BORGATA HOTEL CASINO & SPA

QUARTERLY REPORT

FOR THE QUARTER ENDED MARCH 31, 2016

SUBMITTED TO THE
DIVISION OF GAMING ENFORCEMENT
OF THE
STATE OF NEW JERSEY

OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

BORGATA HOTEL CASINO & SPA
BALANCE SHEETS

AS OF MARCH 31, 2016 AND 2015

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)	
	ASSETS:				
	Current Assets:				
1	Cash and Cash Equivalents	1,9	$35,688	$34,729	
2	Short-Term Investments				
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2016, $19,815; 2015, $21,539)	3	31,825	33,703	
4	Inventories	2	4,650	4,430	
5	Other Current Assets	9	5,102	16,897	
6	Total Current Assets		77,265	89,759	
7	Investments, Advances, and Receivables	2,3,9	7,286	10,856	
8	Property and Equipment - Gross	4	1,852,740	1,841,588	
9	Less: Accumulated Depreciation and Amortization	4	(708,998)	(678,133)	
10	Property and Equipment - Net	4	1,143,742	1,163,455	
11	Other Assets	9	5,813	6,541	*
12	Total Assets		$1,234,106	$1,270,611	
	LIABILITIES AND EQUITY:				
	Current Liabilities:				
13	Accounts Payable		$4,712	$2,841	
14	Notes Payable		0	0	
	Current Portion of Long-Term Debt:				
15	Due to Affiliates		0	0	
16	External	7	8,000	3,800	
17	Income Taxes Payable and Accrued	2	6,586	5,484	
18	Other Accrued Expenses	5	67,741	71,754	
19	Other Current Liabilities	6	31,483	32,461	
20	Total Current Liabilities		118,522	116,340	
	Long-Term Debt:				
21	Due to Affiliates		0	0	
22	External	7,9	630,326	712,915	*
23	Deferred Credits		6,249	9,877	
24	Other Liabilities		5,372	11,574	
25	Commitments and Contingencies	8	0	0	
26	Total Liabilities		760,469	850,706	
27	Stockholders', Partners', or Proprietor's Equity		473,637	419,905	
28	Total Liabilities and Equity		$1,234,106	$1,270,611	

*Certain prior period amounts presented have been reclassified to conform to the current year presentation. These reclassifications relate to debt issuance costs being recorded as a direct deduction from the carrying amount of the related debt liability (see Note 1).

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

BORGATA HOTEL CASINO & SPA
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	Revenue:			
1	Casino		$174,013	$165,128
2	Rooms		27,502	27,117
3	Food and Beverage		33,758	34,468
4	Other		10,253	8,997
5	Total Revenue		245,526	235,710
6	Less: Promotional Allowances	2	55,233	53,121
7	Net Revenue		190,293	182,589
	Costs and Expenses:			
8	Casino		67,793	66,919
9	Rooms, Food and Beverage		19,551	20,821
10	General, Administrative and Other	10	55,272	56,379
11	Total Costs and Expenses		142,616	144,119
12	Gross Operating Profit		47,677	38,470
13	Depreciation and Amortization	4	14,349	14,799
	Charges from Affiliates Other than Interest:			
14	Management Fees			
15	Other			
16	Income (Loss) from Operations		33,328	23,671
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External	7,9	(11,755)	(16,657)
19	CRDA Related Income (Expense) - Net	9	(2,361)	(652)
20	Nonoperating Income (Expense) - Net		6,381	(161)
21	Total Other Income (Expenses)		(7,735)	(17,470)
22	Income (Loss) Before Taxes		25,593	6,201
23	Provision (Credit) for Income Taxes	2	2,332	(1,827)
24	Net Income (Loss)		$23,261	$8,028

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

BORGATA HOTEL CASINO & SPA
STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
AND THE THREE MONTHS ENDED MARCH 31, 2016

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	________ ________ ________ (e)	Total Equity (Deficit) (f)
1	**Balance, December 31, 2014_........**		$446,700	($34,823)	$0	$411,877
2	Net Income (Loss) - 2015..........			71,997		71,997
3	Capital Contributions................					0
4	Capital Withdrawals..................					0
5	Partnership Distributions...........			(28,189)		(28,189)
6	Prior Period Adjustments..........					0
7	________________________					0
8	________________________					0
9	________________________					0
10	**Balance, December 31, 2015.........**		446,700	8,985	0	455,685
11	Net Income (Loss) - 2016..........			23,261		23,261
12	Capital Contributions................					0
13	Capital Withdrawals..................					0
14	Partnership Distributions...........			(5,309)		(5,309)
15	Prior Period Adjustments..........					0
16	________________________					0
17	________________________					0
18	________________________					0
19	**Balance, March 31, 2016...............**		$446,700	$26,937	$0	$473,637

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

BORGATA HOTEL CASINO & SPA
STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$48,269	$21,913
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments			
3	Proceeds from the Sale of Short-Term Investments			
4	Cash Outflows for Property and Equipment...........................	4	(9,471)	(4,886)
5	Proceeds from Disposition of Property and Equipment..........	4	67	97
6	CRDA Obligations	2,9	(2,412)	(2,268)
7	Other Investments, Loans and Advances made.......................			
8	Proceeds from Other Investments, Loans, and Advances			
9	Cash Outflows to Acquire Business Entities..........................		0	0
10	....			
11	....			
12	Net Cash Provided (Used) By Investing Activities....................		(11,816)	(7,057)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt......................................			
15	Proceeds from Long-Term Debt	7,9	142,800	149,300
16	Costs of Issuing Debt..			(7)
17	Payments to Settle Long-Term Debt......................................	7,9	(188,900)	(171,150)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock...			
20	Payments of Dividends or Capital Withdrawals......................			
21	Partnership Distrubutions		(5,309)	0
22	....			
23	Net Cash Provided (Used) By Financing Activities...................		(51,409)	(21,857)
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		(14,956)	(7,001)
25	Cash and Cash Equivalents at Beginning of Period...................		50,644	41,730
26	Cash and Cash Equivalents at End of Period............................		$35,688	$34,729

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)......................................	7,9	$11,304	$25,975
28	Income Taxes..	2	$1	$0

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

BORGATA HOTEL CASINO & SPA
STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)..		$23,261	$8,028
30	Depreciation and Amortization of Property and Equipment...	4	14,238	14,652
31	Amortization of Other Assets...		111	147
32	Amortization of Debt Discount or Premium..........................	7,9	888	576
33	Deferred Income Taxes - Current	2	0	12
34	Deferred Income Taxes - Noncurrent	2	(564)	3,562
35	(Gain) Loss on Disposition of Property and Equipment.........		514	(20)
36	(Gain) Loss on CRDA-Related Obligations..........................		2,361	652
37	(Gain) Loss from Other Investment Activities......................		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		3,136	(864)
39	(Increase) Decrease in Inventories		(32)	25
40	(Increase) Decrease in Other Current Assets........................		2,610	4,364
41	(Increase) Decrease in Other Assets....................................		(17)	(979)
42	Increase (Decrease) in Accounts Payable.............................		1,419	(2,909)
43	Increase (Decrease) in Other Current Liabilities		(72)	(3,522)
44	Increase (Decrease) in Other Liabilities		91	(2,303)
45	Loss on Early Retirement of Debt		325	492
46	....			
47	Net Cash Provided (Used) By Operating Activities..................		$48,269	$21,913

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line	Description	Notes	2016	2015
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment..................................	4	($9,471)	($4,886)
49	Less: Capital Lease Obligations Incurred..............................			
50	Cash Outflows for Property and Equipment.............................		($9,471)	($4,886)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.......................................			
52	Goodwill Acquired..			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed..			
55	Issuance of Stock or Capital Invested..................................			
56	Cash Outflows to Acquire Business Entities............................		$0	$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.................		$0	$0
58	Less: Issuances to Settle Long-Term Debt...........................		0	0
59	Consideration in Acquisition of Business Entities.................		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions......		$0	$0

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

BORGATA HOTEL CASINO & SPA
SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE THREE MONTHS ENDED MARCH 31, 2016
(UNAUDITED)
($ IN THOUSANDS)

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	151,958	$ 17,561	-	$ -
2	Food	378,711	8,854	296,300	2,963
3	Beverage	1,429,455	4,646	-	-
4	Travel	-	-	4,644	1,161
5	Bus Program Cash	-	-	-	-
6	Promotional Gaming Credits	687,256	17,181	-	-
7	Complimentary Cash Gifts	121,504	3,038	-	-
8	Entertainment	29,164	1,167	570	57
9	Retail & Non-Cash Gifts	9,335	467	6,504	1,626
10	Parking	-	-	-	-
11	Other	20,896	2,319	337,158	1,192
12	Total	2,828,279	$55,233	645,176	$6,999

*Promotional Allowances - Other includes $627K of Spa comps, $121K of Comp room incidentals, $106K change in Comp and Slot dollars earned but not redeemed and $1,465K in other promotional allowances.

FOR THE THREE MONTHS ENDED MARCH 31, 2016

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	151,958	$ 17,561	-	$ -
2	Food	378,711	8,854	296,300	2,963
3	Beverage	1,429,455	4,646	-	-
4	Travel	0	-	4,644	1,161
5	Bus Program Cash	0	-	-	-
6	Promotional Gaming Credits	687,256	17,181	-	-
7	Complimentary Cash Gifts	121,504	3,038	-	-
8	Entertainment	29,164	1,167	570	57
9	Retail & Non-Cash Gifts	9,335	467	6,504	1,626
10	Parking	0	-	-	-
11	Other	20,896	2,319	337,158	1,192
12	Total	2,828,279	$55,233	645,176	$6,999

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BORGATA HOTEL CASINO & SPA
STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED MARCH 31, 2016

1. I have examined this Quarterly Report.

2. All the information contained in this Quarterly Report has been prepared in conformity with the Division's Quarterly Report Instructions and Uniform Chart of Accounts.

3. To the best of my knowledge and belief, the information contained in this report is accurate.

4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.S.A. 5:12-84a(1)-(5) during the quarter.

5/16/2016
Date

Hugh Turner

Vice President of Finance
Title

007833-11
License Number

On Behalf of:

BORGATA HOTEL CASINO & SPA
Casino Licensee

Marina District Development Company, LLC and Subsidiary

(A Wholly-Owned Subsidiary of Marina District Development Holding Co., LLC)

Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Marina District Development Company LLC, a New Jersey limited liability company ("MDDC"), is the parent of Marina District Finance Company, Inc., a New Jersey corporation ("MDFC"). MDFC is a 100% owned finance subsidiary of MDDC, which has fully and unconditionally guaranteed MDFC's securities. Unless otherwise indicated or required by the context, the terms "we," "our," "us" and the "Company" refer to MDDC and MDFC.

MDDC was incorporated in July 1998 and has been operating since July 3, 2003. MDFC was incorporated in 2000 and has been a wholly-owned subsidiary of MDDC since its inception. We developed, own and operate Borgata Hotel Casino and Spa, including The Water Club at Borgata (collectively, "Borgata"). Borgata is located on a 45.6-acre site at Renaissance Pointe in Atlantic City, New Jersey. Borgata is an upscale destination resort and gaming entertainment property.

Borgata was developed as a joint venture between Boyd Atlantic City, Inc. ("BAC"), a wholly owned subsidiary of Boyd Gaming Corporation ("Boyd"), and MAC, Corp. ("MAC"), a second tier, wholly owned subsidiary of MGM Resorts International ("MGM"). The joint venture operates pursuant to an operating agreement between BAC and MAC (the "Operating Agreement"), in which BAC and MAC each hold a 50% interest in Marina District Development Holding Co., LLC, MDDC's parent holding company ("MDDHC").

As managing member of MDDHC pursuant to the terms of the Operating Agreement, BAC, through MDDHC, has responsibility for the oversight and management of our day-to-day operations. We do not presently record a management fee to BAC, as our management team performs these services directly or negotiates contracts to provide for these services. As a result, the costs of these services are directly borne by us and are reflected in our consolidated financial statements. Boyd, the parent of BAC, is a diversified operator of 21 wholly owned gaming entertainment properties. Headquartered in Las Vegas, Nevada, Boyd has other gaming operations in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana and Mississippi.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of MDDC and MDFC.

All intercompany accounts and transactions have been eliminated.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with maturities of three months or less at their date of purchase, and are on deposit with high credit quality financial institutions. The carrying values of these instruments approximate their fair values due to their short maturities.

Cash and cash equivalents consist of the following:

	March 31,	
	2016	2015
Unrestricted cash and cash equivalents	$ 29,838,000	$ 28,472,000
Restricted cash	5,850,000	6,257,000
Total cash and cash equivalents	**$ 35,688,000**	**$ 34,729,000**

Cash and cash equivalents at March 31, 2016 and 2015 included restricted cash of $5,850,000 and $6,257,000, respectively, primarily related to the balances of patrons' internet gaming accounts as of the previous day. Pursuant to N.J.A.C. 13:69O-1.3(j), we maintain separate New Jersey bank accounts to ensure the security of funds held in patrons' internet gaming accounts. Restricted cash balances are on deposit with high credit quality financial institutions. The carrying values of these instruments approximate their fair values due to their short maturities.

CRDA Investments

Pursuant to the New Jersey Casino Control Act ("Casino Control Act"), as a casino licensee, we are assessed an amount equal to 1.25% of our land-based gross gaming revenues in order to fund qualified investments. This assessment is made in lieu of an Investment Alternative Tax ("IAT") equal to 2.5% of land-based gross gaming revenues. The Casino Control Act also provides for an assessment of licensees equal to 2.5% of online gross gaming revenues, which is made in lieu of an IAT equal to 5.0% of online gross gaming revenues. Once our funds are deposited with the New Jersey Casino Reinvestment Development Authority ("CRDA"), qualified investments may be satisfied by: (i) the purchase of bonds issued by the CRDA at below market rates of interest; (ii) direct investment in CRDA-approved projects; or (iii) a donation of funds to projects as determined by the CRDA. According to the Casino Control Act, funds on deposit with the CRDA are invested by the CRDA and the resulting income is shared two-thirds to the casino licensee and one-third to the CRDA. Further, the Casino Control Act requires that CRDA bonds be issued at statutory rates established at two-thirds of market value.

We are required to make quarterly deposits with the CRDA to satisfy our investment obligations. At the date the obligation arises, we record charges to expense (i) pursuant to the respective underlying agreements for obligations with identified qualified investments and (ii) by applying a one-third valuation reserve to our obligations that are available to fund qualified investments to reflect the anticipated below market return on investment. The one-third valuation reserve is adjusted accordingly, if necessary, based on management's assessment of the ultimate recoverability of the deposit or when a qualified investment is identified.

Promotional Allowances

The retail value of accommodations, food and beverage, and other services furnished to guests on a complimentary basis is included in gross revenues and then deducted as promotional allowances. Promotional allowances also include incentives such as cash, goods and services (such as complimentary rooms and food and beverages) earned pursuant to our loyalty programs. We reward customers, through the use of loyalty programs, with points based on amounts wagered that can be redeemed for a specified period of time, principally for restricted free play slot machine credits and complimentary goods and services. We record the estimated retail value of these goods and services as revenue and then record a corresponding deduction as promotional allowances.

The amounts included in promotional allowances are as follows:

	Three Months Ended March 31,	
	2016	2015
Rooms	$ 17,561,000	$ 16,711,000
Food and beverage	13,452,000	12,800,000
Other	24,220,000	23,610,000
Total promotional allowances	**$ 55,233,000**	**$ 53,121,000**

The estimated costs of providing such promotional allowances are as follows:

	Three Months Ended March 31,	
	2016	**2015**
Rooms	$ 5,221,000	$ 5,067,000
Food and beverage	10,717,000	10,186,000
Other	2,534,000	2,540,000
Total	**$ 18,472,000**	**$ 17,793,000**

Gaming Taxes

We are subject to an annual tax assessment based on gross gaming revenues of 8% on our land-based gross gaming revenues and 15% on our online gross gaming revenues. These gaming taxes are recorded as a gaming expense in the consolidated statements of operations. These taxes were $13,684,000 and $13,053,000 during the three months ended March 31, 2016 and 2015, respectively.

Income Taxes

As a single member limited liability company, MDDC is treated as a disregarded entity for federal income tax purposes. As such, it is not subject to federal income tax and its income is treated as earned by its member, MDDHC. MDDHC is treated as a partnership for federal income tax purposes and federal income taxes are the responsibility of its members. In New Jersey, casino partnerships are subject to state income taxes under the Casino Control Act; therefore, MDDC, considered a casino partnership, is required to record New Jersey state income taxes. In 2004, MDDC was granted permission by the state of New Jersey, pursuant to a ruling request, to file a consolidated New Jersey corporation business tax return with the members of its parent, MDDHC. The amounts reflected in the consolidated financial statements are reported as if MDDC was taxed for state purposes on a stand-alone basis; however, MDDC files a consolidated state tax return with the members of MDDHC. Under the terms of the tax sharing agreement between MDDC and the members of its parent, current year tax attributes of the members are utilized prior to MDDC’s separately determined net operating loss carryforward. The utilization of the current year member tax attributes will be remitted to the members of MDDHC under the tax sharing agreement.

The amounts due to these members are a result of each member's respective tax attributes included in the consolidated state tax return. A reconciliation of the components of our stand-alone state income taxes payable is presented below:

	March 31,	
	2016	**2015**
Amounts payable to members of MDDHC	$ 6,537,000	$ 4,148,000
Amounts payable – the State of New Jersey	49,000	1,336,000
Income taxes payable	**$ 6,586,000**	**$ 5,484,000**

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Recently Issued Accounting Pronouncements

Accounting Standards Update 2016-08, Revenue from Contracts with Customers ("Update 2016-08")

In March 2016, the FASB issued Update 2016-08 which amends the principal-versus agent implementation guidance and illustrations in Accounting Standards Update 2014-09, Revenue from Contracts with Customers ("Update 2014-09"). The standard is effective for financial statements issued for annual periods and interim periods within those annual periods beginning after December 15, 2017, and early adoption is permitted only as of annual reporting periods beginning after

December 15, 2016, including interim reporting periods within that reporting period. The Company is evaluating the impact of the adoption of Updates 2016-08 and 2014-09 to the financial statements.

Accounting Standards Update 2016-07, Investments - Equity Method and Joint Ventures ("Update 2016-07")
In March 2016, the FASB issued Update 2016-07 which simplifies the equity method of accounting by eliminating the requirement to retrospectively apply the equity method to an investment that subsequently qualifies for such accounting as a result of an increase in the level of ownership interest or degree of influence. The standard is effective for financial statements issued for annual periods and interim periods within those annual periods beginning after December 15, 2016, and early adoption is permitted. The Company is evaluating the impact of the adoption of Update 2016-07 to the financial statements.

Accounting Standards Update 2016-02, Leases ("Update 2016-02")
In February 2016, the FASB issued Update 2016-02 which requires the recognition of lease assets and lease liabilities on the balance sheet and the disclosure of key information about leasing arrangements. The standard is effective for financial statements issued for annual periods and interim periods within those annual periods beginning after December 15, 2018, and early adoption is permitted. The Company is evaluating the impact of the adoption of Update 2016-02 to the financial statements.

Accounting Standards Update 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities ("Update 2016-01")
In January 2016, the FASB issued Update 2016-01, which addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is permitted only if explicit early adoption guidance is applied. The Company is evaluating the impact of the new standard on its consolidated financial statements.

Accounting Standards Update 2015-03, Simplifying the Presentation of Debt Issuance Costs ("Update 2015-03")
In April 2015, the FASB issued Update 2015-03, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. The Company adopted Update 2015-03, including the election under Update 2015-15, in the fourth quarter 2015 and as a result has reclassified debt financing costs, net, of $8.4 million as of December 31, 2014 from an asset to a reduction of long-term debt, net of current maturities and debt issuance costs on the consolidated balance sheet. See additional disclosure of such amounts in Note 6, Long-Term Debt.

A variety of proposed or otherwise potential accounting standards are currently being studied by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, we have not yet determined the effect, if any, that the implementation of such proposed standards would have on our consolidated financial statements.

NOTE 3. RECEIVABLES AND PATRONS' CHECKS
Receivables and patrons' checks consist of the following:

	March 31,	
	2016	**2015**
Casino receivables (net of an allowance for doubtful accounts – 2016 $19,789,000 and 2015 $21,512,000)	$ 22,121,000	$ 23,378,000
Other (net of an allowance for doubtful accounts – 2016 $26,000 and 2015 $27,000)	9,585,000	10,194,000
Due from related parties (Note 10)	119,000	131,000
Receivables and patrons' checks, net	**$ 31,825,000**	**$ 33,703,000**

NOTE 4. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	March 31, 2016	March 31, 2015
Land	$ 87,301,000	$ 87,301,000
Building and improvements	1,431,125,000	1,422,474,000
Furniture and equipment	314,631,000	322,034,000
Construction in progress	19,683,000	9,779,000
Total property and equipment	1,852,740,000	1,841,588,000
Less accumulated depreciation	708,998,000	678,133,000
Property and equipment, net	**$ 1,143,742,000**	**$ 1,163,455,000**

Depreciation expense was $14,238,000 and $14,652,000 during the three months ended March 31, 2016 and 2015, respectively.

Construction in progress presented in the table above primarily relates to costs capitalized in conjunction with major improvements that have not yet been placed into service, and accordingly, such costs are not currently being depreciated.

NOTE 5. OTHER ACCRUED EXPENSES

Other accrued expenses consist of the following:

	March 31, 2016	March 31, 2015
Accrued payroll and related expenses	$ 22,700,000	$ 22,306,000
Accrued interest	932,000	5,265,000
Accrued expenses and other liabilities	44,109,000	44,183,000
Other accrued expenses	**$ 67,741,000**	**$ 71,754,000**

NOTE 6. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	March 31, 2016	March 31, 2015
Casino related liabilities	$ 16,798,000	$ 17,450,000
Due to related parties (see Note 10)	27,000	1,458,000
Other	14,658,000	13,553,000
Other current liabilities	**$ 31,483,000**	**$ 32,461,000**

NOTE 7. LONG-TERM DEBT, NET

Long-term debt, net consists of the following:

	March 31, 2016				
	Interest Rates at March 31, 2015	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees and Costs	Long-Term Debt, Net
Revolving Credit Facility	3.63 %	$ 11,600,000	$ -	$ (1,135,000)	$ 10,465,000
2018 Term Loan	6.50 %	223,000,000	(1,135,000)	(2,215,000)	219,650,000
2023 Term Loan	6.50 %	416,850,000	(7,679,000)	(960,000)	408,211,000
		651,450,000	**(8,814,000)**	**(4,310,000)**	**638,326,000**
Less current maturities		8,000,000	-	-	8,000,000
Long-term debt, net		**$ 643,450,000**	**$ (8,814,000)**	**$ (4,310,000)**	**$ 630,326,000**

	March 31, 2015				
	Interest Rates at March 31, 2015	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees and Costs	Long-Term Debt, Net
Revolving Credit Facility	4.00 %	$ 13,800,000	$ -	$ (2,036,000)	$ 11,764,000
2018 Term Loan	6.50 %	325,750,000	(2,356,000)	(3,964,000)	319,430,000
9.875% Senior Secured Notes due 2018	9.88 %	393,500,000	(1,402,000)	(6,577,000)	385,521,000
		733,050,000	**(3,758,000)**	**(12,577,000)**	**716,715,000**
Less current maturities		3,800,000	-	-	3,800,000
Long-term debt, net		**$ 729,250,000**	**$ (3,758,000)**	**$ (12,577,000)**	**$ 720,915,000**

At March 31, 2016, $11,600,000 was outstanding under the revolving credit facility (the “Revolving Credit Facility”) component of the MDFC Amended and Restated Credit Agreement (the "Credit Facility"), and $6,000,000 was allocated to support a letter of credit, leaving remaining contractual availability of $52,400,000.

Covenant Compliance

As of March 31, 2016, we believe that we were in compliance with the financial and other covenants of our debt instruments.

Loss on Early Extinguishments of Debt

During the three months ended March 31, 2016 and 2015, we incurred non-cash charges of $325,000 and $492,000, respectively, for deferred debt financing costs written off, which represents the ratable reduction in borrowing capacity due to optional prepayments of our Incremental Term Loan made during this period.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Contingencies

Borgata Property Taxes

We have filed tax appeal complaints, in connection with our property tax assessments for tax years 2009 through 2015, in New Jersey Tax Court ("Tax Court"). The trial for tax years 2009 and 2010 was held during the second quarter of 2013 and a decision was issued on October 18, 2013. The assessor valued our real property at approximately $2,262,391,300. The Tax Court found in our favor and reduced our real property valuation to $880,000,000 and $870,000,000 for tax years 2009 and 2010, respectively. The City of Atlantic City (the "City") filed an appeal in the New Jersey Superior Court - Appellate Division ("Appellate Court") in November 2013. The Appellate Court hearing took place on June 1, 2015 and the Appellate Court issued a unanimous decision, affirming the Tax Court ruling, on July 6, 2015. The City appealed the decision to the New Jersey Supreme Court on July 24, 2015 and the Supreme Court denied the City’s appeal on October 20, 2015. As such, the 2009 and 2010 Tax Court judgment is final. The City was statutorily required to pay the refund by December 21, 2015 and did not pay any of the balance due. In response, on December 28, 2015, we filed a motion in Superior Court, compelling the City to pay the refund through a mandamus action. In a hearing on February 5, 2016, the Superior Court judge granted our motion to compel but restrained us from levying upon City assets for 45 days in order to give the parties time to resolve the matter. If the issue is not resolved in 45 days, we will proceed with the mandamus action. Additionally, the judge confirmed that we were within our statutory rights to apply the refund as a credit against future property tax obligations. Based on such confirmation, we notified the City tax collector that we were applying $7,271,000 of the 2009 and 2010 refund as a credit against each of our 2016 first and second quarter property tax installment obligations, respectively; and recorded $7,271,000 as recoveries of previously paid property taxes against each of our 2016 first and second quarter property tax expenses, respectively. We have paid our property tax obligations consistent with the assessor's valuation and based on the Tax Court's decision, we estimate the 2009 and 2010 property tax refunds and related statutory interest will be approximately $48,869,000 and $14,012,000, respectively. However, due to the uncertainty surrounding the City's ability to pay the judgment, we will not record any recovery of previously paid property taxes until payment is received, the City has obtained dedicated sources of funding in an amount sufficient to pay the judgment or the refund is applied against a future property tax installment obligation.

Legal Matters

We are subject to various claims and litigation in the ordinary course of business. In our opinion, all pending legal matters are either adequately covered by insurance, or if not insured, will not have a material impact on our financial position, results of operations or cash flows.

NOTE 9. FAIR VALUE MEASUREMENTS

The authoritative accounting guidance for fair value measurements defines fair value, expands disclosure requirements around fair value and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the company's market assumptions.

- *Level 1*: Quoted prices for identical instruments in active markets.
- *Level 2*: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- *Level 3*: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

As required by the guidance for fair value measurements, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Thus, assets and liabilities categorized as Level 3 may be measured at fair value using inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Management's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Balances Measured at Fair Value

The following tables show the fair values of certain of our financial instruments:

	March 31, 2016			
	Balance	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash and cash equivalents	$ 29,838,000	$ 29,838,000	$ -	$ -
Restricted Cash	5,850,000	5,850,000	-	-
CRDA investments, net	6,888,000	-	-	6,888,000

	March 31, 2015			
	Balance	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 28,472,000	$ 28,472,000	$ -	$ -
Restricted Cash	6,257,000	6,257,000	-	-
CRDA investments, net	10,462,000	-	-	10,462,000

The fair value of our cash and cash equivalents and restricted cash, classified in the fair value hierarchy as Level 1, is based on statements received from our banks at March 31, 2016 and December 31, 2015. The fair value of our CRDA deposits, classified in the fair value hierarchy as Level 3, is based on estimates of the realizable value applied to the balances on statements received from the CRDA at March 31, 2016 and December 31, 2015.

The following table summarizes the changes in fair value of the Company's Level 3 assets:

	Three Months Ended March 31,	
	2016	2015
Balance at January 1,	$ 6,867,000	$ 9,158,000
Deposits	2,382,000	1,956,000
Included in earnings	(2,361,000)	(652,000)
Ending balance at March 31,	**$ 6,888,000**	**$ 10,462,000**

Balances Disclosed at Fair Value

The following tables present the fair value measurement information about our long-term debt:

	March 31, 2016			
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Revolving Credit Facility	$ 11,600,000	$ 10,465,000	$ 11,600,000	Level 2
2018 Term Loan	223,000,000	219,650,000	226,902,500	Level 2
2023 Term Loan	416,850,000	408,211,000	417,532,000	Level 3
Total long-term debt	**$ 651,450,000**	**$ 638,326,000**	**$ 656,034,500**	

	March 31, 2015			
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Revolving Credit Facility	$ 13,800,000	$ 15,564,000	$ 13,800,000	Level 2
2018 Incremental Term Loan	325,750,000	319,430,000	327,310,000	Level 2
9.875% Senior Secured Notes due 2018	393,500,000	385,521,000	411,208,000	Level 1
Total long-term debt	**$ 733,050,000**	**$ 716,715,000**	**$ 752,318,000**	

The estimated fair value of our Revolving Credit Facility at March 31, 2016 and December 31, 2015 approximates its carrying value due to the short-term nature and variable repricing of the underlying Eurodollar loans comprising our Revolving Credit Facility. The estimated fair value of our 2018 Term Loan and 2023 Term Loan are based on a relative value analysis performed on or about March 31, 2016 and December 31, 2015.

There were no transfers between Level 1, Level 2 or Level 3 measurements during the nine months ended March 31, 2016.

NOTE 10. RELATED PARTY TRANSACTIONS

We engage in transactions with BAC and MAC in the ordinary course of business. Related party balances are non-interest-bearing and are included in accounts receivable or accrued liabilities, as applicable, on the condensed consolidated balance sheets.

Pursuant to the Operating Agreement, MAC is solely responsible for any investigation, analyses, clean-up, detoxification, testing, monitoring, or remediation related to Renaissance Pointe. MAC is also responsible for their allocable share of expenses related to master plan and government improvements at Renaissance Pointe. The related amounts due from MGM for these types of expenditures incurred by us were $119,000 and $125,000 at March 31, 2016 and 2015, respectively. Reimbursable expenditures incurred were $162,000 and $146,000 for the three months ended March 31, 2016 and 2015, respectively.

Boyd Gaming Corporation reimburses us for expenses relating to investigative services for our casino license and other expenses. The related amounts due from Boyd Gaming Corporation for these types of expenditures were $1,000 and $6,000 at March 31, 2016 and 2015, respectively. Reimbursable expenditures incurred were $28,000 and $38,000 for the three months ended March 31, 2016 and 2015, respectively.

We reimburse BAC for out-of-pocket costs and expenses incurred related to travel. BAC is also reimbursed for various payments made on our behalf, primarily related to third party insurance premiums and certain financing fees. The related amounts due to BAC for these types of expenditures paid by BAC were $27,000 and $1,458,000 at March 31, 2016 and 2015, respectively. Reimbursable expenditures were $118,000 and $1,547,000 for the three months ended March 31, 2016 and 2015, respectively. Reimbursable expenses, with the exception of deferred financing fees, are included in selling, general and administrative on the condensed consolidated statements of operations.

NOTE 11. SUBSEQUENT EVENTS

On May 1, 2016, we realized the benefit of $7,271,000 of the amount owed to us by the City as a result of our appeal of our 2009 and 2010 property taxes by offsetting this amount against 2016 property taxes due to the City on that date.

We have evaluated all events or transactions that occurred after December 31, 2015. During this period, we did not identify any other subsequent events, the effects of which would require disclosure or adjustment to our financial position or results of operations as of and for the year ended December 31, 2015.