



*Investigations and
Enforcement Bureau*

September 19, 2021

Cathy Judd-Stein, Chair
Gayle Cameron, Commissioner
Eileen O'Brien, Commissioner
Bradford R. Hill, Commissioner

Massachusetts Gaming Commission
101 Federal Street
Boston, MA 02110

RE: INITIAL INVESTIGATION REGARDING REQUEST FOR INTERIM
AUTHORIZATION TO ALLOW REIT TRANSACTION INVOLVING REAL
ESTATE ASSOCIATED WITH MGM SPRINGFIELD

Dear Chair Judd-Stein and Commissioners:

MGM Resorts International, the parent company of the category 1 licensee, Blue Tarp reDevelopment, LLC, is seeking Interim Authorization from the Commission in accordance with G.L. c. 23K, §§ 21(b), 23(c), and 205 CMR 116.09, 116.10, to allow for the transfer/sale of its equity interest in MGM Springfield reDevelopment, LLC (including the real property associated with the MGM Springfield gaming establishment), located at One MGM Way in Springfield, MA, to MGM Growth Properties LLC (“MGP”).

The Investigations and Enforcement Bureau (“IEB”) has conducted an initial investigation in accordance with and as required by 205 CMR 116.10(5). As a preliminary step in this process, the IEB, after a scoping process, designated six entities and 12 individuals as qualifiers for this transaction. The qualifiers are as follows:

Entity Qualifiers

1. MGM Growth Properties LLC (“MGP,” a publicly traded REIT)
2. MGM Growth Properties OP GP LLC (a subsidiary of MGP)
3. MGM Growth Properties Operating Partnership LP (a subsidiary of MGP)
4. MGP Lessor Holdings, LLC (a subsidiary of MGP)
5. MGP Lessor, LLC (a subsidiary of MGP)
6. MGM Lessee, LLC (a subsidiary of MGM)



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Individual Qualifiers

1. James Stewart, Chief Executive Officer, MGM Growth Properties LLC
2. Andrew Chien, Chief Financial Officer and Treasurer, MGM Growth Properties LLC
3. Paul Salem, Chair & Director, MGM Growth Properties LLC¹
4. John McManus, Director, MGM Growth Properties LLC²
5. Kathryn Coleman, Director, MGM Growth Properties LLC
6. Charles Irving, Director, MGM Growth Properties LLC
7. Thomas Roberts, Lead Independent Director, MGM Growth Properties LLC
8. Corey Sanders, Director, MGM Growth Properties LLC³
9. Daniel Taylor, Director, MGM Growth Properties LLC⁴
10. William Hornbuckle, Chief Executive Officer and President of MGM Resorts International⁵
11. Jonathan Halkyard, Chief Financial Officer, MGM Resorts International⁶
12. Patrick Madamba, Trustee, Springfield Nominee Trust⁷

Summary of Findings from IEB Investigation:

MGM Growth Properties LLC is a publicly traded real estate investment trust (“REIT”) company based in Las Vegas, Nevada. It was incorporated on October 23, 2015. MGP was first listed on the New York Stock Exchange on April 25, 2016, under the symbol “MGP.” MGP elected to be taxed as a real estate investment trust for U.S. federal income tax purposes commencing with its first taxable year (2016).

MGP is engaged in the business of acquiring, financing, and owning real estate property which it leases to gaming operators in “triple net” lease arrangements. “Triple net” generally refers to excluding three stipulated expenses in leases: operating expenses, real estate taxes, and capital expenditures. Accordingly, the tenant gaming operators in the MGP leases are

¹ Mr. Salem is also a qualifier by virtue of his position as Chairman of the Board of Directors of MGM Resorts International. The Commission previously determined Mr. Salem to be suitable on December 5, 2019.

² Mr. McManus is also a qualifier by virtue of his position as Executive Vice President, General Counsel, and Secretary of MGM Resorts International. The Commission previously determined Mr. McManus to be suitable on December 23, 2013.

³ Mr. Sanders is also a qualifier by virtue of his position as Chief Operating Officer of MGM Resorts International. The Commission previously determined Mr. Sanders to be suitable on December 23, 2013.

⁴ Mr. Taylor is also a qualifier by virtue of his position as Director of MGM Resorts International. The Commission previously determined Mr. Taylor to be suitable on December 23, 2013.

⁵ Mr. Hornbuckle was designated as a qualifier for this transaction because of his role as CEO, President, and Director of MGM Resorts International, which is currently the controlling shareholder of MGP. The Commission previously determined Mr. Hornbuckle to be suitable on December 23, 2013.

⁶ Mr. Halkyard was designated a qualifier for this transaction because of his role as Chief Financial Officer for MGM Resorts International, which is currently the controlling shareholder of MGP.

⁷ Mr. Madamba is also a qualifier by virtue of his position as Senior Vice President and Legal Counsel for MGM Resorts International. The Commission previously determined Mr. Madamba to be suitable on December 5, 2019.

responsible for: all facility maintenance, all insurance required in connection with the leased properties and the business conducted on the leased properties, all taxes levied on the leased properties, and all utilities and other services necessary or appropriate for the leased properties and the businesses conducted on the leased properties.

Presently, with the exception of Bellagio and CityCenter which are owned by the Blackston Group, the real property at MGM Springfield is the sole domestic MGM gaming facility that does not fall under the MGP REIT umbrella. After the MGM Springfield REIT transaction is completed, the property at MGM Springfield will join MGM's 15 other domestic gaming or entertainment facilities and become the 16th facility to be owned by the MGP REIT. Should the Commission approve Interim Authorization, the closing of the proposed REIT transaction may take place. The closing is expected to take place, if the Commission grants Interim Authorization, on or before October 31, 2021. Blue Tarp reDevelopment, LLC will remain a direct subsidiary of MGM Resorts International. MGP's status as a REIT as well as the lease terms essentially necessitate that MGP remain a passive landlord. Importantly, Blue Tarp reDevelopment, LLC will continue to hold the category 1 license and will continue to be the operator of MGM Springfield.

As part of our initial investigation, the IEB, among other things, reviewed the application forms which the entity and individual qualifiers submitted as part of the request for Interim Authorization; conducted criminal records checks; verified licensing and/or suitability status in multiple gaming jurisdictions where MGP reported that it is licensed or has been subject to suitability investigations; reviewed the lease terms for the MGM Springfield REIT transaction; considered reported litigation status of each entity qualifier; performed research through a number of databases and online and print media; and performed initial financial reviews for each qualifier. Investigators also communicated by telephone and via virtual technology with numerous representatives from MGM and MGP. All of them fully cooperated in all respects.

We evaluated the qualifiers and the proposed transaction based upon the standards set forth in 205 CMR 116.10(5), which provide that the Commission may approve Interim Authorization allowing the real estate transaction to close if it finds that:

- (a) The qualifiers have submitted all application forms as required;
- (b) A fully executed trust agreement has been submitted in accordance with 205 CMR 116.10(6);
- (c) The Trustee for the trust agreement has satisfied the qualification criteria applicable to a Key Gaming Executive in accordance with 205 CMR 134;
- (d) There is no preliminary evidence of anything that would serve to disqualify the qualifiers under the criteria set forth in G.L. c. 23K, §§ 12 or 16, or any other known reason why a positive determination of suitability may not ultimately be achieved;

- (e) The proposed REIT transaction would not violate 205 CMR 116.09(3) (resulting in the transfer of the actual category 1 gaming license) or 205 CMR 116.09(4) (prohibiting the transferee (MGP) from having a financial interest in more than one gaming license issued by the Commission);
- (f) The qualifiers have certified that they are unaware of any reason why they would not be found qualified;
- (g) It is in the best interests of the Commonwealth for the gaming establishment to continue to operate pursuant to Interim Authorization; and
- (h) If the transfer will result in a change of control, the transferee (MGP) has agreed in writing to comply with all of the existing licensing conditions or has petitioned the Commission to modify/eliminate one or more of those obligations.

The IEB addresses each of the above-itemized criteria in turn.

- (a) The qualifiers have submitted all application forms as required

Each of the six entity qualifiers was required to complete a Business Entity Disclosure Form for Gaming License Qualifiers (BED), and each of the 12 individual qualifiers was required to complete a Multi Jurisdictional Personal History Disclosure Form (MJPHD) and a Massachusetts Supplement Form. The IEB did not require Mr. Salem and Mr. Madamba to submit updated application forms because the Commission recently (in 2019) issued positive findings of suitability for each of them. The applications for the other qualifiers were submitted and deemed complete by the Division of Licensing as of August 4, 2021. The Investigators conducted a thorough review of the application forms and confirmed completeness.

- (b) A fully executed trust agreement has been submitted in accordance with 205 CMR 116.10(6)

In an open meeting on June 24, 2021, the Commission discussed and voted to approve the terms of the Springfield Nominee Trust. The Declaration of Trust as approved by the Commission is dated August 10, 2021, and has been submitted to the IEB. Under the terms of the trust as approved by the Commission, in the event that a suitability issue arises following Interim Authorization but before final approval by the Commission, the Commission may order the MGM Springfield real property to be transferred to Blue Tarp reDevelopment, LLC or into the trust. In the event that the Commission issues a negative determination on suitability, the property shall be returned to Blue Tarp reDevelopment, LLC.

- (c) The Trustee for the trust agreement has satisfied the qualification criteria applicable to a Key Gaming Executive in accordance with 205 CMR 134

Mr. Patrick Madamba, Senior Vice President and Legal Counsel for MGM Resorts International, is the Trustee for the Springfield Nominee Trust. The Commission previously determined Mr. Madamba to be suitable on December 5, 2019. Since that time, Mr. Madamba has not reported any matters to the Bureau that would impact suitability.

- (d) There is no preliminary evidence of anything that would serve to disqualify the qualifiers under the criteria set forth in G.L. c. 23K, §§ 12 or 16, or any other known reason why a positive determination of suitability may not ultimately be achieved.

The Investigators uncovered no information in the course of the initial investigation for Interim Authorization that would serve to disqualify any of the entity or individual qualifiers. Nor did the initial investigation reveal any information that would preclude a finding that any of its entity or individual qualifiers possesses the requisite integrity, honesty and good character, as well as the financial stability, integrity and background that are mandated for qualification by Massachusetts law.

- (e) The proposed REIT transaction would not violate 205 CMR 116.09(3) (resulting in the transfer of the actual category 1 gaming license) or 205 CMR 116.09(4) (prohibiting the transferee (MGP) from having a financial interest in more than one gaming license issued by the Commission).

The initial investigation indicates that the transaction will not result in MGP having a financial interest in more than one gaming license in the Commonwealth.

- (f) The qualifiers have certified that they are unaware of any reason why they would not be found qualified.

Each individual qualifier certified in writing under the pains and penalties of perjury to the above.

- (g) It is in the best interests of the Commonwealth for the gaming establishment to continue to operate pursuant to Interim Authorization.

Nothing was revealed in the initial investigation to suggest that allowing MGM Springfield to continue to operate pursuant to Interim Authorization would be contrary to the best interest of the Commonwealth. Uninterrupted operation of MGM Springfield would ensure that tax revenues from gross gaming revenue at MGM Springfield continue

to flow to the Commonwealth and employment opportunities continue to be available there for Massachusetts residents.

- (h) If the transfer will result in a change of control, the transferee (MGP) has agreed in writing to comply with all of the existing licensing conditions or has petitioned the Commission to modify/eliminate one or more of those obligations.

The initial investigation, which included a review of the terms of the governing leases, indicates that no change of control of the gaming facility will result from the proposed transaction, that MGP will be a passive landlord, and that Blue Tarp reDevelopment, LLC will continue to be in control of all operations at the gaming establishment.

Additional Items & Matters:

Along with this letter, the IEB has submitted its Investigative Report Regarding Interim Authorization for MGM Springfield REIT Transaction (dated October 13, 2021) and two accompanying Charts (A and B). The IEB will provide the Commissioners with a confidential Exhibit packet under separate cover. Further, the IEB intends to summarize the findings of the initial investigation at the Commission's October 26, 2021 meeting on this matter. At that time, the IEB investigators who participate in this investigation will be available in the event that Commissioners have any questions for them. Also, the following representatives from MGM and MGP will participate in the meeting on October 26th and will be available for questions from the Commissioners:

- James Stewart, Chief Executive Officer, MGM Growth Properties LLC
- Andrew Chien, Chief Financial Officer and Treasurer, MGM Growth Properties LLC
- Patrick Madamba, Trustee, Springfield Nominee Trust
- Jed Nosal, Partner, Womble Bond Dickinson (US) LLP
- Laura Norton, Senior Vice President & Legal Counsel, MGM Resorts International
- Jessica Cunningham, Senior Vice President & Legal Counsel, MGM Resorts International
- Augustine (Gus) Kim, Vice President & Legal Counsel, Northeast Group (Empire City and MGM Springfield)
- Jonathan Halkyard, CFO, MGM Resorts International (will be on call in the event the Commissioners have any questions for him regarding his suitability)

We look forward to discussing this matter with the Commission on October 26th.

Respectfully submitted,

/s/ Loretta M. Lillios

Loretta M. Lillios
Director, IEB

cc: Karen Wells, Executive Director – MGC (*without Exhibits*)
Todd Grossman, General Counsel – MGC
Heather Hall, Chief Enforcement Counsel/Assistant Director, IEB – MGC
Patrick Madamba, Sr. VP & Legal Counsel, MGM Resorts International
Jed Nosal, Partner, Womble Bond Dickinson (US) LLP (*without Exhibits*)

**INVESTIGATIVE REPORT
REGARDING INTERIM AUTHORIZATION
FOR MGM SPRINGFIELD
REIT TRANSACTION**



October 13, 2021

I. Introduction

The Investigations and Enforcement Bureau (“IEB”) submits this Report to the Massachusetts Gaming Commission (“Commission”) to summarize the IEB’s initial investigation regarding the planned sale by MGM Resorts International (“MGM”) of the real property (real estate and premises) of the MGM Springfield gaming establishment, located at One MGM Way in Springfield, Massachusetts. This investigation has been conducted pursuant to and in accordance with G.L. c. 23K, §§ 21(b), 23(c), and 205 CMR 116.08, 116.09, and 116.10, regarding transfers of property relating to an ongoing gaming establishment. Essentially, MGM Resorts International, the parent company of Blue Tarp reDevelopment, LLC (“Blue Tarp”), the category 1 gaming licensee, intends to sell its equity interest in MGM Springfield reDevelopment, LLC (including the real property associated with MGM Springfield) to MGM Growth Properties LLC (“MGP”) for the price of \$400 million. MGP is a publicly traded real estate investment trust (“REIT”). As the new owner of the real estate, MGP, through a subsidiary, will lease the real estate to Blue Tarp by way of a Master Lease and a series of subleases. The transaction is expected to take place through a number of steps that will occur simultaneously. The steps are described more fully in Section V below. Following the transaction, Blue Tarp will remain the operator of MGM Springfield and will continue to be the category 1 licensee.

Under the Commission’s regulations, there are two stages to the Commission’s approval process for the MGM Springfield REIT transaction: “Interim Authorization” pursuant to 205 CMR 116.10, and “Final Approval” pursuant to 205 CMR 116.09. The matter is currently before the Commission for Interim Authorization. If the Commission grants Interim Authorization now, then the closing may occur, and MGP, through a subsidiary, may hold the real property. Even if the Commission grants Interim Authorization now, it may at any time before a final determination order the real property in question to be transferred to Blue Tarp or into the Springfield Nominee Trust,¹ at Blue Tarp’s option, if the Commission finds reasonable cause to believe that the entities or individuals designated as qualifiers for the transaction may be

¹ In an open meeting on June 24, 2021, the Commission discussed and approved the terms of the Springfield Nominee Trust. The Declaration of Trust as approved by the Commission is dated August 10, 2021.



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found unsuitable. In the event that the Commission issues a final negative determination on suitability, the property would be returned to Blue Tarp. See 205 CMR 116.10(3), (4). Attorney Patrick Madamba, Senior Vice President and Legal Counsel for MGM Resorts International, has been appointed Trustee, a selection designed to ensure an orderly transition in the event of a suitability problem. The Commission previously issued a positive determination of suitability for Mr. Madamba on December 5, 2019.

During the period of Interim Authorization, the IEB shall continue its suitability investigation, culminating in a Commission hearing in nine to 12 months, at which time the Commission will render a final determination. In the event that the Commission denies Interim Authorization at this juncture, there shall be no closing unless and until the Commission makes a final determination approving the transaction and suitability of the qualifiers. See 205 CMR 116.10(3), (4), (5).

Although the regulations use the term “final determination of suitability,” see 205 CMR 116.10(3), suitability is an ongoing concept, and the licensee and qualifiers are expected to maintain suitability throughout the term of the gaming license.

II. Scope of the Initial Investigation

Based on the nature of the anticipated transaction and in consideration of the regulatory provisions, the IEB designated six entities and 12 individuals as qualifiers for the MGM Springfield REIT transaction. See 205 CMR 116.02, 116.02. The qualifiers are listed below.

Entity Qualifiers

1. MGM Growth Properties LLC (“MGP,” a publicly traded REIT)
2. MGM Growth Properties OP GP LLC (a subsidiary of MGP)
3. MGM Growth Properties Operating Partnership LP (a subsidiary of MGP)
4. MGP Lessor Holdings, LLC (a subsidiary of MGP)
5. MGP Lessor, LLC (a subsidiary of MGP)
6. MGM Lessee, LLC (a subsidiary of MGM)



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Individual Qualifiers

1. James Stewart, Chief Executive Officer, MGM Growth Properties LLC
2. Andrew Chien, Chief Financial Officer and Treasurer, MGM Growth Properties LLC
3. Paul Salem, Chair & Director, MGM Growth Properties LLC²
4. John McManus, Director, MGM Growth Properties LLC³
5. Kathryn Coleman, Director, MGM Growth Properties LLC
6. Charles Irving, Director, MGM Growth Properties LLC
7. Thomas Roberts, Lead Independent Director, MGM Growth Properties LLC
8. Corey Sanders, Director, MGM Growth Properties LLC⁴
9. Daniel Taylor, Director, MGM Growth Properties LLC⁵
10. William Hornbuckle, Chief Executive Officer and President of MGM Resorts International⁶
11. Jonathan Halkyard, Chief Financial Officer, MGM Resorts International⁷
12. Patrick Madamba, Trustee, Springfield Nominee Trust⁸

Each of the six entity qualifiers was required to complete a Business Entity Disclosure Form for Gaming License Qualifiers (“BED”), and each of the 12 individual qualifiers was required to complete a Multi Jurisdictional Personal History Disclosure Form (“MJPHD”) and a

² Mr. Salem is also a qualifier by virtue of his position as Chairman of the Board of Directors of MGM Resorts International. The Commission previously determined Mr. Salem to be suitable on December 5, 2019.

³ Mr. McManus is also a qualifier by virtue of his position as Executive Vice President, General Counsel, and Secretary of MGM Resorts International. The Commission previously determined Mr. McManus to be suitable on December 23, 2013.

⁴ Mr. Sanders is also a qualifier by virtue of his position as Chief Operating Officer of MGM Resorts International. The Commission previously determined Mr. Sanders to be suitable on December 23, 2013.

⁵ Mr. Taylor is also a qualifier by virtue of his position as Director of MGM Resorts International. The Commission previously determined Mr. Taylor to be suitable on December 23, 2013.

⁶ Mr. Hornbuckle was designated as a qualifier for this transaction because of his role as CEO, President, and Director of MGM Resorts International, which is currently the controlling shareholder of MGP. The Commission previously determined Mr. Hornbuckle to be suitable on December 23, 2013.

⁷ Mr. Halkyard was designated a qualifier for this transaction because of his role as Chief Financial Officer for MGM Resorts International, which is currently the controlling shareholder of MGP.

⁸ Mr. Madamba is also a qualifier by virtue of his position as Senior Vice President and Legal Counsel for MGM Resorts International. The Commission previously determined Mr. Madamba to be suitable on December 5, 2019.



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Massachusetts Supplement Form.⁹ The applications for qualifiers were submitted and deemed complete by the Division of Licensing as of August 4, 2021.

In connection with this initial investigation, the Investigators conducted a thorough review of the application forms to confirm completeness. As part of the application, the qualifiers were required to sign release authorizations, which facilitates the background review process by permitting the Investigators to utilize various governmental and non-governmental sources, perform research through a number of databases, research available online and print media, and conduct criminal history checks.

During the course of this initial investigation, the Investigators met on numerous occasions by telephone and using virtual technology with the following representatives from MGM Resorts International: Melissa Wargo, Senior Vice President, Financial Reporting and Technical Accounting; Shawn Sani, Chief Tax Officer; Attorney Patrick Madamba, Senior Vice President and Legal Counsel; Susan Yates, Vice President, Gaming Compliance; and Jeanmarie Drew, Paralegal. Investigators also spoke on numerous occasions with the following attorneys from Fox Rothschild LLP, counsel for MGM Resorts International and MGP: Attorney Harry Jackson, Partner; Attorney C.J. Fisher, Partner; Attorney Logan Miller, Associate; and Nicole Newman, Paralegal. During these meetings and discussions, representatives from MGM described the REIT transaction from their respective perspectives, and answered Investigators' questions. In all respects, representatives from MGP and MGM fully cooperated and provided information in a timely manner on their own initiative and upon request.

As part of this initial investigation, numerous regulatory agencies verified regulatory and license status of MGP in gaming jurisdictions where MGP reported that it is licensed or has been subject to suitability investigations.

Investigators also reviewed the lease terms connected with the REIT transaction.

Investigators considered the reported litigation status of each entity qualifier to assess whether any pending litigation threatens the economic viability of the businesses or reflects a concerning pattern involving business practices.

⁹ The IEB did not require Mr. Salem and Mr. Madamba to submit updated application forms because the Commission recently (in 2019) issued positive findings of suitability for each of them.



In addition, an initial financial review of MGP was conducted as part of this investigation, as discussed in Section VI below. Initial financial reviews were also performed on the entity and individual qualifiers, as depicted in Exhibits 7 through 18.

In conducting this initial investigation, the Investigators evaluated the relevant transaction and the qualifiers based on the standards set forth in 205 CMR 116.10(5). That regulation provides that the Commission may approve Interim Authorization if it finds that:

- (a) The qualifiers have submitted all application forms as required;
- (b) A fully executed trust agreement has been submitted in accordance with 205 CMR 116.10(6);
- (c) The Trustee for the trust agreement has satisfied the qualification criteria applicable to a Key Gaming Executive in accordance with 205 CMR 134;
- (d) There is no preliminary evidence of anything that would serve to disqualify the qualifiers under the criteria set forth in G.L. c. 23K, §§ 12 or 16, or any other known reason why a positive determination of suitability may not ultimately be achieved;
- (e) The transaction described herein would not violate 205 CMR 116.09(3) (resulting in the transfer of the actual category 1 gaming license) or 205 CMR 116.09(4) (prohibiting the transferee (MGP) from having a financial interest in more than one gaming license issued by the Commission);
- (f) The qualifiers have certified that they are unaware of any reason why they would not be found qualified;
- (g) It is in the best interests of the Commonwealth for the gaming establishment to continue to operate pursuant to Interim Authorization; and
- (h) If the transfer will result in a change of control, the transferee (MGP) has agreed in writing to comply with all of the existing licensing conditions or has petitioned the Commission to modify/eliminate one or more of those obligations.

IEB Conclusions on Interim Authorization

The Investigators uncovered no information in the course of the initial investigation for Interim Authorization that would serve to disqualify any of the entity or individual qualifiers. Nor did the initial investigation reveal any information that would preclude a finding that any of



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the entity or individual qualifiers possesses the requisite integrity, honesty and good character, as well as the financial stability, integrity and background that are mandated for qualification by Massachusetts law. The investigation indicates that the transaction will not result in the transfer of the actual category 1 gaming license; nor will the transfer result in a change of control over the gaming licensee. Further, nothing was revealed in the initial investigation to suggest that allowing MGM Springfield to continue to operate pursuant to Interim Authorization will be contrary to the best interest of the Commonwealth. In fact, uninterrupted operation of MGM Springfield would ensure that tax revenues on gross gaming revenue at the property continue to flow to the Commonwealth and employment opportunities continue to be available at the property for Massachusetts residents.

This report summarizes the key aspects of the initial investigation.

III. Brief Overview of MGM Growth Properties LLC (“MGP”)

MGM Growth Properties LLC is a real estate investment trust company that is based in Las Vegas, Nevada. The company was incorporated on October 23, 2015 in Delaware. MGP was first listed on the New York Stock Exchange on April 25, 2016, under the symbol “MGP.” The initial stock price was \$21.00 per share, and the initial public offering (“IPO”) raised \$1,050,000,000. As of October 1, 2021, the stock was listed at \$39.10 per share. MGP elected to be taxed as a real estate investment trust for U.S. federal income tax purposes commencing with its first taxable year (2016).

MGP conducts its operations through the Operating Partnership (MGM Growth Properties Operating Partnership LP), a Delaware limited partnership formed by MGM on January 6, 2016, and acquired by MGP on the IPO date in connection with MGP’s formation transactions, including its initial public offering of Class A shares. Essentially, MGP and its subsidiaries are organized in an umbrella partnership REIT structure (commonly referred to as an “UPREIT”) in which MGP and/or its joint venture owns substantially all of its assets and conducts substantially all of its business through the Operating Partnership. The Operating Partnership issued operating partnership units that allow its holders (in this case, MGM and



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MGP) economic interest in the partnership. The voting (non-economic) interest resides in the single Class B share owned by MGM. As of March 15, 2021, 57.92% of MGM Growth Properties Operating Partnership LP's operating partnership units are owned by MGP, and the remaining 42.08% are owned by MGM operating subsidiaries. The MGP Class A shares are all held by the public, which includes shares held by three institutional investors (Barrow, Hanley, Mewhinney & Strauss, LLC, Capital Research Global Investors, and The Vanguard Group), each holding amounts under 15%. These institutional investors have been deemed waived from the qualification process due to their status as institutional investors and the ownership percentages held. See 205 CMR 116.03(1)(b). Although MGM Resorts International owns only 42.08% of the operating partnership units, MGM is the controlling shareholder of MGP by virtue of a single Class B voting share held.¹⁰

MGP is engaged in the business of acquiring, financing, and owning real estate property which it leases to gaming operators. Currently, MGP's portfolio is comprised of the real estate assets of 15 gaming or entertainment facilities and their respective amenities located in seven U.S. gaming jurisdictions (Nevada, Maryland, Michigan, Ohio, New York, New Jersey, and Mississippi).¹¹ All 15 of the casinos in MGP's portfolio are operated by MGM subsidiaries. Eight of those properties are located in Las Vegas, Nevada: MGM Grand, Mandalay Bay, Mirage, Park MGM, Luxor, New York-New York, Excalibur, and The Park. The remaining seven are: National Harbor in Metropolitan D.C.; Borgata in Atlantic City, New Jersey; MGM Grand in Detroit, Michigan; MGM Northfield Park in Northfield, Ohio; Empire City in New York City; Beau Rivage in Biloxi, Mississippi; and Gold Strike in Tunica, Mississippi. These properties are comprised of destination entertainment resorts anchored by casinos with amenities including hotels, convention space, dining venues, entertainment offerings, and retail offerings.

MGP owns substantially all of the real estate assets of its tenants and leases those assets back to its tenants for use by their operating subsidiaries pursuant to a Master Lease and a series

¹⁰ On August 4, 2021, MGM Resorts International announced that it entered into an agreement with MGP and VICI Properties Inc. VICI is also a publicly traded REIT. Under the agreement, VICI will acquire all of the Class A shares of MGP, and the Class B share that is currently held by MGM will be cancelled and cease to exist. The IEB notes that the VICI transaction will require approvals by the Commission under the same statutory and regulatory provisions as the instant transaction.

¹¹ Two of the 15 properties (MGM Grand and Mandalay Bay) are held via a joint venture between MGM Growth Properties LLC and Blackstone Real Estate Income Trust.



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of subleases and intercompany leases. The leases are “triple net” lease arrangements. “Triple net” generally refers to excluding three stipulated expenses in leases: operating expenses, real estate taxes, and capital expenditures. Accordingly, the gaming operators in the MGP leases are responsible for: all facility maintenance, all insurance required in connection with the leased properties and the business conducted on the leased properties, all taxes levied on the leased properties, and all utilities and other services necessary or appropriate for the leased properties and the businesses conducted on the leased properties. An Amendment to the Master Lease will add the MGM Springfield real property to the Master Lease. The related intercompany and subleases will be effective upon the closing of the sale of the Springfield real property to MGP. The closing is expected to take place, if the Commission grants Interim Authorization, on or before October 31, 2021.

Presently, with the exception of Bellagio and CityCenter which are owned by the Blackstone Group, the real property at MGM Springfield is the sole domestic MGM gaming facility that does not fall under the MGP umbrella. After the MGM Springfield REIT transaction is completed, the property at MGM Springfield will join MGM’s 15 other domestic gaming or entertainment facilities and become the 16th facility to be owned by the MGP REIT. As stated previously, Blue Tarp will continue to be the category 1 licensee in Massachusetts and the operator of MGM Springfield.

The following four subsidiaries of MGP are relevant to the transaction at hand: MGM Growth Properties OP GP LLC, MGM Growth Properties Operating Partnership LP, MGP Lessor Holdings, LLC, and MGP Lessor, LLC. MGM Lessee, LLC, a subsidiary of MGM, also is relevant to the planned transaction. A post transaction depiction of these entities appears in Chart B. The IEB performed initial suitability reviews of these five entities as reflected in Exhibits 2 through 6. The investigation revealed no evidence of anything that would serve to disqualify any of these entities or reveal any information that the entities lack suitability under the criteria set forth in Massachusetts law.



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IV. Features of Real Estate Investment Trusts

Congress enacted legislation providing for REITs in 1960. A REIT is a company that owns or finances income-producing real estate. Most REITs specialize in a single type of real estate. Examples of common REIT property sectors include retail space, office buildings, hotels, apartment complexes, hospitals, self-storage facilities, and, in this case, gaming facilities.

Frequently described as being modeled after mutual funds, REITs allow both large and small investors to invest in large-scale, income-producing real estate without their having to buy and finance property themselves. By leasing space and collecting rent on real estate, the REIT generates income which is then paid out to shareholders in the form of dividends. A REIT is taxed as a corporation, but it can deduct the dividends it pays to shareholders.

To qualify as a REIT, the Internal Revenue Code and Treasury regulations require the company to adhere to a number of essential rules. The Internal Revenue Service oversees what qualifies as a REIT and implements the REIT rules. A REIT must, among other things:

- Invest at least 75 percent of its total assets in real estate, cash or cash equivalents, or government securities. Gaming business assets, other than the real property, are not real estate assets, cash or cash equivalents, or government securities. Nor is a gaming license a real estate asset, even if it is associated with a particular property.
- Derive at least 75 percent of its gross income from real estate-related sources, such as rents from real property or sale of real estate. Rent that depends on the net income of a tenant is explicitly excluded from the definition of “rent from real property” for purposes of this test.
- Derive at least 95 percent of its income from either qualifying income under the 75 percent test or from certain other passive sources.
- Pay out at least 90 percent of its taxable income annually in the form of shareholder dividends.
- Be an entity that would be taxable as a corporation but for its REIT status.
- Have a minimum of 100 shareholders.



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Most REITs, including MGP, are “equity REITs” and operate by owning income-producing properties, leasing them, and distributing the rental income as shareholder dividends. “Mortgage REITs,” on the other hand, own loans that are secured by interests in real property. “Hybrid REITs” are generally companies that use the investment strategies of both equity REITs and mortgage REITs.

A company that qualifies as a REIT is allowed to deduct from its corporate taxable income all of the dividends that it pays out to its shareholders. Further, rental income is treated as business income to REITs because the IRS considers rent to be the business of REITs. Consequently, all expenses related to rental activities can be deducted the same as business expenses can be written off by a corporation. For all practical purposes, REITs are generally exempt from taxation as long as they distribute 100% of their taxable income as dividends. The dividend payments are taxed at the individual investor level.

V. Overview of the MGM Springfield REIT Transaction

MGM Springfield Real Estate Sale and Leaseback Transaction

Currently, MGM Springfield reDevelopment, LLC owns the real property associated with the MGM Springfield casino and leases it to Blue Tarp through an intercompany lease. Currently, MGM Springfield reDevelopment, LLC and Blue Tarp are both subsidiaries of MGM Resorts International. See Chart A.

MGM Resorts International and Blue Tarp have entered into an Agreement with MGP. The Agreement calls for a number of steps to occur in a simultaneous fashion. Under the Agreement, MGP will acquire MGM Springfield reDevelopment, LLC along with the real estate associated with the MGM Springfield casino and the existing intercompany lease described above in exchange for \$400 million. As a result of MGP’s acquisition, MGM Springfield reDevelopment, LLC will become an indirect subsidiary of MGP, and the MGM Springfield real property will be added to the Master Lease. MGM Springfield reDevelopment, LLC is the only entity that moves to the MGP side of the ownership chart as part of the transaction. The intercompany lease will still be in effect, but as a result of the transaction, the intercompany lease



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will be on the MGP side of the ownership chart, and the parties to the intercompany lease will be MGP Lessor, LLC and MGM Springfield reDevelopment, LLC. MGP Lessor, LLC will then lease the MGM Springfield real estate to MGM Lessee, LLC under the Master Lease. MGM Lessee, LLC is a subsidiary of MGM Resorts International and serves as the Tenant for all of the MGM gaming facilities under the Master Lease. MGM Lessee, LLC in turn will sublease the MGM Springfield real estate to Blue Tarp through an operating sublease. MGM utilizes this same structure for the other 15 MGM properties under the Master Lease as well.

Following the closing of the REIT transaction involving MGM Springfield, Blue Tarp will remain a direct, 99% owned subsidiary of MGM Resorts International, with the remaining 1% owned by Mr. Paul Picknelly. Blue Tarp will continue to hold the category 1 gaming license and will continue to be the operator of MGM Springfield. The initial investigation revealed no evidence to show that the proposed transaction will lead to any change of control connected to the casino's operations. In fact, MGP's status as a REIT essentially necessitates that it remain a passive landlord. The triple net lease terms, as well as the absence of lease terms affording MGP the types of rights and obligations associated with a typical (non-REIT) landlord, all support the passive nature of MGP's role as landlord.

Key Lease Provisions

In total, the lease term for the MGM Springfield property runs 45 years, to April of 2066. There are three components to the 45 year term. First, approximately four and one half years remain under the existing Master Lease, to April of 2026. Second, the initial term is followed by four five-year renewal options exercisable by MGM Lessee, LLC (to April of 2046) on the same terms and conditions as the Master Lease. And third, there are four additional five-year renewal options also exercisable by MGM Lessee, LLC (to April of 2066) on the same terms and conditions. MGM Lessee, LLC's first four five-year renewal options on the Springfield property are indivisible from its options on the other 15 properties. The second four five-year renewal options are permitted after the Master Lease has naturally terminated for the other properties.¹²

Under the governing lease terms, the MGM Springfield real property will increase the rent payable under the Master Lease by \$30 million annually. This \$30 million amount is

¹² The last four five-year renewal options apply to MGM Springfield only and do not apply to any other casinos under the Master Lease.



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comprised of \$27 million in fixed rent, and \$3 million in percentage rent.¹³ The payment obligations under the lease are guaranteed by MGM Resorts International.

Under the operating sublease, Blue Tarp, like the other 15 MGM operators, will be responsible for maintenance, property taxes, insurance, and other expenses, and MGM Lessee, LLC is in turn responsible for all such amounts under the Master Lease.

Neither MGP nor any of its subsidiaries have authority over the budget and costs of the MGM Springfield casino. MGM Lessee, LLC, as Tenants under the Master Lease, has broad rights to make capital improvements without notice or consent of MGP, so long as the alterations do not remove any material existing structure (unless replaced with structures of comparable value or utility), pose no material adverse effect on structural integrity, are not reasonably likely to reduce the value of the facility, and are consistent with the facility's intended use.

The Seventh Amendment to the Master Lease, which will add the MGM Springfield real property to the lease, and the related intercompany and subleases, will be effective upon the closing of the MGM Springfield – MGP transaction, which as noted above, is currently expected to take place, should the Commission grant Interim Authorization, on or before October 31, 2021.

Strategic Impact of the Transaction

As explained by MGM, the company started its journey to become “asset light” in 2016 with the initial MGP IPO. Since then, MGM has monetized all of the real estate assets associated with its domestic casino properties with the exception of MGM Springfield. The pending sale and leaseback transaction involving the MGM Springfield real estate and the recently announced transaction involving VICI Properties Inc. (see n. 10, above) are consistent with the asset light model. According to MGM, completing these transactions is a major step forward in simplifying MGM's corporate structure. As a result of these transactions, MGM expects to be well positioned to continue to pursue growth opportunities in its core business, with financial flexibility to continue to deploy its capital to maximize shareholder value.

¹³ The percentage rent is reset every five years based on the net revenues of all the facilities under the Master Lease. The next adjustment date for the amount allocated to percentage rent is April 1, 2027.



VI. Initial Financial Overview of MGP

Scope of Initial Financial Review

The IEB conducted an initial evaluation of MGP, the parent company of MGM Growth Properties OP GP LLC and MGM Growth Properties Operating Partnership LP, and the ultimate parent company of MGP Lessor Holdings, LLC and MGP Lessor, LLC. The evaluation encompassed an initial financial review of the consolidated audited financial statements, consolidated tax returns, and credit report obtained from a national credit bureau. The results of additional reviews of MGM Growth Properties OP GP LLC, MGM Growth Properties Operating Partnership LP, MGP Lessor Holdings, LLC, MGP Lessor, LLC, and MGM Lessee, LLC are depicted in Exhibits 2 through 6.

Financial Statements

The IEB reviewed the consolidated audited financial statements for the years ended December 31, 2016, through December 31, 2020, for MGP, its joint venture, and subsidiaries (including MGM Growth Properties OP GP LLC, MGM Growth Properties Operating Partnership LP, MGP Lessor Holdings, LLC and MGP Lessor, LLC, together referred to as “MGP and Subsidiaries”). For all years, the financial statements, including consolidated balance sheets and their related consolidated statements of operations and comprehensive income (loss), cash flows, shareholders’ equity, and notes to the consolidated financial statements, were deemed to be representative of the financial position of MGP and Subsidiaries. The financial statements were deemed to be in conformity with Generally Accepted Accounting Principles (GAAP) in the United States by the audit firm Deloitte & Touche LLP, which issued unqualified opinions¹⁴ for all years reviewed.

The following schedule summarizes the financial results of operations for the period reviewed, which were obtained from MGP and Subsidiaries’ consolidated audited financial statements. All significant intercompany balances and transactions have been eliminated as part

¹⁴ An unqualified opinion states that the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the company in conformity with generally accepted accounting principles (GAAP). – *Public Company Accounting Oversight Board (PCAOB) Auditing Standards AU Section 508.10.*



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of the consolidated financial statements. All financial statement balances in the chart below are presented in thousands.¹⁵

MGM GROWTH PROPERTIES LLC AND SUBSIDIARIES RESULTS OF OPERATIONS					
BALANCE SHEET					
	As of 12/31/2020	As of 12/31/2019	As of 12/31/2018	As of 12/31/2017	As of 12/31/2016
(in thousands)					
Total Assets	\$ 10,600,306	\$ 11,910,272	\$ 10,951,307	\$ 10,351,120	\$ 9,506,740
<i>Total Liabilities</i>	5,009,564	5,012,260	5,105,801	4,283,381	3,898,479
<i>Total Stockholders' Equity</i>	5,590,742	6,898,012	5,845,506	6,067,739	5,608,261
Total Liabilities and Stockholders' Equity	\$ 10,600,306	\$ 11,910,272	\$ 10,951,307	\$ 10,351,120	\$ 9,506,740
INCOME STATEMENT					
	2020	2019	2018	2017	2016
(in thousands)					
Revenues	\$ 792,597	\$ 881,078	\$ 869,495	\$ 765,695	\$ 467,548
Expenses	472,772	355,911	429,355	412,910	313,774
Gross income (loss)	319,825	525,167	440,140	352,785	153,774
Other income (expense), provision for income taxes, and income from discontinued operations, net of tax	(159,454)	(249,602)	(195,438)	(186,795)	(118,428)
Net Income (loss)	\$ 160,371	\$ 275,565	\$ 244,702	\$ 165,990	\$ 35,346

MGP and Subsidiaries' largest asset on the Balance Sheet is *Real estate investments, net*, which averaged \$9,749 million (91.5% of total assets) for the years reviewed. *Real estate investments, net* consists of land, buildings, improvements and integral equipment. The majority of the real estate properties were contributed to or acquired by MGP and Subsidiaries as transactions between entities under common control (MGP, MGM Growth Properties Operating Partnership, and MGM) and were recorded by MGP at MGM's historical cost basis, less accumulated depreciation. When the MGM Springfield REIT transaction is finalized, the MGM Springfield real estate will be a component of this asset on MGP and Subsidiaries' books, with

¹⁵ The numbers in the financial statements are written in the thousands. A company will denote that the numbers are in the thousands on the top of each financial statement to make the statements more readable. It eliminates the zeros at the end of numbers, so the numbers appear smaller. For example, \$5,000,000 becomes \$5,000 when written in thousands.



the tenant being MGM Lessee, LLC (through MGP Lessor, LLC and MGP Lessor Holdings, LLC). See Chart B. This asset is included in the *Total Assets* category in the chart above.

For the year ended December 31, 2020, all other accounts included in the *Total Assets* category included *Lease incentive asset* (\$507 million), *Investment in unconsolidated affiliate* (\$810 million), *Cash and cash equivalents* (\$626 million), *Pre-paid expenses and other assets* (\$26 million), *Above market lease asset* (\$40 million), and *Operating lease right-of-use* (\$281 million).

MGP and Subsidiaries' largest liability on the Balance Sheet is *Debt, net*, which averaged \$4,140 million (89.1% of total liabilities) for the years reviewed. *Debt, net* represents both the MGP and Subsidiaries' senior credit facility and the senior notes, less the unamortized discount and debt issuance costs. As of December 31, 2020, 99.8% of total debt was derived from six senior notes and less than 1% was derived from the senior secured revolving credit facility. The interest rate for the senior notes ranged from 4.50% to 5.75%. As of December 31, 2020, the interest rate on the senior secured revolving credit facility was 1.90%. For all years reviewed, MGP and Subsidiaries were in compliance with the financial covenants of the senior secured credit facility.

For the year ended December 31, 2020, all other accounts included in the *Total Liabilities* category included *Due to MGM Resorts International and affiliates* (\$0.3 million), *Accounts payable, accrued expenses and other liabilities* (\$124 million), *Accrued interest* (\$49 million), *Dividend and distribution payable* (\$136 million), *Deferred revenue* (\$157 million), *Deferred income taxes, net* (\$33 million), and *Operating lease liabilities* (\$341 million).

Total Stockholders' Equity averaged \$6,002 million for the years reviewed. *Additional paid in capital* is the largest component of Total Stockholders' Equity each year, which increased from \$1,363 million (24.3% of total equity) for the year ended December 31, 2016, to \$3,114 million (55.7% of total equity) for the year ended December 31, 2020. MGP's initial public offering of 57.5 million shares of Class A stock was during the year ended December 31, 2016, at an IPO price of \$21.00 per share. MGP contributed the proceeds from its IPO to MGM Growth Properties Operating Partnership LP in exchange for 26.7% of the operating partnership units and the general partner interest in the Operating Partnership.



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MGP sold another 13.225 million shares of Class A common stock during the year ended December 31, 2017. During the year ended December 31, 2019, MGP issued an additional 49.6 million Class A shares in two registered public offerings and then 5.3 million Class A shares under its at-the-market offering (“ATM”) program.¹⁶ During the year ended December 31, 2020, MGP sold 4.9 million Class A shares in a registered sale and 0.6 million Class A shares under the ATM program. The Class A shares have no par value, so all proceeds are recoded as *Additional paid in capital*. MGP issued the shares to raise capital to purchase operating partnership units in MGM Growth Properties Operating Partnership LP; MGM Growth Properties Operating Partnership LP, in turn, used the proceeds to acquire additional properties.

Also included in Total Stockholders’ Equity is the *Accumulated deficit* account. The MGP and Subsidiaries’ accumulated deficit increased every year from a low of approximately \$29.8 million for the year ended December 31, 2016, to a high of approximately \$422.9 million for the year ended December 31, 2020. Despite reporting net income for each year, MGP and Subsidiaries’ *Accumulated deficit* account has increased because MGP paid dividends in excess of net income. MGP declared and paid dividends of \$102.8 million during year 2017, \$123.0 million during year 2018, \$183.7 million during year 2019, and \$254.6 million during year 2020.

MGP and Subsidiaries earned all of their revenues by leasing real estate properties to MGM Lessee, LLC, a subsidiary of MGM Resorts International, pursuant to a long-term, triple net Master Lease agreement. Revenue increased each year due to additional properties being acquired: MGP began acquiring the properties in 2016 as part of the REIT formation, and added additional properties in 2017, 2018, 2019, and 2020.¹⁷ *Rental revenue* for MGP and Subsidiaries increased from \$419.2 million in year 2016 to \$856.4 million in year 2019, which resulted in

¹⁶ There are various ways in which companies can attempt to raise capital in the face of liquidity and capital resource constraints. One such method is an “at-the-market” (“ATM”) offering, which provides certain publicly traded companies an efficient means of raising measured amounts of capital over time. ATMs are a type of shelf-based registered offering under which an exchange-listed issuer incrementally sells shares of its listed securities directly into the market at prevailing market prices. Sales of the issuer’s shares, which can be newly issued “primary” shares and/or “secondary” shares held by existing security holders, are made through one or more registered broker-dealers who act as agents on the issuer’s behalf.

¹⁷ In 2020, MGP, through MGM Growth Partners Operating Partnership LP, formed MGP BREIT Venture (50.1% owned by the operating partnership and 49.9% owned by a subsidiary of Blackstone Real Estate Income Trust, Inc.), which acquired MGM Grand Las Vegas and Mandalay Bay.



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an increase in *Net income* from \$35.3 million in year 2016 to \$275.6 million in year 2019. Both *Rental revenue* and *Net income* decreased in year 2020 due to transferring Mandalay Bay to an unconsolidated affiliate as part of a new business venture with Blackstone Real Estate Income Trust, Inc.; which resulted in a reduced annual rent of \$133 million and also contributed to the decrease in the Balance Sheet account *Real estate investments, net*, by approximately \$2.3 billion.

Expenses were comprised primarily of *Depreciation, Property transactions, net*, and *Interest expense*. Due to the value of the properties owned by MGP and Subsidiaries, the largest expense on the Income Statement was *Depreciation*, which was \$236.9 million for the year ended December 31, 2020. The second largest expense was *Interest expense*, resulting from the senior credit facility and senior notes issued. For year 2020, *Interest expense* was approximately \$228.8 million. *Property transactions, net* averaged \$17.5 million for the years 2016 through 2019, but it increased to \$195.2 million for the year ended December 31, 2020. The increase in *Property transactions, net* was primarily due to a loss on the sale of Mandalay Bay and expenses related to the sale when the property was transferred.

Tax Returns

A review of MGP and Subsidiaries' federal tax returns for the years 2016 through 2019 was performed. The IEB could not review five years of federal tax returns because year 2016 was the first year that federal tax returns were filed and the 2020 federal tax return was not filed yet, but the required extension was filed, and the form was reviewed by the IEB. For all years reviewed, MGP filed Form 1120-REIT, U.S. Income Tax Return for Real Estate Investment Trusts under the Internal Revenue Code. For year 2016, the Form 1120-REIT was prepared by Deloitte Tax LLP. For all other years, the Form 1120-REIT was prepared internally by MGP.

The IEB performed requisite checks with the IRS through receipt of federal tax account transcripts via the IRS Form 4506-T for the years 2016 through 2019. The IEB verified via these tax account transcripts that MGP and Subsidiaries filed its federal tax returns for the years ended December 31, 2016, through December 31, 2019. This verification also confirmed that the total income and net taxable income amounts reported and submitted to the IEB were consistent with what was reported to the IRS.



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Through review of these tax account transcripts, the IEB discovered that for the years 2016 through 2019, federal examinations were performed by the IRS. The examination closing code was observed for the 2016 through 2018 tax returns, but not for the 2019 tax return. The absence of the examination closing code suggests that the examination is still underway. This is reasonable as the 2019 tax account transcript shows the IRS transaction code “420-Examination of Tax Return” with a date stamp of July 16, 2021. It is the understanding of the IEB that federal examinations conducted by the IRS could span multiple years and little to no information is supplied to the company by the IRS during its examination period. Per e-mail confirmation from Mr. Madamba, MGP and Subsidiaries’ federal tax returns have not been subject to any IRS audits, which are more formal and in-depth than the examinations noted in the tax account transcripts.

Credit Report

Through a national credit bureau, the IEB surfaced a credit report dated August 8, 2021, in the entity qualifier’s name, MGM Growth Properties LLC. No bankruptcies, liens, or civil judgments surfaced.

Conclusion of Initial Financial Review

In summary, the initial financial review did not reveal any issues or concerns with MGM Growth Property LLC’s financial stability, integrity, and background.

VII. Licensure and Regulatory Approvals

MGM Growth Properties LLC and associated entity qualifiers reported (Question #30B on the BED) holding licenses or being issued positive determinations of suitability in a number of jurisdictions. The investigation confirmed such by the following state regulators:

- Michigan Gaming Control Board
- New Jersey Division of Gaming Enforcement
- Mississippi Gaming Commission
- Maryland Lottery and Gaming Control Commission
- Ohio Lottery Commission



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Gaming license verification requests were sent, and the investigation confirmed that no derogatory information was reported by any of the aforementioned jurisdictions.

VIII. Criminal History

The investigation confirmed that MGM Growth Properties LLC and all of the entity qualifiers have no criminal history. There is no known information indicating any past or present involved association by MGP or any of the qualifying entities or individuals with any person or entity with known involvement in organized criminal activities, or of disreputable character. The investigation confirmed that MGP has no known affiliates or close associates that would not be found suitable or whose relationship with MGP or MGM may pose an injurious threat to the interests of the Commonwealth.

IX. Civil Litigation

Investigators reviewed the civil litigation which MGP and the entity qualifiers reported in which damages are expected to exceed \$100,000. The investigators did not identify any civil litigation matters that threaten the economic viability of the company or any entity qualifiers, involve allegations of fraudulent conduct, or reflect any concerning pattern involving MGM Growth Properties LLC's or any of the entity qualifiers' business practices. In sum, the investigation did not identify any civil litigation matters that would negatively impact suitability.

X. Media Coverage

Research of available online and print media surfaced media coverage related to MGP and the MGM Springfield REIT transaction. The vast majority of media involved coverage of business transactions, financial information, and acquisition deals. This investigation resulted in high volumes of media, most of which reflected positively upon MGP, MGM Resorts



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International, and the REIT transaction. No derogatory media was identified which would adversely impact suitability.

XI. Significant Investigative Issues of Concerns

No significant issues or concerns were identified during the investigation.

XII. Individual Qualifiers

The IEB also performed suitability investigations into 12 individuals who were designated as qualifiers for this transaction.¹⁸ See Exhibits 7 through 18. As mentioned above, six of those individuals (Paul Salem, John McManus, Corey Sanders, Daniel Taylor, William Hornbuckle, and Patrick Madamba) were previously deemed to be suitable by the Commission. The Investigative Report associated with John Halkyard's initial suitability investigation is attached as Exhibit 17.

After performing the inquiries and database checks described in this Initial Report and as represented in Exhibits 1 through 18, the investigation revealed no evidence of anything that would serve to disqualify any of the individuals. Nor did the initial investigation reveal any information that would indicate that any of these individuals lacks the requisite integrity, honesty and good character to be deemed suitable under Massachusetts law. In addition, in accordance with the requirement of 205 CMR 116.10(5)(b), each qualifier certified under the pains and penalties of perjury to being unaware of any derogatory information not previously disclosed to the Commission that would impact suitability under the criteria set forth in the Massachusetts gaming law and regulations.

¹⁸ As previously indicated in n. 10, above, the IEB's suitability investigations of Mr. Salem and Mr. Madamba were conducted in 2019, and the Commission recently (in 2019) issued positive findings of suitability for each of them.



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XIII. Conclusion

Under the governing regulation, see 205 CMR 116.10(5), the Commission may approve Interim Authorization allowing the closing of the sale of the real property at MGM Springfield, located at One MGM Way, Springfield, Massachusetts, to MGP, if it finds that the following criteria are satisfied. The IEB addresses each of the regulatory criteria in turn below.

(a) The qualifiers have submitted all application forms as required.

Each of the six entity qualifiers was required to complete a Business Entity Disclosure Form for Gaming License Qualifiers (BED), and each of the six individual qualifiers was required to complete a Multi Jurisdictional Personal History Disclosure Form (MJPHD) and a Massachusetts Supplement Form. The applications for the qualifiers were submitted and deemed complete by the Division of Licensing as of August 4, 2021.¹⁹ The Investigators conducted a thorough review of the application forms and confirmed completeness.

(b) A fully executed trust agreement has been submitted in accordance with 205 CMR 116.10(6).

A copy of the fully executed Springfield Nominee Trust has been submitted to the Commission. In a public meeting on June 24, 2021, the Commission approved the terms of the trust. Under the terms of the trust as approved by the Commission, in the event that a suitability issue arises following Interim Authorization but before final approval by the Commission, the Commission may order the MGM Springfield real property to be transferred into the trust or back to Blue Tarp (at Blue Tarp's option). In the event that the Commission issues a negative determination on suitability, the property shall be returned to Blue Tarp.

¹⁹ The applications submitted by Mr. Salem and Mr. Madamba were submitted in connection with the IEB's 2019 investigation into their suitability.



(c) The Trustee for the trust agreement has satisfied the qualification criteria applicable to a Key Gaming Executive in accordance with 205 CMR 134. Mr. Patrick Madamba, Senior Vice President and Legal Counsel for MGM Resorts International, is the Trustee for the Springfield Nominee Trust. The Commission previously determined Mr. Madamba to be suitable on December 5, 2019. Since that time, Mr. Madamba has not reported any matters to the Bureau that would impact suitability.

(d) There is no preliminary evidence of anything that would serve to disqualify the qualifiers under the criteria set forth in G.L. c. 23K, §§12 or 16, or any other known reason why a positive determination of suitability may not ultimately be achieved.

The Investigators uncovered no information in the course of this investigation for Interim Authorization that would serve to disqualify any of the entity or individual qualifiers. Nor did the initial investigation reveal any information that would preclude a finding that any of its entity or individual qualifiers possesses the requisite integrity, honesty and good character, as well as the financial stability, integrity and background that are mandated for qualification by Massachusetts law.

(e) The proposed REIT transaction would not violate 205 CMR 116.09(3) (resulting in the transfer of the actual category 1 gaming license) or 205 CMR 116.09(4) (prohibiting the transferee (MGP) from having a financial interest in more than one gaming license issued by the Commission).

The initial investigation indicates that the transaction will not result in MGP having a financial interest in more than one gaming license in the Commonwealth.

(f) The qualifiers have certified that they are unaware of any reason why they would not be found qualified.

Each individual qualifier certified under the pains and penalties of perjury to the above.



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- (g) It is in the best interests of the Commonwealth for the gaming establishment to continue to operate pursuant to Interim Authorization.

Nothing was revealed in the initial investigation to suggest that allowing MGM Springfield to continue to operate pursuant to Interim Authorization would be contrary to the best interest of the Commonwealth. Uninterrupted operation of MGM Springfield would ensure that tax revenues from gross gaming revenue the category 1 gaming establishment continue to flow to the Commonwealth and that employment opportunities there continue to be available to Massachusetts residents.

- (h) If the transfer will result in a change of control, the transferee (MGP) has agreed in writing to comply with all of the existing licensing conditions or has petitioned the Commission to modify/eliminate one or more of those obligations.

The initial investigation, which included a review of the terms of the governing leases, indicates that no change of control of the gaming establishment will result from the proposed transaction, that MGP will be a passive landlord, and that Blue Tarp will continue to be in control of all operations at MGM Springfield.

In the event that the Commission approves the Interim Authorization, the closing of the MGM Springfield REIT transaction with MGP may proceed. The regulations then call for the IEB to proceed with its full investigation into this transaction and the associated qualifiers and to issue a full report on suitability as soon as possible and within the time frame provided in the regulations.^{20,21}

²⁰ Title 205 Code of Mass. Regulations 116.10(5) provides as follows: “Within nine months after the interim authorization decision, which period may be extended by the commission for one three-month period, the commission shall hold a hearing and render a determination on the suitability of the applicant in accordance with 205 CMR 115.04: *Phase I and New Qualifier Proceedings by the Commission.*”

²¹ In light of the anticipated transaction with VICI, see n. 10, above, the IEB expects that an investigation for Interim Authorization of the VICI transaction will be necessary, with the investigation results forthcoming.



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The following Investigators from the Investigations & Enforcement Bureau participated in this investigation:

Loretta M. Lillios
Director, IEB

David Collett
Sergeant, Massachusetts State Police

Monica Chang
Chief, Financial Investigation Division

John Morris
Trooper, Massachusetts State Police

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Trooper, Massachusetts State Police

Kevin Owen
Trooper, Massachusetts State Police

Paul Eldredge
Financial Investigator III

Zong Fei Zou
Financial Investigator II

David MacKay
Financial Investigator II

Matthew Jordan
Financial Investigator I



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Chart A: Depiction of Current Structure

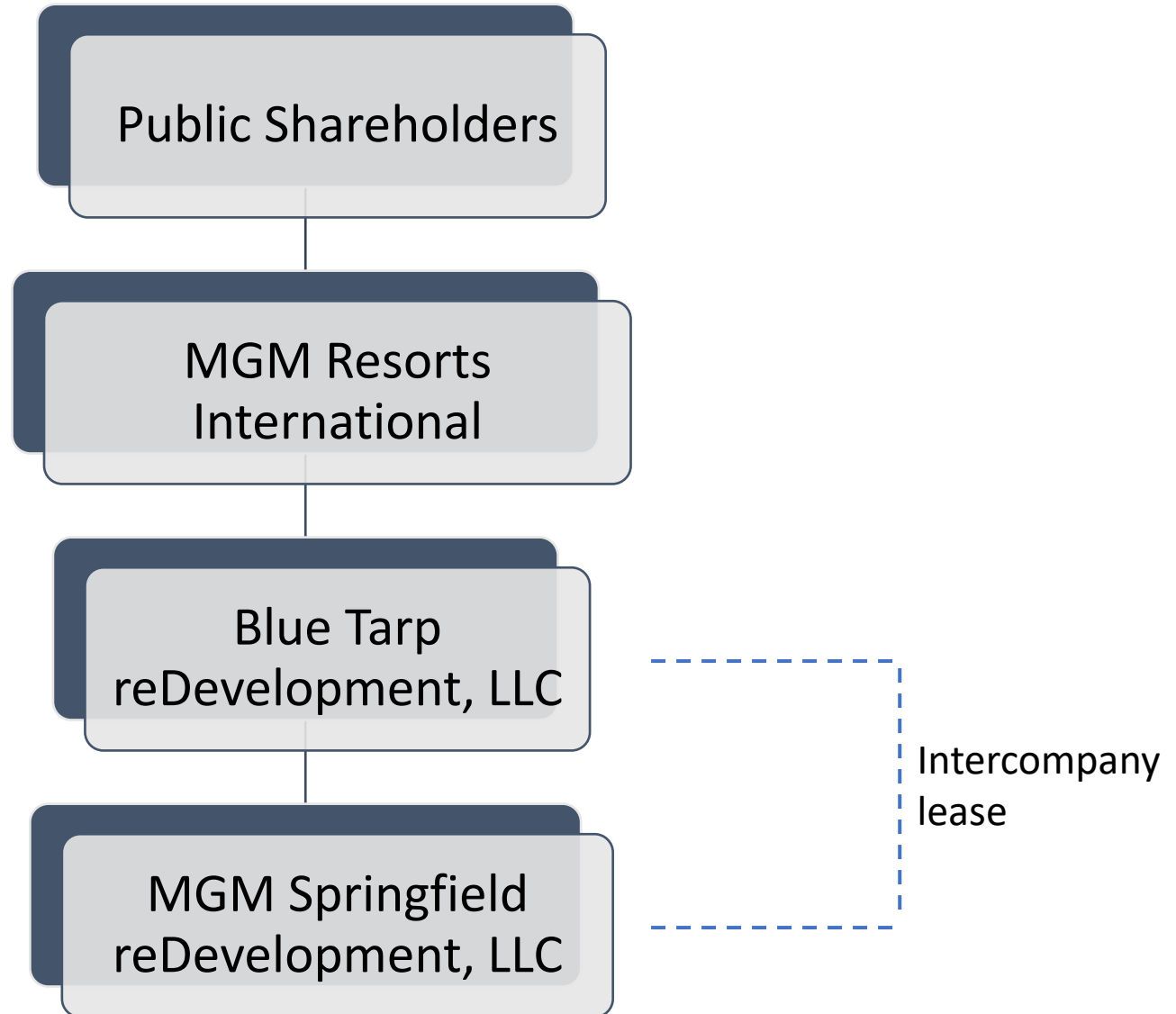


Chart B: Depiction of Post Transaction Structure

