THIS REPORT HAS NOT BEEN, NOR WILL IT BE, FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THIS REPORT, AND THE INFORMATION CONTAINED HEREIN, IS REQUIRED TO BE PROVIDED PURSUANT TO SECTION 4.03 OF THAT CERTAIN INDENTURE, DATED APRIL 20, 2016, BY AND AMONG MGP ESCROW ISSUER, LLC, TO BE MERGED WITH AND INTO MGM GROWTH PROPERTIES OPERATING PARTNERSHIP LP AND MGP ESCROW CO-ISSUER, INC. (TOGETHER THE "ISSUERS"), AND U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE (AS SUPPLEMENTED, SUCH INDENTURE GOVERNING THE ISSUERS' 5.625% SENIOR NOTES DUE 2024).

THIS REPORT HAS BEEN PREPARED SOLELY FOR THE BENEFIT OF HOLDERS OF OUR SENIOR NOTES PURSUANT TO THE TERMS OF THE INDENTURE GOVERNING THOSE NOTES AND SHALL NOT BE RELIED UPON BY ANY OTHER INVESTORS.

FORM 10-Q

For the quarterly period ended June 30, 2016

MGM Growth Properties Operating Partnership LP

(Exact name of registrant as specified in its charter)

Delaware	**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)

MGM GROWTH PROPERTIES OPERATING PARTNERSHIP LP

FORM 10-Q

I N D E X

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

MGM GROWTH PROPERTIES OPERATING PARTNERSHIP LP
CONDENSED COMBINED AND CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

	June 30, 2016	December 31, 2015
ASSETS		
Real estate investments, net	$ 7,847,707	$ 7,793,639
Cash and cash equivalents	338,034	—
Tenant and other receivables, net	4,273	—
Prepaid expenses and other assets	10,993	—
Total assets	$ 8,201,007	$ 7,793,639
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities:		
Debt, net	$ 3,134,791	$ —
Due to MGM Resorts International and affiliates	465	—
Accounts payable, accrued expenses and other liabilities	6,228	—
Accrued interest	11,888	—
Distribution payable	56,720	—
Deferred revenue	20,889	—
Deferred income taxes, net	—	1,734,680
Total liabilities	3,230,981	1,734,680
Commitments and contingencies (*Note 9*)		
Partners' capital:		
General partner	—	—
Limited partners	4,970,026	—
Net Parent investment	—	6,058,959
Total partners' capital	4,970,026	6,058,959
Total liabilities and partners' capital	$ 8,201,007	$ 7,793,639

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
AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except per unit amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues				
Rental revenue	$ 101,253	$ —	$ 101,253	$ —
Property taxes reimbursed by Tenant	9,650	—	9,650	—
	110,903	—	110,903	—
Expenses				
Depreciation	53,123	46,190	104,600	91,617
Property transactions, net	335	—	1,209	—
Property taxes	13,305	12,819	26,541	25,381
Property insurance	559	2,529	2,943	5,293
General and administrative	4,388	—	4,388	—
	71,710	61,538	139,681	122,291
Operating income (loss)	39,193	(61,538)	(28,778)	(122,291)
Interest expense	29,475	—	29,475	—
Other non-operating expense	72	—	72	—
Net income (loss)	9,646	(61,538)	(58,325)	(122,291)
Comprehensive income (loss)	$ 9,646	$ (61,538)	$ (58,325)	$ (122,291)
Net income per operating partnership unit (basic)	$ 0.12	N/A	$ 0.12	N/A
Net income per operating partnership unit (diluted)	$ 0.12	N/A	$ 0.12	N/A

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, 2016	Six Months Ended June 30, 2015
Cash flows from operating activities		
Net loss	$ (58,325)	$ (122,291)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	104,600	91,617
Property transactions, net	1,209	—
Amortization of deferred financing costs and debt discount	1,714	—
Straight-line rental revenues	(420)	—
Share-based compensation	142	—
Changes in operating assets and liabilities:		
Tenant and other receivables, net	(4,273)	—
Prepaid expenses and other assets	4,464	—
Due to MGM Resorts International	465	—
Accounts payable, accrued liabilities and other liabilities	849	—
Accrued interest	11,888	—
Net cash provided by (used in) operating activities	62,313	(30,674)
Cash flows from investing activities		
Capital expenditures for property and equipment funded by Parent	(138,987)	(14,779)
Net cash used in investing activities	(138,987)	(14,779)
Cash flows from financing activities		
Proceeds from issuance of debt	3,200,000	—
Deferred financing costs	(68,207)	—
Repayment of bridge facilities	(4,000,000)	—
Repayment of debt principal	(8,375)	—
Proceeds from purchase of operating partnership units by MGP	1,132,468	—
Net cash transfers from Parent	158,822	45,453
Net cash provided by financing activities	414,708	45,453
Cash and cash equivalents		
Net increase for the period	338,034	—
Balance, beginning of period	—	—
Balance, end of period	$ 338,034	$ —
Supplemental cash flow disclosures		
Interest paid, net of amounts capitalized	$ 15,873	$ —
Non-cash investing and financing activities		
Non-Normal Tenant Improvements by Tenant	$ 20,889	$ —

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

MGM GROWTH PROPERTIES OPERATING PARTNERSHIP LP
CONDENSED NOTES TO UNAUDITED CONDENSED COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — BUSINESS

Organization. MGM Growth Properties Operating Partnership LP (the "Company" or the "Operating Partnership") is a Delaware limited partnership that was formed on January 6, 2016 through which MGM Growth Properties LLC ("MGP"), a limited liability company that was organized in Delaware on October 23, 2015 conducts its operations. MGP intends to make an election on its federal income tax return for its taxable year ending December 31, 2016 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 casino resorts. Prior to April 25, 2016 (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 comprise the Company's real estate investments, 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 Company pursuant to a Master Contribution Agreement (the "MCA") in exchange for operating partnership units representing limited partner interests in the Company.

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 Company. A wholly owned subsidiary of MGP is the general partner of the Company, and operates and controls all of its business affairs. As a result, the Operating Partnership and its subsidiaries are consolidated subsidiaries of MGP.

As of June 30, 2016, MGM owned 73.3% of the operating partnership units in the Company, which 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, at the option of MGP. MGM also owns MGP's outstanding Class B share following the initial public offering. 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 but which represent 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 a consolidated subsidiary of MGM.

Following MGP's initial public offering, a wholly owned subsidiary of the Operating Partnership (the "Landlord") leases all of the IPO 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"). 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 the Operating Partnership represent the IPO Properties, which were controlled by MGM, and have been determined to be the Operating Partnership's predecessor for accounting purposes. The accompanying condensed combined and consolidated financial statements include the IPO Properties' 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 IPO Properties' results of operations, financial position and cash flows would have been had the IPO Properties been a stand-alone company during the periods presented. As a result, historical financial information is not necessarily indicative of the Operating Partnership's future results of operations, financial position and cash flows.

For periods subsequent to the IPO Date, the accompanying condensed combined and consolidated financial statements of MGP represent the results of operations, financial position and cash flows of the Company and its subsidiaries.

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 its wholly owned subsidiary which owns the real estate, a VIE of which the Company is the primary beneficiary. The Company's maximum exposure to loss is the carrying value of the assets and liabilities of the Landlord, which represent $7.9 billion of the Company's assets and $25.2 million of the Company's liabilities at June 30, 2016. As the Company holds what is deemed a majority voting interest in the Landlord, 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 combined and consolidated balance sheets. All intercompany balances and transactions are eliminated in consolidation.

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 real estate assets, real estate impairment assessments and the allocation of income taxes to the Company's IPO Properties. 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 consist of the land, buildings, improvements and integral equipment of the IPO Properties, which were contributed to the Company pursuant to the MCA. Because the Formation Transactions represent a transaction 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. 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 between MGM and MGP, 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. Examples of Non-Normal Tenant Improvements include the costs of structural elements at the IPO Properties, including capital improvements that expand the footprint or square footage of any of the IPO Properties or extend the useful life of the IPO Properties, as well as equipment that would be a necessary improvement at any of the IPO 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 $20.9 million as of June 30, 2016.

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 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, 2016 or 2015.

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 the Operating Partnership'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 ten 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 taxes 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 accrued 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.

Property insurance. The condensed combined and consolidated financial statements include the allocation of property insurance costs incurred and paid by MGM with respect to the Company's IPO Properties. MGM has an annual master property insurance program for which a total premium is allocated to each property. The allocation is based on total location value as well as the specific item insured (building, personal property and business interruption). Finally, the allocated amounts are adjusted by specific risk factors such as loss expectation and geographical location. Property insurance expenses were allocated to the Company's IPO Properties for all the properties being transferred. The expense allocations have been determined on a basis that both the Operating Partnership and MGM consider to be a reasonable reflection of the benefit received by the Company's IPO Properties during the periods presented. The allocations may not, however, reflect the expense that the Company's IPO Properties would have incurred as a stand-alone entity for the periods presented. Actual costs that may have been incurred if the Company's IPO Properties had been a stand-alone entity would depend on a number of factors, including, but not limited to, the chosen insurance coverage. The Company does not recognize property insurance expense subsequent to the Formation Transactions, as these costs are the direct responsibility of the Tenant under the Master Lease.

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 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 the 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 taxes. The Company is treated as a partnership for federal and state income tax purposes. Therefore, federal income taxes are the responsibility of the partners. As a result, no provision for income taxes is reflected in the accompanying condensed combined and consolidated financial statements.

The Company was included in the consolidated or unitary income tax returns of MGM for all periods prior to the IPO Date. In the accompanying financial statements, the periods prior to the IPO Date reflect income taxes as if the Company was a separate stand-alone company.

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.

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.

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, 2016	
	Principal Amount	Fair Value
	(in thousands)	
Senior secured credit facility:		
Senior secured term loan A facility	$ 296,250	$ 292,547
Senior secured term loan B facility	1,845,375	1,852,295
Senior secured revolving credit facility	—	—
$1,050 million 5.625% senior notes, due 2024	1,050,000	1,105,125

The estimated fair value of the Company's debt was estimated using quoted market prices 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.

Reportable segment. The IPO Properties are similar in that they consist of large scale destination entertainment and leisure resorts and related offerings, whose tenant offers casino gaming, hotel, convention, dining, entertainment and retail, held by a subsidiary of the Operating Partnership, have similar economic characteristics and are governed under a single Master Lease. As such, the IPO Properties are reported as one reportable segment.

Concentrations of credit risk. Following the IPO Date, all of the IPO Properties have been leased to a wholly owned subsidiary of MGM, and all of the Operating Partnership'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. Management does not believe there are any other significant concentrations of credit risk.

Geographical risk. The majority of the Company's assets 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 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. Early adoption is permitted for fiscal years beginning after December 15, 2016, 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 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 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 March 2016, the FASB issued Accounting Standards Update No. 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). ASU 2016-09 was issued as part of the FASB's simplification initiative and affects all entities that issue share-based payment awards to their employees. The amendments in this update cover such areas as the recognition of excess tax benefits and deficiencies, the classification of those excess tax benefits on the statement of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification and the classification of those taxes paid on the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, 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.

NOTE 3 — REAL ESTATE INVESTMENTS

The carrying value of real estate investments is as follows:

	June 30, 2016	December 31, 2015
	(in thousands)	
Land	$ 4,107,945	$ 4,107,953
Buildings, building improvements and land improvements	6,016,103	5,857,232
	10,124,048	9,965,185
Less: Accumulated depreciation	(2,276,341)	(2,171,546)
	$ 7,847,707	$ 7,793,639

NOTE 4 — LEASES

Master Lease. Pursuant to the Master Lease, the Tenant has leased the IPO Properties from the Landlord. The Master Lease 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 the Operating Partnership with a right of first offer with respect to MGM's development properties located in National Harbor, Maryland and Springfield, Massachusetts (the "ROFO Properties"), which MGP may exercise should MGM elect to sell these properties in the future.

As of June 30, 2016, the annual rent payments under the Master Lease were $550 million. Rent under the Master Lease consists of a "base rent" component and a "percentage rent" component. For the first year, the base rent represents 90% of the initial total rent payments due under the Master Lease, or $495 million, and the percentage rent represents 10% of the initial total rent payments due under the Master Lease, or $55 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). Thereafter, 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 as set forth in the Master Lease, excluding net revenue attributable to certain scheduled subleases and, at the Tenant's option, certain reimbursed costs). 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 adjusted 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, certain reimbursed costs, for the trailing five calendar-year period by 1.4%).

In connection with the Borgata Transaction, as defined and discussed further in Note 10 — Subsequent Events, the annual rent payments due under the Master Lease increased to $650 million. For the first year, the base rent represents 90% of the initial total rent payments due under the Master Lease, or $585 million, and the percentage rent represents 10% of the initial total rent payments due under the Master Lease, or $65 million.

Rental revenues from the Master Lease for the three and six months ended June 30, 2016 were $101.3 million and represent activity from the IPO Date through June 30, 2016. The Company also recognized revenue related to the reimbursement of property taxes paid by the Tenant of $9.7 million for the same periods.

Under the Master Lease, future noncancelable minimum rental revenues (excluding the effect of straight-line rents and including the effect of the Borgata Transaction) are as follows:

Year ending December 31,		(in thousands)
2017	$	658,775
2018		670,651
2019		682,764
2020		695,119
2021		707,721
Thereafter		2,599,799

NOTE 5 — DEBT

Debt consists of the following:

		June 30, 2016 (in thousands)
Senior secured credit facility:		
Senior secured term loan A facility	$	296,250
Senior secured term loan B facility		1,845,375
Senior secured revolving credit facility		—
$1,050 million 5.625% senior notes, due 2024		1,050,000
		3,191,625
Less: Unamortized discount and debt issuance costs		(56,834)
	$	3,134,791

Bridge facilities. MGM borrowed $4.0 billion under certain bridge facilities, which were subsequently contributed to the Operating Partnership pursuant to the MCA. The Company repaid the bridge facilities with a combination of proceeds from its financing transactions described below and the proceeds from MGP's purchase of operating partnership units.

Credit agreement. The Company 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 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 are 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 related borrowing costs are capitalized as a component of prepaid expenses and other assets and 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 bears interest at LIBOR plus 3.25% with a LIBOR floor of 0.75%. The term loan B facility was issued at 99.75% to initial lenders. 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, 2016, no amounts were drawn on the revolving credit facility. At June 30, 2016, the interest rate on the term loan A was 3.21% and the interest rate on the term loan B was 4.0%.

The credit agreement contains customary covenants that, among other things, limit the ability of the Company and its restricted subsidiaries to: (i) incur additional indebtedness; (ii) merge with a third party or engage in other fundamental changes; (iii) make restricted payments; (iv) enter into, create, incur or assume any liens; (v) make certain sales and other dispositions of assets; (vi) enter into certain transactions with affiliates; (vii) make certain payments on certain other indebtedness; (viii) make certain investments; and (ix) incur restrictions on the ability of restricted subsidiaries to make certain distributions, loans or transfers of assets to the Operating Partnership or any restricted subsidiary. 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 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.

The credit agreement also provides for customary events of default, including, without limitation, (i) payment defaults, (ii) inaccuracies of representations and warranties, (iii) covenant defaults, (iv) cross-defaults to certain other indebtedness in excess of specified amounts, (v) certain events of bankruptcy and insolvency, (vi) judgment defaults in excess of specified amounts, (vii) actual or asserted invalidity or impairment of any loan documentation, (viii) the security documents cease to create a valid and perfected first priority lien on any material portion of the collateral, (ix) ERISA defaults, (x) termination of the Master Lease and (xi) change of control. 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 revolving credit facility and the term loan facilities are both guaranteed by each of the Company'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 Company's and such restricted subsidiaries' material assets, including mortgages on its real estate, subject to customary exclusions.

Senior notes. On April 20, 2016, a wholly owned subsidiary of the Company issued $1.05 billion in aggregate principal amount of 5.625% senior notes due 2024 and on the IPO Date, the Company 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 are recorded at cost net of the original issue discount and related borrowing costs, and 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. The Company 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 Company 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 indenture governing the senior notes contains customary covenants that limit the Company's ability and, in certain instances, the ability of its subsidiaries, to borrow money, create liens on assets, make distributions and pay dividends on or redeem or repurchase operating partnership units, make certain types of investments, sell stock in certain subsidiaries, enter into agreements that restrict dividends or other payments from subsidiaries, enter into transactions with affiliates, issue guarantees of debt, and sell assets or merge with other companies. These limitations are subject to a number of important exceptions and qualifications set forth in the indenture governing the senior notes, including, with respect to the restricted payments covenant, 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, 2016 are as follows:

Year ending December 31,	***(in thousands)***
2016	$ 16,750
2017	33,500
2018	33,500
2019	33,500
2020	33,500
2021	247,250
Thereafter	2,793,625
	$ 3,191,625

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 condensed combined and consolidated statement of operations. Costs incurred in connection with 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 condensed combined and consolidated statement of operations. The Company recognized non-cash interest expense related to the amortization of deferred financing costs of $1.7 million during the three and six months ended June 30, 2016.

NOTE 6 — PARTNERS' CAPITAL

On the IPO Date, MGP contributed the proceeds from its initial public offering to the Company in exchange for 26.7% of the outstanding operating partnership units in the Company. Certain subsidiaries of MGM continue to hold 73.3% of the outstanding operating partnership units. The operating partnership units held by subsidiaries of MGM are redeemable for cash or, at the election of MGP's conflicts committee, into Class A shares on a one-for-one basis.

On June 16, 2016, the Company declared a cash distribution of $0.2632 per unit (which amount was based on a distribution of $0.3575 per operating partnership unit for a full quarter). The distribution was paid on July 15, 2016.

The following table presents the Company's changes in partners' capital for the six months ended June 30, 2016:

	General Partner	Limited Partners	Net Parent Investment	Total Partners' Capital
		(in thousands)		
Balances at December 31, 2015	$ —	$ —	$ 6,058,959	$ 6,058,959
Net loss – January 1, 2016 to April 24, 2016	—	—	(84,383)	(84,383)
Assumption of bridge facilities from MGM	—	—	(4,000,000)	(4,000,000)
Other contributions from MGM	—	—	1,893,502	1,893,502
Limited partnership interest effective April 25, 2016	—	3,868,078	(3,868,078)	—
Purchase of operating partnership units by MGP	—	1,132,468	—	1,132,468
Net income – April 25, 2016 to June 30, 2016	—	26,058	—	26,058
Share-based compensation	—	142	—	142
Dividends declared, $0.2632 per operating partnership unit	—	(56,720)	—	(56,720)
Balances at June 30, 2016	$ —	$ 4,970,026	$ —	$ 4,970,026

NOTE 7 — SHARE-BASED COMPENSATION

2016 Omnibus Incentive Plan. MGP has established an incentive compensation plan, referred to as the 2016 Omnibus Incentive Plan ("Omnibus Plan") which allows it to grant share options, share appreciation rights ("SARs"), restricted shares, restricted stock units ("RSUs"), performance shares, performance share units ("PSUs") and other share-based awards to eligible directors, officers and employees of MGP and its subsidiaries and affiliates, including, without limitation, the Operating Partnership and MGM. The Omnibus Plan is administered by the Board of Directors (the "Board") of MGP. The Board has discretion under the Omnibus Plan regarding which type of awards to grant, the vesting and service requirements, exercise price and other conditions, in all cases subject to certain limits, including:

- The Omnibus Plan allows for the issuance of up to 2.5 million shares; and
- Limits on the maximum amount of shares to be granted, in the aggregate, to any individual participant within any fiscal year as well as limits on the maximum aggregate grant date value (regardless of type(s) of award granted) in any fiscal year to any non-employee director of the MGP and its subsidiaries; and
- For stock options and SARs, the exercise price of the award must be at least equal to the fair market value of the stock on the date of grant and the maximum term of such an award is 10 years.

As MGP is considered an economic interest holder in the Operating Partnership, the Company accounts for equity awards granted under the Omnibus Plan in the same manner as if it adopted the compensatory plan.

RSUs granted vest ratably over four years, except for RSUs granted to non-employee directors of the Company and its affiliates which vest at the earlier of one year or the date of the next annual meeting of MGP's shareholders following the date of grant (for the non-employee directors of the Company) or the next annual meeting of MGM's shareholders after June 1, 2016 (for the non-employee directors of MGM). Expense is recognized primarily on a straight-line basis over the vesting period of the awards, net of estimated forfeitures. Estimated forfeitures are updated periodically with actual forfeitures recognized currently to the extent they differ from the estimate.

PSUs granted vest subject to a market condition, in which a percentage of the target award granted vests based on the MGP's percentile rank of Total Shareholder Return ("TSR") in relation to a comparison group of peer companies at the end of a three year performance period. The PSUs vest at defined percentages. No shares are issued unless the TSR is above the thirtieth percentile of the comparison group, and the maximum payout is capped at 160% of the target award should the TSR be in the ninetieth percentile or greater. Should MGP's TSR be negative during the performance period, then the maximum portion of the target award eligible for vesting is 100%. Expense is recognized on a graded basis over the performance period beginning on the date of grant. Estimated forfeitures are updated periodically with actual forfeitures recognized currently to the extent they differ from the estimate.

The Board may grant any participant dividend equivalent rights ("Dividend Equivalent Rights") based on the dividends paid on shares that are subject to any award other than options or SARs, to be credited as of dividend payment dates, during the period between the date the award is granted and the date the award is exercised, is settled, is paid, vests or expires. Dividend Equivalent Rights relating to awards that vest or become payable or earned in whole or in part subject to performance goals or conditions will be subject to the same performance goals or conditions as the underlying award. Regardless of if the dividends are paid in cash or in kind (share-based awards with equivalent value) the rights are recorded to retained earnings with a credit to cash or additional paid-in capital (if in-kind awards are paid).

As of June 30, 2016, MGP had an aggregate of 2.0 million Class A shares available for grant as share-based awards under the Omnibus Plan. A summary of share-based activity for the six months ended June 30, 2016 is presented below:

Restricted share units ("RSUs") and performance share units ("PSUs")

	RSUs		PSUs	
	Units (000's)	Weighted Average Grant-Date Fair Value	Units (000's)	Weighted Average Grant-Date Fair Value
Granted	240	$ 21.05	44	$ 20.58
Nonvested at June 30, 2016	240	$ 21.05	44	$ 20.58

Shares granted in the above table include share-based compensation awards granted to eligible directors, officers and employees of the Company and MGM, and include Dividend Equivalent Rights on RSUs and PSUs. In accordance with applicable U.S. GAAP, the Company only recognizes share-based compensation expense related to its eligible directors, officers and employees.

As of June 30, 2016, there was a total of $0.8 million of unamortized compensation related to RSUs which is expected to be recognized over a weighted-average period of 1 year. As of June 30, 2016, there was a total of $0.8 million of unamortized compensation related to PSUs which is expected to be recognized over a weighted-average period of 2.8 years.

Recognition of compensation cost. Compensation cost for the Omnibus Plan was $0.1 million for the three and six months ended June 30, 2016.

For RSUs, compensation expense is calculated based on the fair market value of our Class A shares on the date of grant. Compensation cost for PSUs granted under the Omnibus Plan is based on the fair value of each award, measured by applying a Monte Carlo simulation method on the date of grant, using the following weighted-average assumptions:

	Six Months Ended June 30, 2015
Expected volatility	26%
Expected term	3 yrs.
Expected dividend yield	0%
Risk-free interest rate	0.9%
Weighted-average fair value of PSUs granted	$ 20.52

Expected volatility is based in part on historical volatility and in part on implied volatility based on traded shares of MGP's Class A shares. The expected term is equal to the three year performance period. The risk-free interest rate is based on the rates in effect on the grant date for U.S. Treasury instruments with maturities matching the relevant expected term of the award.

NOTE 8 — 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 period subsequent to the IPO Date.

	April 25 – June 30, 2016
	(in thousands, except unit and per unit amounts)
Basic net income per operating partnership unit	
Numerator:	
Net income attributable to operating partnership units	$ 26,058
Denominator:	
Basic weighted average operating partnership units outstanding	215,500,000
Basic net income per operating partnership unit	$ 0.12

	April 25 – June 30, 2016
	(in thousands, except unit and per unit amounts)
Diluted net income per operating partnership unit	
Numerator:	
Net income attributable to operating partnership units	$ 26,058
Denominator:	
Basic weighted average operating partnership units outstanding	215,500,000
Effect of dilutive securities outstanding(1)	239,166
Weighted average shares for dilutive net income per operating partnership unit	215,739,166
Diluted net income per operating partnership unit	$ 0.12

(1) No potentially dilutive shares related to outstanding share-based compensation awards were excluded as any such amounts were deemed to be antidilutive.

NOTE 9 — COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, from time to time, the Operating Partnership 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 10 — SUBSEQUENT EVENTS

Borgata Transaction. On May 31, 2016, MGM entered into a definitive agreement to acquire Boyd Gaming Corporation's ownership interest in Borgata Hotel Casino and Spa ("Borgata"). Further, MGM, MGP, the Operating Partnership, the Landlord and the Tenant entered into a master transaction agreement (the "Master Transaction Agreement"), which provides for, among other things, the transfer of the real estate assets related to the 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 will operate Borgata. MGM is in the process of determining the fair value of the assets acquired and liabilities assumed in its purchase price allocation. On August 1, 2016 the Company completed the acquisition of the real estate assets related to Borgata.

The mix of consideration that was paid by the Operating Partnership to a subsidiary of MGM consisted of the assumption by the Landlord of $545 million of indebtedness from a subsidiary of MGM and 27.4 million operating partnership units issued to a subsidiary of MGM. The purchase is being accounted for as a transaction under common control, and the real estate assets will continue to be accounted for at the fair value determined by MGM in its purchase price allocation.

The real estate assets was leased by the Landlord to the Tenant via an amendment to the existing Master Lease. As a result of the consummation of the Borgata Transaction, 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 relates to the percentage rent. Following the closing of the acquisition, the base rent under the Master Lease is now $585 million for the initial term and the percentage rent is $65 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This management's discussion and analysis of financial condition and results of operations contains forward-looking statements that involve risks and uncertainties. Please see "Forward-Looking Statements" for a discussion of the uncertainties, risks, and assumptions that may cause our actual results to differ materially from those discussed in the forward-looking statements.

The following discussion and analysis is based on, and should be read in conjunction with, the resulting condensed combined and consolidated financial statements and the related condensed notes thereto, of the Operating Partnership and the IPO Properties for the periods ended June 30, 2016 and June 30, 2015. Because the Operating Partnership had no substantive assets or operations prior to the IPO Date, the following discussion and analysis of our results of operations for the period of January 1, 2016 through April 24, 2016 and the three and six months ended June 30, 2015 relate solely to the IPO Properties, while the results of operations from the IPO Date through June 30, 2016 reflect the results of the Operating Partnership subsequent to the Formation Transactions, which occurred on April 25, 2016.

References to "we," "our," "us," or "the Company" refer to the Operating Partnership and its consolidated affiliates. References to the "IPO Properties" are to the real estate activity and holdings of the entities that own the historical interests in the assets of the IPO Properties.

Executive Overview

The Operating Partnership is a Delaware limited partnership formed by MGM on January 6, 2016.

Following completion of the Formation Transactions, our parent, MGP, became a publicly traded, controlled REIT primarily engaged through the Operating Partnership in the real property business, which consists of owning, acquiring and leasing large-scale destination entertainment and leisure resorts, and whose tenants generally offer casino gaming, hotel, convention, dining, entertainment and retail. MGM continued to hold a controlling interest in MGP following the completion of the Formation Transactions through its 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 but which represents a majority of the voting power of MGP's shares. In addition, MGM continues to hold a majority economic interest in the Operating Partnership through its direct and indirect ownership of operating partnership units. One of MGP's subsidiaries is the sole general partner of the Operating Partnership.

We generate all of our revenues by leasing the real estate assets of the IPO Properties through our wholly owned subsidiary to the Tenant in a "triple-net" lease arrangement, which requires the Tenant to pay substantially all costs associated with each property, including real estate taxes, insurance, utilities, and routine maintenance, in addition to the base rent and the percentage rent, each as described below. The Master Lease 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. Additionally, the Master Lease provides us with a right of first offer to purchase the real estate assets with respect to the ROFO Properties currently under construction in the event that MGM elects to sell them. The annual rent payments due under the Master Lease were initially $550 million and will increase to $650 million once the Borgata Transaction comes into effect, as described below. The Master Lease is guaranteed by MGM.

As of June 30, 2016, our portfolio consisted of nine premier destination resorts operated by MGM, including properties that we believe are among the world's finest casino resorts, and The Park in Las Vegas. The IPO Properties are leased by the Landlord, a subsidiary of the Operating Partnership, to the Tenant, a subsidiary of MGM.

Borgata Transaction

On August 1, 2016, MGM completed its acquisition of Boyd Gaming Corporation's ("Boyd Gaming") interest in Borgata, giving MGM 100% ownership of Borgata. Immediately following such transaction, we acquired Borgata's real property (together with the IPO Properties, the "Properties") from MGM for consideration consisting of the assumption by the Landlord of $545 million of indebtedness from a subsidiary of MGM and 27.4 million operating partnership units issued to a subsidiary of MGM, and leased back the real property to a subsidiary of MGM.

Borgata was added to the existing Master Lease between the Landlord and the Tenant. As a result, the initial annual rent payment to the Landlord increased by $100 million to $650 million, prorated for the remainder of the first lease year after the Borgata

Transaction. Consistent with the Master Lease terms, 90% of this rent will be fixed and contractually grow at 2% per lease year through the lease year beginning April 1, 2021.

Master Lease

Rent under the Master Lease consists of the base rent and the percentage rent. The annual rent payments due under the Master Lease were initially $550 million at the IPO Date, which obligation was increased in connection with the Borgata Transaction to an annual rate of $650 million, prorated for the remainder of the first lease year after the Borgata Transaction. For the first year, the base rent represents 90% of the initial annual rent amount due under the Master Lease, or $495 million at the IPO Date and $585 million after the Borgata Transaction, and the percentage rent represents 10% of the initial annual rent amount due under the Master Lease, or $55 million at the IPO Date and $65 million after the Borgata Transaction.

Base Rent

The base rent is a base annual amount for the duration of the lease equal to $495 million ($585 million after the Borgata Transaction, prorated for the remainder of the first year) during the first year of the Master Lease and includes a fixed annual rent escalator of 2.0% for the second through the sixth lease years (as defined in the Master Lease). Thereafter, the annual escalator of 2.0% will be subject to the Tenant and, without duplication, the Operating Subtenants of the Properties 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 as set forth in the Master Lease, excluding net revenue attributable to certain scheduled subleases and, at the Tenant's option, certain reimbursed costs. Base rent and percentage rent that are known at the lease commencement date will be recorded on a straight-line basis over 30 years, which represents the initial ten-year non-cancelable lease term and all four five-year renewal terms under the Master Lease, as such renewal terms have been determined to be reasonably assured.

Percentage Rent

The percentage rent is a variable percentage rent which consists of a fixed annual amount for approximately the first six lease years (as defined in the Master Lease) and then adjusted every five years thereafter based on the average actual annual adjusted net revenues of our Tenant, and, without duplication, the Operating Subtenants from the leased properties subject to the Master Lease at such time during the trailing five-calendar-year period (calculated by multiplying the average annual net revenues (adjusted as set forth in the Master Lease, excluding net revenue attributable to certain scheduled subleases and, at the Tenant's option, certain reimbursed costs) for the trailing five-calendar-year period by 1.4%).

Under the Master Lease, the Tenant is required to maintain the premises in reasonably good order and repair. The Master Lease requires the Tenant to spend an aggregate amount of at least 1% of actual adjusted net revenues from the Properties per calendar year on capital expenditures.

General and Administrative and Corporate Services

We incur general and administrative expenses for items such as compensation costs, professional services, legal expenses, certain costs of being a public company, office costs and other costs associated with development activities. In addition, we incur costs for corporate services from MGM for amounts reimbursed to MGM under the Corporate Services Agreement entered into between the Operating Partnership and MGM that covers 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.

We estimate that our general and administrative costs will be between $10 million to $15 million per year. Pursuant to the terms of our partnership agreement, the Operating Partnership is required to pay for or reimburse MGP for these expenses (and generally for any expenses we incur relating to the operation of, or for the benefit of, the Operating Partnership or us). Any such reimbursements are taken into account by our general partner, a wholly owned subsidiary of MGP, before causing the Operating Partnership to make any distributions to holders of operating partnership units and do not affect the pro rata entitlement of holders of operating partnership units, to distributions from the Operating Partnership.

Expenditures necessary to maintain our Properties in reasonably good order and repair are paid or reimbursed by the Tenant pursuant to the Master Lease with respect to the Properties. Other operating expenses relating to the Properties such as property taxes and insurance are also paid or reimbursed by the Tenant.

Combined Results of Operations for the IPO Properties and the Operating Partnership

Three and Six Months Ended June 30, 2016 Compared to Three and Six Months Ended June 30, 2015

Overview

The following comparative discussion of results of operations for the three and six months ended June 30, 2016 reflects the results of operations of the IPO Properties from January 1, 2016 to, but not including, the IPO Date, combined with the results of operations of the Operating Partnership from and including the IPO Date through June 30, 2016. The prior year periods reflect solely the results of operations of the IPO Properties.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands)			
Net revenues	$ 110,903	$ —	$ 110,903	$ —
Operating income (loss)	$ 39,193	$ (61,538)	$ (28,778)	$ (122,291)

Revenues

Revenues, including property taxes reimbursed by Tenant, for the three and six months ended June 30, 2016 of $110.9 million represent revenues generated by the Operating Partnership from April 25, 2016 through June 30, 2016. We generated no revenues during the three and six months ended June 30, 2015. Tenant reimbursement income arises from the triple-net structure of the Master Lease which provides for the recovery of all of the operating expenses and property taxes of the IPO Properties. This revenue is accrued in the same periods as the expense is incurred.

Operating Expenses

Depreciation. Depreciation expense for the three and six months ended June 30, 2016 was $53.1 million and $104.6 million, respectively, which includes depreciation expense from January 1, 2016 through April 24, 2016 of $12.2 million and $63.7 million. Depreciation expense for the three and six months ended June 30, 2015 was $46.2 million and $91.6 million, respectively. Depreciation expense for both the three and six month periods increased primarily due to depreciation recognized on property improvements during the year as well as accelerated depreciation recognized on assets disposed of during the year.

Property transactions, net. Property transactions, net for the three and six months ended June 30, 2016 were $0.3 million and $1.2 million, respectively, compared to $0 for the three and six months ended June 30, 2015, and relate to normal losses on the disposition of assets recognized during the year.

Property taxes. Property tax expense for the three and six months ended June 30, 2016 was $13.3 million and $26.5 million, respectively, compared to $12.8 million and $25.4 million for the three and six months ended June 30, 2015, respectively. This increase was due to higher property tax assessments.

Property insurance. Property insurance expense for the three and six months ended June 30, 2016 was $0.6 million and $2.9 million, respectively, compared to $2.5 million and $5.3 million for the three and six months ended June 30, 2015, respectively. Property insurance expense decreased in the current year periods because the Operating Partnership does not recognize property insurance expense following the Formation Transactions due to such costs being direct costs of the Tenant and not an obligation of the Operating Partnership.

General and administrative expense. General and administrative expense for the three and six months ended June 30, 2016 was $4.4 million, which included $1.4 million of certain costs relating to setting up operations including payroll and relocation costs, $0.6 million relating to expenses incurred in connection with the Borgata Transaction and $0.1 million of share-based compensation expense. We did not have any general and administrative expense for the three and six months ended June 30, 2015.

Non-Operating Expenses

Total non-operating expenses for the three and six months ended June 30, 2016 was $29.5 million primarily related to interest expense on our senior secured credit facility and senior notes, which included amortization of debt issuance costs of $1.7 million for the three and six months ended June 30, 2016. There were no non-operating expense for the three and six months ended June 30, 2015.

Supplemental Data: Results of Operations Subsequent to the Formation Transactions

The following table summarizes the combined and consolidated results of operations for the Operating Partnership for the three months ended June 30, 2016:

	Three Months Ended June 30, 2016	Less: April 1, 2016 to April 24, 2016	IPO Date to June 30, 2016
	(in thousands, except unit and per unit amounts) (Unaudited)		
Revenues			
Rental revenue	$ 101,253	$ —	$ 101,253
Property taxes reimbursed by Tenant	9,650	—	9,650
	110,903	—	110,903
Expenses			
Depreciation	53,123	12,198	40,925
Property transactions, net	335	—	335
Property taxes	13,305	3,655	9,650
Property insurance	559	559	—
General and administrative	4,388	—	4,388
	71,710	16,412	55,298
Operating income (loss)	39,193	(16,412)	55,605
Interest expense	29,475	—	29,475
Other non-operating expense	72	—	72
Net income (loss)	$ 9,646	$ (16,412)	$ 26,058
<u>Reconciliation of Non-GAAP Financial Measures</u>			
Net income (loss)	$ 9,646	$ (16,412)	$ 26,058
Real estate depreciation	53,123	12,198	40,925
Property transactions, net	335	—	335
Funds from Operations	63,104	(4,214)	67,318
Amortization of financing costs	1,714	—	1,714
Non-cash compensation expense	142	—	142
Net effect of straight-line rent	(420)	—	(420)
Adjusted Funds From Operations	64,540	(4,214)	68,754
Interest expense	29,475	—	29,475
Amortization of financing costs	(1,714)	—	(1,714)
Adjusted EBITDA	$ 92,301	$ (4,214)	$ 96,515
Weighted average operating partnership units outstanding[(1)]			
Basic			215,500,000
Diluted			215,739,166
FFO per operating partnership unit			
Diluted			$ 0.31
AFFO per operating partnership unit			
Diluted			$ 0.32

(1) Represents the weighted average operating partnership units outstanding from the IPO Date through June 30, 2016.

Non-GAAP Measures

Funds From Operations ("FFO") is net income (computed in accordance with U.S. GAAP), excluding gains and losses from sales or disposals of property (presented as property transactions, net), plus real estate depreciation, as defined by the National Association of Real Estate Investment Trusts.

Adjusted Funds From Operations ("AFFO") is FFO as adjusted for amortization of financing costs, non-cash compensation expense, and the net effect of straight-line rents.

Adjusted EBITDA is net income (computed in accordance with U.S. GAAP), excluding gains and losses from sales or disposals of property (presented as property transactions, net), plus real estate depreciation, interest expense (including amortization of financing costs), non-cash compensation expense, and the net effect of straight-line rents.

FFO, AFFO and Adjusted EBITDA are useful supplemental performance measures that have not been prepared in conformity with U.S. GAAP to investors in comparing operating and financial results between periods. This is especially true since these measures exclude real estate depreciation and amortization expense and the Company believes that real estate values fluctuate based on market conditions rather than depreciating in value ratably on a straight-line basis over time. The Company believes such a presentation also provides investors with a more meaningful measure of the Company's operating results in comparison to the operating results of other REITs. Adjusted EBITDA is useful to investors to further supplement AFFO and FFO and to provide investors a performance metric which excludes interest expense.

FFO, AFFO and Adjusted EBITDA do not represent cash flow from operations as defined by U.S. GAAP, should not be considered as an alternative to net income as defined by U.S. GAAP and are not indicative of cash available to fund all cash flow needs. Investors are also cautioned that FFO, AFFO and Adjusted EBITDA, as presented, may not be comparable to similarly titled measures reported by other REITs due to the fact that not all real estate companies use the same definitions.

The following table presents a reconciliation of FFO, AFFO, and Adjusted EBITDA to net income (loss) attributable to MGP:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands)			
	(Unaudited)		*(Unaudited)*	
Net income (loss)	$ 9,646	$ (61,538)	$ (58,325)	$ (122,291)
Real estate depreciation	53,123	46,190	104,600	91,617
Property transactions, net	335	—	1,209	—
Funds From Operations	63,104	(15,348)	47,484	(30,674)
Amortization of financing costs	1,714	—	1,714	—
Non-cash compensation expense	142	—	142	—
Net effect of straight-line rent	(420)	—	(420)	—
Adjusted Funds From Operations	64,540	(15,348)	48,920	(30,674)
Interest expense	29,475	—	29,475	—
Amortization of financing costs	(1,714)	—	(1,714)	—
Adjusted EBITDA	$ 92,301	$ (15,348)	$ 76,681	$ (30,674)

Liquidity and Capital Resources

Property rental revenue is our primary source of cash and is dependent on the Tenant's ability to pay rent. Our primary uses of cash include payment of operating expenses, debt service and distributions to unitholders. We believe we currently have sufficient liquidity to satisfy all our commitments in the form of $338 million in cash and cash equivalents and $600 million of borrowing capacity under our revolving credit facility as of June 30, 2016.

Summary of Cash Flows

Net cash provided by operating activities for the six months ended June 30, 2016 was $62.3 million, which was primarily attributable to rental revenue received under the Master Lease. Net cash used in operating activities for the six months ended June 30, 2015 was $30.7 million, which was primarily attributable to operating expenses.

Net cash used in investing activities for the six months ended June 30, 2016 was $139.0 million, which was primarily attributable to the capital expenditures, compared to cash used in investing activities of $14.8 million primarily attributed to the capital expenditures for the six months ended June 30, 2015. Such amounts were funded by the Parent and relate to our activity prior to the IPO Date.

Net cash provided by financing activities for the six months ended June 30, 2016 was $414.7 million, which was primarily attributable to net proceeds of $3.1 billion from the issuance of debt and $1.1 billion in net proceeds received from the issuance of Class A shares, partially offset by $4.0 billion repayment of the bridge facilities that were assumed by the Operating Partnership in connection with the Formation Transactions. Net cash provided by financing activities for the six months ended June 30, 2015 was $45.5 million, which represents the net amount transferred from Parent related to the IPO Properties.

Dividends and Distributions

On June 16, 2016, the Operating Partnership announced a distribution to holders of operating partnership units of $0.2632 per unit (which amount was based on a distribution of $0.3575 per operating partnership unit for a full quarter). MGP's Board of Directors concurrently declared a pro rata cash dividend for the quarter ended June 30, 2016, of $0.2632 per Class A share (which amount was based on a distribution of $0.3575 per Class A share for a full quarter) payable to shareholders of record as of June 30, 2016. The distribution and dividend were paid on July 15, 2016. As a result of the Borgata Transaction, the Operating Partnership expects to pay quarterly distributions in cash of approximately $94 million equal to $0.3875 per share ($376 million on an annualized basis equal to $1.55 per operating partnership unit) to holders of operating partnership units beginning in the third quarter of 2016, which amount may be changed in the future without advance notice.

Principal Debt Arrangements

As of June 30, 2016 we have $3.2 billion principal amount of indebtedness in the form of senior secured credit facilities and senior notes which were incurred by the Operating Partnership in connection with the Formation Transactions. The Operating Partnership's senior credit facilities include a $300 million term loan A facility which matures in 2021, a $1.85 billion term loan B facility which matures in 2023 and a $600 million revolving credit facility which also matures in 2021. The revolving credit facility remained undrawn as of June 30, 2016. The Operating Partnership's $1.05 billion principal amount of senior notes will mature in 2024.

Our senior secured credit facility contains customary covenants that, among other things limit the ability of the Operating Partnership and its restricted subsidiaries to: (i) incur additional indebtedness; (ii) merge with a third party or engage in other fundamental changes; (iii) make restricted payments; (iv) enter into, create, incur, assume or suffer to exist any liens; (v) make certain sales and other dispositions of assets; (vi) enter into certain transactions with affiliates; (vii) make certain payments on other indebtedness; (viii) make certain investments; and (ix) incur restrictions on the ability of restricted subsidiaries to make distributions, loans or transfers of assets to the Operating Partnership or any restricted subsidiary. 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 MGP's REIT status. The revolving credit facility and the term loan A facility require the Operating Partnership to comply with certain financial covenants, which may restrict the Operating Partnership's ability to incur additional debt to fund its obligations in the near term.

Our senior secured credit facility also provides for customary events of default, including, without limitation, (i) payment defaults, (ii) inaccuracies of representations and warranties, (iii) covenant defaults, (iv) cross-defaults to certain other indebtedness in excess of specified amounts, (v) certain events of bankruptcy and insolvency, (vi) judgment defaults in excess of specified amounts, (vii) actual or asserted invalidity or impairment of any loan documentation, (viii) the security documents cease to create a valid and perfected first priority lien on any material portion of the collateral, (ix) ERISA defaults, (x) termination of the Master Lease and (xi) change of control. 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 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 lien security interest on substantially all of the Operating Partnership's and such restricted subsidiaries' material assets, including mortgages on the Properties, subject to customary exclusions.

The senior notes are guaranteed by all of our direct and indirect wholly-owned material domestic subsidiaries that guarantee the senior credit facility. The senior notes are unsecured and otherwise rank equally in right of payment with our future senior indebtedness. The senior notes are effectively subordinated to our existing and future secured obligations, including our revolving credit facility and the term loan facilities, to the extent of the value of the assets securing such obligations. The indenture governing the senior notes contains certain customary affirmative and negative covenants and events of default. The occurrence of an event of default under the indenture governing the senior notes could cause a cross-default that could result in the acceleration of other indebtedness, including all outstanding borrowings under the revolving credit facility and the term loan facilities.

Capital Expenditures

We may agree, at MGM's request, to fund the cost of certain capital improvements on arm's-length terms and conditions, which may include an agreed upon increase in rent under the Master Lease. Otherwise, except as described below in connection with a deconsolidation event, capital expenditures for the Properties leased under the Master Lease are the responsibility of the Tenant. The Master Lease requires the Tenant to spend an aggregate amount of at least 1% of actual adjusted net revenues from the Properties per calendar year on capital expenditures.

Although the Tenant is responsible for all capital expenditures during the term of the Master Lease, if, in the future, a deconsolidation event occurs, we 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, and subject to an initial cap of $100 million in the first year of the Master Lease increasing on a cumulative basis by $75 million on the first day of each lease year thereafter. Examples of improvements that would not constitute "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. In addition, equipment that would be a necessary improvement at any of the Properties, including elevators, air conditioning systems, or electrical wiring that are integral to such Property would not qualify as a "normal tenant improvement" under U.S. GAAP.

Except as described in the two preceding paragraphs, the Tenant is required to pay for all maintenance expenditures and capital improvements. The Landlord is 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 Landlord 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.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Commitments and Contractual Obligations

The following table summarizes our scheduled contractual obligations as of June 30, 2016:

	Payments due by Period						
	2016	2017	2018	2019	2020	Thereafter	Total
				(in millions)			
Long-term debt	$ 16.8	$ 33.5	$ 33.5	$ 33.5	$ 33.5	$ 3,040.8	$ 3,191.6
Estimated interest payments on long-term debt(1)	85.0	141.2	140.0	138.8	137.6	364.9	1,007.5
Total	$ 101.8	$ 174.7	$ 173.5	$ 172.3	$ 171.1	$ 3,405.7	$ 4,199.1

(1) Estimated interest payments are based on principal amounts and expected maturities of debt outstanding at June 30, 2016 and LIBOR rates as of June 30, 2016 for our senior credit facility.

Application of Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with U.S. GAAP. We have identified certain accounting policies that we believe are the most critical to the presentation of our financial information over a period of time. These accounting policies may require our management to make decisions on subjective and/or complex matters relating to reported amounts of assets, liabilities, revenue, costs, expenses and related disclosures. These would further lead us to estimate the effect of matters that may inherently be uncertain.

Estimates are required in order to prepare the financial statements in conformity with U.S. GAAP. Significant estimates, judgments, and assumptions are required in a number of areas, including, but not limited to, determining the useful lives of real estate properties, evaluating the impairment of long-lived assets, and the allocation of income taxes. The judgment on such estimates and underlying assumptions is based on our historical experience and various other factors that we believe are reasonable under the circumstances. These form the basis of our judgment on matters that may not be apparent from other available sources of information. In many instances changes in the accounting estimates are likely to occur from period to period. Actual results may differ from the estimates. The future financial statement presentation, financial condition, results of operations and cash flows may be affected to the extent that the actual results differ materially from our estimates.

Real Estate Investments

Real estate costs related to the acquisition and improvement of properties are capitalized and include expenditures that materially extend the useful lives of existing assets. We consider the period of future benefit of an asset to determine its appropriate useful life. Depreciation on our buildings and improvements is computed using the straight-line method over an estimated useful life of 3 to 40 years. If we use a shorter or longer estimated useful life, it could have a material impact on our results of operations. We believe that 3 to 40 years is an appropriate estimate of useful life.

Impairment of Real Estate Investments

We continually monitor events and changes in circumstances that could indicate that the carrying amount of our property and equipment may not be recoverable or realized. 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 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, we use 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.

Market Risk

Our primary market risk exposure is interest rate risk with respect to our existing indebtedness. As of June 30, 2016, we have incurred indebtedness in principal amount of $3.2 billion. An increase in interest rates could make the financing of any acquisition by us more costly as well as increase the costs of our variable rate debt obligations. Rising interest rates could also limit our ability to refinance our debt when it matures or cause us to pay higher interest rates upon refinancing and increase interest expense on refinanced indebtedness.

We may manage, or hedge, interest rate risks related to our borrowings by means of interest rate swap agreements. We also expect to manage our exposure to interest rate risk by maintaining a mix of fixed and variable rates for our indebtedness. However, the REIT provisions of the Internal Revenue Code of 1986, as amended (the “Code”) substantially limit our ability to hedge our assets and liabilities.

We do not hold or issue financial instruments for trading purposes and do not enter into derivative transactions that would be considered speculative positions. As of June 30, 2016, long-term variable rate borrowings represented approximately 67.1% of our total borrowings. Assuming a 100 basis-point increase in LIBOR (in the case of term loan B facility, over the 0.75% floor specified in our senior secured credit facility), our annual interest cost would change by approximately $21 million based on gross amounts outstanding at June 30, 2016. The following table provides additional information about our gross long-term debt subject to changes in interest rates:

	Debt maturing in							Fair Value June 30, 2016
	2016	2017	2018	2019	2020	Thereafter	Total	
				(in millions)				
Fixed-rate	$ —	$ —	$ —	$ —	$ —	$ 1,050.0	$ 1,050.0	$ 1,105.1
Average interest rate	5.625%	5.625%	5.625%	5.625%	5.625%	5.625%	5.625%	
Variable rate	$ 16.8	$ 33.5	$ 33.5	$ 33.5	$ 33.5	$ 1,990.8	$ 2,141.6	$ 2,144.8
Average interest rate	3.891%	3.891%	3.891%	3.891%	3.891%	3.988%	3.963%	

Cautionary Statement Concerning Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. In particular, statements pertaining to our capital resources and the amount and frequency of future distributions of operations contain forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as “believes,” “expects,” “could,” “may,” “will,” “should,” “seeks,” “likely,” “intends,” “plans,” “pro forma,” “projects,” “estimates” or “anticipates” or the negative of these words and phrases or similar words or phrases that are predictions of or indicate future events or trends and that do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods that may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- We are dependent on MGM (including its subsidiaries) unless and until we substantially diversify our portfolio, and an event that has a material adverse effect on MGM’s business, financial position or results of operations could have a material adverse effect on our business, financial position or results of operations.
- We will depend on the Properties (including Borgata) for all of our anticipated cash flows.
- We may not be able to re-lease our Properties (including Borgata) following the expiration or termination of the Master Lease.
- The Master Lease restricts our ability to sell the Properties (including Borgata) or our interest in the Landlord.
- We will have future capital needs and may not be able to obtain additional financing on acceptable terms.
- Covenants in our debt agreements may limit our operational flexibility, and a covenant breach or default could materially adversely affect our business, financial position or results of operations.
- Rising expenses could reduce cash flow and funds available for future acquisitions and distributions.
- We have a limited operating history and the IPO Properties historical financial information included in this Quarterly Report on Form 10-Q may not be a reliable indicator of future results.
- We are dependent on the gaming industry and may be susceptible to the risks associated with it, which could materially adversely affect our business, financial position or results of operations.
- Because a majority of our major gaming resorts are concentrated on the Strip, we are subject to greater risks than a company that is more geographically diversified.

- Our pursuit of investments in, and acquisitions or development of, additional properties (including our acquisition of the ROFO Properties) may be unsuccessful or fail to meet our expectations.

- We may face extensive regulation from gaming and other regulatory authorities.

- Required regulatory approvals can delay or prohibit future leases or transfers of our gaming properties, which could result in periods in which we are unable to receive rent for such properties.

- Net leases may not result in fair market lease rates over time, which could negatively impact our income and reduce the amount of funds available to make distributions to shareholders.

- An increase in market interest rates could increase our interest costs on existing and future debt.

- Our parent is controlled by MGM, whose interests in our business may conflict with ours or yours.

- We are dependent on MGM for the provision of administration services to our operations and assets.

- MGM's historical results may not be a reliable indicator of its future results.

- If MGM engages in the same type of business we conduct, our ability to successfully operate and expand our business may be hampered.

- The Master Lease and other agreements governing our relationship with MGM were not negotiated on an arm's-length basis and the terms of those agreements may be less favorable to us than they might otherwise have been in an arm's-length transaction.

- In the event of a bankruptcy of the Tenant, a bankruptcy court may determine that the Master Lease is not a single lease but rather multiple severable leases, each of which can be assumed or rejected independently, in which case underperforming leases related to Properties we own that are subject to the Master Lease could be rejected by the Tenant while tenant-favorable leases are allowed to remain in place.

- MGM may undergo a change of control without the consent of us or of our shareholders.

- If MGP does not qualify to be taxed as a REIT, or fails to remain qualified to be taxed as a REIT, MGP will be subject to U.S. federal income tax as a regular corporation and could face a substantial tax liability, which would have an adverse effect on our business, financial condition and results of operations.

- Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under indebtedness.

- Covenants in our debt agreements may limit our operational flexibility, and a covenant breach or default could materially adversely affect our business, financial position or results of operations.

- To service our indebtedness, we will require a significant amount of cash, which depends on many factors beyond our control.

- We may not have the ability to raise the funds necessary to finance a change of control offer required by the indenture relating to the senior notes or the terms of our other indebtedness. In addition, under certain circumstances, we may be permitted to use the proceeds from debt to effect merger payments in compliance with the indenture.

- Changes in our credit rating could adversely affect the market price or liquidity of the senior notes.

While forward-looking statements reflect our good-faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors of new information, data or methods, future events or other changes. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section entitled "Risk Factors."

Any forward-looking statement made by us in this Form 10-Q speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law. If we update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements.

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 and are not endorsed by us.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We incorporate by reference the information appearing under "Market Risk" in Part I, Item 2 of this Form 10-Q.

Item 4. Controls and Procedures

Our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) have concluded that our disclosure controls and procedures (as such term is defined in Rules 13(a)-15(e) and 15d-15(e) under the Exchange Act) were effective as of June 30, 2016 to provide reasonable assurance that information required to be disclosed in the Company's reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and regulations and to provide that such information is accumulated and communicated to management to allow timely decisions regarding required disclosures. This conclusion is based on an evaluation as required by Rule 13a-15(b) under the Exchange Act conducted under the supervision and participation of the principal executive officer and principal financial officer along with company management.

During the quarter ended June 30, 2016, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

Pursuant to the MCA, any liability arising from or relating to legal proceedings involving the businesses and operations located at MGM's real property holdings prior to the Formation Transactions have been retained by MGM and MGM will indemnify us (and our subsidiaries, directors, officers, employees and agents and certain other related parties) against any losses we may incur arising from or relating to such legal proceedings.

Item 1A. Risk Factors

You should be aware that the occurrence of any of the events described in this section and elsewhere in this report or in any other of our filings with the SEC could have a material adverse effect on our business, financial position, results of operations and cash flows. In evaluating us, you should consider carefully, among other things, the risks described below. Please refer to the section entitled "Cautionary Statement Regarding Forward-Looking Statements." For purposes of this Risk Factors discussion, references to the Properties include Borgata unless otherwise noted.

Risks Related to Our Business and Operations

We are dependent on MGM (including its subsidiaries) unless and until we substantially diversify our portfolio, and an event that has a material adverse effect on MGM's business, financial position or results of operations could have a material adverse effect on our business, financial position or results of operations. A subsidiary of MGM is the Tenant and lessee of all of the Properties pursuant to the Master Lease, which accounts for all of our revenues. Additionally, because the Master Lease is a triple-net lease, we will depend on the Tenant to pay all insurance, taxes, utilities and maintenance and repair expenses in connection with these Properties and to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities arising in connection with its business. There can be no assurance that the Tenant will have sufficient assets, income and liquidity to satisfy its payment obligations under the Master Lease, including any payment obligations that may arise in connection with the indemnities under the Master Lease, or that MGM will be able to satisfy its guarantee of the Tenant's obligations under the Master Lease. Furthermore, there can be no assurance that we will have the right to seek reimbursement against an insurer or have any recourse against the Tenant or MGM in connection with such liabilities. The Tenant and MGM rely on the properties they own and/or operate for income to satisfy their obligations, including their debt service requirements and lease payments due to us under the Master Lease. If income from these properties were to decline for any reason, or if the Tenant's or MGM's debt service requirements were to increase, whether due to an increase in interest rates or otherwise, the Tenant may become unable or unwilling to satisfy its payment obligations under the Master Lease and MGM may become unable or unwilling to make payments under its guarantee of the Master Lease. If the Tenant were unable or unwilling to meet its rent obligations and other obligations for one or more of the Properties, there can be no assurances that we would be able to contract with other lessees on similar terms as the Master Lease or at all. The inability or unwillingness of the Tenant to meet its rent obligations and other obligations under the Master Lease could materially adversely affect our business, financial position or results of operations. For these reasons, if the Tenant or MGM were to experience a material adverse effect on their respective business, financial positions or results of operations, our business, financial position or results of operations could also be materially adversely affected.

Due to our dependence on rental payments from the Tenant or from MGM (pursuant to its guarantee) as our only source of revenues, we may be limited in our ability to enforce our rights under the Master Lease or to terminate the Master Lease. In addition, we may be limited in our ability to enforce our rights under the Master Lease because it is a unitary lease and does not provide for termination with respect to individual properties by reason of the default of the Tenant. While we believe that the Tenant will have an interest in complying with the terms of the Master Lease as a result of MGM's continuing economic interest in us, failure by the Tenant to comply with the terms of the Master Lease or to comply with the gaming regulations to which the Properties under the Master Lease are subject could require us to find another lessee for all of the Properties. During this period, there could be a decrease or cessation of rental payments by the Tenant. In such event, we may be unable to locate a suitable lessee at similar rental rates in a timely manner or at all, which could have the effect of reducing our rental revenues.

We initially will depend on the Properties for all of our anticipated cash flows. Initially, unless and until we acquire additional properties, we will depend on our Properties, all of which are operated by subsidiaries of MGM, for all of our anticipated cash flows. We may not immediately acquire other properties to further diversify and increase our sources of cash flow and reduce our portfolio concentration. Any default with regard to any property under the Master Lease will cause a default with regard to the entire portfolio covered by the Master Lease. Consequently, the impairment or loss of any one or more of the Properties could materially and disproportionately reduce our ability to collect rent under the Master Lease and, as a result, have a material adverse effect on our business, financial condition and results of operations.

We may not be able to re-lease our Properties following the expiration or termination of the Master Lease. When the Master Lease expires, the Properties, together or individually, may not be relet in a timely manner or at all, or the terms of reletting, including the cost of allowances and concessions to future tenants, including MGM or its subsidiaries, may be less favorable than the current lease terms. The loss of MGM and its subsidiaries, or future tenants on acquired properties, through lease expiration or other circumstances may require us to spend (in addition to other re-letting expenses) significant amounts of capital to renovate the property before it is suitable for a new tenant and cause us to incur significant costs in the form of ongoing expenses for property maintenance, taxes, insurance and other expenses.

The Master Lease allows the Tenant to cease operations at any of the Properties at any time as long as the Tenant and the Operating Subtenants collectively, would have maintained an EBITDAR to rent ratio (as described in the Master Lease) of at least 1.90:1.00 for the preceding twelve-month period, after giving effect to the cessation of operations at the applicable Property on a pro forma basis. If the Tenant were to cease operations at a Property, whether due to market or economic conditions or for any other reason, the value of such Property may be impaired and we will not have the right to re-lease the Property as a result of Tenant's continuing rights to such Property.

The Master Lease is especially suited to MGM, the parent of the Tenant under the Master Lease. Because the Properties have been designed or physically modified for a particular tenant, if the Master Lease is terminated or not renewed, we may be required to renovate the Properties at substantial costs, decrease the rent we charge or provide other concessions to re-lease the Properties. In addition, if we are required to sell a Property, we may have difficulty selling it to a party other than to a gaming operator due to the special purpose for which the Property may have been designed or modified. This potential illiquidity may limit our ability to quickly modify our portfolio in response to changes in economic or other conditions, including tenant demand. To the extent that we are not able to re-lease our Properties or that we incur significant capital expenditures as a result of Property vacancies, our business, results of operations and financial condition could be materially adversely affected. Further, if we were unable to re-lease our properties following the expiration or termination of the Master Lease, our cash flow and liquidity may be adversely affected.

We may have assumed unknown liabilities in connection with the Formation Transactions. As part of the Formation Transactions, we acquired properties that may be subject to unknown existing liabilities. These liabilities might include liabilities for clean-up or remediation of undisclosed environmental conditions, claims by tenants, vendors or other persons dealing with the contributed Properties, tax liabilities and accrued but unpaid liabilities incurred in the ordinary course of business. While the Master Lease will allocate responsibility for many of these liabilities to the Tenant under the Master Lease, if the Tenant fails to discharge these liabilities, we could be required to do so. Additionally while in some instances we may have the right to seek reimbursement against an insurer, any recourse against third parties, including the prior investors in our assets, for certain of these liabilities will be limited. There can be no assurance that we will be entitled to any such reimbursement or that ultimately we will be able to recover in respect of such rights for any of these historical liabilities.

The Master Lease restricts our ability to sell the Properties or our interests in the Landlord. Our ability to sell or dispose of the Properties may be hindered by the fact that such Properties are subject to the Master Lease, as the terms of the Master Lease may make such Properties less attractive to a potential buyer than alternative properties that may be for sale. In addition, the Master Lease provides that we may not sell the Properties to certain competitors of MGM, limiting the number of potential purchasers of our Properties for as long as the Properties are subject to the Master Lease. The Master Lease also restricts us from selling our interests in the Landlord to certain competitors of MGM.

If we lose our key management personnel, we may not be able to successfully manage our business or achieve our objectives. Our success depends in large part upon the leadership and performance of our executive management team, particularly James C. Stewart, our chief executive officer, and Andy H. Chien, our chief financial officer. The appointment of certain key members of our executive management team will be subject to regulatory approvals based upon suitability determinations by gaming regulatory authorities in the jurisdictions where our properties are located. If Messrs. Stewart or Chien are found unsuitable by any such gaming regulatory authorities, or if we otherwise lose their services, we would have to find alternative candidates and may not be able to successfully manage our business or achieve our business objectives.

We may face extensive regulation from certain gaming and other regulatory authorities. The ownership, operation and management of gaming facilities are subject to pervasive regulation. Certain gaming authorities in the jurisdictions in which MGM operates may require us and our affiliates to maintain a license as a key business entity or supplier because of our status as landlord. Gaming authorities also retain great discretion to require us to be found suitable as a landlord, and certain of our investors, officers and directors may be required to be found suitable as well. Gaming authorities have very broad discretion in determining whether an applicant should be deemed suitable. Subject to certain administrative proceeding requirements, the gaming regulators have the authority to deny any application or limit, condition, restrict, revoke or suspend any license, registration, finding of suitability or approval, or fine any person licensed, registered or found suitable or approved, for any cause deemed reasonable by the gaming authorities. If the gaming authorities were to find us unsuitable as a landlord, MGM may be required to sever its relationship with us and we could be compelled to sell the Properties.

Gaming authorities may conduct investigations into the conduct or associations of our directors, officers, key employees or investors to ensure compliance with applicable standards. If we are required to be found suitable and are found suitable as a landlord, we will be registered as a public company with the gaming authorities and will be subject to disciplinary action if, after we receive notice that a person is unsuitable to be a shareholder or to have any other relationship with us, we:

- pay that person any distribution or interest upon any of our voting securities;
- allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person;
- pay remuneration in any form to that person for services rendered or otherwise; or
- fail to pursue all lawful efforts to require such unsuitable person to relinquish his or her voting securities including if necessary, the immediate purchase of the voting securities for cash at fair market value.

Further, our directors, officers, key employees and investors must meet approval standards of certain gaming regulatory authorities. If such gaming regulatory authorities were to find such a person or investor unsuitable, we may be required to sever our relationship with that person or the investor may be required to dispose of his, her or its interest in us. Gaming regulatory agencies may conduct investigations into the conduct or associations of our directors, officers, key employees or investors to ensure compliance with applicable standards.

Additionally, if we are registered as a public company with the gaming authorities neither we nor any of our subsidiaries may make a public offering of securities without the prior approval of certain gaming authorities. Changes in control through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or otherwise are subject to receipt of prior approval of gaming authorities. Entities seeking to acquire control of us or one of our subsidiaries must satisfy gaming authorities with respect to a variety of stringent standards prior to assuming control.

We will have future capital needs and may not be able to obtain additional financing on acceptable terms. As of June 30, 2016 we have incurred indebtedness in principal amount of $3.2 billion. We may also incur additional indebtedness in the future to refinance our existing indebtedness or to finance newly acquired properties. Any significant additional indebtedness could require a substantial portion of our cash flow to make interest and principal payments due on our indebtedness. Greater demands on our cash resources may reduce funds available to us to make capital expenditures and acquisitions, or carry out other aspects of our business strategy. Increased indebtedness can also limit our ability to adjust rapidly to changing market conditions, make us more vulnerable to general adverse economic and industry conditions and create competitive disadvantages for us compared to other companies with relatively lower debt levels. Increased future debt service obligations may limit our operational flexibility, including our ability to acquire properties, finance or refinance our properties, contribute properties to joint ventures or sell properties as needed. Further, to the extent we were required to incur indebtedness, our future interest costs would increase, thereby reducing our earnings from what they otherwise would have been.

Moreover, our ability to obtain additional financing and satisfy our financial obligations under indebtedness outstanding from time to time will depend upon our future operating performance, which is subject to then prevailing general economic and credit market conditions, including interest rate levels and the availability of credit generally, and financial, business and other factors, many of which are beyond our control. The prolonged continuation or worsening of current credit market conditions would have a material adverse effect on our ability to obtain financing on favorable terms, if at all.

We may be unable to obtain additional financing or financing on favorable terms or our operating cash flow may be insufficient to satisfy our financial obligations under indebtedness outstanding from time to time (if any). Among other things, the absence of an investment grade credit rating or any credit rating downgrade could increase our financing costs and could limit our access to financing sources. If financing is not available when needed, or is available on unfavorable terms, we may be unable to develop new or enhance our existing properties, complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition and results of operations.

The Master Lease requires us to pay for certain capital improvements or to purchase certain personal property from the Tenant in certain circumstances, and we may be required to obtain additional financing. The Master Lease provides that, if MGM were required to cease consolidating MGP within its financial statements prepared in accordance with U.S. GAAP at any time in the future (a "deconsolidation event"), we may be required to pay the Tenant, should the Tenant so elect, an amount equal to the fair market value of certain capital improvements made by or at the direction of the Tenant or the Operating Subtenants from the start of the term of the Master Lease until the deconsolidation event, subject to an initial cap of $100 million in the first year of the Master Lease increasing annually by $75 million each year thereafter. Rent under the Master Lease will increase by a factor applied to such amount paid by us to the Tenant. If such a deconsolidation event were to occur and MGP does not elect to pay in equity, we may not have sufficient liquidity to fund these payments in respect of capital improvements, and may be required to obtain additional financing, which could adversely affect funds for future acquisitions and have a material adverse effect on our business, financial position or results of operations.

In addition, the Master Lease provides that, under certain circumstances in connection with the expiration of the Master Lease, we may be required to purchase certain tangible personal property of the Tenant or Operating Subtenants at the properties then subject to the Master Lease, including gaming equipment and hotel furniture, fixtures and equipment, for fair market value. If we were required to purchase these assets (subject to applicable gaming laws), we may not have sufficient liquidity to fund these purchases, and may be required to obtain additional financing, which could adversely affect funds for future acquisitions and have a material adverse effect on our business, financial position or results of operations.

Rising expenses could reduce cash flow and funds available for future acquisitions and distributions. Our properties will be subject to increases in tax rates and tax assessments, utility costs, insurance costs, repairs, maintenance and administrative expenses, and other operating expenses. We may also incur significant expenditures as a result of deferred maintenance for the Properties and other properties we may acquire in the future. While the Properties under the Master Lease are leased on a triple-net basis, if the Tenant or future tenants fail to pay required tax, utility and other impositions and other operating expenses, or if the Tenant or future tenants fails to maintain leased properties in the condition required by the Master Lease, and if we are required to incur a high level of capital expenditures, we could be required to pay those costs which may require that we obtain additional financing and could adversely affect funds available for future acquisitions.

We have a limited operating history and the historical financial information included in this report may not be a reliable indicator of future results. We are a newly organized company with a limited operating history. Therefore, our growth prospects must be considered in light of the risks, expenses and difficulties frequently encountered when any new business is formed. We cannot assure you that we will be able to successfully operate our business profitably or implement our operating policies and investment strategy.

Our historical financial statements included herein may not reflect what our business, financial position or results of operations will be in the future. We have only been an operating business with operations since the date of the Formation Transactions. The IPO Properties that were contributed to our Operating Partnership by subsidiaries of MGM in connection with the Formation Transactions were historically operated by MGM as part of its larger corporate organization and not as a stand-alone business or independent company. The financial information included in this periodic report may not reflect what our financial condition, results of operations or cash flows would have been had we been a stand-alone business or independent entity, or had MGP operated as a REIT, during the periods presented. Significant changes will occur in our cost structure, financing and business operations as a result of our operation as a stand-alone company and the entry into transactions with MGM that have not existed historically, including the Master Lease.

Further, MGP has no operating history as a REIT. We cannot assure you that MGP's past experience will be sufficient to successfully operate MGP as a REIT. Upon completion of the Formation Transactions, MGP was required to implement substantial control systems and procedures in order to maintain the possibility of qualifying to be taxed as a REIT. As a result, MGP will incur significant legal, accounting and other expenses that it had not previously incurred, and our management and other personnel will need to devote a substantial amount of time to comply with these rules and regulations and establish the corporate infrastructure and controls demanded of a REIT. These costs and time commitments could be substantially more than currently expected, and the Operating Partnership will reimburse MGP for such expenses.

We are dependent on the gaming industry and may be susceptible to the risks associated with it, which could materially adversely affect our business, financial position or results of operations. As the owner of properties associated with gaming facilities, we will be impacted by the risks associated with the gaming industry. Therefore, our success is to some degree dependent on the gaming industry, which could be adversely affected by economic conditions in general, changes in consumer trends, reductions in discretionary consumer spending and corporate spending on conventions and business development and preferences and other factors over which we and MGM have no control. Economic contraction, economic uncertainty or the perception by our customers of weak or weakening economic conditions may cause a decline in demand for hotels, casino resorts, trade shows and conventions, and for the type of luxury amenities offered at our properties. In addition, changes in discretionary consumer spending or consumer preferences could be driven by factors such as the increased cost of travel, an unstable job market, perceived or actual disposable consumer income and wealth, outbreaks of contagious diseases or fears of war and future acts of terrorism. Because a component of the rent under the Master Lease is based, over time, on the actual adjusted net revenues (excluding net revenue attributable to certain scheduled subleases) of our Tenant and, without duplication, the Operating Subtenants from the leased properties subject to the Master Lease, a decrease in the gaming business would likely have a greater adverse effect on our revenues than if we owned a more diversified real estate portfolio.

Because a majority of our major gaming resorts are concentrated on the Strip, we are subject to greater risks than a company that is more geographically diversified. Given that a majority of our major resorts are concentrated on the Strip, our business may be significantly affected by risks common to the Las Vegas tourism industry. For example, the cost and availability of air services and the impact of any events that disrupt air travel to and from Las Vegas can adversely affect the business of our Tenant. We cannot control the number or frequency of flights to or from Las Vegas, but our Tenant relies on air traffic for a significant portion of its visitors. Reductions in flights by major airlines as a result of higher fuel prices or lower demand can impact the number of visitors to our properties. Additionally, there is one principal interstate highway between Las Vegas and Southern California, where a large number of the customers that frequent our properties reside. Capacity constraints of that highway or any other traffic disruptions may also affect the number of customers who visit our facilities. Moreover, due to the concentration of our major resorts that operate on the Strip, we may be disproportionately affected by general risks such as acts of terrorism, natural disasters, including major fires, floods and earthquakes, and severe or inclement weather, should such developments occur in or nearby Las Vegas.

Our pursuit of investments in, and acquisitions or development of, additional properties (including our acquisition of the ROFO Properties) may be unsuccessful or fail to meet our expectations. We operate in a highly competitive industry and face competition from other REITs, investment companies, private equity and hedge fund investors, sovereign funds, lenders, gaming companies and other investors, some of whom are significantly larger and have greater resources and lower costs of capital. Increased competition will make it more challenging to identify and successfully capitalize on acquisition opportunities that meet our investment objectives. Additionally, although our Master Lease provides us with a right of first offer with respect to the ROFO Properties, there can be no assurance that the development of the ROFO Properties will be completed on schedule, or at all, or as to the timing of their commencement of operations or when operations at the ROFO Properties will stabilize in order for us to consider a purchase of one or both of these assets. In addition, MGM may elect not to sell the ROFO Properties in the future, or we may be unable to reach an agreement with MGM on the terms of the purchase of such properties if MGM were to elect to sell the ROFO Properties in the future. Accordingly, there can be no assurance that we will be able to acquire any additional properties in the future.

If we cannot identify and purchase a sufficient quantity of gaming properties and other properties at favorable prices or if we are unable to finance acquisitions on commercially favorable terms, our business, financial position or results of operations could be materially adversely affected. Additionally, the fact that our parent MGP must distribute at least 90% of its net taxable income (determined without regard to the dividends-paid deduction and excluding any net capital gains) in order to maintain its qualification as a REIT may limit our ability to rely upon rental payments from our leased properties or subsequently acquired properties in order to finance acquisitions. As a result, if financing is not available on acceptable terms, further acquisitions might be limited or curtailed.

Investments in and acquisitions of gaming properties and other properties we might seek to acquire entail risks associated with real estate investments generally, including that the investments' performance will fail to meet expectations, that the cost estimates for necessary property improvements will prove inaccurate or that the tenant, operator or manager will underperform. Real estate development projects present other risks, including construction delays or cost overruns that increase expenses, the inability to obtain required zoning, occupancy and other governmental approvals and permits on a timely basis, and the incurrence of significant development costs prior to completion of the project.

Further, even if we were able to acquire additional properties in the future, including our recent acquisition of Borgata and, in the future, the ROFO Properties, there is no guarantee that such properties would be able to maintain their historical performance, or that we would be able to realize the same margins from those properties as the previous owners. In addition, our financing of these acquisitions could negatively impact our cash flows and liquidity or, require us to incur substantial debt. In addition, we cannot assure you that we will be successful in implementing our growth strategy or that any expansion will improve operating results. The failure to identify and acquire new properties effectively, or the failure of any acquired properties to perform as expected, could have a material adverse effect on us.

Required regulatory approvals can delay or prohibit future leases or transfers of our gaming properties, which could result in periods in which we are unable to receive rent for such properties. MGM (and any future tenants of our gaming properties) will be required to be licensed under applicable law in order to operate any of our gaming properties as gaming facilities. If the Master Lease or any future lease agreements we may enter into are terminated (which could be required by a regulatory agency) or expire, any new tenant must be licensed and receive other regulatory approvals to operate the properties as gaming facilities. Any delay in or inability of the new tenant to receive required licenses and other regulatory approvals from the applicable state and county government agencies may prolong the period during which we are unable to collect the applicable rent. Further, in the event that the Master Lease or future agreements are terminated or expire and a new tenant is not licensed or fails to receive other regulatory approvals, the properties may not be operated as gaming facilities and we will not be able to collect the applicable rent. Moreover, we may be unable to transfer or sell the affected properties as gaming properties, which would adversely impact our financial condition and results of operation.

Any mechanic's liens incurred by the Tenant or the Operating Subtenants will attach to, and constitute liens on, our interest in the Properties. To the extent our Tenant or the Operating Subtenants make any improvements, these improvements could cause mechanic's liens to attach to our Properties. To the extent that mechanic's liens, or similar claims, are recorded against any of the Properties or any properties we may acquire in the future, the holders of such mechanic's liens or claims may enforce them by court action and courts may cause the applicable Properties or future properties to be sold to satisfy such liens or claims, which could negatively impact our revenues. Further, holders of such liens or claims could have priority over holders of the notes in the event of bankruptcy or liquidation, and as a result, a trustee in bankruptcy may have difficulty realizing or foreclosing on such Properties in any such bankruptcy or liquidation, and the amount of distributions holders of the notes could receive in such bankruptcy or liquidation could be reduced.

Net leases may not result in fair market lease rates over time, which could negatively impact our income. All of our rental income is generated from the Master Lease, which is a triple-net lease, and provides greater flexibility to the Tenant related to the use of leased property than would be the case with ordinary property leases, such as the right to freely sublease portions of each leased property, to make alterations in the leased premises and to terminate the lease prior to its expiration under specified circumstances. Furthermore, net leases typically have longer lease terms and, thus, there is an increased risk that contractual rental increases in future years will fail to result in fair market rental rates during those years. As a result, our income could be lower than it would otherwise be if we did not enter into a net lease.

The Tenant may assign its responsibilities under the Master Lease to unaffiliated third parties. The Tenant may assign its obligations under the Master Lease (including with respect to one or more individual Properties) to a third party assignee without our consent if such assignee meets certain conditions under the Master Lease regarding its experience operating large-scale casinos (or in the case of any of our non-gaming properties, experience operating similar properties), licensing status and economic condition, among other requirements. Despite these assignment requirements, there can be no assurances that any future assignee of the Tenant's obligations under the Master Lease would be as creditworthy as the Tenant or MGM, or would be able to operate the Properties with the same operational expertise as the Tenant and MGM, which could have a material adverse effect on our business, financial condition, results of operations.

We may be unable to realize the anticipated benefit of the rent escalators in our Master Lease. Although the Master Lease provides that the base rent will be escalated annually by 2.0% for the second through the sixth lease years (as defined in the Master Lease), thereafter this rent escalation is subject to the Tenant and, without duplication, the Operating Subtenants collectively meeting an adjusted net revenue to rent ratio of 6.25:1.00 based on their adjusted net revenue from the leased properties subject to the Master Lease (excluding net revenue attributable to certain scheduled subleases and, at the Tenant's option, reimbursed cost revenue). If the rent escalation were not to apply in any particular year, no arrears would accrue or be payable in future lease years. Therefore, there can be no assurance that we will ever realize the benefit of the rent escalators in the Master Lease after the sixth lease year, which could have a material adverse effect on anticipated future cash flows.

Even if we were able to receive rent escalators under the Master Lease, the rent escalators may lag behind inflation rates. These annual escalators under the Master Lease are based on fixed percentage increases, subject to certain conditions. If these annual escalations lag behind inflation, it could adversely impact our financial condition, results of operations, cash flow and our ability to satisfy our debt obligations, including the notes.

An increase in market interest rates could increase our interest costs on existing and future debt. If interest rates increase, so could our interest costs for any new debt and our variable rate debt obligations. This increased cost could make the financing of any acquisition more costly, as well as lower future period earnings. Rising interest rates could limit our ability to refinance existing debt when it matures or cause us to pay higher interest rates upon refinancing. In addition, an increase in interest rates could decrease the access third parties have to credit, thereby decreasing the amount they are willing to pay for our assets and consequently limiting our ability to reposition our portfolio promptly in response to changes in economic or other conditions.

The Tenant may choose not to renew the Master Lease or seek to renegotiate the terms of the Master Lease at each renewal term. The Master Lease has an initial lease term of ten years with the potential to extend the term for four additional five-year terms thereafter, solely at the option of the Tenant. At the expiration of the initial lease term or of any additional renewal term thereafter, the Tenant may choose not to renew the Master Lease or seek to renegotiate the terms of the Master Lease. If the Master Lease expires without renewal, or the terms of the Master Lease are modified in a way which is adverse to us, our results of operations may be adversely affected.

We may be required to contribute insurance proceeds with respect to casualty events at our Properties to the lenders under our debt financing agreements. In the event that we were to receive insurance proceeds with respect to a casualty event at any of our Properties, we may be required under the terms of our debt financing agreements to contribute all or a portion of those proceeds to the repayment of such debt, which may prevent us from restoring such Properties to their prior state. If the remainder of the proceeds (after any such required repayment) were insufficient to make the repairs necessary to restore the damaged Properties to a condition substantially equivalent to its state immediately prior to the casualty, we may not have sufficient liquidity to otherwise fund these repairs and may be required to obtain additional financing, which could have a material adverse effect on our business, financial position or results of operations.

The bankruptcy or insolvency of our Tenant could result in the termination of the Master Lease and material losses to us. Although the Tenant's performance and payments under the Master Lease are guaranteed by MGM, a default by the Tenant with regard to any property under the Master Lease, or by MGM with regard to its guarantee, will cause a default with regard to the entire portfolio covered by the Master Lease. There can be no assurances that the Tenant or MGM would assume the Master Lease or guarantee, as applicable, in the event of a bankruptcy, and if the Master Lease or guarantee were rejected, the Tenant or MGM, as applicable, may not have sufficient funds to pay the damages that would be owed to us a result of the rejection. For these and other reasons, the bankruptcy of the Tenant or MGM could have a material adverse effect on our business, financial condition and results of operations.

In the event of a bankruptcy of the Tenant, a bankruptcy court may determine that the Master Lease is not a single lease but rather multiple severable leases, each of which can be assumed or rejected independently, in which case underperforming leases related to properties we own that are subject to the Master Lease could be rejected by the Tenant while tenant-favorable leases are allowed to remain in place. The Tenant, a subsidiary of MGM, leases all of the Properties pursuant to the Master Lease. Bankruptcy laws afford certain protections to tenants that may also affect the Master Lease, which may be treated for purposes of bankruptcy laws as either a single lease for all the properties or as separate and severable leases for each property. Subject to certain restrictions, a tenant under a lease generally is required to assume or reject the lease as a whole, rather than making the decision on a property-by-property basis. This prevents the tenant from assuming only the better performing properties and terminating the lease with respect to the poorer performing properties. However, it is possible that a bankruptcy court could determine that a single "master lease" covering multiple properties is not a single indivisible lease but rather is multiple severable leases each of which can be assumed or rejected independently. Whether or not a bankruptcy court will require that the Master Lease must be assumed or rejected as a whole depends upon a "facts and circumstances" analysis considering a number of factors, including the parties' intent, the nature and purpose of the relevant documents, whether there was separate and distinct consideration for each property included in the Master Lease, whether the Landlord or Tenant had the ability to dispose of its interest in any property included in the Master Lease, the provisions contained in the relevant documents and applicable state law. If a bankruptcy court in a bankruptcy of the Tenant were to determine that the Master Lease is not a single lease but rather multiple severable leases each of which can be assumed or rejected independently, certain underperforming leases related to properties we own could be rejected by the Tenant in bankruptcy while tenant-favorable leases are allowed to remain in place, thereby adversely affecting payments to us derived from the properties.

A bankruptcy court may judicially recharacterize the Master Lease as a secured lending transaction, in which case we would not be treated as the owner of the Properties and could lose certain rights as the owners in the bankruptcy proceedings. It is possible that, if we were to become subject to bankruptcy proceedings, a bankruptcy court could recharacterize the lease transactions set forth in the Master Lease as secured lending transactions depending on its interpretation of the terms of the Master Lease, including, among other factors, the length of the Master Lease relative to the useful life of the leased property. If the Master Lease were judicially recharacterized as a secured lending transaction, we would not be treated as the owner of the Properties and could lose the legal as well as economic attributes of the owners of the Properties, which could have a material adverse effect on our business, financial position or results of operations.

We may experience uninsured or underinsured losses, which could result in a significant loss of the capital we have invested in a property, decrease anticipated future revenues or cause us to incur unanticipated expense. While the Master Lease will require, and any new lease agreements are expected to require, that comprehensive insurance and hazard insurance be maintained by the Tenant, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, hurricanes and floods, that are or will be subject to sublimits and may be uninsurable or not economically insurable. Insurance coverage may not be sufficient to pay the full current market value or current replacement cost of a loss. Inflation, changes in building codes and ordinances, environmental considerations, and other factors also might make it infeasible to use insurance proceeds to replace the property after such property has been damaged or destroyed. Under such circumstances, the insurance proceeds received might not be adequate to restore the economic position with respect to such property.

If we experience a loss that is uninsured or that exceeds the policy coverage limits of the insurance maintained by the Tenant, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties were subject to recourse indebtedness, we could continue to be liable for the indebtedness even if these properties were irreparably damaged.

In addition, even if damage to our properties is covered by insurance, a disruption of our business caused by a casualty event may result in the loss of business or tenants. The business interruption insurance carried by the Tenant may not fully compensate us for the loss of business due to an interruption caused by a casualty event. Further, if the Tenant has insurance but is underinsured, it may be unable to satisfy its payment obligations under its lease with us.

A disruption in the financial markets may make it more difficult to evaluate the stability, net assets and capitalization of insurance companies and any insurer’s ability to meet its claim payment obligations. A failure of an insurance company to make payments to us or our Tenant upon an event of loss covered by an insurance policy could adversely affect our business, financial condition and results of operations.

Changes in building and/or zoning laws may require us to update a property in the event of recapture or prevent us from fully restoring a property in the event of a substantial casualty loss and/or require us to meet additional or more stringent construction requirements. Due to changes, among other things, in applicable building and zoning laws, ordinances and codes that may affect certain of our properties that have come into effect after the initial construction of the properties, certain properties may not comply fully with current building and/ or zoning laws, including electrical, fire, health and safety codes and regulations, use, lot coverage, parking and setback requirements, but may qualify as permitted non-conforming uses. Although the Master Lease requires the Tenant to pay for and ensure continued compliance with applicable law, there is no assurance that future leases will be negotiated on the same basis or that the Tenant or other future tenants will make the required changes as required by the terms of the Master Lease and/or any future leases we may enter into. In addition, such changes may limit the Tenant’s ability to restore the premises of a property to its previous condition in the event of a substantial casualty loss with respect to the property or the ability to refurbish, expand or renovate such property to remain compliant, or increase the cost of construction in order to comply with changes in building or zoning codes and regulations. If the Tenant is unable to restore a property to its prior use after a substantial casualty loss or is required to comply with more stringent building or zoning codes and regulations, we may be unable to re-lease the space at a comparable effective rent or sell the property at an acceptable price, which may materially and adversely affect us.

Environmental compliance costs and liabilities associated with real estate properties owned by us may materially impair the value of those investments. As an owner of real property, we are subject to various federal, state and local environmental and health and safety laws and regulations. Although we will not operate or manage most of our property, we may be held primarily or jointly and severally liable for costs relating to the investigation and clean-up of any property from which there has been a release or threatened release of a regulated material as well as other affected properties, regardless of whether we knew of or caused the release.

In addition to these costs, which are typically not limited by law or regulation and could exceed the property’s value, we could be liable for certain other costs, including governmental fines and injuries to persons, property or natural resources. Further, some environmental laws create a lien on the contaminated site in favor of the government for damages and the costs the government incurs in connection with such contamination. The presence of contamination or the failure to remediate contamination may adversely affect our ability to sell or lease the real estate or to borrow using the real estate as collateral.

Certain Properties are subject to restrictions pursuant to reciprocal easement agreements, operating agreements, or similar agreements. Many of the Properties are, and properties that we acquire in the future may be, subject to use restrictions and/or operational requirements imposed pursuant to ground leases, restrictive covenants or conditions, reciprocal easement agreements or operating agreements (collectively, "Property Restrictions") that could adversely affect our ability to lease space to third parties. Such Property Restrictions could include, for example, limitations on alterations, changes, expansions, or reconfiguration of properties; limitations on use of properties; limitations affecting parking requirements; or restrictions on exterior or interior signage or facades. In certain cases, consent of the other party or parties to such agreements may be required when altering, reconfiguring, expanding or redeveloping. Failure to secure such consents when necessary may harm our ability to execute leasing strategies, which could adversely affect our business, financial condition or results of operations.

Our Properties are subject to risks from natural disasters such as earthquakes, hurricanes and severe weather. Our Properties are located in areas that may be subject to natural disasters, such as earthquakes, and extreme weather conditions, including, but not limited to, hurricanes. Such natural disasters or extreme weather conditions may interrupt operations at the casino resorts, damage our properties, and reduce the number of customers who visit our facilities in such areas. A severe earthquake in Las Vegas could damage or destroy a number of our Properties. In addition, our operations could be adversely impacted by a drought or other cause of water shortage. A severe drought of extensive duration experienced in Las Vegas or in the other regions in which we expect to operate could adversely affect the business and results of operations at our Properties. Although our Tenant is required to maintain both property and business interruption insurance coverage for certain extreme weather conditions, such coverage is subject to deductibles and limits on maximum benefits, including limitation on the coverage period for business interruption, and we cannot assure you that we or our Tenant will be able to fully insure such losses or fully collect, if at all, on claims resulting from such natural disasters or extreme weather conditions.

In addition, the Master Lease allows the Tenant to elect to remove a Property from the Master Lease following certain casualty or condemnation events. If the insurance proceeds received in such a casualty event are insufficient to restore the affected Property, responsibility for the shortfall of insurance proceeds will be allocated between the Landlord and the Tenant as set forth in the Master Lease. If the condemnation award received in such a condemnation event is insufficient to restore the affected Property, the shortfall in the condemnation award will be born entirely by the Landlord. In either event, there can be no assurance that we would have access to sufficient funds to restore the affected Property. Even if we are able to restore the affected Property, we could be limited to selling or leasing such Property to a new tenant in order to obtain an alternate source of revenue, which may not happen on comparable terms or at all. Any such removal also could lead to a reduction in the amount of rent we would receive under the Master Lease and negatively impact our revenues.

Possible terrorist activity or other acts of violence could adversely affect our financial condition and results of operations. Terrorist attacks or other acts of violence may result in declining economic activity, which could harm the demand for goods and services offered by the Tenant and the value of our properties and might adversely affect the value of an investment in our securities. Such a resulting decrease in retail demand could make it difficult for us to renew or re-lease our properties at lease rates equal to or above historical rates. Terrorist activities or violence also could directly affect the value of our properties through damage, destruction or loss, and the availability of insurance for such acts, or of insurance generally, might be lower or cost more, which could increase our operating expenses and adversely affect our financial condition and results of operations. To the extent that the Tenant is affected by future attacks, its business similarly could be adversely affected, including its ability to continue to meet obligations under the Master Lease. These acts might erode business and consumer confidence and spending and might result in increased volatility in national and international financial markets and economies. Any one of these events might decrease demand for real estate, decrease or delay the occupancy of our new or redeveloped properties, and limit our access to capital or increase our cost of raising capital.

The operation of our Properties (including any ROFO Properties we may acquire) will require, and the operation of properties acquired in the future will likely require, the use of certain brand names. The operation of our Properties requires the use of certain brand names, and the terms of the Master Lease do not require the Tenant, MGM or any of its subsidiaries to transfer any intellectual property rights associated with any casino resort to us or to potential new tenants. If the Tenant or another subsidiary of MGM were to cease being the tenant of the Properties, we or a successor tenant may be required to rebrand and/or renovate such properties at substantial cost. If we are unable to successfully manage the transition of our business to new brands in order to accommodate future tenants, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Further, in connection with the Formation Transactions, MGP entered into a royalty-free intellectual property rights license agreement (the "IP License Agreement") with MGM pursuant to which we will have the right to use "MGM" in the corporate names of MGP and its subsidiaries, including us, without royalties for up to 50 years. Pursuant to the IP License Agreement, we also have the right to use the "MGM" mark and the "MGM" logo in our advertising materials without royalties for up to 50 years. We are reliant on MGM to maintain and protect its intellectual property rights and we could be adversely impacted by infringement, invalidation, unauthorized use or litigation affecting the licensed intellectual property or brand names used in the operation of the Properties. When our right to use the MGM brand name and logo expires under the terms of the IP License Agreement, or if such agreement is terminated earlier due to a breach or otherwise, we may not be able to maintain or enjoy comparable name recognition or status under our new brand. If we are unable to successfully manage the transition of our business to our new brand, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Risks Related to Our Affiliation with MGM

We are controlled by MGM, whose interests in our business may conflict with ours or yours. We are controlled, through our general partner, by MGP, whose Class B share, representing a majority of the voting power of MGP's shares, is owned by MGM, whose interests may differ from or conflict with your interests. MGM will have the ability to exercise control over our affairs, including control over the outcome of all matters submitted to our shareholders for approval, including the election of directors and significant transactions. As a result, unless and until MGM's (including its controlled affiliates but excluding MGP and its subsidiaries) aggregate beneficial ownership of the combined economic interests in MGP and the Operating Partnership falls below 30%, MGM will be able to effectively control us.

It is possible that MGM's interests may, in some circumstances, conflict with your interests. For example, MGM may prevent us from selling properties if such sales would result in unfavorable tax allocations to MGM under Section 704(c) of the Code, which would require allocations to be made to MGM upon a transfer of any properties contributed by it to the Operating Partnership on account of the difference between the fair market value of those properties and their adjusted tax basis on the date that MGM contributed such properties, even if such a sale would be advantageous to us.

Various conflicts of interest between MGM and us could arise. Some of MGP's directors may own more stock in MGM than in MGP following the Formation Transactions. Ownership interests of officers and directors of MGM in MGP shares, or a person's service as either an officer or director of both companies, could create or appear to create potential conflicts of interest when those officers and directors are faced with decisions that could have different implications for MGM and us. Potential conflicts of interest could also arise if we enter into any new commercial arrangements with MGM while it maintains control through the Class B share. Furthermore, our ability to lease our properties to or acquire properties from companies other than MGM or its affiliates in the future could be limited. In particular, we are prevented from selling or leasing our properties or our interests of the Landlord to competitors of MGM. MGP's operating agreement provides that MGM has no duty to refrain from engaging in the same or similar business activities or lines of business, doing business with any of our customers or employing or otherwise engaging any of our directors, officers or employees, and MGM is not obligated to identify, acquire, or sell us any properties in the future.

Pursuant to the terms of MGP's operating agreement, the doctrine of corporate opportunity, or any analogous doctrine, does not apply to, among others, MGM and its affiliates and MGP's directors or executive officers or any of their affiliates. Some of MGP's executive officers and directors may also serve as officers and directors of MGM. No such person or entity that becomes aware of a potential transaction, agreement, arrangement or other matter that may be an opportunity for us will have any duty to communicate or offer such opportunity to us. Any such person or entity will not be liable to us for breach of any fiduciary duty or other duty by reason of the fact that such person or entity pursues or acquires such opportunity for itself, directs such opportunity to another person or entity or does not communicate such opportunity or information to us. Therefore, MGM and its affiliates may compete with us for investment opportunities and may own an interest in entities that compete with us on an operations basis.

In connection with the Formation Transactions, we and MGP entered into various agreements to govern our relationship with MGM. These agreements include, in addition to the Master Lease, the MCA, Corporate Services Agreement, IP License Agreement and registration rights agreement (the "MGP Registration Rights Agreement"). Related agreements and other transactions with MGM were determined by MGM and thus may not be representative of what we could have achieved on a stand-alone basis or from an unaffiliated third party. For a description of these arrangements and the other agreements that we entered into with MGM, see the section entitled "Certain Relationships and Related Party Transactions" in MGP's prospectus filed with the Commission on April 21, 2016, File No. 333-210322, which section is incorporated by reference herein.

We are dependent on MGM for the provision of administration services to our operations and assets. The operation of our business depends on the administration services provided by MGM. MGM's personnel and support staff that provide services to us are not required to act exclusively for us, and no specific individuals are required to be provided to us by MGM. Any failure to effectively manage our operations or to implement our strategy could have a material adverse effect on our business, financial condition, results of operations and cash flows.

If MGM were to default in the performance of its obligations to provide us with services, we may be unable to contract with a substitute service provider on similar terms or at all. The costs of substituting service providers may be substantial. In addition, in light of MGM's familiarity with our properties, a substitute service provider may not be able to provide the same level of service due to lack of pre-existing synergies. If we cannot locate a service provider that is able to provide us with substantially similar services as MGM does under our current agreements on similar terms, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

MGM has no obligation to fund our future capital needs. MGM has no obligation to fund our business and operations and does not guarantee or otherwise provide credit support for our indebtedness. We cannot assure you that adequate sources of funding will be available to us on favorable terms or at all. As a result, we may not be able to fund our future capital needs, which could have an adverse effect on our business, financial condition and results of operations.

If MGM engages in the same type of business we conduct, our ability to successfully operate and expand our business may be hampered. MGP's operating agreement provides that:

- the doctrine of corporate opportunity, or any analogous doctrine, does not apply to, among others, MGM and its affiliates and our directors or executive officers or any of their affiliates;
- no such persons or entities will have any duty to communicate or offer any opportunity, of which such person becomes aware, relating to a potential transaction, agreement, arrangement or other matter that may be an opportunity for such other persons;
- no such persons or entities will be liable to such other persons for breach of any fiduciary duty or other duty by reason of the fact that such person pursues or acquires such opportunity for itself, directs such opportunity to another person or entity or does not communicate such opportunity or information to such other persons or entities; and
- MGM and its affiliates may compete with us for investment opportunities and may own an interest in entities that compete with us on an operations basis.

If MGM were to engage in a business in direct competition with us, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The Master Lease and other agreements governing our relationship with MGM were not negotiated on an arm's-length basis and the terms of those agreements may be less favorable to us than they might otherwise have been in an arm's-length transaction. In connection with the Formation Transactions, we and MGP entered into the Master Lease and various agreements to govern our relationship with MGM. These agreements include the MCA, Corporate Services Agreement, IP License Agreement, MGP Registration Rights Agreement and a sublease agreement. While MGM endeavored to have these agreements reflect customary, arm's-length commercial terms and conditions, these agreements were not the result of arm's-length negotiations, and consequently there can be no assurance that the terms of these agreements are as favorable to us as if they had been negotiated with unaffiliated third parties. In addition, we may choose not to enforce, or to enforce less vigorously, our rights under our agreements with MGM because of our desire to maintain our ongoing relationship with MGM and its affiliates.

MGM may undergo a change of control without our consent. MGM is not required to seek our or MGP's consent in connection with a change of control involving MGM, and accordingly, MGM's controlling interest in us may become controlled by a new owner of MGM in the event of such change of control. If a new owner were to acquire MGM and thereby acquire MGM's interest in MGP, and appoint new directors or officers of its own choosing, it would be able to exercise substantial influence over our policies and procedures and exercise substantial influence over our management and the types of acquisitions that we make. Such changes could result in our capital being used to make acquisitions that are substantially different from our targeted acquisitions. Additionally, we cannot predict with any certainty the effect that any change of control of MGM and transfer in MGM's interest in us would have on our ability to raise capital or make investments in the future, because such matters would depend to a large extent on the identity of the new owner and the new owner's intentions with regard to us. As a result, our future would be uncertain, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Risks Related to MGP's REIT Election and MGP's Status as a REIT

If MGP does not qualify to be taxed as a REIT, or fails to remain qualified to be taxed as a REIT, it will be subject to U.S. federal income tax as a regular corporation and could face a substantial tax liability, which would have an adverse effect on our business, financial condition and results of operations. MGP intends to operate in a manner that will allow it to qualify to be taxed as a REIT for U.S. federal income tax purposes. However, such qualification will depend on its satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis, and the ability to satisfy the asset tests depends upon an analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Any failure to qualify to be taxed as a REIT, or failure to remain to be qualified to be taxed as a REIT, could result in substantial tax liabilities to MGP. Since we are the only source of cash flow for MGP, this would decrease the amount of our cash available for acquisitions, and may have an adverse effect on our business, financial condition and results of operations.

Qualifying to be taxed as a REIT involves highly technical and complex provisions of the Code, and violations of these provisions could jeopardize MGP's REIT qualification. Qualification to be taxed as a REIT involves the application of highly technical and complex Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize MGP's REIT qualification. MGP's qualification to be taxed as a REIT will depend on MGP's satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis. In addition, MGP's ability to satisfy the requirements to qualify to be taxed as a REIT may depend in part on the actions of third parties over which MGP has no control or only limited influence.

The ownership limits that apply to REITs, as prescribed by the Code and by MGP's operating agreement, may restrict MGP's business combination opportunities. In order for MGP to qualify to be taxed as a REIT, it has to meet certain ownership limits, including, subject to limited exceptions, that neither MGP nor an actual or constructive owner of 10% or more (by value) of MGP's shares may actually or constructively own 10% or more of the interests in the assets or net profits of a non-corporate tenant, or, if the tenant is a corporation, 10% or more of the total combined voting power of all classes of stock entitled to vote or 10% or more of the total value of all classes of stock of the tenant. Any tenant that exceeds such ownership limits is referred to as a related party tenant, and rent from a related party tenant generally will not qualify under the REIT income tests. Subject to certain exceptions, MGP's operating agreement authorizes its board of directors to take such actions as are necessary and desirable to preserve its qualification to be taxed as a REIT. MGP's operating agreement also provides that, unless exempted by the board of directors in its sole discretion, no person may own more than 9.8% in value or in number, whichever is more restrictive, of any class of MGP's shares (other than MGP's Class B share) or 9.8% in value of the aggregate outstanding shares of all classes and series of MGP's shares, including if repurchases by MGP cause a person's holdings to exceed such limitations. The constructive ownership rules are complex and may cause Class A shares owned directly or constructively by a group of related individuals to be constructively owned by one individual or entity. These ownership limits could delay or prevent a transaction that might otherwise be in the best interests of MGP.

REIT distribution requirements could adversely affect our ability to execute our business plan. To maintain REIT status, MGP must meet a number of organizational and operational requirements, including a requirement that it annually distribute to its shareholders at least 90% of our REIT taxable income, determined without regard to the dividends-paid deduction and excluding any net capital gains. To the extent that MGP satisfies this distribution requirement and qualifies for taxation as a REIT but distributes less than 100% of its REIT taxable income, determined without regard to the dividends-paid deduction and including any net capital gains, it will be subject to U.S. federal corporate income tax on its undistributed net taxable income. In addition, MGP will be subject to a nondeductible 4% excise tax if the amount that it actually distributes to its shareholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws.

From time to time, MGP may generate taxable income greater than its cash flow as a result of differences in timing between the recognition of taxable income and the actual receipt of cash or the effect of nondeductible capital expenditures, the creation of reserves or required debt or amortization payments. If MGP does not have other funds available in these situations, we could be required to borrow funds on unfavorable terms, sell assets at disadvantageous prices or distribute amounts that would otherwise be invested in future acquisitions to make distributions sufficient to enable MGP to pay out enough of our taxable income to satisfy the REIT distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase our costs. Thus, MGP's compliance with the REIT requirements may hinder our ability to grow.

To fund our growth strategy and refinance our indebtedness, we may depend on external sources of capital, which may not be available to us on commercially reasonable terms or at all. To maintain REIT status, MGP must meet a number of organizational and operational requirements, including a requirement that it annually distribute to its shareholders at least 90% of its REIT taxable income, determined without regard to the dividends-paid deduction and excluding any net capital gains. Since we are the only source of cash flow for MGP, we will be required to make similar distributions. As a result of these requirements, we may not be able to fund future capital needs, including any necessary acquisition financing, solely from operating cash flows. Consequently, we intend to rely on third-party capital market sources for financing to fund our business strategy. In addition, we will likely need third-party capital market sources to refinance our indebtedness at maturity. Continued or increased turbulence in the United States or international financial markets and economies could adversely affect our ability to replace or renew maturing liabilities on a timely basis or access the capital markets to meet liquidity and capital expenditure requirements and may result in adverse effects on our business, financial condition and results of operations. As such, we may not be able to obtain the financing on favorable terms or at all. Our access to third-party sources of capital also depends, in part, on:

- the market's perception of our growth potential;
- our then-current levels of indebtedness; and
- our historical and expected future earnings and cash flows.

In addition, our ability to access additional capital may be limited by the terms of the indebtedness we incurred pursuant to the Formation Transactions, which may restrict our incurrence of additional debt. If we cannot obtain capital when needed, we may not be able to acquire or develop properties when strategic opportunities arise or refinance our debt, which could have a material adverse effect on our business, financial condition and results of operations.

Even if MGP remains qualified to be taxed as a REIT, MGP may face other tax liabilities that may reduce our cash flow. Even if MGP remains qualified for taxation as a REIT, it may be subject to certain U.S. federal, state and local taxes on its income and assets, including taxes on any undistributed income and state or local income, property and transfer taxes. For example, in the future, MGP may hold some of its assets or conduct certain of its activities through one or more taxable REIT subsidiaries (a "TRS"), to the extent MGP has a TRS in the future, or other subsidiary corporations that will be subject to foreign, federal, state and local corporate-level income taxes as regular C corporations. In addition, MGP may incur a 100% excise tax on transactions with a TRS if they are not conducted on an arm's-length basis. As we are the only source of cash flow for MGP, any of these taxes would decrease our available cash.

MGP's compliance with REIT requirements may cause us to liquidate investments or forgo otherwise attractive opportunities. To qualify to be taxed as a REIT for U.S. federal income tax purposes, MGP must ensure that, at the end of each calendar quarter, at least 75% of the value of its assets consists of cash, cash items, government securities and "real estate assets" (as defined in the Code), including certain mortgage loans and securities. The remainder of its investments (other than government securities, qualified real estate assets and securities issued by a TRS) generally cannot include more than 10% of the outstanding voting securities of any one Issuer or more than 10% of the total value of the outstanding securities of any one Issuer. In addition, in general, no more than 5% of the value of MGP's total assets (other than government securities, qualified real estate assets and securities issued by a TRS) can consist of the securities of any one Issuer, and no more than 25% (20% for taxable years beginning after December 31, 2017) of the value of its total assets can be represented by securities of one or more TRSs. If MGP fails to comply with these requirements at the end of any calendar quarter, it must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing its REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate or forgo otherwise attractive investments. These actions could have the effect of reducing our income.

In addition to the asset tests set forth above, to qualify to be taxed as a REIT MGP must continually satisfy tests concerning, among other things, the sources of its income, the amounts it distributes to its shareholders and the ownership of its Class A shares. We may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source-of-income or asset-diversification requirements for MGP qualifying to be taxed as a REIT. Thus, compliance by MGP with the REIT requirements may hinder our ability to make certain attractive investments.

MGP's compliance with REIT requirements may limit our ability to hedge effectively and may cause it to incur tax liabilities. The REIT provisions of the Code substantially limit our ability to hedge our assets and liabilities. Any income from a hedging transaction that we enter into primarily to manage risk of currency fluctuations or to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets does not constitute "gross income" for purposes of the 75% or 95% gross income tests that apply to REITs, provided that certain identification requirements are met. To the extent that we enter into other types of hedging transactions or fail to properly identify such transaction as a hedge, the income is likely to be treated as non-qualifying income for purposes of both of the gross income tests. As a result of these rules, we may be required to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because a TRS may be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise choose to bear. In addition, losses in a TRS will generally not provide any tax benefit, except that such losses could theoretically be carried back or forward against past or future taxable income in the TRS.

If MGP fails to meet the REIT income tests as a result of receiving non-qualifying income, MGP would be required to pay a penalty tax in order to retain its REIT status, or may fail to qualify as a REIT. Certain income MGP receives could be treated as non-qualifying income for purposes of the REIT requirements. For example, rents MGP receives or accrues from the Tenant will not be treated as qualifying rent for purposes of these requirements if the Master Lease is not respected as a true lease for U.S. federal income tax purposes and is instead treated as a service contract, joint venture or some other type of arrangement. If the Master Lease is not respected as a true lease for U.S. federal income tax purposes, MGP may fail to qualify to be taxed as a REIT. Even if MGP has reasonable cause for a failure to meet the REIT income tests as a result of receiving non-qualifying income, MGP would nonetheless be required to pay a penalty tax in order to retain its REIT status.

Legislative or other actions affecting REITs could have a negative effect on us. The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service (the "IRS") and the U.S. Department of the Treasury. Changes to the tax laws, with or without retroactive application, could materially and adversely affect MGP, our business plans or us. We cannot predict how changes in the tax laws might affect MGP. New legislation, Treasury regulations, administrative interpretations or court decisions could significantly and negatively affect the U.S. federal income tax consequences of MGP's qualification as a REIT, which may have a negative effect on our financial condition.

Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under the notes and our other debt. We have a significant amount of indebtedness. After giving effect to the Formation Transactions, we and our subsidiaries on a consolidated basis have $3.2 billion principal amount of debt and $600 million available for borrowing under our Revolving Credit Facility. Our substantial indebtedness could have important consequences to our financial health. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to the notes and our other debt;
- increase our vulnerability to general adverse economic and industry conditions or a downturn in our business;
- require us to dedicate a substantial portion of our cash flow from operations to debt service, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that are not as highly leveraged;
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds; and
- result in an event of default if we fail to satisfy our obligations under the notes or our other debt or fail to comply with the financial and other restrictive covenants contained in the indentures or our other debt instruments, which event of default could result in all of our debt becoming immediately due and payable and could permit certain of our lenders to foreclose on our assets securing such debt.

Any of the above listed factors could have a material adverse effect on our business, financial condition and results of operations.

Further, the terms of our existing debt agreements do not, and any future debt may not, fully prohibit us from incurring additional debt. If new debt is added to our current debt levels, the related risks that we now face could intensify.

Covenants in our debt agreements may limit our operational flexibility, and a covenant breach or default could materially adversely affect our business, financial position or results of operations. The agreements governing our indebtedness contain customary covenants, including restrictions on our ability to grant liens on our assets, incur indebtedness, make investments, engage in acquisitions, mergers or consolidations and pay certain distributions and other restricted payments. In addition, we are required to comply with certain financial covenants. These restrictions may limit our operational flexibility. Covenants that limit our operational flexibility as well as defaults under our debt instruments could have a material adverse effect on our business, financial position or results of operations.

To service our indebtedness, we will require a significant amount of cash, which depends on many factors beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our new credit facilities in amounts sufficient to enable us to fund our liquidity needs, including with respect to the notes and our other indebtedness. In addition, if we consummate significant acquisitions in the future, our cash requirements may increase significantly. As we are required to, or expected to be required to, satisfy amortization requirements under our indebtedness or as other debt matures, we may also need to raise funds to refinance all or a portion of our debt. We cannot assure you that we will be able to refinance any of our debt, including our new credit facilities, on attractive terms, commercially reasonable terms or at all. Our future operating performance and our ability to service or refinance the notes and to service, extend or refinance our other debt, including our new credit facilities and the notes, will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

SIGNATURES

The Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MGM Growth Properties Operating Partnership LP

Date: August 9, 2016

By: /s/ JAMES C. STEWART
James C. Stewart
Chief Executive Officer
MGM Growth Properties LLC
(Principal Executive Officer)

Date: August 9, 2016

/s/ ANDY H. CHIEN
Andy H. Chien
Chief Financial Officer
MGM Growth Properties LLC
(Principal Financial Officer)