MGM Growth Properties LLC
Form 10-Q
August 08, 2017

UNITED STATES
SECURITIES & EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017
OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File No. 001-37733 (MGM Growth Properties LLC)
Commission File No. 333-215571 (MGM Growth Properties Operating Properties LP)

MGM Growth Properties LLC
MGM Growth Properties Operating Partnership LP
(Exact name of registrant as specified in its charter)

DELAWARE (MGM Growth Properties LLC)	47-5513237
DELAWARE (MGM Growth Properties Operating Partnership LP)	81-1162318
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6385 S. Rainbow Blvd., Suite 500, Las Vegas, Nevada
(Address of principal executive offices)
(702) 669-1480
(Registrant’s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

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

MGM Growth Properties LLC Yes X No
MGM Growth Properties Operating Partnership LP Yes X No

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

MGM Growth Properties LLC

Large accelerated filer	Accelerated filer	Non-accelerated filer	X	Small reporting company	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ___

MGM Growth Properties Operating Partnership LP

Large accelerated filer	Accelerated filer	Non-accelerated filer	X	Small reporting company	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ___

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act):

MGM Growth Properties LLC Yes No X
MGM Growth Properties Operating Partnership LP Yes No X

As of August 3, 2017, 57,671,795 shares of MGM Growth Properties LLC Class A shares, no par value, and 1 share of MGM Growth Properties LLC Class B share, no par value were outstanding.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended June 30, 2017, of MGM Growth Properties LLC, a Delaware limited liability corporation, and MGM Growth Properties Operating Partnership LP, a Delaware limited partnership. Unless otherwise indicated or unless the context requires otherwise, all references in this report to “we,” “us,” “our,” “MGP” or “the Company” refer to MGM Growth Properties LLC together with its consolidated subsidiaries, including MGM Growth Properties Operating Partnership LP. Unless otherwise indicated or unless the context requires otherwise, all references to the “Operating Partnership” refer to MGM Growth Properties Operating Partnership LP together with its consolidated subsidiaries.

MGP is a real estate investment trust, or REIT, and the owner of the sole general partner of the Operating Partnership. As of June 30, 2017, MGP owned approximately 23.7% of the Operating Partnership units in the Operating Partnership. The remaining approximately 76.3% of the Operating Partnership units in the Operating Partnership are owned by subsidiaries of our parent, MGM Resorts International (“MGM”). As the owner of the sole general partner of the Operating Partnership, MGP has the full, exclusive and complete responsibility for the Operating Partnership’s day-to-day management and control.

We believe combining the quarterly reports on Form 10-Q of MGP and the Operating Partnership into this single report results in the following benefits:

- enhances investors’ understanding of MGP and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure applies to both MGP and the Operating Partnership, which we believe will assist investors in getting all relevant information on their investment in one place rather than having to access and review largely duplicative reports; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

There are a few differences between MGP and the Operating Partnership, which are reflected in the disclosures in this report. We believe it is important to understand the differences between MGP and the Operating Partnership in the context of how we operate as an interrelated consolidated company. MGP is a REIT, whose only material assets consist of Operating Partnership units representing limited partner interests in the Operating Partnership and our ownership interest in the general partner of the Operating Partnership. As a result, MGP does not conduct business itself, other than acting as the owner of the sole general partner of the Operating Partnership, but it may from time to time issue additional public equity. The Operating Partnership holds all the assets of the Company. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for the net proceeds from the initial public offering of Class A shares by MGP, which were contributed to the Operating Partnership in exchange for Operating Partnership units, the Operating Partnership generates the capital required by the Company’s business through the Operating Partnership’s operations and by the Operating Partnership’s issuance of indebtedness or through the issuance of Operating Partnership units.

The presentation of noncontrolling interest, shareholders’ equity and partners’ capital are the main areas of difference between the combined and consolidated financial statements of MGP and those of the Operating Partnership. The Operating Partnership units held by subsidiaries of MGM are accounted for as partners’ capital in the Operating Partnership’s combined and consolidated financial statements and as noncontrolling interest within equity in MGP’s combined and consolidated financial statements. The Operating Partnership units held by MGP in the Operating Partnership are accounted for as partners’ capital in the Operating Partnership’s combined and consolidated financial statements and within Class A shareholders’ equity in MGP’s combined and consolidated financial statements. The differences in the presentations between shareholders’ equity and partners’ capital result from the differences in the equity issued at the MGP and Operating Partnership levels.

To help investors understand the significant differences between MGP and the Operating Partnership, this report presents the combined and consolidated financial statements separately for MGP and the Operating Partnership.

As the sole beneficial owner of MGM Growth Properties OP GP LLC, which is the sole general partner with control of the Operating Partnership, MGP consolidates the Operating Partnership for financial reporting purposes, and it does not have any assets other than its investment in the Operating Partnership. Therefore, the assets and liabilities of MGP and the Operating Partnership are the same on their respective combined and consolidated financial statements. The separate discussions of MGP and the Operating Partnership in this report should be read in conjunction with each other to understand the results of the Company on a combined and consolidated basis and how management operates the Company.

In order to establish that the Chief Executive Officer and the Chief Financial Officer of each entity have made the requisite certifications and that the Company and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and 18 U.S.C. §1350, this report also includes separate “Item 4. Controls and Procedures” sections and separate Exhibit 31 and 32 certifications for each of the Company and the Operating Partnership.

All other sections of this report, including Management’s Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures about Market Risk, are presented together for MGP and the Operating Partnership.

MGM GROWTH PROPERTIES LLC
FORM 10-Q
I N D E X

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Part I. FINANCIAL INFORMATION
Item 1. Financial Statements
MGM GROWTH PROPERTIES LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)
(unaudited)

	June 30, 2017	December 31, 2016
ASSETS		
Real estate investments, net	$8,957,622	$9,079,678
Cash and cash equivalents	376,842	360,492
Tenant and other receivables, net	4,166	9,503
Prepaid expenses and other assets	8,819	10,906
Above market lease, asset	45,374	46,161
Total assets	$9,392,823	$9,506,740
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Liabilities		
Debt, net	$3,601,214	$3,621,942
Due to MGM Resorts International and affiliates	233	166
Accounts payable, accrued expenses and other liabilities	8,829	10,478
Above market lease, liability	47,513	47,957
Accrued interest	17,580	26,137
Dividend payable	95,995	94,109
Deferred revenue	88,747	72,322
Deferred income taxes, net	25,368	25,368
Total liabilities	3,885,479	3,898,479
Commitments and contingencies (Note 12)		
Shareholders’ equity		
Class A shares: no par value, authorized 1,000,000,000 shares, issued and outstanding 57,664,149 and 57,500,000 shares	—	—
Additional paid-in capital	1,370,370	1,363,130
Accumulated deficit	(56,914)	(29,758)
Accumulated other comprehensive income (loss)	(680)	445
Total Class A shareholders’ equity	1,312,776	1,333,817
Noncontrolling interest	4,194,568	4,274,444
Total shareholders’ equity	5,507,344	5,608,261
Total liabilities and shareholders’ equity	$9,392,823	$9,506,740

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

MGM GROWTH PROPERTIES LLC
CONDENSED COMBINED AND CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Revenues				
Rental revenue	$163,177	$101,253	$326,354	$101,253
Tenant reimbursements and other	21,279	9,650	42,001	9,650
	184,456	110,903	368,355	110,903
Expenses				
Depreciation	60,227	53,123	121,911	104,600
Property transactions, net	10,587	335	17,442	1,209
Property taxes	20,642	13,305	41,129	26,541
Property insurance	—	559	—	2,943
Amortization of above market lease, net	172	—	343	—
Acquisition-related expenses	—	599	—	599
General and administrative	2,661	3,789	5,341	3,789
	94,289	71,710	186,166	139,681
Operating income (loss)	90,167	39,193	182,189	(28,778)
Non-operating income (expense)				
Interest income	881	—	1,559	—
Interest expense	(44,818)	(29,475)	(89,454)	(29,475)
Other non-operating	(1,178)	(72)	(1,312)	(72)
	(45,115)	(29,547)	(89,207)	(29,547)
Income (loss) before income taxes	45,052	9,646	92,982	(58,325)
Provision for income taxes	(1,177)	—	(2,415)	—
Net income (loss)	43,875	9,646	90,567	(58,325)
Less: Net (income) loss attributable to noncontrolling interest	(33,195)	(2,693)	(68,539)	65,278
Net income attributable to Class A shareholders	$10,680	$6,953	$22,028	$6,953
Weighted average Class A shares outstanding:				
Basic	57,687,558	57,500,000	57,596,223	57,500,000
Diluted	57,854,088	57,739,166	57,818,511	57,739,166
Net income per Class A share (basic)	$0.19	$0.12	$0.38	$0.12
Net income per Class A share (diluted)	$0.18	$0.12	$0.38	$0.12
Dividends declared per Class A share	$0.3950	$0.2632	$0.7825	$0.2632

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

MGM GROWTH PROPERTIES LLC
CONDENSED COMBINED AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	$43,875	$9,646	$90,567	$(58,325)
Other comprehensive loss				
Unrealized loss on cash flow hedges, net	(4,112)	—	(4,746)	—
Other comprehensive loss	(4,112)	—	(4,746)	—
Comprehensive income (loss)	39,763	9,646	85,821	(58,325)
Less: Comprehensive income attributable to noncontrolling interests	(30,058)	(2,693)	(64,918)	65,278
Comprehensive income (loss) attributable to Class A shareholders	$9,705	$6,953	$20,903	$6,953

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

MGM GROWTH PROPERTIES LLC
CONDENSED COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Cash flows from operating activities		
Net income (loss)	$90,567	$(58,325)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	121,911	104,600
Property transactions, net	17,442	1,209
Amortization and write-off of deferred financing costs and debt discount	6,421	1,714
Amortization related to above market lease, net	343	—
Provision for income taxes	2,415	—
Amortization of deferred revenue	(872)	—
Straight-line rental revenues	1,571	(420)
Share-based compensation	550	142
Changes in operating assets and liabilities:		
Tenant and other receivables, net	5,337	(4,273)
Prepaid expenses and other assets	(5,229)	4,464
Due to MGM Resorts International and affiliates	67	465
Accounts payable, accrued expenses and other liabilities	(1,248)	849
Accrued interest	(8,557)	11,888
Net cash provided by (used in) operating activities	230,718	62,313
Cash flows from investing activities		
Capital expenditures for property and equipment funded by Parent	—	(138,987)
Net cash used in investing activities	—	(138,987)
Cash flows from financing activities		
Proceeds from issuance of debt	—	3,200,000
Deferred financing costs	(1,024)	(68,207)
Repayment of bridge facilities	—	(4,000,000)
Repayment of debt principal	(25,125)	(8,375)
Issuance of Class A shares	—	1,207,500
Class A share issuance costs	—	(75,032)
Dividends and distributions paid	(188,219)	—
Net cash transfers from Parent	—	158,822
Net cash (used in) provided by financing activities	(214,368)	414,708
Cash and cash equivalents		
Net increase for the period	16,350	338,034
Balance, beginning of period	360,492	—
Balance, end of period	$376,842	$338,034
Supplemental cash flow disclosures		
Interest paid	$92,301	$15,873
Non-cash investing and financing activities		
Non-Normal Tenant Improvements by Tenant	$17,297	$20,889
Accrual of dividends and distributions payable to Class A shareholders and Operating Partnership unit holders	$95,995	$56,720

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

MGM GROWTH PROPERTIES OPERATING PARTNERSHIP LP
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except unit amounts)
(unaudited)

	June 30, 2017	December 31, 2016
ASSETS		
Real estate investments, net	$8,957,622	$9,079,678
Cash and cash equivalents	376,842	360,492
Tenant and other receivables, net	4,166	9,503
Prepaid expenses and other assets	8,819	10,906
Above market lease, asset	45,374	46,161
Total assets	$9,392,823	$9,506,740
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities		
Debt, net	$3,601,214	$3,621,942
Due to MGM Resorts International and affiliates	233	166
Accounts payable, accrued expenses and other liabilities	8,829	10,478
Above market lease, liability	47,513	47,957
Accrued interest	17,580	26,137
Dividend payable	95,995	94,109
Deferred revenue	88,747	72,322
Deferred income taxes, net	25,368	25,368
Total liabilities	3,885,479	3,898,479
Commitments and contingencies (Note 12)		
Partners' capital		
General partner	—	—
Limited partners: issued and outstanding 243,026,285 and 242,862,136 Operating Partnership units	5,507,344	5,608,261
Total partners' capital	5,507,344	5,608,261
Total liabilities and partners’ capital	$9,392,823	$9,506,740

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

MGM GROWTH PROPERTIES OPERATING PARTNERSHIP LP
CONDENSED COMBINED AND CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except unit and per unit amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues				
Rental revenue	$163,177	$ 101,253	$326,354	$ 101,253
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	94,289	71,710	186,166	139,681
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Interest income	881	—	1,559	—
Interest expense	(44,818)	(29,475)	(89,454)	(29,475)
Other non-operating	(1,178)	(72)	(1,312)	(72)
	(45,115)	(29,547)	(89,207)	(29,547)
Income (loss) before income taxes	45,052	9,646	92,982	(58,325)
Provision for income taxes	(1,177)	—	(2,415)	—
Net income (loss)	43,875	9,646	90,567	(58,325)
Weighted average Operating Partnership units outstanding:				
Basic	243,049,694	215,500,000	242,958,359	215,500,000
Diluted	243,216,224	215,739,166	243,180,647	215,739,166
Net income per Operating Partnership unit (basic)	$0.18	$ 0.12	$0.37	$ 0.12
Net income per Operating Partnership unit (diluted)	$0.18	$ 0.12	$0.37	$ 0.12
Distributions declared per Operating Partnership unit	$0.3950	$ 0.2632	$0.7825	$ 0.2632

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

MGM GROWTH PROPERTIES OPERATING PARTNERSHIP LP
CONDENSED COMBINED AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	$43,875	$9,646	$90,567	$(58,325)
Unrealized loss on cash flow hedges, net	(4,112)	—	(4,746)	—
Comprehensive income (loss)	$39,763	$9,646	$85,821	$(58,325)

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

MGM GROWTH PROPERTIES OPERATING PARTNERSHIP LP
CONDENSED COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities		
Net income (loss)	$90,567	$(58,325)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	121,911	104,600
Property transactions, net	17,442	1,209
Amortization and write-off of deferred financing costs and debt discount	6,421	1,714
Amortization related to above market lease, net	343	—
Provision for income taxes	2,415	—
Amortization of deferred revenue	(872)	—
Straight-line rental revenues	1,571	(420)
Share-based compensation	550	142
Changes in operating assets and liabilities:		
Tenant and other receivables, net	5,337	(4,273)
Prepaid expenses and other assets	(5,229)	4,464
Due to MGM Resorts International and affiliates	67	465
Accounts payable, accrued expenses and other liabilities	(1,248)	849
Accrued interest	(8,557)	11,888
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Capital expenditures for property and equipment funded by Parent	—	(138,987)
Net cash used in investing activities	—	(138,987)
Cash flows from financing activities		
Proceeds from issuance of debt	—	3,200,000
Deferred financing costs	(1,024)	(68,207)
Repayment of bridge facilities	—	(4,000,000)
Repayment of debt principal	(25,125)	(8,375)
Proceeds from purchase of operating partnership units by MGP	—	1,132,468
Distributions paid	(188,219)	—
Net cash transfers from Parent	—	158,822
Net cash (used in) provided by financing activities	(214,368)	414,708
Cash and cash equivalents		
Net increase for the period	16,350	338,034
Balance, beginning of period	360,492	—
Balance, end of period	$376,842	$338,034
Supplemental cash flow disclosures		
Interest paid	$92,301	$15,873
Non-cash investing and financing activities		
Non-Normal Tenant Improvements by Tenant	$17,297	$20,889
Accrual of distributions payable to Operating Partnership unit holders	$95,995	$56,720

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

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MGM GROWTH PROPERTIES LLC AND MGM GROWTH PROPERTIES OPERATING PARTNERSHIP LP
CONDENSED NOTES TO CONDENSED COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
NOTE 1 — BUSINESS

Organization. MGM Growth Properties LLC (“MGP” or the “Company”) is a limited liability company that was organized in Delaware on October 23, 2015. MGP conducts its operations through MGM Growth Properties Operating Partnership LP (the “Operating Partnership”), a Delaware limited partnership that was formed on January 6, 2016 and acquired by MGP on April 25, 2016 (the “IPO Date”) in connection with MGP's Formation Transactions (defined below), including its initial public offering of Class A shares as discussed further below. When the Company files its initial federal income tax return for its taxable year ended December 31, 2016 in 2017, it intends to make an election to be treated as a real estate investment trust ("REIT").

MGM Resorts International (“MGM” or the “Parent”) is a Delaware corporation that acts largely as a holding company and, through its subsidiaries, owns and operates large-scale destination entertainment and leisure resorts. Prior to the IPO Date, the real estate assets of The Mirage, Mandalay Bay, Luxor, New York-New York, Monte Carlo, Excalibur, The Park, Gold Strike Tunica, MGM Grand Detroit and Beau Rivage (collectively, the “IPO Properties”), which comprised the Company’s real estate investments prior to the acquisition of Borgata (as defined below), were owned and operated by MGM. On the IPO Date, MGM engaged in a series of transactions (the “Formation Transactions”) in which subsidiaries of MGM transferred the IPO Properties to newly formed subsidiaries and subsequently transferred 100% ownership interest in such subsidiaries to the Operating Partnership pursuant to a Master Contribution Agreement (the “MCA”) in exchange for Operating Partnership units representing limited partner interests in the Operating Partnership and the assumption by the Operating Partnership of $4 billion of indebtedness from the contributing MGM subsidiaries.

On the IPO Date, MGP completed the initial public offering of 57,500,000 of its Class A shares representing limited liability company interests at an initial offering price of $21.00 per share, inclusive of the full exercise by the underwriters of their option to purchase 7,500,000 Class A shares. MGP contributed the proceeds from its initial public offering to the Operating Partnership in exchange for 26.7% of the Operating Partnership units and the general partner interest in the Operating Partnership. Certain subsidiaries of MGM acquired the remaining 73.3% of the outstanding Operating Partnership units on such date. MGM retained ownership of MGP’s outstanding Class B share. The Class B share is a non-economic interest in MGP which does not provide its holder any rights to profits or losses or any rights to receive distributions from the operations of MGP or upon liquidation or winding up of MGP but which represents a majority of the voting power of MGP’s shares. As a result, MGP continues to be controlled by MGM through its majority voting rights, and is consolidated by MGM.

As of June 30, 2017, MGM owned 76.3% of the Operating Partnership units in the Operating Partnership. MGP owned the remaining 23.7% of the Operating Partnership units in the Operating Partnership. MGM’s Operating Partnership units are exchangeable into Class A shares of MGP on a one-to-one basis, or cash at the fair value of a Class A share. The determination of settlement method is at the option of MGP’s independent conflicts committee. MGM’s indirect ownership of these Operating Partnership units is recognized as a noncontrolling interest in MGP’s financial statements. A wholly owned subsidiary of MGP is the general partner of the Operating Partnership and operates and controls all of its business affairs. As a result, MGP consolidates the Operating Partnership and its subsidiaries.

The Company is a publicly traded REIT primarily engaged through its investment in the Operating Partnership in the real property business, which consists of owning, acquiring and leasing large-scale destination entertainment and leisure resorts, whose tenants generally offer casino gaming, hotel, convention, dining, entertainment and retail. A wholly owned subsidiary of the Operating Partnership (the “Landlord”) leases all of its real estate properties back to a wholly owned subsidiary of MGM (the “Tenant”) under a master lease agreement (the “Master Lease”).

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation. The accompanying condensed combined and consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information set forth in the Accounting Standards Codification ("ASC"), as published by the Financial Accounting Standards Board ("FASB"), and with the applicable rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. All adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of results for the interim period have been included.

For periods prior to the IPO Date, the accompanying condensed combined and consolidated financial statements of MGP represent the IPO Properties, which were controlled by MGM, and have been determined to be MGP's Predecessor for accounting purposes (the "Predecessor"). The accompanying condensed combined and consolidated financial statements include Predecessor financial statements that have been "carved out" of MGM's consolidated financial statements and reflect significant assumptions and allocations. The financial statements do not fully reflect what the Predecessor's results of operations, financial position and cash flows would have been if the Predecessor had been a stand-alone company during the periods presented. As a result, historical financial information is not necessarily indicative of MGP's future results of operations, financial position and cash flows.

For periods subsequent to the IPO Date, the accompanying combined and consolidated financial statements of MGP represent the results of operations, financial positions and cash flows of MGP and the Operating Partnership, including their respective subsidiaries. The accompanying combined and consolidated financial statements of the Operating Partnership represent the results of operation, financial positions, and cash flows of the Operating Partnership including its subsidiaries.

The accompanying condensed combined and consolidated financial statements and related notes should be read in conjunction with the audited financial statements and notes thereto included in the Company's most recent Annual Report on Form 10-K.

Principles of consolidation. The Company identifies entities for which control is achieved through means other than voting rights and to determine which business enterprise is the primary beneficiary of variable interest entities ("VIEs"). A VIE is an entity in which either (i) the equity investors as a group, if any, lack the power through voting or similar rights to direct the activities of such entity that most significantly impact such entity's economic performance or (ii) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support. The Company identifies the primary beneficiary of a VIE as the enterprise that has both of the following characteristics: (i) the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and (ii) the obligation to absorb losses or receive benefits of the VIE that could potentially be significant to the entity. The Company consolidates its investment in a VIE when it determines that it is its primary beneficiary. The Company may change its original assessment of a VIE upon subsequent events such as the modification of contractual arrangements that affect the characteristics or adequacy of the entity's equity investments at risk and the disposition of all or a portion of an interest held by the primary beneficiary. The Company performs this analysis on an ongoing basis. The condensed combined and consolidated financial statements include the accounts of the Operating Partnership, a VIE of which the Company is the primary beneficiary, as well as its wholly owned and majority-owned subsidiaries. The Company's maximum exposure to loss is the carrying value of the assets and liabilities of the Operating Partnership, which represents all of the Company's assets and liabilities. As the Company holds what is deemed a majority voting interest in the Operating Partnership through its ownership of the Operating Partnership's sole general partner, it qualifies for the exemption from providing certain of the required disclosures associated with investments in VIEs.

For entities not determined to be VIEs, the Company consolidates such entities in which the Company owns 100% of the equity. For entities in which the Company owns less than 100% of the equity interest, the Company consolidates the entity if it has the direct or indirect ability to control the entities' activities based upon the terms of the respective entities' ownership agreements. For these entities, the Company records a noncontrolling interest on the condensed consolidated balance sheets. All intercompany balances and transactions are eliminated in consolidation.

Noncontrolling interest. The Company presents noncontrolling interest and classifies such interest as a component of consolidated shareholders' equity, separate from the Company's Class A shareholders' equity. Noncontrolling interest in the Company represents Operating Partnership units currently held by subsidiaries of MGM. Net income or loss of the Operating Partnership is allocated to its noncontrolling interest based on the noncontrolling interest's ownership percentage in the Operating Partnership except for income tax expenses. Ownership percentage is calculated by dividing the number of Operating Partnership units held by the noncontrolling interest by the total Operating Partnership units held by the noncontrolling interest and the Company. Issuance of additional Class A shares and Operating Partnership units changes the ownership interests of both the noncontrolling interest and the Company.

Such transactions and the related proceeds are treated as capital transactions.

MGM may tender its Operating Partnership units for redemption by the Operating Partnership in exchange for cash equal to the market price of MGP's Class A shares at the time of redemption or for unregistered Class A shares on a one-for-one basis. Such selection to pay cash or issue Class A shares to satisfy an Operating Partnership unitholder's redemption request is solely within the control of MGP's independent conflicts committee.

Use of estimates. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The Company's most significant assumptions and estimates relate to the useful lives of real estate assets, real estate impairment assessments. These estimates are based on historical experience and other assumptions which management believes are reasonable under the circumstances. Management evaluates its estimates on an ongoing basis and makes revisions to these estimates and related disclosures as experience develops or new information becomes known. Actual results could differ from these estimates.

Real estate investments. Real estate investments nconsist of land, buildings, improvements and integral equipment. Because the Formation Transactions and the Borgata Transaction (as defined below) represent transactions between entities under common control, such real estate was initially recorded by the Company at MGM's historical cost basis, less accumulated depreciation (i.e., there was no change in the basis of the contributed assets), as of the IPO Date and the date of the consummation of the Borgata Transaction, respectively. Costs of maintenance and repairs to real estate investments are the responsibility of the Tenant under the Master Lease.

Although the Tenant is responsible for all capital expenditures during the term of the Master Lease, if, in the future, a deconsolidation event occurs, the Company will be required to pay the Tenant, should the Tenant so elect, for certain capital improvements that would not constitute "normal tenant improvements" in accordance with U.S. GAAP ("Non-Normal Tenant Improvements"), subject to an initial cap of $100 million in the first year of the Master Lease increasing annually by $75 million each year thereafter. The Company will be entitled to receive additional rent based on the 10-year Treasury yield plus 600 basis points multiplied by the value of the new capital improvements the Company is required to pay for in connection with a deconsolidation event and such capital improvements will be subject to the terms of the Master Lease. Examples of Non-Normal Tenant Improvements include the costs of structural elements at the properties, including capital improvements that expand the footprint or square footage of any of the properties or extend the useful life of the properties, as well as equipment that would be a necessary improvement at any of the properties, including initial installation of elevators, air conditioning systems or electrical wiring. Such Non-Normal Tenant Improvements are capitalized and depreciated over the asset's remaining life. Non-Normal Tenant Improvements were $89.7 million as of June 30, 2017.

In accordance with accounting standards governing the impairment or disposal of long-lived assets, the carrying value of long-lived assets, including land, buildings and improvements, land improvements and integral equipment is evaluated whenever events or changes in circumstances indicate that a potential impairment has occurred relative to a given asset or assets. Factors that could result in an impairment review include, but are not limited to, a current period cash flow loss combined with a history of cash flow losses, current cash flows that may be insufficient to recover the investment in the property over the remaining useful life, a projection that demonstrates continuing losses associated with the use of a long-lived asset, significant changes in the manner of use of the assets or significant changes in business strategies. If such circumstances arise, the Company uses an estimate of the undiscounted value of expected future operating cash flows to determine whether the long-lived assets are impaired. If the aggregate undiscounted cash flows plus net proceeds expected from disposition of the asset (if any) are less than the carrying amount of the assets, the resulting impairment charge to be recorded is calculated based on the excess of the carrying value of the assets over the fair value of such assets, with the fair value determined based on an estimate of discounted future cash flows, appraisals or other valuation techniques. There were no impairment charges related to long-lived assets recognized during the three and six months ended June 30, 2017 or 2016.

Cash and cash equivalents. Cash and cash equivalents include investments and interest bearing instruments with maturities of 90 days or less at the date of acquisition. Such investments are carried at cost, which approximates market value.

Deferred revenue. The Company receives nonmonetary consideration related to Non-Normal Tenant Improvements as they automatically become MGP's property, and recognizes the cost basis of Non-Normal Tenant Improvements as real estate investments and deferred revenue. The Company depreciates the real estate investments over their estimated useful lives and amortizes the deferred revenue as additional rental revenue over the remaining term of the Master Lease once the related real estate assets are placed in service.

Revenue recognition. Rental revenue under the Master Lease is recognized on a straight-line basis over the non-cancelable term and reasonably assured renewal periods, which includes the initial lease term of 10 years and all four additional five-year terms under the Master Lease, for all contractual revenues that are determined to be fixed and measurable. The difference between such rental revenue earned and the cash rent due under the provisions of the

Master Lease is recorded as deferred rent receivable and included as a component of prepaid expenses and other assets, or as deferred revenue if cash rent due exceeds rental revenue earned.

Property tax reimbursements from Tenant arise from the triple-net structure of the Master Lease which provides for the recovery of property taxes, which are paid by the Company on behalf of the Tenant. This revenue is recognized in the same periods as the expense is incurred.

Depreciation and property transactions. Depreciation expense is recognized over the useful lives of real estate applying the straight-line method. Useful lives are periodically reviewed. Leased real estate and leasehold improvements are depreciated on a straight-line basis over the following estimated useful lives:

Buildings and building improvements	20 to 40 years
Land improvements	10 to 20 years
Fixtures and integral equipment	3 to 20 years

Property transactions, net are comprised of transactions related to long-lived assets, such as normal losses on the disposition of assets.

General and administrative. General and administrative expenses include the salaries and benefits of employees and external consulting costs. In addition, pursuant to a corporate services agreement entered into on the IPO Date between the Operating Partnership and MGM (the “Corporate Services Agreement”), MGM provides the Operating Partnership and its subsidiaries with financial, administrative and operational support services, including accounting and finance support, human resources support, legal and regulatory compliance support, insurance advisory services, internal audit services, governmental affairs monitoring and reporting services, information technology support, construction services and various other support services. MGM is reimbursed for all costs it incurs directly related to providing the services thereunder. The Operating Partnership incurred expenses pursuant to the Corporate Services Agreement for the three and six month period ending June 30, 2017 of $0.4 million and $0.8 million, respectively. The Operating Partnership incurred expenses pursuant to the Corporate Services Agreement from the IPO Date through June 30, 2016 of $0.3 million.

Share-based compensation. The Company recognizes share-based compensation awards as compensation expense and includes such expense within general and administrative expense in the condensed combined and consolidated statement of operations. Compensation expense, net of estimated forfeitures, for restricted share unit awards is based on the fair value of MGP’s Class A shares at the date of grant and is generally recognized ratably over the vesting period. For ratable awards, the Company recognized compensation costs for all grants on a straight-line basis over the requisite service period of the entire award. Compensation expense for performance share unit awards, which have market conditions, is based on a Monte Carlo simulation at the date of grant and is generally recognized ratably over the vesting period.

Income tax provision. For interim income tax reporting the Company estimates its annual effective tax rate and applies it to its year-to-date ordinary income. The tax effects of unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, are reported in the interim period in which they occur. The Company’s effective income tax rate was 2.6% and 2.6% for the three and six months ended June 30, 2017, respectively.

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, the Company determines deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company will elect to be treated as a REIT as defined under Section 856(a) of the Internal Revenue Code of 1986, as amended (the “Code”), commencing with its taxable year ended December 31, 2016. To qualify as a REIT, the Company must meet certain organizational, income, asset and distribution tests. Accordingly, except as described below, the Company will generally not be subject to corporate U.S. federal or state income tax to the extent that it makes qualifying distributions of all of its taxable income to its shareholders and provided it satisfies on a continuing basis, through actual investment and operating results, the REIT requirements, including certain asset, income, distribution and share ownership tests. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay taxes at regular corporate income tax rates to the extent that it annually distributes less than 100% of its taxable income. The Company distributed 100% of its taxable income in the taxable year ended December

31, 2016 and anticipates that it will do so again in the taxable year ending December 31, 2017. Accordingly, for periods subsequent to the IPO Date, the accompanying condensed combined and consolidated financial statements do not reflect a provision for federal income taxes. However, the Company may still be subject to federal excise tax, as well as certain state and local income and franchise taxes.

The Landlord is required to join in the filing of a New Jersey consolidated corporation business tax return under the New Jersey Casino Control Act and include in such return its income and expenses associated with its New Jersey assets and is thus subject to an entity level tax in New Jersey. Although the consolidated New Jersey return also includes MGM and certain of its

subsidiaries, the Company is required to record New Jersey state income taxes in the accompanying financial statements as if the Landlord was taxed for state purposes on a stand-alone basis. The Company and MGM have entered into a tax sharing agreement providing for an allocation of taxes due in the consolidated New Jersey return. Pursuant to this agreement, the Landlord will only be responsible for New Jersey taxes on any gain that may be realized upon a future sale of the New Jersey assets resulting solely from an appreciation in value of such assets over their value on the date they were contributed to the Landlord by a subsidiary of MGM. MGM is responsible for all other taxes reported in the New Jersey consolidated return. No amounts are due to MGM under the tax sharing agreement as of June 30, 2017. Accordingly, the provision for current taxes and the deferred tax liability in the accompanying financial statements are attributable to noncontrolling interest since the payment of such taxes are the responsibility of MGM.
The Company was included in the consolidated or unitary income tax returns of MGM for all Predecessor periods. In the accompanying financial statements, the Predecessor periods reflect an allocation of income taxes from MGM as if the Predecessor had filed a separate tax return in those periods.

Net income per share. Basic net income per share includes only the weighted average number of Class A shares outstanding during the period. Dilutive net income per share includes the weighted average number of Class A shares and the dilutive effect of share-based compensation awards outstanding during the period, when such awards are dilutive.

Net income per unit. Basic net income per unit includes only the weighted average number of Operating Partnership units outstanding during the period. Dilutive net income per unit includes the weighted average number of Operating Partnership units and the dilutive effect of share-based compensation awards outstanding during the period, when such awards are dilutive.

Deferred financing costs. Deferred financing costs were incurred in connection with the issuance of the term loan facilities, revolving credit facility and senior notes. Costs incurred in connection with term loan facilities and senior notes are capitalized and offset against the carrying amount of the related indebtedness. These costs are amortized over the term of the related indebtedness, and are included in interest expense in the combined and consolidated statement of operations. Costs incurred in connection with the Operating Partnership's entrance into the revolving credit facility are capitalized as a component of prepaid expenses and other assets. These costs are amortized over the term of the revolving credit facility, and are included in interest expense in the combined and consolidated statement of operations. The Company recognized non-cash interest expense related to the amortization of deferred financing costs of $2.8 million and $5.6 million during the three and six months ended June 30, 2017, respectively.

Derivative financial instruments. The Company accounts for its derivatives in accordance with FASB ASC Topic 815, Derivatives and Hedging, in which all derivative instruments are reflected at fair value as either assets or liabilities. For derivative instruments that are designated and qualify as hedging instruments, the Company records the effective portion of the gain or loss on the hedge instruments as a component of accumulated other comprehensive income. Any ineffective portion of a derivative's change in fair value is immediately recognized within net income.
Fair value measurements. Fair value measurements are utilized in accounting for testing of long-lived assets for impairment. Fair value of financial and nonfinancial assets and liabilities is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the methodologies of measuring fair value for assets and liabilities, is as follows:
Level 1—Observable inputs for identical instruments such as quoted market prices;
Level 2—Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.) and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs); and

Level 3—Unobservable inputs that reflect the Company’s determination of assumptions that market participants would use in pricing the asset or liability. These inputs are developed based on the best information available, including management’s own data.

The fair value of the Company's cash and cash equivalents, accounts payable and accrued expenses approximate their carrying value because of the short-term nature of these instruments. The principal amount and fair value of other financial instruments are as follows:

	June 30, 2017			
	Total	Level 1	Level 2	Level 3
	(in thousands)			
Assets:				
Derivative asset - interest rate swaps	$442	$ —	$442	$ —
Liabilities:				
Senior secured credit facility:				
Senior secured term loan A facility	281,250		281,250	
Senior secured term loan B facility	1,826,875		1,826,875	
Senior secured revolving credit facility	—		—	
$1,050 million 5.625% senior notes, due 2024	1,144,500		1,144,500	
$500 million 4.50% senior notes, due 2026	501,875		501,875	
Derivative liability - interest rate swaps	3,396		3,396	
	$3,757,896	$ —	$3,757,896	$ —

The total principal balance of our debt was $3.7 billion at June 30, 2017, with a fair value of $3.8 billion. The estimated fair value was estimated using quoted prices for identical or similar liabilities in markets that are not active for each of the Company's term loan A facility, term loan B facility, revolving credit facility and senior notes. These fair value measurements are considered Level 2 of the fair value hierarchy. Derivative assets and liabilities are carried at fair value. The fair value of interest rate swaps is determined based on the present value of expected future cash flows using observable, quoted LIBOR swap rates for the full term of the swap. The Company has determined that the majority of the inputs used to value its derivative assets fall within Level 2 of the fair value hierarchy.

Reportable segment. The Company's real estate properties are similar in that they consist of large-scale destination entertainment and leisure resorts and related offerings, whose tenants generally offer casino gaming, hotel, convention, dining, entertainment and retail, are held by a subsidiary of the Operating Partnership, have similar economic characteristics and are governed under a single Master Lease. As such, the properties are reported as one reportable segment.

Concentrations of credit risk. All of the Company's real estate properties have been leased to a wholly owned subsidiary of MGM, and all of MGP's revenues are derived from the Master Lease. MGM is a publicly traded company and is subject to the filing requirements of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and is required to file periodic reports on Form 10-K and Form 10-Q with the SEC. Refer to www.edgar.gov for MGM's publicly available financial information (which financial information is not incorporated by reference herein). Management does not believe there are any other significant concentrations of credit risk.

Geographical risk. The majority of the Company's real estate properties are located in Las Vegas, Nevada. Accordingly, future negative trends in local economic activity or natural disasters in this area might have a more significant effect on the Company than a more geographically diversified entity and could have an adverse impact on its financial condition and operating results.

Recently issued accounting standards. In January 2017, the Company adopted Accounting Standards Update No. 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). ASU 2016-09 simplifies the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The adoption of ASU 2016-09 did not have a material effect on the Company's financial statements and footnote disclosures.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), which replaces the existing guidance in FASB ASC Topic 840, Leases. ASU 2016-02 requires a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use ("ROU") asset and a corresponding lease liability. For finance leases the lessee would recognize interest expense and amortization of the ROU asset and for operating leases the lessee would recognize a straight-line

total lease expense. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently in the process of determining the method of adoption and assessing the impact that adoption of this guidance will have on its financial statements and footnote disclosures.
In August 2015, the FASB issued Accounting Standards Update No. 2015-14, Revenue From Contracts With Customers (Topic 606): Deferral of the Effective Date, which defers the effective date of Accounting Standards Update No. 2014-09, Revenue From Contracts With Customers (“ASU 2014-09”) to the fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. Additionally, the new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. The adoption of ASU 2015-14 will not have a material impact on the Company's financial statements and footnote disclosures.

NOTE 3 — BORGATA TRANSACTION

On August 1, 2016, MGM completed the acquisition of Boyd Gaming’s ownership interest in Borgata. Concurrently, MGM, MGP, the Operating Partnership, the Landlord and the Tenant completed the transfer of the real estate assets related to Borgata, located at Renaissance Pointe in Atlantic City, New Jersey, from a subsidiary of MGM to the Landlord (the “Borgata Transaction”). A subsidiary of MGM operates Borgata. The real estate assets related to Borgata were leased by the Landlord to the Tenant via an amendment to the Master Lease. As a result, the initial rent under the Master Lease increased by $100 million, $90 million of which relates to the base rent for the initial term and the remaining $10 million of which relates to the percentage rent. Following the closing of the Borgata Transaction, the base rent under the Master Lease increased to $585 million for the initial term and the percentage rent was $65 million, prorated for the remainder of the first lease year after the Borgata Transaction. The consideration that was paid by MGP to a subsidiary of MGM consisted of 27.4 million newly issued Operating Partnership units and the assumption by the Landlord of $545 million of indebtedness from such subsidiary of MGM.
The Borgata Transaction was accounted for as a transaction under common control, and therefore the Company recorded the Borgata real estate assets at their carryover value of $1.3 billion determined by MGM in its purchase price allocation, along with a related deferred tax liability of $25.3 million. In addition, the Company recognized an above market lease liability and an above market lease asset related to ground leases assigned to the Landlord as part of the Borgata Transaction covering approximately 11 acres partially underlying and adjacent to the Borgata. Under the terms of the Master Lease, the Tenant is responsible for the rent payments related to these ground leases during the term of the Master Lease. The Company amortizes the above market lease liability on a straight-line basis over the terms of the underlying ground leases, which extend through 2070. The Company amortizes the above market lease asset on a straight-line basis over the term of the Master Lease, which extends through 2046 (including reasonably assured renewal periods pursuant to the terms of the Master Lease).

NOTE 4 — REAL ESTATE INVESTMENTS

The carrying value of real estate investments is as follows:

	June 30, 2017	December 31, 2016
	(in thousands)	
Land	$4,143,513	$4,143,513
Buildings, building improvements, land improvements and integral equipment	7,295,748	7,324,657
	11,439,261	11,468,170
Less: Accumulated depreciation	(2,481,639)	(2,388,492)
	$8,957,622	$9,079,678

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NOTE 5 — LEASES

Master Lease. Pursuant to the Master Lease, the Tenant has leased the Company's real estate properties from the Landlord. The Master Lease is accounted for as an operating lease and has an initial lease term of ten years with the potential to extend the term for four additional five-year terms thereafter at the option of the Tenant. The Master Lease provides that any extension of its term must apply to all of the real estate under the Master Lease at the time of the extension. The Master Lease has a triple-net structure, which requires the Tenant to pay substantially all costs associated with the lease, including real estate taxes, insurance, utilities and routine maintenance, in addition to the base rent. Additionally, the Master Lease provides MGP with a right of first offer with respect to MGM National Harbor and MGM's development property in Springfield, Massachusetts (the "ROFO Properties"), which MGP may exercise should MGM elect to sell these properties in the future.

Rent under the Master Lease consists of a "base rent" component and a "percentage rent" component. For the first year, the base rent represented 90% of the initial total rent payments due under the Master Lease, or $585 million, and the percentage rent represented 10% of the initial total rent payments due under the Master Lease, or $65 million. The base rent includes a fixed annual rent escalator of 2.0% for the second through the sixth lease years (as defined in the Master Lease). After the sixth lease year, the annual escalator of 2.0% will be subject to the Tenant and, without duplication, the operating subsidiary sublessees of the Tenant (the "Operating Subtenants"), collectively meeting an adjusted net revenue to rent ratio of 6.25:1.00 based on their net revenue from the leased properties subject to the Master Lease (as determined in accordance with U.S. GAAP, adjusted to exclude net revenue attributable to certain scheduled subleases and, at the Tenant's option, reimbursed cost revenue). The first 2.0% fixed annual rent escalator went into effect on April 1, 2017, resulting in annual rent payments of $661.7 million for the second lease year. The percentage rent will initially be a fixed amount for approximately the first six years and will then be adjusted every five years based on the average actual annual net revenues of the Tenant and, without duplication, the Operating Subtenants, from the leased properties subject to the Master Lease at such time for the trailing five calendar-year period (calculated by multiplying the average annual net revenues, excluding net revenue attributable to certain scheduled subleases and, at the Tenant's option, reimbursed cost revenue, for the trailing five calendar-year period by 1.4%).

Rental revenues from the Master Lease for the three and six months ended June 30, 2017 were $163.2 million and $326.4 million, respectively. The Company also recognized revenue related to the reimbursement of property taxes paid by the Tenant of $20.6 million and $41.1 million for the three and six months ended June 30, 2017, respectively.

Under the Master Lease, remaining noncancelable minimum rental payments as of June 30, 2017 are as follows:

Year ending December 31,	(in thousands)
2017	$ 330,850
2018	670,651
2019	682,764
2020	695,119
2021	707,721
2022	662,137
Thereafter	2,099,134

NOTE 6 — DEBT

Debt consists of the following:

	June 30, 2017	December 31, 2016
	(in thousands)	
Senior secured credit facility:		
Senior secured term loan A facility	$281,250	$292,500
Senior secured term loan B facility	1,826,875	1,840,750
Senior secured revolving credit facility	—	—
$1,050 million 5.625% senior notes, due 2024	1,050,000	1,050,000
$500 million 4.50% senior notes, due 2026	500,000	500,000
	3,658,125	3,683,250
Less: Unamortized discount and debt issuance costs	(56,911)	(61,308)
	$3,601,214	$3,621,942

Operating Partnership credit agreement. On the IPO Date, the Operating Partnership entered into a credit agreement, comprised of a $300 million senior secured term loan A facility, a $1.85 billion senior secured term loan B facility and a $600 million senior secured revolving credit facility. The term loan B facility was issued at 99.75% to initial lenders. The term loan facilities are subject to amortization of principal in equal quarterly installments, with 5.0% of the initial aggregate principal amount of the term loan A facility and 1.0% of the initial aggregate principal amount of the term loan B facility to be payable each year. The term loan facilities were recorded at cost net of the original issue discount and related borrowing costs. The related original issue discount and the borrowing costs are amortized over the term of the borrowing. The revolving credit facility is recorded at cost. The borrowing costs were capitalized as a component of prepaid expenses and other assets and are amortized over the term of the credit facility. The revolving credit facility and term loan A facility bear interest at LIBOR plus 2.75% for the first six months, and thereafter the interest rate will be determined by reference to a total net leverage ratio pricing grid which would result in an interest rate of LIBOR plus 2.25% to 2.75%. The term loan B facility initially bore interest at LIBOR plus 3.25% with a LIBOR floor of 0.75%. On October 26, 2016, the Operating Partnership completed a re-pricing at par of its $1.84 billion term loan B facility. As a result of the re-pricing, the term loan B facility bore interest at LIBOR plus 2.75%, with a LIBOR floor of 0.75%. In February 2017, MGP's corporate family rating was upgraded which resulted in the Operating Partnership receiving a further reduction in pricing to LIBOR plus 2.50%, with a LIBOR floor of 0.75%. On May 1, 2017, the Company completed another re-pricing of the Operating Partnership’s term loan B facility. As a result of this re-pricing, the term loan B facility bears interest at LIBOR plus 2.25%, with a LIBOR floor of 0%. The revolving credit facility and the term loan A facility will mature in 2021 and the term loan B facility will mature in 2023. As of June 30, 2017, no amounts were drawn on the revolving credit facility. At June 30, 2017, the interest rate on the term loan A facility was 3.98% and the interest rate on the term loan B facility was 3.48%. See Note 7 for further discussion of the Company's interest rate swap agreements related to the term loan B facility.

The credit agreement contains customary representations and warranties, events of default and positive and negative covenants. These covenants are subject to a number of important exceptions and qualifications, including, with respect to the restricted payments covenant, the ability to make unlimited restricted payments to maintain the REIT status of MGP. The revolving credit facility and term loan A facility also require the Operating Partnership to maintain compliance with a maximum secured net debt to adjusted total asset ratio, a maximum total net debt to adjusted asset ratio and a minimum interest coverage ratio, all of which may restrict the Operating Partnership’s ability to incur additional debt to fund its obligations in the near term. As of June 30, 2017, the Operating Partnership was required to have a senior secured net debt to adjusted total assets ratio of not more than 0.40 to1.00, a total net debt to adjusted total assets ratio of not more than 0.65 to 1.00, and an interest coverage ratio of not less than 2.00 to 1.00. The Operating Partnership was in compliance with its financial covenants at June 30, 2017.

The revolving credit facility and the term loan facilities are both guaranteed by each of the Operating Partnership’s existing and subsequently acquired direct and indirect wholly owned material domestic restricted subsidiaries, and secured by a first priority lien security interest on substantially all of the Operating Partnership's and such restricted subsidiaries' material assets, including mortgages on its real estate, subject to customary exclusions.

Operating Partnership senior notes. On April 20, 2016, a wholly owned subsidiary of the Operating Partnership issued \$1.05 billion in aggregate principal amount of 5.625% senior notes due 2024 and on the IPO Date, the Operating Partnership entered into a supplemental indenture through which it assumed the obligations under the senior notes from such subsidiary (which merged into the Operating Partnership on such date). The senior notes will mature on May 1, 2024. Interest on the senior notes is payable on May 1 and November 1 of each year, commencing on November 1, 2016. The senior notes are fully and unconditionally guaranteed, jointly and severally, on a senior basis by all of the Operating Partnership's subsidiaries that guarantee the Operating Partnership's credit facilities, other than MGP Finance Co-Issuer, Inc., which is a co-issuer of the senior notes. The Operating Partnership may redeem all or part of the senior notes at a redemption price equal to 100% of the principal amount of the senior notes plus, to the extent the Operating Partnership is redeeming senior notes prior to the date that is three months prior to their maturity date, an applicable make whole premium, plus, in each case, accrued and unpaid interest.

On August 12, 2016, the Operating Partnership issued $500 million in aggregate principal amount of 4.500% senior notes due 2026. The senior notes will mature on September 1, 2026. Interest on the senior notes is payable on March 1 and September 1 of each year, commencing on March 1, 2017. The senior notes are fully and unconditionally guaranteed, jointly and severally, on a senior basis by all of the Operating Partnership's subsidiaries that guarantee the Operating Partnership's credit facilities, other than MGP Finance Co-Issuer, Inc., which is a co-issuer of the senior notes. The Operating Partnership may redeem all or part of the senior notes at a redemption price equal to 100% of the principal amount of the senior notes plus, to the extent the Operating Partnership is redeeming senior notes prior to the date that is three months prior to their maturity date, an applicable make whole premium, plus, in each case, accrued and unpaid interest.

The indentures governing the senior notes contain customary covenants and events of default. These covenants are subject to a number of important exceptions and qualifications set forth in the applicable indentures governing the senior notes, including, with respect to the restricted payments covenants, the ability to make unlimited restricted payments to maintain the REIT status of MGP.

Maturities of debt. Maturities of the principal amount of the Company's debt as of June 30, 2017 are as follows:

Year ending December 31,	(in thousands)
2017	$ 16,750
2018	33,500
2019	33,500
2020	33,500
2021	247,250
Thereafter	3,293,625
	$ 3,658,125

NOTE 7 — DERIVATIVES AND HEDGING ACTIVITIES

The Company uses derivative instruments to mitigate the effects of interest rate volatility inherent in its variable rate debt, which could unfavorably impact our future earnings and forecasted cash flows. The Company does not use derivative instruments for speculative or trading purposes.

The Operating Partnership is party to interest rate swaps to mitigate the interest rate risk inherent in its senior secured term loan B facility. In May 2017 in connection with the term loan B re-pricing, the Company amended its outstanding interest rate swap agreements. Under the amended agreements the Company now pays a weighted average fixed rate of 1.844% on total notional amount of $1.2 billion and the variable rate received will reset monthly to the one-month LIBOR, with no minimum floor.

The principal terms of these interest rate swaps at June 30, 2017 are as follows:

Effective Date	Maturity Date	Notional Amount	Weighted Average Fixed Rate	Fair Value Asset (Liability)
(in thousands, except percentages)				
May 3, 2017	November 30, 2021	$500,000	1.764 %	$ 442

May 3, 2017	November 30, 2021	700,000	1.901 %	(3,396)
		$ 1,200,000		$ (2,954)

As of December 31, 2016, the Company had interest rate swaps with a notional amount of $500 million outstanding with a weighted average fixed rate of 1.825% and a net unrealized gain of $1.9 million.

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Interest rate swaps valued in net unrealized gain positions are recognized as asset balances within the prepaid expenses and other assets balance. Interest rate swaps valued in net unrealized loss positions are recognized as liability balances within accounts payable, accrued expenses and other liabilities balance. For the three and six months ended June 30, 2017, the amount recorded in other comprehensive income related to the derivative instruments was a net loss of $4.1 million and $4.7 million, respectively. There was no material ineffective portion of the change in fair value derivatives. During the three and six months ended June 30, 2017, the Company recorded interest expense of $2.6 million and $5.3 million, respectively, related to the swap agreements.

NOTE 8 — SHAREHOLDERS’ EQUITY AND PARTNERS' CAPITAL

MGP shareholders' equity. On the IPO Date, MGP completed the initial public offering of 57,500,000 of its Class A shares representing limited liability company interests. MGM retained ownership of MGP’s single Class B share. The Class B share is a non-economic interest in MGP which does not provide its holder any rights to profits or losses or any rights to receive distributions from operations of MGP or upon liquidation or winding up of MGP. MGP’s Class B shareholder is entitled to an amount of votes representing a majority of the total voting power of MGP’s shares. If the holder of the Class B share and its controlled affiliates’ (excluding MGP and its subsidiaries) aggregate beneficial ownership of the combined economic interests in MGP and the Operating Partnership falls below 30%, the Class B share is no longer entitled to any voting rights. To the extent that the Class B share is entitled to majority voting power pursuant to MGP’s operating agreement, MGM may only transfer the Class B share (other than transfers to us and MGM’s controlled affiliates) if and to the extent that such transfer is approved by special approval by an independent conflicts committee, not to be unreasonably withheld. When determining whether to grant such approval, the conflicts committee must take into account the interests of MGP’s Class A shareholders and MGP ahead of the interests of the holder of the Class B share. No par value is attributed to the MGP’s Class A and Class B shares.

Operating Partnership capital. On the IPO Date, MGP contributed the proceeds from its initial public offering to the Operating Partnership in exchange for 26.7% of the outstanding Operating Partnership units in the Company. Certain subsidiaries of MGM also acquired 73.3% of the outstanding Operating Partnership units on the IPO Date. As of August 1, 2016, the date of the Borgata Transaction, MGP’s ownership percentage in the Operating Partnership units was reduced to 23.7% and MGM's indirect ownership percentage increased to 76.3%.

MGP dividends and Operating Partnership distributions. On June 15, 2017, the Operating Partnership announced a cash distribution to holders of Operating Partnership units of $96.0 million or $0.3950 per Operating Partnership unit. MGP concurrently declared a cash dividend for the quarter ended June 30, 2017 of $22.8 million or $0.3950 per Class A share payable to shareholders of record as of June 30, 2017. The distribution and dividend were paid on July 14, 2017.

On March 15, 2017, the Operating Partnership announced a cash distribution to holders of Operating Partnership units of $0.3875 per Operating Partnership unit. The Company’s Board of Directors concurrently declared a cash dividend for the quarter ended March 31, 2017 of $0.3875 per Class A share payable to shareholders of record as of March 31, 2017. The distribution and dividend were paid on April 13, 2017.

Dividends with respect to MGP’s Class A shares are characterized for federal income tax purposes as taxable ordinary dividends, capital gains dividends, non-dividend distributions or a combination thereof.

The following table presents MGP's changes in shareholders' equity for the six months ended June 30, 2017:

	Total Class A Shareholders' Equity	Non-controlling Interest	Total Shareholders’ Equity
	(in thousands)		

Balance at January 1, 2017	$1,333,817	$ 4,274,444	$5,608,261
Net income - January 1, 2017 to June 30, 2017	22,028	68,539	90,567
Other comprehensive loss - cash flow hedges	(1,125)	(3,621)	(4,746)
Share-based compensation	130	420	550
Deemed contribution - tax sharing agreement	—	2,415	2,415
Dividends and distributions declared	(45,059)	(145,045)	(190,104)
Issuance of Class A shares	2,889	(2,889)	—
Other	96	305	401
Balance at June 30, 2017	$1,312,776	$ 4,194,568	$5,507,344

The following table presents the Operating Partnership's changes in partners' capital for the six months ended June 30, 2017:

	General Partner	Limited Partner	Total Partners' Capital
	(in thousands)		
Balance at January 1, 2017	$—	$5,608,261	$5,608,261
Net income - January 1, 2017 to June 30, 2017	—	90,567	90,567
Share-based compensation	—	550	550
Deemed contribution - tax sharing agreement	—	2,415	2,415
Distributions declared	—	(190,104)	(190,104)
Other comprehensive loss - cash flow hedges	—	(4,746)	(4,746)
Other	—	401	401
Balance at June 30, 2017	$—	$5,507,344	$5,507,344

NOTE 9 — ACCUMULATED OTHER COMPREHENSIVE INCOME

Comprehensive income includes net income and all other non-shareholder changes in equity, or other comprehensive income. The following table summarizes the changes in accumulated other comprehensive income by component for the six months ended June 30, 2017 (there was no other comprehensive income for the six months ended June 30, 2016):

	Changes in Fair Value of Effective Cash Flow Hedge	Total
	(in thousands)	
Balance at December 31, 2016	$1,879	$1,879
Other comprehensive income before reclassifications	527	527
Amounts reclassified from accumulated other comprehensive income	(5,273)	(5,273)
Net current period other comprehensive loss	(4,746)	(4,746)
Balance at June 30, 2017	(2,867)	(2,867)
Accumulated other comprehensive (income) loss attributable to noncontrolling interest	2,187	2,187
Accumulated other comprehensive income (loss) attributable to Class A shareholders	$(680)	$(680)

NOTE 10 — NET INCOME PER CLASS A SHARE

The table below provides net income and the number of Class A shares used in the computations of “basic” net income per share, which utilizes the weighted-average number of Class A shares outstanding without regard to dilutive potential Class A shares, and “diluted” net income per share, which includes all such shares. Net income attributable to Class A shares, weighted average Class A shares outstanding and the effect of dilutive securities outstanding are presented for the three and six months ended June 30, 2017. Net income per share has not been presented for the Class B shareholder as the Class B share is not entitled to any economic rights. The three and six months ended June 30, 2016 reflect the results of operations from MGP from the IPO Date through June 30, 2016.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in thousands, except share and per share amounts)			
Basic net income per share				
Numerator:				
Net income attributable to Class A shares	$10,680	$ 6,953	$22,028	$ 6,953
Denominator:				
Basic weighted average Class A shares outstanding	57,687,558	57,500,000	57,596,223	57,500,000
Basic net income per Class A share	$0.19	$ 0.12	$0.38	$ 0.12

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in thousands, except share and per share amounts)			
Diluted net income per share				
Numerator:				
Net income attributable to Class A shares	$10,680	$ 6,953	$22,028	$ 6,953
Denominator:				
Basic weighted average Class A shares outstanding	57,687,558	57,500,000	57,596,223	57,500,000
Effect of dilutive shares for diluted net income per Class A share	166,530	239,166	222,288	239,166
Weighted average shares for diluted net income per Class A share	57,854,088	57,739,166	57,818,511	57,739,166
Diluted net income per Class A share	$0.18	$ 0.12	$0.38	$ 0.12

NOTE 11 — NET INCOME PER OPERATING PARTNERSHIP UNIT

The table below provides net income and the number of Operating Partnership units used in the computations of “basic” net income per Operating Partnership unit, which utilizes the weighted-average number of Operating Partnership units outstanding without regard to dilutive potential Operating Partnership units, and “diluted” net income per Operating Partnership units, which includes all such Operating Partnership units. Net income attributable to Operating Partnership units, weighted average Operating Partnership units outstanding and the effect of dilutive securities outstanding are presented for the three and six months ended June 30, 2017 and June 30, 2016. The three and six months ended June 30, 2016 reflects the results of operations from MGP from the IPO Date through June 30, 2016.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in thousands, except share and per share amounts)			
Basic net income per Operating Partnership unit				
Numerator:				
Net income	$43,875	$ 26,058	$90,567	$ 26,058
Denominator:				
Basic weighted average Operating Partnership units outstanding	243,049,694	245,500,000	242,958,359	245,500,000
Basic net income per Operating Partnership unit	$0.18	0.12	$0.37	$ 0.12

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in thousands, except share and per share amounts)			
Diluted net income per Operating Partnership unit				
Numerator:				
Net income	$43,875	$ 26,058	$90,567	$ 26,058
Denominator:				
Basic weighted average Operating Partnership units outstanding	243,049,694	245,500,000	242,958,359	245,500,000
Effect of dilutive shares for diluted net income per Operating Partnership unit	166,530	239,166	222,288	239,166
Weighted average shares for diluted net income per Operating Partnership unit	243,216,224	245,739,166	243,180,647	245,739,166
Diluted net income per Operating Partnership unit	$0.18	$ 0.12	$0.37	$ 0.12

NOTE 12 — COMMITMENTS AND CONTINGENCIES

Ground leases. The Company was assigned ground leases in the Borgata Transaction as discussed in Note 3. Such amounts will be paid by the Tenant pursuant to the Master Lease through 2046 (including renewal periods). Estimated minimum lease payments pursuant to the ground leases through 2070 are as follows:

	(in thousands)
Year ending December 31,	
2017	$ 3,211
2018	6,688
2019	6,688
2020	7,014
2021	7,027
Thereafter	703,516
Total minimum lease payments	$ 734,144

Litigation. In the ordinary course of business, from time to time, the Company expects to be subject to legal claims and administrative proceedings, none of which are currently outstanding, which the Company believes could have, individually or in the aggregate, a material adverse effect on its business, financial condition or results of operations, liquidity or cash flows.

NOTE 13 — CONDENSED CONSOLIDATING FINANCIAL INFORMATION

The Operating Partnership's senior notes were co-issued by MGP Finance Co-Issuer, Inc., a 100% owned finance subsidiary of the Operating Partnership. Obligations to pay principal and interest on the senior notes are currently guaranteed by all of the Operating Partnership's subsidiaries, other than MGP Finance Co-Issuer, Inc., each of which is directly or indirectly 100% owned by the Operating Partnership. Such guarantees are full and unconditional, and joint and several and are subject to release in accordance with the events described below. Separate condensed financial information for the subsidiary guarantors as of June 30, 2017 and December 31, 2016 and for the three and six months ended June 30, 2017 and June 30, 2016 are presented below.

The guarantee of a subsidiary guarantor will be automatically released upon (i) a sale or other disposition (including by way of consolidation or merger) of the subsidiary guarantor, or the capital stock of the subsidiary guarantor; (ii) the sale or disposition of all or substantially all of the assets of the subsidiary guarantor; (iii) the designation in accordance with the indenture of a subsidiary guarantor as an unrestricted subsidiary; (iv) at such time as such subsidiary guarantor is no longer a subsidiary guarantor or other obligor with respect to any credit facilities or capital markets indebtedness of the Operating Partnership; or (v) defeasance or discharge of the notes.

CONSOLIDATING BALANCE SHEET INFORMATION

	June 30, 2017				
	Operating Partnership	Co-Issuer	Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
Real estate investments, net	$—	$ —	$ 8,957,622	$—	$ 8,957,622
Cash and cash equivalents	376,842	—	—	—	376,842
Tenant and other receivables, net	245	—	3,921	—	4,166
Intercompany	552,831	—	—	(552,831)	—
Prepaid expenses and other assets	8,819	—	—	—	8,819
Investments in subsidiaries	8,288,473	—	—	(8,288,473)	—
Above market lease, asset	—	—	45,374	—	45,374
	$9,227,210	$ —	$ 9,006,917	$ (8,841,304)	$ 9,392,823
Debt, net	3,601,214	—	—	—	3,601,214
Due to MGM Resorts International and affiliates	—	—	233	—	233
Intercompany	—	—	552,831	(552,831)	—
Accounts payable, accrued expenses, and other liabilities	5,077	—	3,752	—	8,829
Above market lease, liability	—	—	47,513	—	47,513
Accrued interest	17,580	—	—	—	17,580
Distribution payable	95,995	—	—	—	95,995
Deferred revenue	—	—	88,747	—	88,747
Deferred income taxes, net	—	—	25,368	—	25,368
Total liabilities	3,719,866	—	718,444	(552,831)	3,885,479
General partner	—	—	—	—	—
Limited partners	5,507,344	—	8,288,473	(8,288,473)	5,507,344
Total partners' capital	5,507,344	—	8,288,473	(8,288,473)	5,507,344
Total liabilities and partners' capital	$9,227,210	$ —	$ 9,006,917	$ (8,841,304)	$ 9,392,823

CONSOLIDATING
BALANCE SHEET
INFORMATION