

premises within the complex. The agreement is subject to the implementation of proposed gaming law reforms and a tax structure acceptable to the Company, and obtaining required planning and other approvals.

Macau. In connection with the Company's pending joint venture in Macau (see Note 1), the Company has committed to invest up to \$280 million in the entity in the form of capital contributions and shareholder loans.

New York Racing Association. The Company has an understanding with the New York Racing Association ("NYRA") to manage video lottery terminals ("VLTs") at NYRA's Aqueduct horseracing facility in metropolitan New York. The Company would assist in the development of the facility, including providing project financing, and would manage the facility for a fee. Work was halted on the VLT facility in August 2003 pending the outcome of an investigation of certain aspects of NYRA's operations by Federal prosecutors. In December 2003, NYRA reached agreement with the Justice Department whereby NYRA was indicted with prosecution deferred. NYRA agreed to pay a fine and the indictment will be dismissed with prejudice upon NYRA implementing certain reforms and otherwise complying with the terms of the agreement. The Company's participation is subject to a definitive agreement, regulatory approvals and certain legislative changes by the State of New York.

The Residences at MGM Grand. In July 2004, the venture obtained construction financing for up to \$210 million for the development of the first tower. The Company has provided a guaranty for up to 50% of the interest and principal payment obligations on the construction financing as well as a joint and several completion guaranty with its partners. The Company recorded the value of the guaranty obligation, approximately \$2 million, in other long-term liabilities.

Other Guarantees. The Company is party to various guarantee contracts in the normal course of business, which are generally supported by letters of credit issued by financial institutions. The Company's Senior Credit Facility limits the amount of letters of credit that can be issued to \$200 million, and the amount of available borrowings under the Senior Credit Facility is reduced by any outstanding letters of credit. At December 31, 2004, the Company had provided a \$50 million letter of credit to support the Economic Development Corporation of the City of Detroit bonds referred to above, which are a liability of the Company.

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.