MGM Resorts International
Form 10-Q
August 08, 2016

UNITED STATES

SECURITIES & EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2016

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File No. 001-10362

MGM Resorts International

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 88-0215232 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

3600 Las Vegas Boulevard South, Las Vegas, Nevada 89109

(Address of principal executive offices)

(702) 693-7120

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

| | | | |
|---|---|---|---|
| Large accelerated filer | x | Accelerated filer | ¨ |
| Non-accelerated filer | ¨ | Smaller reporting company | ¨ |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

| Class | Outstanding at August 4, 2016 |
|---|---|
| Common Stock, $.01 par value | 565,614,239 shares |

MGM RESORTS INTERNATIONAL AND SUBSIDIARIES

FORM 10-Q

I N D E X

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

MGM RESORTS INTERNATIONAL AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | $ 2,503,255 | $ 1,670,312 |
| Accounts receivable, net | 443,903 | 480,559 |
| Inventories | 97,800 | 104,200 |
| Income tax receivable | 11,194 | 15,993 |
| Prepaid expenses and other | 137,635 | 137,685 |
| Total current assets | 3,193,787 | 2,408,749 |
| | | |
| Property and equipment, net | 16,102,856 | 15,371,795 |
| | | |
| Other assets | | |
| Investments in and advances to unconsolidated affiliates | 1,364,163 | 1,491,497 |
| Goodwill | 1,429,279 | 1,430,767 |
| Other intangible assets, net | 4,072,317 | 4,164,781 |
| Other long-term assets, net | 386,653 | 347,589 |
| Total other assets | 7,252,412 | 7,434,634 |
| | $ 26,549,055 | $ 25,215,178 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | $ 161,420 | $ 182,031 |
| Construction payable | 333,796 | 250,120 |
| Current portion of long-term debt | — | 328,442 |
| Accrued interest on long-term debt | 160,445 | 165,914 |
| Other accrued liabilities | 1,262,118 | 1,311,444 |
| Total current liabilities | 1,917,779 | 2,237,951 |
| | | |
| Deferred income taxes, net | 2,591,317 | 2,680,576 |
| Long-term debt | 12,364,920 | 12,368,311 |
| Other long-term obligations | 141,906 | 157,663 |
| Commitments and contingencies (Note 5) | | |
| Redeemable noncontrolling interest | 6,250 | 6,250 |
| Stockholders' equity | | |

| | | |
|---|---|---|
| Common stock, $.01 par value: authorized 1,000,000,000 shares, issued and outstanding 565,612,013 and 564,838,893 shares | 5,656 | 5,648 |
| Capital in excess of par value | 5,530,592 | 5,655,886 |
| Accumulated deficit | (14,477) | (555,629) |
| Accumulated other comprehensive income | 10,809 | 14,022 |
| Total MGM Resorts International stockholders' equity | 5,532,580 | 5,119,927 |
| Noncontrolling interests | 3,994,303 | 2,644,500 |
| Total stockholders' equity | 9,526,883 | 7,764,427 |
| | $26,549,055 | $25,215,178 |

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

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MGM RESORTS INTERNATIONAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Revenues | | | | |
| Casino | $1,127,404 | $1,235,976 | $2,261,760 | $2,514,478 |
| Rooms | 498,904 | 490,498 | 988,390 | 949,923 |
| Food and beverage | 412,766 | 423,183 | 789,871 | 807,284 |
| Entertainment | 121,853 | 134,972 | 240,179 | 260,940 |
| Retail | 52,432 | 55,482 | 97,905 | 100,519 |
| Other | 134,120 | 137,819 | 251,645 | 264,369 |
| Reimbursed costs | 100,795 | 103,548 | 201,844 | 204,608 |
| | 2,448,274 | 2,581,478 | 4,831,594 | 5,102,121 |
| Less: Promotional allowances | (178,772 ) | (196,343 ) | (352,406 ) | (384,742 ) |
| | 2,269,502 | 2,385,135 | 4,479,188 | 4,717,379 |
| Expenses | | | | |
| Casino | 620,305 | 738,427 | 1,260,874 | 1,521,235 |
| Rooms | 142,252 | 142,065 | 286,994 | 283,378 |
| Food and beverage | 239,452 | 243,127 | 460,748 | 464,648 |
| Entertainment | 98,827 | 104,397 | 191,115 | 201,396 |
| Retail | 24,085 | 28,398 | 46,086 | 52,494 |
| Other | 87,253 | 95,835 | 167,021 | 180,158 |
| Reimbursed costs | 100,795 | 103,548 | 201,844 | 204,608 |
| General and administrative | 321,407 | 333,708 | 629,950 | 661,881 |
| Corporate expense | 81,803 | 59,602 | 153,051 | 109,958 |
| Preopening and start-up expenses | 24,824 | 17,889 | 46,784 | 33,760 |
| Property transactions, net | 854 | 3,953 | 5,985 | 5,542 |
| Depreciation and amortization | 206,899 | 208,565 | 406,738 | 414,977 |
| | 1,948,756 | 2,079,514 | 3,857,190 | 4,134,035 |
| Income from unconsolidated affiliates | 448,309 | 42,900 | 463,011 | 160,281 |
| Operating income | 769,055 | 348,521 | 1,085,009 | 743,625 |
| Non-operating income (expense) | | | | |
| Interest expense, net of amounts capitalized | (180,352 ) | (203,245 ) | (365,021 ) | (419,507 ) |
| Non-operating items from unconsolidated affiliates | (15,885 ) | (17,766 ) | (34,097 ) | (36,777 ) |
| Other, net | (49,840 ) | (4,815 ) | (50,405 ) | (8,305 ) |
| | (246,077 ) | (225,826 ) | (449,523 ) | (464,589 ) |
| Income before income taxes | 522,978 | 122,695 | 635,486 | 279,036 |
| Benefit (provision) for income taxes | (8,480 ) | 3,772 | (29,790 ) | 60,077 |

| | | | | |
|---|---|---|---|---|
| Net income | 514,498 | 126,467 | 605,696 | 339,113 |
| Less: Net income attributable to noncontrolling interests | (40,145 ) | (29,008 ) | (64,544 ) | (71,804 ) |
| Net income attributable to MGM Resorts International | $474,353 | $97,459 | $541,152 | $267,309 |
| Net income per share of common stock attributable to MGM Resorts International | | | | |
| Basic | $0.84 | $0.18 | $0.96 | $0.51 |
| Diluted | $0.83 | $0.17 | $0.95 | $0.50 |

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

MGM RESORTS INTERNATIONAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Net income | $514,498 | $126,467 | $605,696 | $339,113 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation adjustment | (1,370 ) | 608 | (6,135 ) | 3,084 |
| Other | — | — | — | (672 ) |
| Other comprehensive income (loss) | (1,370 ) | 608 | (6,135 ) | 2,412 |
| Comprehensive income | 513,128 | 127,075 | 599,561 | 341,525 |
| Less: Comprehensive income attributable to noncontrolling interests | (39,588 ) | (29,305 ) | (61,622 ) | (73,316 ) |
| Comprehensive income attributable to MGM Resorts International | $473,540 | $97,770 | $537,939 | $268,209 |

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

MGM RESORTS INTERNATIONAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

| | Six Months Ended June 30, | |
|---|---|---|
| | 2016 | 2015 |
| Cash flows from operating activities | | |
| Net income | $605,696 | $339,113 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 406,738 | 414,977 |
| Amortization of debt discounts, premiums and issuance costs | 22,386 | 19,514 |
| Loss on retirement of long-term debt | 50,121 | 1,924 |
| Provision for doubtful accounts | (802) | 35,628 |
| Stock-based compensation | 24,923 | 20,936 |
| Property transactions, net | 5,985 | 5,542 |
| Income from unconsolidated affiliates | (425,826) | (122,061) |
| Distributions from unconsolidated affiliates | 10,713 | 7,814 |
| Deferred income taxes | (37,544) | (80,688) |
| Change in operating assets and liabilities: | | |
| Accounts receivable | 37,387 | (30,117) |
| Inventories | 6,384 | (2,897) |
| Income taxes receivable and payable, net | 4,595 | 3,838 |
| Prepaid expenses and other | (1,605) | (10,038) |
| Prepaid Cotai land concession premium | (11,167) | (11,213) |
| Accounts payable and accrued liabilities | (72,289) | (156,291) |
| Other | (12,049) | 11,288 |
| Net cash provided by operating activities | 613,646 | 447,269 |
| Cash flows from investing activities | | |
| Capital expenditures, net of construction payable | (970,571) | (594,041) |
| Dispositions of property and equipment | 1,659 | 259 |
| Proceeds from sale of assets held for sale | — | 19,797 |
| Investments in and advances to unconsolidated affiliates | (1,555) | (176,679) |
| Distributions from unconsolidated affiliates in excess of cumulative earnings | 543,437 | 202,136 |
| Investments in cash deposits – original maturities longer than 90 days | — | (200,205) |
| Proceeds from cash deposits – original maturities longer than 90 days | — | 570,000 |
| Other | (5,196) | 1,854 |
| Net cash used in investing activities | (432,226) | (176,879) |
| Cash flows from financing activities | | |
| Net repayments under bank credit facilities – maturities of 90 days or less | (1,716,686) | (1,046,508) |
| Borrowings under bank credit facilities – maturities longer than 90 days | 1,845,375 | 3,416,875 |
| Repayments under bank credit facilities – maturities longer than 90 days | — | (1,710,625) |
| Issuance of long term debt | 1,050,000 | — |

| | | |
|---|---|---|
| Retirement of senior notes | (1,498,848) | (504) |
| Debt issuance costs | (123,261) | (45,639) |
| Issuance of MGM Growth Properties common stock in public offering | 1,207,500 | — |
| MGM Growth Properties common stock issuance costs | (75,032) | — |
| Distributions to noncontrolling interest owners | (32,798) | (264,454) |
| Excess tax benefit from exercise of stock options | 3,812 | 208 |
| Proceeds from issuance of redeemable noncontrolling interest | — | 5,000 |
| Other | (7,418) | (494) |
| Net cash provided by financing activities | 652,644 | 353,859 |
| Effect of exchange rate on cash | (1,121) | 714 |
| Cash and cash equivalents | | |
| Net increase for the period | 832,943 | 624,963 |
| Change in cash related to assets held for sale | — | 3,662 |
| Balance, beginning of period | 1,670,312 | 1,713,715 |
| Balance, end of period | $2,503,255 | $2,342,340 |
| Supplemental cash flow disclosures | | |
| Interest paid, net of amounts capitalized | $348,104 | $398,791 |
| Federal, state and foreign income taxes paid, net of refunds | 55,408 | 21,963 |
| Non-cash investing and financing activities | | |
| Conversion of convertible senior notes to equity | $— | $1,449,499 |
| Decrease in investment in and advances to CityCenter related to change in completion guarantee liability | — | (8,198) |

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

MGM RESORTS INTERNATIONAL AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 1 — ORGANIZATION

Organization. MGM Resorts International (the “Company”) is a Delaware corporation that acts largely as a holding company and, through subsidiaries, owns and/or operates casino resorts. The Company owns and operates the following integrated casino, hotel and entertainment resorts in Las Vegas, Nevada: Bellagio, MGM Grand Las Vegas, The Mirage, Mandalay Bay, Luxor, New York-New York, Monte Carlo, Excalibur and Circus Circus Las Vegas. Operations at MGM Grand Las Vegas include management of The Signature at MGM Grand Las Vegas, a condominium-hotel consisting of three towers. Along with local investors, the Company owns and operates MGM Grand Detroit in Detroit, Michigan. The Company owns and operates the following resorts in Mississippi: Beau Rivage in Biloxi and Gold Strike in Tunica. The Company also owns Shadow Creek, an exclusive world-class golf course located approximately ten miles north of its Las Vegas Strip resorts, Primm Valley Golf Club at the California/Nevada state line and Fallen Oak golf course in Saucier, Mississippi.

On April 25, 2016, MGM Growth Properties LLC (“MGP”), a subsidiary of the Company, completed its initial public offering (“IPO”) of 57,500,000 of its Class A shares representing limited liability company interests (inclusive of the full exercise by the underwriters of their option to purchase 7,500,000 Class A shares) at an initial offering price of $21 per share.  In connection with the IPO, the Company and MGP entered into a series of transactions and several agreements that, among other things, set forth the terms and conditions of the IPO and provide a framework for the Company’s relationship with MGP.

MGP is organized as an umbrella partnership REIT (commonly referred to as an “UPREIT”) structure in which substantially all of its assets and substantially all of its businesses are conducted through its operating partnership subsidiary, MGM Growth Properties Operating Partnership LP (the “Operating Partnership”). MGP contributed the proceeds from the IPO to the Operating Partnership in exchange for 26.7% of the units in the Operating Partnership. The general partner of the Operating Partnership is also a subsidiary of MGP. MGP has two classes of authorized and outstanding voting common shares (collectively, the “shares”): Class A shares and a single Class B share. The Company owns MGP’s Class B share, which does not provide its holder any rights to profits or losses or any rights to receive distributions from operations of MGP or  upon liquidation or winding up of MGP.  MGP’s Class A shareholders are entitled to one vote per share, while the Company, as the owner of the Class B share, is entitled to an amount of votes representing a majority of the total voting power of MGP’s shares so long as the Company and its controlled affiliates’ (excluding MGP) aggregate beneficial ownership of the combined economic interests in MGP and the Operating Partnership does not fall below 30%. As such, the Company controls MGP through its majority voting rights and consolidates MGP in its financial results. At June 30, 2016, the Company owned 73.3% of the Operating Partnership units of the Operating Partnership, which is controlled and consolidated by MGP (76.3% subsequent to the acquisition of the Borgata Hotel Casino & Spa (“Borgata”) discussed in Note 11). The ownership units of the Operating Partnership 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.

Pursuant to a master contribution agreement by and between the Company, MGP and the Operating Partnership, the Company contributed 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 to newly formed subsidiaries and subsequently transferred 100% ownership interest in such subsidiaries to the Operating Partnership in exchange for Operating Partnership units in the Operating Partnership on the closing date of the IPO. See Note 4 and Note 10 for additional information related to MGP, the IPO and certain other intercompany agreements and debt financing transactions entered into in connection therewith.

The Company owns 51% and has a controlling interest in MGM China Holdings Limited ("MGM China"), which owns MGM Grand Paradise, S.A. ("MGM Grand Paradise"), the Macau company that owns and operates the MGM Macau resort and casino and the related gaming subconcession and land concessions, and is in the process of developing an 18 acre site on the Cotai Strip in Macau ("MGM Cotai"). MGM Cotai will be an integrated casino, hotel and entertainment resort with capacity for up to 500 gaming tables and up to 1,500 slots, and featuring approximately 1,500 hotel rooms. The actual number of gaming tables allocated to MGM Cotai will be determined by the Macau government prior to opening, and such allocation may be less than MGM Cotai's 500 gaming table capacity. The total estimated project budget is $3.1 billion, excluding development fees eliminated in consolidation, capitalized interest and land related costs.

The Company owns 50% of and manages CityCenter Holdings, LLC ("CityCenter"), located between Bellagio and Monte Carlo. The other 50% of CityCenter is owned by Infinity World Development Corp, a wholly owned subsidiary of Dubai World, a Dubai, United Arab Emirates government decree entity. CityCenter consists of Aria, an integrated casino, hotel and entertainment resort; Mandarin Oriental Las Vegas, a non-gaming boutique hotel; and Vdara, a luxury condominium-hotel. In addition, CityCenter features residential units in the Residences at Mandarin Oriental and Veer. In April 2016, CityCenter closed the sale of The Shops at Crystals ("Crystals"), a retail, dining and entertainment district. See Note 3 for additional information related to CityCenter.

Prior to August 1, 2016, the Company owned 50% of Marina District Development Company, the entity which owns Borgata, located on Renaissance Pointe in the Marina area of Atlantic City, New Jersey, and Boyd Gaming Corporation ("Boyd Gaming") owned the other 50% of Borgata and also operated the resort. In May 2016, the Company entered into a definitive agreement to acquire Boyd Gaming's interest in Borgata. Further, the Company and MGP entered into a definitive agreement whereby, following the completion of the acquisition of Boyd Gaming's interest, MGP acquired Borgata's real property from the Company and leased back the real property to a subsidiary of the Company. The Company completed the transaction on August 1, 2016. See Note 11 for additional information.

The Company also has a 50% interest in Grand Victoria. Grand Victoria is a riverboat casino in Elgin, Illinois; an affiliate of Hyatt Gaming owns the other 50% of Grand Victoria and also operates the resort. See Note 3 for additional information regarding the Company's investments in unconsolidated affiliates.

The Company owns 50% of the Las Vegas Arena Company, LLC, the entity which owns the T-Mobile Arena and the other 50% is owned by a subsidiary of Anschutz Entertainment Group, Inc. ("AEG"). The Company manages the T-Mobile Arena, which is located on a parcel of the Company's land between Frank Sinatra Drive and New York-New York, adjacent to the Las Vegas Strip. The T-Mobile Arena is a 20,000 seat venue designed to host world-class events – from mixed martial arts, boxing, hockey, basketball and bull riding to high profile awards shows and top-name concerts. T-Mobile Arena commenced operations in April 2016. Effective January 1, 2016, the Company leases the MGM Grand Garden Arena, located adjacent to the MGM Grand Las Vegas, to the Las Vegas Arena Company, LLC. In addition, the Company operates The Park, a dining and entertainment district, which opened in April 2016 and which connects to New York-New York, Monte Carlo and T-Mobile Arena.

The Maryland Video Lottery Facility Location Commission has awarded the Company's subsidiary developing MGM National Harbor a license to build and operate a destination integrated casino, hotel and entertainment resort in Prince George's County at National Harbor, which is a waterfront development located on the Potomac River just outside of Washington D.C. The expected cost to develop and construct MGM National Harbor is approximately $1.4 billion, excluding capitalized interest and land related costs. The Company expects the resort to include a casino with over 3,300 slots and approximately 160 table games including poker; a 300-room hotel with luxury spa and rooftop pool; 93,100 square feet of high end branded retail and fine and casual dining; a 3,000-seat theater venue; 50,000 square feet of meeting and event space; and a 4,700-space parking garage.

A subsidiary of the Company was awarded a casino license to build and operate MGM Springfield in Springfield, Massachusetts. MGM Springfield will be developed on approximately 14 acres of land in downtown Springfield. The Company's plans for the resort currently include a casino with approximately 3,000 slots and 100 table games including poker; a 250-room hotel; 100,000 square feet of retail and restaurant space; 44,000 square feet of meeting and event space; and a 3,375 space parking garage, with an expected development and construction cost of approximately $865 million, excluding capitalized interest and land related costs.

The Company has two reportable segments: domestic resorts and MGM China. See Note 9 for additional information about the Company's segments.

NOTE 2 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation. As permitted by the rules and regulations of the Securities and Exchange Commission, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") have been condensed or omitted. These consolidated financial statements should be read in conjunction with the Company's 2015 annual consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's interim financial statements. The results for such periods are not necessarily indicative of the results to be expected for the full year.

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.

Management has determined that MGP is a VIE because the Class A equity investors as a group lack the power through voting or similar rights to direct the activities of such entity that most significantly impact such entity's economic performance. The Company has determined that it is the primary beneficiary of MGP and consolidates MGP because (1) its ownership of MGP's single Class B share entitles it to a majority of the total voting power of MGP's shares, and (2) the exchangeable nature of the operating partnership units owned provide the Company the right to receive benefits from MGP that could potentially be significant to MGP. The Company has recorded MGP's 26.7% interest in the Operating Partnership as noncontrolling interest in the Company's consolidated financial statements.

As of June 30, 2016, MGP had total assets of $8.2 billion, primarily related to its real estate investments, and total liabilities of $3.2 billion, primarily related to its indebtedness.

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 in the consolidated balance sheets. All intercompany balances and transactions are eliminated in consolidation.

Fair value measurements. Fair value measurements affect the Company's accounting and impairment assessments of its long-lived assets, investments in unconsolidated affiliates, cost method investments, assets acquired and liabilities assumed in an acquisition, and goodwill and other intangible assets. Fair value measurements also affect the Company's accounting for certain of its financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and is measured according to a hierarchy that includes: Level 1 inputs, such as quoted prices in an active market; Level 2 inputs, which are observable inputs for similar assets; or Level 3 inputs, which are unobservable inputs.

Property and equipment. The Company had accrued $8 million and $17 million for property and equipment as of June 30, 2016 and December 31, 2015, respectively, within "Accounts payable" and $29 million and $44 million as of June 30, 2016 and December 31, 2015, respectively, related to construction retention in "Other long-term obligations."

Income tax provision. For interim income tax reporting the Company estimates its annual effective tax rate and applies it to its year-to-date ordinary income. The tax effects of unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, are reported in the interim period in which they occur. The Company's effective income tax rate was 1.6% and 4.7% for the three and six months ended June 30, 2016, respectively.

The Company recognizes deferred tax assets, net of applicable reserves, related to tax loss and credit carryforwards and other temporary differences with a future tax benefit to the extent that realization of such benefit is more likely than not. Otherwise, a valuation allowance is applied. As of December 31, 2015, the scheduled future reversal of existing U.S. federal taxable temporary differences exceeded the scheduled future reversal of existing U.S. federal deductible temporary differences. Consequently, the Company no longer applies a valuation allowance against its domestic deferred tax assets other than its foreign tax credit deferred tax asset.

The Company has generated significant excess foreign tax credits that are attributable to the Macau Special Gaming Tax which is 35% of gross gaming revenue in Macau. Because MGM China is presently exempt from the Macau 12% complementary tax on gaming profits, the Company believes that payment of the Macau Special Gaming Tax qualifies as a tax paid in lieu of an income tax that is creditable against U.S. taxes. As long as the exemption from Macau's 12% complementary tax on gaming profits continues and the Company continues to receive distributions from MGM China, the Company expects that it will generate excess foreign tax credits in most years and that most of the excess foreign credits will not be utilized before the exemption expires. Although the Company's current five-year exemption from the Macau 12% complementary tax on gaming profits ends on December 31, 2016, the Company believes it will be entitled to receive a third five-year exemption from Macau based upon exemptions granted to the Company's competitors in order to ensure non-discriminatory treatment among gaming concessionaires and subconcessionaires. For all periods beyond December 31, 2021, the Company has assumed that it will be paying the Macau 12% complementary tax on gaming profits and will thus not be able to credit the Macau Special Gaming Tax in such years, and has factored that assumption into its assessment of the realization of the foreign tax credit deferred tax asset.

The Company's assessment of realization of its foreign tax credit deferred tax asset is based on available evidence, including assumptions about future profitability of and distributions from MGM China, as well as its assumption concerning renewals of the five-year exemption from Macau's 12% complementary tax on gaming profits and future profitability of its U.S. operations. As a result, significant judgment is required in assessing the possible need for a valuation allowance and changes to such assumptions may have a material impact on the amount of the valuation allowance. For example, should the Company in a future period actually receive or be able to assume an additional five-year exemption, an additional valuation allowance would likely need to be provided on some portion or all of the foreign tax credit deferred tax asset, resulting in an increase in the provision for income taxes in such period, and such increase may be material. This could happen as early as the fourth quarter of 2016. In addition, a change to forecasts of future profitability of, and distributions from, MGM China could also result in a material change in the valuation allowance with a corresponding impact on the provision for income taxes in such period.

Due to improvements in its U.S. operations, the Company has generated U.S. operating profits for the past six consecutive quarters and as of June 30, 2016 no longer has cumulative U.S. losses in recent years. Consequently, during the three months ended June 30, 2016 the Company began to rely on future U.S. source operating income in assessing future foreign tax credit realization during the 10-year foreign tax credit carryover period. This change resulted in a reduction in the valuation allowance and a corresponding reduction in the provision for income taxes during the period of approximately $85 million. Specifically, as of March 31, 2016, the Company projected that it would be able to record a deferred tax asset for foreign tax credits, net of valuation allowance, of approximately $106 million as of December 31, 2016. The Company now projects that it will record a deferred tax asset for foreign tax credits, net of valuation allowance, of approximately $191 million as of December 31, 2016.

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 year, and interim periods within the year, beginning on or after December 15, 2017. 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 assessing the impact that adoption of this guidance will have on its consolidated financial statements and footnote disclosures.

In March 2016, the FASB issued Accounting Standards Update No. 2016-08, “Revenue From Contracts With Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net),” (“ASU 2016-08”), effective for the fiscal years beginning after December 15, 2017. ASU 2016-08 clarifies the implementation guidance on principal versus agent considerations as it relates to ASU 2014-09. The amendment relates to the assessment an entity is required to perform to determine whether the nature of its promise is to provide the specified good or service itself (that is, the entity is a principal) or to arrange for that good or service to be provided by the other party (that is, the entity is an agent) when another party is involved in providing goods or services to a customer. The Company is currently assessing the impact that adoption of ASU 2016-08 will have on its consolidated financial statements and footnote disclosures.

In May 2016, the FASB issued Accounting Standards Update No. 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing," ("ASU 2016-10"), effective for fiscal years beginning after December 15, 2017. ASU 2016-10 clarifies guidance related to identifying performance obligations and licensing implementation guidance as it relates to ASU 2014-09. The update includes targeted improvements based on input the FASB received from the Transition Resource Group for Revenue Recognition and other stakeholders. It seeks to proactively address areas in which diversity in practice potentially could arise, as well as to reduce the cost and complexity of applying certain aspects of the guidance both at implementation and on an ongoing basis. The Company is currently assessing the impact that adoption of ASU 2016-10 will have on its consolidated financial statements and footnote disclosures.

In May 2016, the FASB issued Accounting Standards Update No. 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients," ("ASU 2016-12"), effective for fiscal years beginning after December 15, 2017. ASU 2016-12 addresses narrow-scope improvements to the guidance on collectability, noncash consideration and completed contracts at transition as it relates to ASU 2014-09. The amendments provide a practical expedient for contract modifications at transition and an accounting policy election related to the presentation of sales taxes and other similar taxes collected from customers. The Company is currently assessing the impact that adoption of ASU 2016-12 will have on its consolidated financial statements and footnote disclosures.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-02, "Leases (Topic 842)," ("ASU 2016-02"), which replaces the existing guidance in Accounting Standard Codification 840, "Leases." ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. 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. The Company is currently assessing the impact that adoption of this guidance will have on its consolidated financial statements and footnote disclosures.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, "Compensation – Stock Compensation (Topic 718)," ("ASU 2016-09"), effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. ASU 2016-09 simplifies the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company is currently assessing the impact that adoption of this guidance will have on its consolidated financial statements and footnote disclosures.

NOTE 3 — INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

Investments in and advances to unconsolidated affiliates consisted of the following:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| | (In thousands) | |
| CityCenter Holdings, LLC – CityCenter (50%) | $983,772 | $ 1,136,452 |
| Marina District Development Company – Borgata (50%) | 162,642 | 134,454 |
| Elgin Riverboat Resort–Riverboat Casino – Grand Victoria (50%) | 121,160 | 122,500 |
| Las Vegas Arena Company, LLC (50%) | 89,161 | 90,352 |
| Other | 7,428 | 7,739 |
| | $1,364,163 | $ 1,491,497 |

The Company recorded its share of the results of operations of unconsolidated affiliates as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | (In thousands) | | | |
| Income from unconsolidated affiliates | $448,309 | $42,900 | $463,011 | $160,281 |
| Preopening and start-up expenses | (806 ) | (770 ) | (3,088 ) | (1,443 ) |
| Non-operating items from unconsolidated affiliates | (15,885 ) | (17,766) | (34,097 ) | (36,777 ) |
| | $431,618 | $24,364 | $425,826 | $122,061 |

CityCenter

Summarized balance sheet information for CityCenter is as follows:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| | (In thousands) | |
| Current assets | $791,163 | $ 1,092,094 |
| Property and other long-term assets, net | 6,788,595 | 6,966,689 |
| Current liabilities | 802,809 | 271,773 |
| Long-term debt and other long-term obligations | 1,233,975 | 1,499,255 |
| Equity | 5,542,974 | 6,287,755 |

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Summarized income statement information for CityCenter is as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | (In thousands) | | | |
| Net revenues | $288,986 | $305,628 | $590,527 | $607,805 |
| Operating expenses | (289,405) | (289,556) | (618,089) | (415,926) |
| Operating income (loss) | (419) | 16,072 | (27,562) | 191,879 |
| Non-operating expenses | (14,131) | (18,063) | (35,157) | (36,130) |
| Net income (loss) from continuing operations | (14,550) | (1,991) | (62,719) | 155,749 |
| Discontinued operations | 411,592 | 6,145 | 400,035 | 12,006 |
| Net income | $397,042 | $4,154 | $337,316 | $167,755 |

Crystals sale. In April 2016, CityCenter closed the sale of Crystals for approximately $1.1 billion. During the three months ended June 30, 2016, CityCenter recognized a gain on the sale of Crystals of $411 million and the Company recognized a $406 million gain, which included $205 million representing its 50% share of the gain recorded by CityCenter and $201 million representing the reversal of certain basis differences. During the six months ended June 30, 2016, CityCenter recognized a gain on the sale of Crystals of $392 million and the Company recognized a $397 million gain, which included $196 million representing its 50% share of the gain recorded by CityCenter and $201 million representing the reversal of certain basis differences. The basis differences primarily related to other-than-temporary impairment charges recorded on the Company's investment in CityCenter that were allocated to Crystals' building assets.

As of December 31, 2015, assets held for sale related to Crystals of $668 million and associated liabilities of Crystals were classified as current within the summarized balance sheet information. The results of Crystals are classified as discontinued operations in the summarized income statement information.

CityCenter distributions. In March 2016, a $90 million distribution was declared in accordance with CityCenter's annual distribution policy and in April 2016, CityCenter declared a $990 million special distribution in connection with the Crystals sale. The Company's $540 million share of such distributions was paid in May 2016. In April 2015, CityCenter declared a special dividend of $400 million, of which the Company received its 50% share of $200 million.

CityCenter litigation settlement. During the first quarter of 2015, CityCenter recognized a $160 million gain as a result of the final resolution of its construction litigation and related settlements, of which the Company recorded $80 million, its 50% share of the gain.

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NOTE 4 — LONG-TERM DEBT

Long-term debt consisted of the following:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| | (In thousands) | |
| Senior credit facility | $250,000 | $2,716,000 |
| MGM Growth Properties senior credit facility | 2,141,625 | — |
| MGM China credit facility | 1,661,309 | 1,559,909 |
| MGM National Harbor credit facility | 350,000 | — |
| $242.9 million 6.875% senior notes, due 2016 | — | 242,900 |
| $732.7 million 7.5% senior notes, due 2016 | — | 732,749 |
| $500 million 10% senior notes, due 2016 | — | 500,000 |
| $743 million 7.625% senior notes, due 2017 | 743,000 | 743,000 |
| $475 million 11.375% senior notes, due 2018 | 475,000 | 475,000 |
| $850 million 8.625% senior notes, due 2019 | 850,000 | 850,000 |
| $500 million 5.25% senior notes, due 2020 | 500,000 | 500,000 |
| $1,000 million 6.75% senior notes, due 2020 | 1,000,000 | 1,000,000 |
| $1,250 million 6.625% senior notes, due 2021 | 1,250,000 | 1,250,000 |
| $1,000 million 7.75% senior notes, due 2022 | 1,000,000 | 1,000,000 |
| $1,250 million 6% senior notes, due 2023 | 1,250,000 | 1,250,000 |
| $1,050 million 5.625% MGM Growth Properties senior notes, due 2024 | 1,050,000 | — |
| $0.6 million 7% debentures, due 2036 | 552 | 552 |
| $4.3 million 6.7% debentures, due 2096 | 2,265 | 4,265 |
| | 12,523,751 | 12,824,375 |
| Less: Premiums, discounts, and unamortized debt issuance costs, net | (158,831) | (127,622) |
| | 12,364,920 | 12,696,753 |
| Less: Current portion, net of discounts and unamortized debt issuance costs | — | (328,442) |
| | $12,364,920 | $12,368,311 |

Debt due within one year of the June 30, 2016 balance sheet was classified as long-term as the Company has both the intent and ability to refinance current maturities on a long-term basis under its revolving senior credit facilities. At December 31, 2015, the amount available under the Company's revolving senior credit facility was less than current maturities related to the Company's term loan credit facilities and senior notes. The Company excluded from the December 31, 2015 current portion of long-term debt the amount available for refinancing under its revolving credit facility.

Senior credit facility. In April 2016, the Company entered into an amended and restated credit agreement comprised of a $1.25 billion revolving facility and a $250 million term loan A facility. The revolving facility and the term loan A facility will initially 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 1.75% to 2.75%. Both the term loan A facility and the revolving facility will mature in April 2021. The term loan A facility is subject to amortization of principal in equal quarterly installments (commencing with the fiscal quarter ended March 31, 2017), with 5.0% of the initial aggregate principal amount of the term loan A facility to be payable each year. No amounts have been drawn on the revolving credit facility. The Company incurred a loss on early retirement of its prior credit facility of approximately $28 million recorded in “Other, net” in the Consolidated Statements of Operations. At June 30, 2016, the interest rate on the term loan A was 3.21%.

The amended and restated 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 Company or any restricted subsidiary. These covenants are subject to a number of important exceptions and qualifications. The amended and restated credit agreement requires the Company to comply with certain financial covenants, which may restrict the Company’s ability to incur additional debt to fund its obligations in the near term. The amended and restated credit agreement also requires the Company to maintain a maximum total net leverage ratio, a maximum first lien net leverage ratio and a minimum interest coverage ratio.

The amended and restated credit agreement is secured by (i) a mortgage on the real properties comprising the MGM Grand Las Vegas and the Bellagio, (ii) a pledge of substantially all existing and future personal property of the subsidiaries of the Company that own the MGM Grand Las Vegas and the Bellagio; and (iii) a pledge of the equity or limited liability company interests of the entities that own MGM Grand Las Vegas and the Bellagio.

Mandatory prepayments of the credit facilities will be required upon the occurrence of certain events, including sales of certain assets, casualty events and the incurrence of certain additional indebtedness, subject to certain exceptions and reinvestment rights.

The amended and restated 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, and (x) change of control. Both the term loan A facility and the revolving facility are guaranteed by each of the Company's existing and subsequently acquired direct and indirect wholly owned material domestic restricted subsidiaries, subject to certain exclusions.

MGM Growth Properties senior credit facility. The Operating Partnership entered into a credit agreement, comprised of a $296 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 revolving credit facility and term loan A facility will initially 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 will bear 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. No amounts have been 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 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 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 Company permanently repaid $4 million and $5 million of the term loan A facility and the term loan B facility, respectively, in the three and six months ended June 30, 2016. The revolving credit facility and the term loan facilities are both guaranteed by each of the Operating Partnership's existing and subsequently acquired direct and indirect wholly owned material domestic restricted subsidiaries, and secured by a first priority lien security interest on substantially all of the Operating Partnership's and such restricted subsidiaries' material assets, including mortgages on its real estate, subject to customary exclusions.

MGM China credit facility. At June 30, 2016, the MGM China credit facility consisted of $1.55 billion of term loans and a $1.45 billion revolving credit facility, which bear interest at a fluctuating rate per annum based on HIBOR plus a margin that ranges between 1.375% and 2.5% based on MGM China's leverage ratio. The MGM China credit facility matures in April 2019, with scheduled amortization payments of the term loans beginning in October 2017. The MGM China credit facility is secured by MGM Grand Paradise's interest in the Cotai land use right, and MGM China, MGM Grand Paradise and their guarantor subsidiaries have granted a security interest in substantially all of their assets to secure the facility. The outstanding balance at June 30, 2016 was comprised of $1.6 billion of term loans and $103 million drawn on the revolving credit facility. At June 30, 2016, the weighted average interest rate on the term loans was 2.22% and the interest rate on the revolving credit facility was 2.23%.

The MGM China credit facility contains customary representations and warranties, events of default, affirmative covenants and negative covenants, which impose restrictions on, among other things, the ability of MGM China and its subsidiaries to make investments, pay dividends and sell assets, and to incur additional liens. As of June 30, 2016, MGM China was required to maintain compliance with a maximum leverage ratio of 4.50 to 1.00 in addition to a minimum interest coverage ratio of 2.50 to 1.00. MGM China was in compliance with its credit facility covenants at June 30, 2016. In February 2016, the MGM China credit facility was amended. The amendment included changes to the required maximum leverage ratio which increases to 6.00 to 1.00 beginning September 30, 2016 through June 30, 2017, then decreases to 5.50 to 1.00 for September 30, 2017, 5.00 to 1.00 for December 31, 2017, and 4.50 to 1.00 for March 31, 2018 and thereafter.

MGM National Harbor credit facility. In January 2016, MGM National Harbor, LLC, the Company's subsidiary developing and constructing MGM National Harbor, entered into a credit agreement consisting of a $100 million revolving credit facility and a $425 million delayed draw term loan facility, of which $350 million was funded as of June 30, 2016. No amounts have been drawn on the revolving credit facility. In connection with any future draws under the delayed draw term loan facility and any revolver draws in excess of $25 million prior to the opening date of the project the Company is required to make a matching cash equity contribution in MGM National Harbor. The revolving and term loan facilities bear interest at LIBOR plus an applicable rate determined by the Company's total leverage ratio (2.25% as of June 30, 2016). The term loan and revolving facilities are scheduled to mature in January 2021 and the term loan facilities are subject to scheduled amortization payments on the last day of each calendar quarter beginning the fourth full fiscal quarter following the opening date of MGM National Harbor, initially in an amount equal to 1.25% of the aggregate principal balance and increasing to 1.875% and 2.50% of the aggregate principal balance on the last day of the twelfth and sixteenth full fiscal quarters, respectively. The Company had $175 million of available borrowing capacity under the MGM National Harbor credit facility as of June 30, 2016. At June 30, 2016, the interest rate on the term loan A was 2.71%.

The credit agreement is secured by a leasehold mortgage on MGM National Harbor and substantially all of the existing and future property of MGM National Harbor. Mandatory prepayments will be required upon the occurrence of certain events, including sales of certain assets, casualty events and the incurrence of certain additional indebtedness, subject to certain exceptions and reinvestment rights. In addition, to the extent MGM National Harbor generates excess cash flow (as defined in the credit agreement), a percentage of such excess cash flow (ranging from 0% to 50% based on a total leverage ratio) will be required to be used to prepay the term loan facilities commencing with the fiscal year ended 2017.

The credit agreement contains customary representations and warranties, events of default, affirmative covenants and negative covenants, which impose restrictions on, among other things, the ability of MGM National Harbor, LLC and its restricted subsidiaries to make investments, pay dividends, sell assets, and to incur additional debt and additional liens. In addition, the credit agreement requires MGM National Harbor, LLC and its restricted subsidiaries to maintain a maximum total leverage ratio and a minimum interest coverage ratio. In addition, borrowings under the credit agreement are subject to a customary "in balance test" (as defined in the credit agreement), which requires that, as of the date of determination prior to the opening date, the available funds (including resources that may be available from the Company) are equal to or exceed the remaining costs for MGM National Harbor.

Redemption of senior notes. In connection with the closing of the IPO, on May 25, 2016 (the “Redemption Date”) the Company redeemed for cash all $1.23 billion aggregate principal amount of its outstanding 7.50% senior notes due 2016 and 10% senior notes due 2016 in accordance with the terms of the applicable indenture. The Company incurred a loss on early retirement of such notes of approximately $22 million recorded in “Other, net” in the Consolidated Statements of Operations.

Bridge Facilities. In connection with the closing of the IPO, the Company borrowed $4.0 billion under certain bridge facilities (the “Bridge Facilities”), the proceeds of which were used to repay its outstanding obligations under its prior senior credit facility and were used to repay its 7.5% senior notes due 2016 and its 10% senior notes due 2016 on the Redemption Date. The Bridge Facilities were subsequently assumed by the Operating Partnership pursuant to the master contribution agreement. The Operating Partnership repaid the Bridge Facilities with a combination of proceeds from its financing transactions described in Note 1 and the proceeds from the IPO.

MGM Growth Properties senior notes. On April 20, 2016, a wholly owned subsidiary of the Operating Partnership issued $1.05 billion in aggregate principal amount of 5.625% senior notes due 2024 (the “Notes”) and on April 25, 2016, the Operating Partnership entered into a supplemental indenture through which it assumed the obligations under the Notes from such subsidiary (which merged into the Operating Partnership on such date). The Notes will mature on May 1, 2024. Interest on the Notes is payable on May 1 and November 1 of each year, commencing on November 1, 2016. The 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 Operating Partnership may redeem all or part of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus, to the extent the Operating Partnership is redeeming 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 Notes contains customary covenants that will limit the Operating Partnership'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 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 long-term debt. Maturities of the principal amount of the Company's long-term debt as of June 30, 2016 are as follows:

| Years ending December 31, | (In thousands) |
|---|---|
| 2016 | $16,750 |
| 2017 | 871,285 |
| 2018 | 1,317,600 |
| 2019 | 1,719,988 |
| 2020 | 1,574,438 |
| Thereafter | 7,023,690 |
| | $12,523,751 |

Fair value of long-term debt. The estimated fair value of the Company's long-term debt at June 30, 2016 was $13.2 billion. At December 31, 2015, the estimated fair value of the Company's long-term debt was $13.1 billion. Fair value was estimated using quoted market prices for the Company's senior notes and senior credit facilities.

NOTE 5 — COMMITMENTS AND CONTINGENCIES

Cotai land concession contract. MGM Grand Paradise's land concession contract for an approximate 18 acre site on the Cotai Strip in Macau became effective on January 9, 2013 and has an initial term of 25 years. The total land premium payable to the Macau government for the land concession contract is $161 million and is composed of a down payment and eight additional semi-annual installments. As of June 30, 2016, MGM China had paid $145 million of the contract premium, including interest due on the semi-annual installments, and the amount paid is recorded within "Other long-term assets, net." In July 2016, MGM China paid the seventh semi-annual installment of $15 million under the land concession contract. Including interest on the remaining semi-annual installment, MGM China has approximately $15 million remaining payable for the land concession contract. Under the terms of the land concession contract, MGM Grand Paradise is required to build and open MGM Cotai by January 2018.

T-Mobile Arena. In conjunction with Las Vegas Arena Company entering a senior secured credit facility in 2014, the Company and AEG each entered joint and several completion guarantees for the project, as well as a repayment guarantee for term loan B (which is subject to increases and decreases in the event of a rebalancing of the principal amount of indebtedness between term loan A and term loan B facilities). As of June 30, 2016, term loan A was $120 million and term loan B was $80 million.

Other guarantees. The Company and its subsidiaries are party to various guarantee contracts in the normal course of business, which are generally supported by letters of credit issued by financial institutions. The Company’s senior credit facility limits the amount of letters of credit that can be issued to $250 million, MGP’s senior credit facility limits the amount to $75 million, MGM China’s credit facility limits the amount to $100 million, and MGM National Harbor’s credit facility limits the amount to $30 million. At June 30, 2016, $26 million in letters of credit were outstanding under the Company’s senior credit facility and $39 million in letters of credit were outstanding under MGM China’s credit facility. No amounts were outstanding under the MGP senior credit facility and the MGM National Harbor credit facility at June 30, 2016. The amount of available borrowings under each of the credit facilities are reduced by any outstanding letters of credit.

Other litigation. The Company is a party to various legal proceedings, most of which relate to routine matters incidental to its business. Management does not believe that the outcome of such proceedings will have a material adverse effect on the Company’s financial position, results of operations or cash flows.

NOTE 6 — INCOME PER SHARE OF COMMON STOCK

The weighted-average number of common and common equivalent shares used in the calculation of basic and diluted income per share consisted of the following:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | (In thousands) | | | |
| Numerator: | | | | |
| Net income attributable to MGM Resorts International – basic | $474,353 | $97,459 | $541,152 | $267,309 |
| Interest on convertible debt, net of tax | — | (1,095) | — | 18,872 |
| Potentially dilutive effect due to MGP Omnibus Plan | (6) | — | (6) | — |
| Potentially dilutive effect due to MGM China Share Option Plan | — | — | — | (7) |
| Net income attributable to MGM Resorts International – diluted | $474,347 | $96,364 | $541,146 | $286,174 |
| Denominator: | | | | |
| Weighted-average common shares outstanding – basic | 565,459 | 551,358 | 565,257 | 521,556 |
| Potential dilution from share-based awards | 5,303 | 5,890 | 4,851 | 5,863 |
| Potential dilution from assumed conversion of convertible debt | — | 12,866 | — | 45,280 |
| Weighted-average common and common equivalent shares – diluted | 570,762 | 570,114 | 570,108 | 572,699 |
| Antidilutive share-based awards excluded from the calculation of diluted earnings per share | 3,124 | 4,449 | 4,790 | 4,538 |

In April 2015, approximately $1.45 billion in aggregate principal amount of 4.25% convertible senior notes were converted into approximately 78 million shares of the Company’s common stock, and the Company received approximately 6 million shares from capped call transactions entered into in connection with the issuance of certain of the convertible senior notes. Such shares received from the settlement of the capped call transactions were subsequently retired. Potential dilution from the assumed conversion of convertible debt for the three and six months ended June 30, 2015 included the weighted average impact of the convertible senior notes for the period from January 1, 2015 to the date of conversion on April 15, 2015. Additionally, potential dilution from the assumed conversion of convertible debt for the three and six months ended June 30, 2015 did not take into consideration the 6 million shares received pursuant to the capped call transactions as the effect would be antidilutive.

NOTE 7 — STOCKHOLDERS’ EQUITY

MGM China dividends. MGM China's Board of Directors paid a $46 million dividend in May 2016, of which the Company received $23 million, its 51% share of the dividend and $23 million was distributed to noncontrolling interests.

MGM China paid a $400 million special dividend in March 2015, of which $204 million remained within the consolidated entity and $196 million was distributed to noncontrolling interests, and a $120 million final dividend in June 2015, of which $61 million remained within the consolidated entity and $59 million was distributed to noncontrolling interests.

On August 4, 2016, MGM China's Board of Directors announced an interim dividend of $58 million, which will be paid to shareholders of record as of August 22, 2016 and distributed on or about August 30, 2016. The Company will receive $30 million, representing its 51% share of the dividend.

MGP dividend. On June 16, 2016, MGP's Board of Directors declared a pro-rated quarterly dividend of $0.2632 per Class A common share totaling $15 million, which was paid on July 15, 2016 to holders of record on June 30, 2016. The Company concurrently received a $42 million distribution attributable to the Operating Partnership units owned by the Company from the Operating Partnership owned by the Company and MGP, which remained within the consolidated entity.

Supplemental equity information. The following table presents the Company’s changes in stockholders’ equity for the six months ended June 30, 2016:

| | MGM Resorts International Stockholders' Equity | Noncontrolling Interests | Total Stockholders' Equity |
|---|---|---|---|
| | (In thousands) | | |
| Balances, January 1, 2016 | $ 5,119,927 | $ 2,644,500 | $ 7,764,427 |
| Net income | 541,152 | 64,544 | 605,696 |
| Currency translation adjustment | (3,213 ) | (2,922 ) | (6,135 ) |
| Stock-based compensation | 23,127 | 1,851 | 24,978 |
| Tax effect of stock-based compensation | 3,602 | — | 3,602 |
| Issuance of common stock pursuant to stock-based compensation awards | (7,418 ) | — | (7,418 ) |
| Issuance of performance share units | 5,817 | — | 5,817 |
| Cash distributions to noncontrolling interest owners | — | (32,788 ) | (32,788 ) |
| MGM Growth Properties IPO | (150,414 ) | 1,334,252 | 1,183,838 |
| MGP dividend payable to noncontrolling interest owners | — | (15,134 ) | (15,134 ) |
| Balances, June 30, 2016 | $ 5,532,580 | $ 3,994,303 | $ 9,526,883 |

The Company adjusted noncontrolling interest and additional paid in capital to reflect MGP’s Class A shareholders’ 26.7% ownership interest in the consolidated net assets of MGP related to the IPO and related transactions discussed in Note 1.

Accumulated other comprehensive income. Changes in accumulated other comprehensive income attributable to MGM Resorts International are as follows:

| | Accumulated Other Comprehensive Income |
|---|---|
| | (In thousands) |
| Balances, January 1, 2016 | $ 14,022 |
| Currency translation adjustment | (3,213 ) |
| Balances, June 30, 2016 | $ 10,809 |

NOTE 8 — STOCK-BASED COMPENSATION

2005 Omnibus Incentive Plan. As of June 30, 2016, the Company had an aggregate of 23 million shares of common stock available for grant as share-based awards under the Company's omnibus incentive plan ("Omnibus Plan"). A summary of activity under the Company's share-based payment plans for six months ended June 30, 2016 is presented below:

Stock options and stock appreciation rights ("SARs")

| | Units (000's) | Weighted Average Exercise Price |
|---|---|---|
| Outstanding at January 1, 2016 | 14,131 | $ 14.82 |
| Granted | 85 | 21.93 |
| Exercised | (2,090 ) | 10.46 |
| Forfeited or expired | (143 ) | 20.32 |
| Outstanding at June 30, 2016 | 11,983 | 15.56 |
| Exercisable at June 30, 2016 | 7,084 | 12.45 |

Restricted stock 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 | Weighted Average Target Price |
| Nonvested at January 1, 2016 | 1,578 | $ 20.05 | 1,818 | $ 18.54 | $ 26.18 |
| Granted | 50 | 24.10 | — | — | — |
| Vested | (67 ) | 19.41 | — | — | — |
| Forfeited | (44 ) | 20.17 | — | — | — |
| Nonvested at June 30, 2016 | 1,517 | 20.21 | 1,818 | 18.54 | 26.18 |

Bonus PSUs

| | Units (000’s) | Weighted Average Target Price |
|---|---|---|
| Outstanding at January 1, 2016 | 494 | $ 29.03 |
| Granted | 291 | 23.87 |
| Outstanding at June 30, 2016 | 785 | 27.12 |

The Company grants PSUs for the portion of any calculated bonus for a Section 16 officer of the Company that is in excess of such officer’s base salary (the “Bonus PSU Policy”). Awards granted under the Bonus PSU Policy have the same terms as the other PSUs granted under the Omnibus Plan with the exception that as of the grant date the awards will not be subject to forfeiture in the event of the officer’s termination.

MGM Growth Properties Omnibus Incentive Plan. As of June 30, 2016, MGP had an aggregate of 2 million shares of common stock available for grant as share-based awards under the MGM Growth Properties omnibus incentive plan (“MGP Omnibus Plan”). A summary of activity under the MGP Omnibus Plan for the period from April 19, 2016 (date of inception) to June 30, 2016 is presented below:

Restricted stock 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 dividend equivalent rights related to RSUs and PSUs.

MGM China Share Option Plan. As of June 30, 2016, MGM China had an aggregate of 311 million shares of common stock available for grant as share-based awards under the MGM China share option plan ("MGM China Plan"). A summary of activity under the MGM China Plan for the three and six months ended June 30, 2016 is presented below:

Stock options

| | Units (000's) | Weighted Average Exercise Price |
|---|---|---|
| Outstanding at January 1, 2016 | 49,211 | $ 2.54 |
| Granted | 18,239 | 1.40 |
| Forfeited or expired | (2,593 ) | 2.43 |
| Outstanding at June 30, 2016 | 64,857 | 2.22 |
| Exercisable at June 30, 2016 | 24,686 | 2.52 |

Recognition of compensation cost. Compensation cost was recognized as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | (In thousands) | | | |
| Compensation cost: | | | | |
| Omnibus Plan | $9,959 | $7,727 | $20,323 | $15,669 |
| MGP Omnibus Plan | 956 | — | 956 | — |
| MGM China Plan | 1,977 | 2,565 | 3,699 | 5,325 |
| Total compensation cost | 12,892 | 10,292 | 24,978 | 20,994 |
| Less: Reimbursed costs and capitalized cost | (292 ) | (301 ) | (612 ) | (591 ) |
| Compensation cost after reimbursed costs and capitalized cost | 12,600 | 9,991 | 24,366 | 20,403 |
| Less: Related tax benefit | (3,894 ) | (2,554 ) | (7,568 ) | (5,188 ) |
| Compensation cost, net of tax benefit | $8,706 | $7,437 | $16,798 | $15,215 |

NOTE 9 — SEGMENT INFORMATION

The Company’s management views each of its casino resorts as an operating segment. Operating segments are aggregated based on their similar economic characteristics, types of customers, types of services and products provided, the regulatory environments in which they operate, and their management and reporting structure. The Company’s principal operating activities occur in two geographic regions: the United States and Macau S.A.R. The Company has aggregated its operations into two reportable segments based on the similar characteristics of the operating segments within the regions in which they operate: domestic resorts and MGM China. The Company’s operations related to investments in unconsolidated affiliates and certain other corporate operations and management services have not been identified as separate reportable segments; therefore, these operations are included in “Corporate and other” in the following segment disclosures to reconcile to consolidated results.

The Company’s management utilizes Adjusted Property EBITDA as the primary profit measure for its reportable segments. Adjusted Property EBITDA is a measure defined as Adjusted EBITDA before corporate expense and stock compensation expense related to the Omnibus Plan, which are not allocated to the reportable segments or each operating segment, as applicable. MGM China recognizes stock compensation expense related to the MGM China Plan which is included in the calculation of Adjusted EBITDA for MGM China. Adjusted EBITDA is a measure defined as earnings before interest and other non-operating income (expense), taxes, depreciation and amortization, preopening and start-up expenses, goodwill impairment charges, and property transactions, net.

The following tables present the Company's segment information:

| | Three Months Ended June 30, 2016 | Three Months Ended June 30, 2015 | Six Months Ended June 30, 2016 | Six Months Ended June 30, 2015 |
|---|---|---|---|---|
| | (In thousands) | | | |
| Net Revenues | | | | |
| Domestic resorts | $1,694,491 | $1,705,480 | $3,313,714 | $3,283,375 |
| MGM China | 451,951 | 556,859 | 920,980 | 1,186,946 |
| Reportable segment net revenues | 2,146,442 | 2,262,339 | 4,234,694 | 4,470,321 |
| Corporate and other | 123,060 | 122,796 | 244,494 | 247,058 |
| | $2,269,502 | $2,385,135 | $4,479,188 | $4,717,379 |
| Adjusted Property EBITDA | | | | |
| Domestic resorts | $515,083 | $458,063 | $1,000,014 | $847,942 |
| MGM China | 119,196 | 132,217 | 233,319 | 280,673 |
| Reportable segment Adjusted Property EBITDA | 634,279 | 590,280 | 1,233,333 | 1,128,615 |
| | | | | |
| Other operating income (expense) | | | | |
| Corporate and other | 367,353 | (11,352) | 311,183 | 69,289 |
| Preopening and start-up expenses | (24,824) | (17,889) | (46,784) | (33,760) |
| Property transactions, net | (854) | (3,953) | (5,985) | (5,542) |
| Depreciation and amortization | (206,899) | (208,565) | (406,738) | (414,977) |
| Operating income | 769,055 | 348,521 | 1,085,009 | 743,625 |
| Non-operating income (expense) | | | | |
| Interest expense, net of amounts capitalized | (180,352) | (203,245) | (365,021) | (419,507) |
| Non-operating items from unconsolidated affiliates | (15,885) | (17,766) | (34,097) | (36,777) |
| Other, net | (49,840) | (4,815) | (50,405) | (8,305) |
| | (246,077) | (225,826) | (449,523) | (464,589) |
| Income before income taxes | 522,978 | 122,695 | 635,486 | 279,036 |
| Benefit (provision) for income taxes | (8,480) | 3,772 | (29,790) | 60,077 |
| Net income | 514,498 | 126,467 | 605,696 | 339,113 |
| Less: Net income attributable to noncontrolling interests | (40,145) | (29,008) | (64,544) | (71,804) |
| Net income attributable to MGM Resorts International | $474,353 | $97,459 | $541,152 | $267,309 |

NOTE 10 — RELATED PARTY TRANSACTIONS

MGM China. MGM Branding and Development Holdings, Ltd. (together with its subsidiary MGM Development Services, Ltd., "MGM Branding and Development"), an entity included in the Company's consolidated financial statements in which Ms. Ho, Pansy Catilina Chiu King, indirectly holds a noncontrolling interest, is party to a brand license agreement with MGM China. In accordance with the terms of this agreement, MGM China pays a license fee to MGM Branding and Development equal to 1.75% of MGM China's consolidated net revenue, subject to an annual cap of $62 million in 2016 with a 20% increase per annum during the term of the agreement. During the three and six months ended June 30, 2016, MGM China incurred total license fees of $8 million and $16 million, respectively. During the three and six months ended June 30, 2015, MGM China incurred total license fees of $10 million and $21 million, respectively. Such amounts have been eliminated in consolidation.

MGM China is party to a development services agreement with MGM Branding and Development to provide certain development services to MGM China in connection with future expansion of existing projects and development of future resort gaming projects. Such services are subject to a development fee which is calculated separately for each casino resort property upon commencement of development. For each such property, the fee is 2.625% of project costs, to be paid in installments as certain benchmarks are achieved. Project costs are the total costs incurred for the design, development and construction of the casino, casino hotel, integrated resort and other related sites associated with each project, including costs of construction, fixtures and fittings, signage, gaming and other supplies and equipment and all costs associated with the opening of the business to be conducted at each project but excluding the cost of land and gaming concessions and financing costs. The development fee is subject to a cap of $29 million in 2016, which will increase by 10% per annum for each year during the term of the agreement. During the three and six months ended June 30, 2016, MGM China paid $12 million of fees to MGM Branding and Development related to development services. During the three and six months ended June 30, 2015, MGM China paid $0 and $10 million of fees, respectively, to MGM Branding and Development related to development services. Such amounts have been eliminated in consolidation.

MGP. Pursuant to a master lease agreement by and between a subsidiary of the Company (the "Tenant") and a subsidiary of the Operating Partnership (the "Landlord"), the Tenant has leased the contributed real estate assets 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 Landlord with a right of first offer with respect to the Company's development properties located in National Harbor, Maryland and Springfield, Massachusetts, which the Landlord may exercise should the Company elect to sell these properties in the future.

The annual rent payments due under the master lease were initially $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 will represent 90% of the initial total rent payments due under the master lease, or $495 million, and the percentage rent will represent 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, collectively meeting an adjusted net revenue to rent ratio of 6.25:1.00 based on their net revenue from the leased properties subject to the master lease (as determined in accordance with U.S. GAAP, adjusted to exclude net revenue attributable to certain scheduled subleases and, at the Company's option, reimbursed cost revenue). The percentage rent will initially be a fixed amount for approximately the first six years and will then be adjusted every five years based on the average actual annual net revenues of the Tenant and, without duplication, the operating subsidiary sublessees of the Tenant, 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 Landlord's option, reimbursed cost revenue, for the trailing five calendar-year period by 1.4%). During the second quarter of 2016, the Company made rent payments to the Landlord in the amount of $101 million. As a result of the Borgata transaction discussed in Note 11, the annual rent payment was increased to $650 million.

Pursuant to the Master Lease, upon an event of default the Landlord may, at its option (i) terminate the Master Lease, repossess any leased property, relet any leased property to a third party and require that the Tenant pay damages; (ii) require that the Tenant pay to the Landlord rent and other sums payable with interest calculated at the overdue rate provided for in the Master Lease or terminate the Tenant's right to possession of the leased property and seek damages; and/or (iii) seek any and all other rights and remedies available under law or in equity. An event of default will be deemed to occur upon certain events, including: (1) the failure by the Tenant to pay rent or other additional charges when due; (2) failure by the Tenant to comply with the covenants set forth in the Master Lease; (3) certain events of bankruptcy or insolvency with respect to a Tenant or the guarantor; (4) the occurrence of a default under the guaranty of the Master Lease; (5) the loss or suspension of a material license that causes cessation of gaming activity that would reasonably be expected to have a material adverse effect on the Tenant, the facilities or the leased properties taken as a whole; and (6) the failure of the Company, on a consolidated basis with Tenant, to maintain an EBITDAR to rent ratio (as described in the Master Lease) of at least 1.10:1.00 for two consecutive test periods, beginning with the test periods ending December 31, 2016 and March 31, 2017.

Pursuant to a corporate services agreement, the Company will provide MGP 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. The Company is reimbursed for all costs it incurs directly related to providing the services thereunder.

Due to the Company’s continuing involvement with MGP and the Operating Partnership, the contribution and leaseback of the real estate described above does not qualify for sale-leaseback accounting. In addition, all intercompany transactions, including transactions under the corporate services agreement and master lease, have been eliminated in the Company’s consolidation of MGP. The public ownership of MGP’s Class A shares is recognized as non-controlling interests in the Company’s consolidated financial statements.

NOTE 11—SUBSEQUENT EVENTS

Acquisition of Borgata Hotel Casino & Spa. In May 2016, the Company entered into a definitive agreement to acquire Boyd Gaming's interest in Borgata in Atlantic City, New Jersey. Further, the Company and MGP entered into a definitive agreement whereby, following the completion of the acquisition of Boyd Gaming's interest, MGP acquired Borgata's real property from the

Company and leased back the real property to a subsidiary of the Company, after which a subsidiary of the Company began operating Borgata.

Both transactions closed on August 1, 2016, at which time Borgata became a consolidated subsidiary of the Company. The Company expects to record a gain of approximately $400 million as a result of its consolidation of Borgata. Cash proceeds paid to Boyd Gaming for its interest was $589 million after customary working capital adjustments and consideration of Borgata's outstanding debt of approximately $575 million.

MGP subsequently acquired Borgata's real property from a subsidiary of the Company in exchange for MGP's assumption of $545 million of indebtedness and the issuance of 27.4 million Operating Partnership units to a subsidiary of the Company.

Pursuant to an amendment to the master lease, MGP leased back the real property to a subsidiary of the Company. Initial rent payments to MGP increased by $100 million. Consistent with the master lease terms, 90% of this rent is fixed and will contractually grow at 2% per year until 2022.

NV Energy. In May 2015, the Company filed an application with the Public Utilities Commission of Nevada to purchase energy, capacity, and/or ancillary services from a provider other than NV Energy. Following receipt of the required approvals, in July 2016 the Company filed its decision to exit the fully bundled sales system of NV Energy and elected to pay the upfront impact payment and related costs of $87 million, of which $15 million will be paid by CityCenter. Such amounts are due on or before October 1, 2016. In the third quarter of 2016, the Company will expense its share of the upfront impact payment of $73 million and recognize its 50% share of CityCenter's upfront impact payment. In addition, the Company and CityCenter will be required to make ongoing payments to NV Energy for non-bypassable rate charges which primarily relate to each entity's share of NV Energy's portfolio of renewable energy contracts which extend through 2040 and each entity's share of the costs of decommissioning and remediation of coal-fired power plants in Nevada. The Company expects to recognize an estimate of such liability on a discounted basis of approximately $60 million to $80 million in the third quarter of 2016 and CityCenter will recognize a liability on a discounted basis of approximately $10 million to $20 million.

NOTE 12 — CONDENSED CONSOLIDATING FINANCIAL INFORMATION

As of June 30, 2016, all of the Company's principal debt arrangements were guaranteed by each of its material domestic subsidiaries, other than MGP, MGM Grand Detroit, LLC, MGM National Harbor, LLC, Blue Tarp reDevelopment, LLC (the company that will own and operate the Company's proposed casino in Springfield, Massachusetts), and each of their respective subsidiaries. The Company's international subsidiaries, including MGM

China and its subsidiaries, are not guarantors of such indebtedness. Separate condensed financial statement information for the subsidiary guarantors and non-guarantors as of June 30, 2016 and December 31, 2015, and for the three and six months ended June 30, 2016 and 2015 are presented below. Within the Condensed Consolidating Statements of Cash Flows for the six months ended June 30, 2016 and 2015, the Company has presented net changes in intercompany accounts as investing activities if the applicable entities have a net asset in intercompany accounts and as a financing activity if the applicable entities have a net intercompany liability balance.

Certain of the Company’s subsidiaries collectively own 73.3% of the Operating Partnership units as of June 30, 2016, and each subsidiary accounts for its respective investment under the equity method within the condensed consolidating financial information presented below. At these subsidiaries, such investment constitutes continuing involvement, and accordingly, the contribution and leaseback of the real estate assets do not qualify for sale-leaseback accounting. The real estate assets that were contributed to and owned by the Operating Partnership in connection with the IPO, along with the related transactions, have been reflected in the balance sheets of the MGM subsidiaries that contributed such assets. In addition, such subsidiaries recognized finance liabilities within “Other long-term obligations” related to rent payments due under the Master Lease and recognized the related interest expense component of such payments. These real estate assets are also reflected on the balance sheet of the MGP subsidiary that received such assets in connection with the contribution. The financial statement information presented below includes the accounting for such activity within the columns presented and in the elimination column.  For all periods prior to the commencement of the Master Lease arrangement, the condensed consolidating information set forth herein has been retrospectively adjusted to conform prior periods to the current presentation, as the transactions occurred between entities, which are considered businesses, under common control. Accordingly, the real estate assets and associated operations in all periods prior to the IPO date were reclassified to conform to the current organizational structure, and are reflected in the MGP subsidiary that currently has legal title to such assets.

CONDENSED CONSOLIDATING BALANCE SHEET INFORMATION

| | At June 30, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | | | Non-Guarantor Subsidiaries | | | |
| | Parent | Guarantor Subsidiaries | MGP | Other | Elimination | Consolidated |
| | (In thousands) | | | | | |
| Current assets | $1,145,471 | $858,716 | $343,221 | $851,339 | $(4,960) | $3,193,787 |
| Property and equipment, net | — | 12,255,234 | 7,847,707 | 3,859,594 | (7,859,679) | 16,102,856 |
| Investments in subsidiaries | 17,240,279 | 2,946,796 | — | — | (20,187,075) | — |
| Investments in MGP Operating Partnership | — | 2,127,790 | — | 503,817 | (2,631,607) | — |
| Investments in and advances to unconsolidated affiliates | — | 1,332,977 | — | 6,186 | 25,000 | 1,364,163 |
| Intercompany accounts | — | 4,261,100 | — | — | (4,261,100) | — |
| Other non-current assets | 52,963 | 442,857 | 10,079 | 5,382,770 | (420) | 5,888,249 |
| | $18,438,713 | $24,225,470 | $8,201,007 | $10,603,706 | $(34,919,841) | $26,549,055 |
| Current liabilities | $174,446 | $1,036,301 | $74,836 | $744,816 | $(112,620) | $1,917,779 |
| Intercompany accounts | 3,162,584 | — | 465 | 1,098,051 | (4,261,100) | — |
| Deferred income taxes, net | 2,281,315 | — | — | 310,002 | — | 2,591,317 |
| Long-term debt | 7,262,737 | 2,836 | 3,134,791 | 1,964,556 | — | 12,364,920 |
| Other long-term obligations | 25,051 | 5,942,549 | 20,889 | 1,005,031 | (6,851,614) | 141,906 |
| Total liabilities | 12,906,133 | 6,981,686 | 3,230,981 | 5,122,456 | (11,225,334) | 17,015,922 |
| Redeemable noncontrolling interest | — | — | — | 6,250 | — | 6,250 |
| MGM Resorts International stockholders' equity | 5,532,580 | 17,243,784 | 3,643,917 | 2,806,806 | (23,694,507) | 5,532,580 |
| Noncontrolling interests | — | — | 1,326,109 | 2,668,194 | — | 3,994,303 |
| Total stockholders' equity | 5,532,580 | 17,243,784 | 4,970,026 | 5,475,000 | (23,694,507) | 9,526,883 |
| | $18,438,713 | $24,225,470 | $8,201,007 | $10,603,706 | $(34,919,841) | $26,549,055 |

| | At December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | | | Non-Guarantor Subsidiaries | | | |
| | Parent | Guarantor Subsidiaries | MGP | Other | Elimination | Consolidated |
| | (In thousands) | | | | | |
| Current assets | $561,310 | $932,374 | $— | $915,979 | $(914) | $2,408,749 |
| Property and equipment, net | — | 5,089,726 | 7,793,639 | 2,500,401 | (11,971) | 15,371,795 |
| Investments in subsidiaries | 18,491,578 | 2,956,404 | — | — | (21,447,982) | — |
| Investments in and advances to unconsolidated affiliates | — | 1,460,084 | — | 6,413 | 25,000 | 1,491,497 |
| Intercompany accounts | — | 3,234,271 | — | — | (3,234,271) | — |
| Other non-current assets | 38,577 | 444,333 | — | 5,460,227 | — | 5,943,137 |
| | $19,091,465 | $14,117,192 | $7,793,639 | $8,883,020 | $(24,670,138) | $25,215,178 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Current liabilities | $536,165 | $994,570 | $— | $708,130 | $(914 ) | $2,237,951 |
| Intercompany accounts | 2,390,461 | — | — | 843,810 | (3,234,271 ) | — |
| Deferred income taxes, net | 631,763 | — | 1,734,680 | 314,133 | — | 2,680,576 |
| Long-term debt | 10,393,197 | 4,837 | — | 1,970,277 | — | 12,368,311 |
| Other long-term obligations | 19,952 | 67,212 | — | 70,499 | — | 157,663 |
| Total liabilities | 13,971,538 | 1,066,619 | 1,734,680 | 3,906,849 | (3,235,185 ) | 17,444,501 |
| Redeemable noncontrolling interests | — | | | | | |