, within prescribed limits, a portion of eligible employees' contributions. The Company recorded charges for matching contributions of \$15 million in 2001, \$12 million in 2000 and \$6 million in 1999.

The Company has maintained an employee stock purchase plan. The plan provided eligible employees the opportunity to purchase shares of the Company's common stock via payroll deductions. The price for each share of common stock was the weighted average price paid for all the shares purchased by the plan administrator on behalf of the participating employees on the last trading day of each month. The Company paid the administrative costs of the plan. The plan was discontinued effective February 4, 2002.

The Company and MGM Grand Las Vegas maintain a nonqualified deferred retirement plan for certain key employees. The plan allows 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 retirement fund. All deferred amounts vest immediately. There are no employer matching contributions made under this plan.

The Company implemented a second nonqualified deferred retirement plan effective January 1, 2001 for certain key employees. The plan allows 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 retirement fund. Participants receive a Company match of up to 4% of salary, net of any Company match received under the Company's 401(k) 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 2001.

The Company implemented a supplemental executive retirement plan (the "SERP") effective January 1, 2001 for certain key employees. The SERP is a nonqualified plan under which the Company makes quarterly contributions which are 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%. Company contributions and investment earnings on the contributions are tax-deferred and accumulate as a retirement fund. Employees do not make contributions under this plan. A portion of the Company contributions and investment earnings thereon vests 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 of \$4 million under this plan in 2001.

NOTE 12 INCOME TAXES

The Company accounts for income taxes according to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 requires the recognition of deferred tax assets, net of applicable reserves, related to net operating loss carryforwards and certain temporary differences. The standard requires recognition of a future tax benefit to the extent that realization of such benefit is more likely than not. Otherwise, a valuation allowance is applied. At December 31, 2001, the Company believes that it is more likely than not that its deferred tax assets are fully realizable because of the future reversal of existing taxable temporary differences and future projected taxable income. Accordingly, there is no valuation allowance at December 31, 2001.

The Company acquired Mirage on May 31, 2000 through a stock merger. The respective deferred tax assets and liabilities of Mirage have been consolidated with the MGM MIRAGE deferred balances, and are reflected in the December 31, 2001 and 2000 deferred tax assets and liabilities below.

The provision for income taxes and income from continuing operations before extraordinary item and cumulative effect of change in accounting principle for the years ended December 31, 2001, 2000 and 1999 are as follows:

| | Year Ended December 31, | | |
|---|-------------------------|-----------|-----------|
| | 2001 | 2000 | 1999 |
| | (In thousands) | | |
| Current federal | \$ 28,505 | \$ 26,303 | \$ 26,035 |
| Deferred federal | 69,124 | 72,322 | 26,188 |
| Provision for federal income taxes | 97,629 | 98,625 | 52,223 |
| Current state | 6,156 | 6,365 | 803 |
| Deferred state | 366 | 421 | (320) |
| Provision for city and state income taxes | 6,522 | 6,786 | 483 |

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Year Ended December 31,

| | Year Ended December 31, | | |
|------------------------------------|-------------------------|------------|-----------|
| | | | |
| Current foreign | 3,436 | 4,325 | 2,945 |
| Deferred foreign | (591) | (856) | (622) |
| Provision for foreign income taxes | 2,845 | 3,469 | 2,323 |
| Total | \$ 106,996 | \$ 108,880 | \$ 55,029 |

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

Year Ended December 31,

| | 2001 | 2000 | 1999 |
|-----------------------------------|-------|-------|-------|
| Federal income tax statutory rate | 35.0% | 35.0% | 35.0% |
| State income tax rate | 1.5% | 1.6% | 0.2% |
| Permanent and other items | 2.1% | 3.0% | 1.4% |
| Effective tax rate | 38.6% | 39.6% | 36.6% |

As of December 31, 2001 and 2000, the major tax effected components of the Company's net deferred tax liability are as follows:

| | 2001 | 2000 |
|---|----------------|----------------|
| (In thousands) | | |
| Deferred Tax Assets Federal and State | | |
| Bad debt reserve | \$ 48,492 | \$ 27,738 |
| Tax credit carryforwards | 57,599 | 64,754 |
| Net operating loss carryforward | 18,912 | 40,382 |
| Preopening costs | 67,261 | 75,810 |
| | 192,264 | 208,684 |
| Deferred Tax Liabilities Federal and State | | |
| Depreciation and amortization | (1,815,686) | (1,804,081) |
| Accruals, reserves and other | 27,291 | 30,060 |
| | (1,788,395) | (1,774,021) |
| Deferred Tax Liabilities Foreign | | |
| Depreciation, amortization and other | (1,296) | (1,887) |
| Net Deferred Tax Liability | \$ (1,597,427) | \$ (1,567,224) |

For U.S. federal income tax return purposes, the Company has a net operating loss carryforward of \$28 million, which will expire in 2019, an alternative minimum tax credit carryforward of \$50 million, which does not expire, and a general business tax credit carryforward of \$8 million, which expires in different periods through 2021. For state tax purposes, the Company has a New Jersey net operating loss

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carryforward of \$101 million, which equates to a \$6 million deferred tax asset, after federal tax effect. The New Jersey net operating losses will begin to expire in 2002 if not utilized.

Undistributed earnings of the Company's foreign subsidiaries amounted to \$13 million at December 31, 2001. Those earnings are considered to be indefinitely reinvested in the operations of the foreign subsidiaries and, accordingly, no provision for U.S. federal or state income taxes has been provided thereon in accordance with APB Opinion 23.

NOTE 13 INVESTMENTS IN UNCONSOLIDATED AFFILIATES

The Company has investments in unconsolidated affiliates that are accounted for under the equity method. These investments were acquired in the Mirage Acquisition and were recorded at their estimated fair value at the date of acquisition. This value exceeded the Company's share of the net assets of the unconsolidated affiliates by approximately \$361 million. Substantially all of this difference relates to the excess of the fair value of land owned by the affiliates over its carrying value on the books of the affiliates. Under the equity method, carrying value is adjusted by the Company's share of earnings, losses and distributions of these companies. The investment balance also includes interest capitalized during construction. Investments in unconsolidated affiliates consist of the following:

| | At December 31, | |
|--|-----------------|------------|
| | 2001 | 2000 |
| | (In thousands) | |
| Victoria Partners (50%) (Monte Carlo, Las Vegas, Nevada) | \$ 383,218 | \$ 384,773 |
| Marina District Development Company (50%) (The Borgata, Atlantic City, New Jersey, a development-stage enterprise) | 249,731 | 137,034 |
| | \$ 632,949 | \$ 521,807 |

Summarized balance sheet information of the unconsolidated affiliates at December 31, 2001 and 2000 is as follows:

| | 2001 | 2000 |
|--------------------------------------|----------------|------------|
| | (In thousands) | |
| Current assets | \$ 30,756 | \$ 107,590 |
| Property and other assets, net | 627,089 | 447,969 |
| Current liabilities | 66,628 | 31,273 |
| Long-term debt and other liabilities | 90,230 | 87,000 |
| Equity | 500,987 | 437,286 |

Summarized results of operations of the unconsolidated affiliates for the years ended December 31, 2001 and 2000 are as follows:

| | 2001 | 2000 |
|------------------|----------------|------------|
| | (In thousands) | |
| Revenues | \$ 255,864 | \$ 276,558 |
| Expenses | 190,488 | 201,412 |
| Operating income | 65,376 | 75,146 |
| Net income | 64,161 | 69,260 |

NOTE 14 RESTRUCTURING COSTS

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During the first quarter of 2000, management initiated and completed a restructuring plan designed to consolidate certain general and administrative functions at New York-New York and MGM Grand Las Vegas. This restructuring resulted in a charge against earnings in the first quarter of 2000 totaling \$5 million. Approximately 70 people were affected by the reductions, primarily at the Company's operating properties (excluding the Mirage properties).

In connection with the Mirage Acquisition, management initiated a comprehensive restructuring plan designed to reduce costs and improve efficiencies of the combined operations of the Company. This restructuring resulted in a charge against earnings in the second quarter of 2000 totaling \$18 million, primarily related to the accrual of costs associated with contract terminations and staffing reductions of approximately \$6 million, the buyout of various leases of approximately \$11 million and other related restructuring costs of \$1 million. Approximately 125 people were affected by the reductions, primarily at the Company's operating properties (excluding the Mirage properties), relating to duplicative functions within marketing, entertainment, retail, information systems and human resources.

Approximately \$12 million of payments have been applied against the 2000 restructuring accruals, leaving a remaining unpaid balance of \$11 million as of December 31, 2001. The remaining balance relates principally to the lease buyouts discussed above.

During the third quarter of 2001, management responded to a decline in business volumes caused by the September 11 attacks by implementing cost containment strategies which included a significant reduction in payroll and a refocusing of several of the Company's marketing programs. Approximately 6,400 employees (on a full-time equivalent basis) were laid off or terminated, resulting in a \$20 million charge against earnings, primarily related to the accrual of severance pay, extended health care coverage and other related costs in connection with these personnel reductions.

During the fourth quarter of 2001, there were additional personnel reductions related to the September 11 attacks, resulting in a \$2 million charge against earnings. An additional \$2 million fourth quarter restructuring charge related to the termination of the Holiday Inn franchise agreement at the Boardwalk Hotel and Casino.

Approximately \$8 million of payments have been applied against the 2001 restructuring accruals, leaving a remaining unpaid balance of \$16 million at December 31, 2001.

NOTE 15 ASSET WRITE-DOWNS AND IMPAIRMENTS

During June 2000, the Company recognized a charge against earnings of \$102 million related to certain projects previously under development which management has determined not to pursue (\$49 million), the divesting of certain non-strategic assets (\$19 million) and the re-evaluation of certain other assets (\$34 million), all as a result of the Mirage acquisition.

During September 2001, the Company reassessed the carrying value of certain assets in light of the September 11 attacks, and recognized an impairment charge of \$47 million. Most of this charge related to the Company's land on the Atlantic City Boardwalk, which is included in the "Deposits and other assets, net" caption in the accompanying consolidated balance sheet.

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NOTE 16 CONSOLIDATING CONDENSED FINANCIAL INFORMATION

The Company's subsidiaries (excluding MGM Grand Detroit, LLC and certain minor subsidiaries) have fully and unconditionally guaranteed, on a joint and several basis, payment of the Senior Facilities, the senior notes, the Mirage Notes, and the senior subordinated notes. Separate condensed financial statement information for the subsidiary guarantors and non-guarantors as of December 31, 2001 and 2000 and for the years ended December 31, 2001, 2000 and 1999 is as follows:

As of and for the Year Ended December 31, 2001

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elimination | Consolidated |
|----------------------|----------------|---------------------------|-------------------------------|-------------|--------------|
| | (In thousands) | | | | |
| Balance Sheet | | | | | |
| Current assets | \$ 19,613 | \$ 469,078 | \$ 65,423 | \$ 107,813 | \$ 661,927 |

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As of and for the Year Ended December 31, 2001

| | | | | | |
|---|---------------------|----------------------|-------------------|-----------------------|----------------------|
| Property and equipment, net | 11,616 | 8,715,875 | 176,126 | (11,972) | 8,891,645 |
| Investment in subsidiaries | 7,128,853 | 126,895 | | (7,255,748) | |
| Investment in unconsolidated affiliates | 127,902 | 847,212 | | (342,165) | 632,949 |
| Intercompany note receivable | 94,124 | (94,124) | | | |
| Other non-current assets | 46,315 | 237,685 | 26,922 | | 310,922 |
| | <u>\$ 7,428,423</u> | <u>\$ 10,302,621</u> | <u>\$ 268,471</u> | <u>\$ (7,502,072)</u> | <u>\$ 10,497,443</u> |
| Current liabilities | \$ 311,389 | \$ 721,976 | \$ 45,032 | \$ (190,487) | \$ 887,910 |
| Deferred income taxes | 159,481 | 1,486,849 | 2,761 | 97,181 | 1,746,272 |
| Long-term debt | 4,441,352 | 842,793 | 11,168 | | 5,295,313 |
| Other non-current liabilities | 5,501 | 51,153 | 594 | | 57,248 |
| Stockholders' equity | 2,510,700 | 7,199,850 | 208,916 | (7,408,766) | 2,510,700 |
| | <u>\$ 7,428,423</u> | <u>\$ 10,302,621</u> | <u>\$ 268,471</u> | <u>\$ (7,502,072)</u> | <u>\$ 10,497,443</u> |

Statement of Operations

| | | | | | |
|--|-------------------|-------------------|-------------------|---------------------|-------------------|
| Net revenues | \$ | \$ 3,613,231 | \$ 396,387 | \$ | \$ 4,009,618 |
| Equity in subsidiaries earnings | 559,172 | 92,007 | | (651,179) | |
| Expenses: | | | | | |
| Casino and hotel operations | | 2,019,578 | 187,763 | | 2,207,341 |
| Provision for doubtful accounts | | 70,484 | 760 | | 71,244 |
| General and administrative | | 552,300 | 45,599 | | 597,899 |
| Depreciation and amortization | 1,079 | 361,424 | 28,223 | | 390,726 |
| Preopening expenses and other non-recurring expenses | | 5,006 | 100 | | 5,106 |
| Restructuring costs | | 23,749 | (28) | | 23,721 |
| Write-downs and impairments | | 47,720 | 235 | | 47,955 |
| Corporate expense | 10,073 | 27,651 | | | 37,724 |
| | <u>11,152</u> | <u>3,107,912</u> | <u>262,652</u> | | <u>3,381,716</u> |
| Operating income | 548,020 | 597,326 | 133,735 | (651,179) | 627,902 |
| Interest expense, net | (286,231) | (40,759) | (18,752) | | (345,742) |
| Other, net | 297 | (4,748) | (120) | | (4,571) |
| | <u>262,086</u> | <u>551,819</u> | <u>114,863</u> | <u>(651,179)</u> | <u>277,589</u> |
| Income before income taxes and extraordinary item | 262,086 | 551,819 | 114,863 | (651,179) | 277,589 |
| Provision for income taxes | (91,493) | (2,713) | (12,790) | | (106,996) |
| | <u>170,593</u> | <u>549,106</u> | <u>102,073</u> | <u>(651,179)</u> | <u>170,593</u> |
| Income before extraordinary item | 170,593 | 549,106 | 102,073 | (651,179) | 170,593 |
| Extraordinary item | (778) | | | | (778) |
| | <u>\$ 169,815</u> | <u>\$ 549,106</u> | <u>\$ 102,073</u> | <u>\$ (651,179)</u> | <u>\$ 169,815</u> |

Statement of Cash Flows

| | | | | | |
|---|--------------|------------|------------|----------|------------|
| Net cash provided by (used in) operating activities | \$ (312,910) | \$ 979,451 | \$ 123,180 | \$ 4,025 | \$ 793,746 |
| Net cash provided by (used in) investing activities | (80) | (314,219) | (37,783) | (123) | (352,205) |

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As of and for the Year Ended December 31, 2001

| | | | | | |
|---|---------|-----------|----------|---------|-----------|
| Net cash provided by (used in) financing activities | 326,967 | (712,425) | (71,178) | (3,902) | (460,538) |
| | | 79 | | | |

As of and for the Year Ended December 31, 2000

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elimination | Consolidated |
|---|---------------------|------------------------|----------------------------|-----------------------|----------------------|
| (In thousands) | | | | | |
| Balance Sheet | | | | | |
| Current assets | \$ 135,645 | \$ 680,020 | \$ 67,237 | \$ (87,258) | \$ 795,644 |
| Property and equipment, net | 12,459 | 8,892,985 | 170,761 | (11,972) | 9,064,233 |
| Investment in subsidiaries | 6,568,338 | 66,355 | | (6,634,693) | |
| Investment in unconsolidated affiliates | 127,902 | 736,070 | | (342,165) | 521,807 |
| Intercompany note receivable | 762,209 | (762,209) | | | |
| Other non-current assets | 53,903 | 269,163 | 29,851 | | 352,917 |
| | <u>\$ 7,660,456</u> | <u>\$ 9,882,384</u> | <u>\$ 267,849</u> | <u>\$ (7,076,088)</u> | <u>\$ 10,734,601</u> |
| Current liabilities | \$ 747,026 | \$ 788,396 | \$ 71,181 | \$ (373,398) | \$ 1,233,205 |
| Deferred income taxes | 98,368 | 1,521,304 | 3,949 | 106,537 | 1,730,158 |
| Long-term debt | 4,432,617 | 831,903 | 83,800 | | 5,348,320 |
| Other non-current liabilities | | 39,775 | 698 | | 40,473 |
| Stockholders' equity | 2,382,445 | 6,701,006 | 108,221 | (6,809,227) | 2,382,445 |
| | <u>\$ 7,660,456</u> | <u>\$ 9,882,384</u> | <u>\$ 267,849</u> | <u>\$ (7,076,088)</u> | <u>\$ 10,734,601</u> |

Statement of Operations

| | | | | | |
|--|--------|---------------|------------------|----------------|--------------|
| Net revenues | \$ | \$ 2,669,427 | \$ 436,061 | \$ | \$ 3,105,488 |
| Equity in subsidiaries earnings | | 525,352 | 89,832 | (615,184) | |
| Expenses: | | | | | |
| Casino and hotel operations | | 1,427,540 | 200,792 | | 1,628,332 |
| Provision for doubtful accounts | | 40,499 | 1,517 | | 42,016 |
| General and administrative | | 381,611 | 56,471 | | 438,082 |
| Depreciation and amortization | 1,046 | 256,329 | 36,164 | (358) | 293,181 |
| Preopening expenses and other non-recurring expenses | | 3,258 | 2,366 | | 5,624 |
| Restructuring costs | 159 | 21,515 | 1,845 | | 23,519 |
| Write-downs and impairments | 26,444 | 72,058 | 3,723 | | 102,225 |
| Corporate expense | 26,272 | 8,521 | | | 34,793 |
| | | <u>53,921</u> | <u>2,211,331</u> | <u>302,878</u> | <u>(358)</u> |
| Operating income | | 471,431 | 547,928 | 133,183 | (614,826) |
| Interest expense, net | | (200,286) | (33,800) | (27,849) | (261,935) |
| Other, net | | 287 | (1,028) | | (741) |
| Income before income taxes and extraordinary item | | 271,432 | 513,100 | 105,334 | (614,826) |
| Provision for income taxes | | (105,272) | (139) | (3,469) | (108,880) |

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As of and for the Year Ended December 31, 2000

| | | | | | |
|----------------------------------|------------|------------|------------|--------------|------------|
| Income before extraordinary item | 166,160 | 512,961 | 101,865 | (614,826) | 166,160 |
| Extraordinary item | (5,416) | | | | (5,416) |
| Net income | \$ 160,744 | \$ 512,961 | \$ 101,865 | \$ (614,826) | \$ 160,744 |

Statement of Cash Flows

| | | | | | |
|---|--------------|------------|------------|------------|-------------|
| Net cash provided by (used in) operating activities | \$ (120,114) | \$ 661,274 | \$ 137,954 | \$ 114,924 | \$ 794,038 |
| Net cash provided by (used in) investing activities | (5,004,606) | (403,987) | (25,803) | (98,776) | (5,533,172) |
| Net cash provided by (used in) financing activities | 5,126,153 | (155,178) | (109,247) | (16,148) | 4,845,580 |

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For the Year Ended December 31, 1999

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elimination | Consolidated |
|--|-----------|------------------------|----------------------------|--------------|--------------|
| (In thousands) | | | | | |
| Statement of Operations | | | | | |
| Net revenues | \$ 7,659 | \$ 1,114,338 | \$ 217,127 | \$ (2,187) | \$ 1,336,937 |
| Equity in subsidiaries earnings | 166,246 | (23,477) | | (142,769) | |
| Expenses: | | | | | |
| Casino and hotel operations | | 587,713 | 104,411 | (218) | 691,906 |
| Provision for doubtful accounts | | 19,072 | 525 | | 19,597 |
| General and administrative | | 172,033 | 31,742 | | 203,775 |
| Depreciation and amortization | 771 | 107,716 | 18,479 | (356) | 126,610 |
| Preopening expenses and other non-recurring expenses | 18,526 | 8,664 | 44,306 | | 71,496 |
| Corporate expense | 15,655 | | | (1,970) | 13,685 |
| | 34,952 | 895,198 | 199,463 | (2,544) | 1,127,069 |
| Operating income | 138,953 | 195,663 | 17,664 | (142,412) | 209,868 |
| Interest expense, net | (4,028) | (39,533) | (15,208) | | (58,769) |
| Other, net | | (134) | (812) | | (946) |
| Income before income taxes, extraordinary item and cumulative effect of change in accounting principle | 134,925 | 155,996 | 1,644 | (142,412) | 150,153 |
| Provision for income taxes | (54,107) | | (922) | | (55,029) |
| Income before extraordinary item and cumulative effect of change in accounting principle | 80,818 | 155,996 | 722 | (142,412) | 95,124 |
| Extraordinary item | 484 | (1,382) | | | (898) |
| Cumulative effect of change in accounting principle | 4,399 | (692) | (11,875) | | (8,168) |
| Net income (loss) | \$ 85,701 | \$ 153,922 | \$ (11,153) | \$ (142,412) | \$ 86,058 |

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For the Year Ended December 31, 1999

Statement of Cash Flows

| | | | | | |
|---|--------------|------------|-----------|-----------|------------|
| Net cash provided by (used in) operating activities | \$ (104,939) | \$ 311,665 | \$ 35,748 | \$ 47,403 | \$ 289,877 |
| Net cash provided by (used in) investing activities | (33) | (233,551) | (145,870) | (7,239) | (386,693) |
| Net cash provided by (used in) financing activities | 80,210 | (85,819) | 138,462 | 3,529 | 136,382 |
| | | 81 | | | |

NOTE 17 SELECTED QUARTERLY FINANCIAL RESULTS (UNAUDITED)

| | Quarter | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| | First | Second | Third | Fourth | Total |
| (In thousands, except per share amounts) | | | | | |
| 2001 | | | | | |
| Net revenues | \$ 1,068,772 | \$ 1,051,676 | \$ 992,889 | \$ 896,281 | \$ 4,009,618 |
| Operating profit | 246,792 | 226,328 | 69,433 | 123,073 | 665,626 |
| Operating income | 235,968 | 215,953 | 61,025 | 114,956 | 627,902 |
| Income (loss) before extraordinary item | 84,672 | 76,586 | (14,353) | 23,688 | 170,593 |
| Net income (loss) | 83,894 | 76,586 | (14,353) | 23,688 | 169,815 |
| Basic income (loss) per share | | | | | |
| Income (loss) before extraordinary item | \$ 0.54 | \$ 0.48 | \$ (0.09) | \$ 0.15 | \$ 1.07 |
| Net income (loss) | \$ 0.53 | \$ 0.48 | \$ (0.09) | \$ 0.15 | \$ 1.07 |
| Diluted income (loss) per share | | | | | |
| Income (loss) before extraordinary item | \$ 0.53 | \$ 0.47 | \$ (0.09) | \$ 0.15 | \$ 1.06 |
| Net income (loss) | \$ 0.52 | \$ 0.47 | \$ (0.09) | \$ 0.15 | \$ 1.06 |
| 2000 | | | | | |
| Net revenues | \$ 423,282 | \$ 603,513 | \$ 1,048,696 | \$ 1,029,997 | \$ 3,105,488 |
| Operating profit | 98,021 | 18,309 | 236,772 | 219,407 | 572,509 |
| Operating income | 92,442 | 11,202 | 224,823 | 209,249 | 537,716 |
| Income (loss) before extraordinary item | 44,305 | (18,261) | 72,114 | 68,002 | 166,160 |
| Net income (loss) | 44,305 | (18,994) | 67,431 | 68,002 | 160,744 |
| Basic income (loss) per share | | | | | |
| Income (loss) before extraordinary item | \$ 0.39 | \$ (0.13) | \$ 0.45 | \$ 0.43 | \$ 1.15 |
| Net income (loss) | \$ 0.39 | \$ (0.13) | \$ 0.42 | \$ 0.43 | \$ 1.11 |
| Diluted income (loss) per share | | | | | |
| Income (loss) before extraordinary item | \$ 0.38 | \$ (0.13) | \$ 0.45 | \$ 0.42 | \$ 1.13 |

Quarter

| | Quarter | | | | |
|-------------------|---------|-----------|---------|---------|---------|
| Net income (loss) | \$ 0.38 | \$ (0.13) | \$ 0.42 | \$ 0.42 | \$ 1.09 |

Because income (loss) per share amounts are calculated using the weighted average number of common and dilutive common equivalent shares outstanding during each quarter, the sum of the per share amounts for the four quarters may not equal the total income per share amounts for the year.

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/ J. TERRENCE LANNI

J. Terrence Lanni
*Chairman and Chief Executive Officer
 (Principal Executive Officer)*

By: /s/ JAMES J. MURREN

James J. Murren
*President, Chief Financial Officer
 and Treasurer
 (Principal Financial and Accounting Officer)*

Dated: March 25, 2002

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/ J. TERRENCE LANNI J. Terrence Lanni | Chairman and Chief Executive Officer (Principal Executive Officer) | March 25, 2002 |
| /s/ DANIEL M. WADE Daniel M. Wade | Vice Chairman | March 25, 2002 |
| /s/ JOHN T. REDMOND John T. Redmond | President and Chief Executive Officer MGM Grand Resorts, LLC and Director | March 25, 2002 |
| /s/ JAMES J. MURREN | President, Chief Financial Officer, Treasurer and Director (Principal Financial and Accounting Officer) | March 25, 2002 |

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| Signature | Title | Date |
|----------------------------|--|----------------|
| James J. Murren | President and Chief Executive Officer Mirage Resorts, Incorporated and Director | March 25, 2002 |
| /s/ ROBERT H. BALDWIN | | |
| Robert H. Baldwin | | |
| 83 | | |
| /s/ GARY N. JACOBS | Executive Vice President, General Counsel, Secretary and Director | March 25, 2002 |
| Gary N. Jacobs | | |
| /s/ JAMES D. ALJIAN | Director | March 25, 2002 |
| James D. Aljian | | |
| /s/ FRED BENNINGER | Director | March 25, 2002 |
| Fred Benninger | | |
| /s/ TERRY N. CHRISTENSEN | Director | March 25, 2002 |
| Terry N. Christensen | | |
| /s/ GLENN A. CRAMER | Director | March 25, 2002 |
| Glenn A. Cramer | | |
| /s/ WILLIE D. DAVIS | Director | March 25, 2002 |
| Willie D. Davis | | |
| /s/ ALEXANDER M. HAIG, JR. | Director | March 25, 2002 |
| Alexander M. Haig, Jr. | | |
| /s/ ALEXIS M. HERMAN | Director | March 25, 2002 |
| Alexis M. Herman | | |
| /s/ KIRK KERKORIAN | Director | March 25, 2002 |
| Kirk Kerkorian | | |
| /s/ GEORGE MASON | Director | March 25, 2002 |
| George Mason | | |
| /s/ RONALD M. POPEIL | Director | March 25, 2002 |
| Ronald M. Popeil | | |

| | | |
|--------------------------------|----------|----------------|
| <u>/s/ WALTER M. SHARP</u> | Director | March 25, 2002 |
| Walter M. Sharp | | |
| <u>/s/ DANIEL B. WAYSON</u> | Director | March 25, 2002 |
| Daniel B. Wayson | | |
| <u>/s/ MELVIN B. WOLZINGER</u> | Director | March 25, 2002 |
| Melvin B. Wolzinger | | |
| <u>/s/ ALEX YEMENIDJIAN</u> | Director | March 25, 2002 |
| Alex Yemenidjian | | |
| <u>/s/ JEROME B. YORK</u> | Director | March 25, 2002 |
| Jerome B. York | | |

MGM MIRAGE

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

| Description | Balance at Beginning of Period | Additions Charged to Costs and Expenses | Additions from Mirage Acquisition | Amounts Written Off | Balance at End of Period |
|---------------------------------|--------------------------------------|--|---|------------------------|--------------------------------|
| Allowance for Doubtful Accounts | | | | | |
| Year Ended December 31, 2001 | \$ 83,390 | \$ 71,244 | \$ | \$ 51,662 | \$ 102,972 |
| Year Ended December 31, 2000 | \$ 15,128 | \$ 42,016 | \$ 55,193 | \$ 28,947 | \$ 83,390 |
| Year Ended December 31, 1999 | \$ 27,601 | \$ 19,597 | \$ | \$ 32,070 | \$ 15,128 |

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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