

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 \$19 million, \$19 million and \$20 million for the years ended December 31, 2004, 2003 and 2002, respectively.

**Detroit Development Agreement.** Under the August 2002 revised development agreement with the City of Detroit, MGM Grand Detroit, LLC and the Company are subject to certain obligations. The City of Detroit required payments of \$44 million, all of which had been made as of December 31, 2004; the transfer of assets of \$3 million; indemnification of up to \$20 million related to the Lac Vieux and certain other litigation, of which \$2 million has been paid as of December 31, 2004; and continued letter of credit support for \$50 million of bonds issued by the Economic Development Corporation of the City of Detroit for land purchases along the Detroit River. The letter of credit will be drawn on to make interest and principal payments on the bonds, which mature in 2009. The remaining obligations have been classified as other accrued liabilities or other long-term obligations, depending on the expected payment date.

The Company recorded an intangible asset (development rights, deemed to have an indefinite life) of approximately \$115 million in connection with its obligations under the revised development agreement. In addition to the above obligations, the Company will pay the City of Detroit 1% of gaming revenues (2% if annual revenues exceed \$400 million) beginning January 1, 2006.

The Company is currently in the process of obtaining land and developing plans for the permanent casino facility. The design, budget and schedule of the permanent facility are not finalized, and the ultimate timing, cost and scope of the project are subject to risks attendant to large-scale projects. The ability to construct the perma-

nent casino facility is currently subject to resolution of the Lac Vieux litigation. The 6th Circuit Court of Appeals has issued an injunction prohibiting the City and the developers from commencing construction pending further action of the 6th Circuit Court. Therefore, it is unknown when construction of the permanent facility will commence or when the permanent facility will open.

**United Kingdom.** In October 2003, the Company entered into an agreement with the Earls Court and Olympia Group, which operates large exhibition and trade show facilities in London, to form a jointly owned company which would develop an entertainment and gaming facility, which the Company would operate in space leased from Earls Court and Olympia, to complement the existing Olympia facilities. The Company made a deposit of £2 million (\$4 million based on exchange rates at December 31, 2004), which is refundable if proposed gaming law reforms are not implemented by December 2005. Otherwise, the deposit will be applied to the first year’s rent on a lease between the new company and Earls Court and Olympia. The Company would make a nominal equity investment and would provide a loan for half of the estimated development costs. 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. The Company owns 82.5% of the entity.

In November 2003, the Company entered into an agreement with Newcastle United PLC to create a 50-50 joint venture which would build a major new mixed-use development, including casino development, on a site adjacent to Newcastle’s football stadium. Newcastle United PLC contributed the land to the joint venture, and the Company made an equity investment of £5 million (\$10 million based on exchange rates at December 31, 2004), which is refundable if certain conditions have not been met by January 2008. The Company would develop and operate the complex, as well as own the casino development in leased