BORGATA HOTEL CASINO & SPA

QUARTERLY REPORT

FOR THE QUARTER ENDED MARCH 31, 2015

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, 2015 AND 2014

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2015 (c)	2014 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents	2, 9	$34,729	$34,972
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2015, $21,539; 2014, $20,262)	3	33,703	31,990
4	Inventories	2	4,430	4,192
5	Other Current Assets	9	16,897	13,724
6	Total Current Assets		89,759	84,878
7	Investments, Advances, and Receivables	2, 8, 9	10,856	5,901
8	Property and Equipment - Gross	2, 4	1,841,588	1,825,110
9	Less: Accumulated Depreciation and Amortization	2, 4	(678,133)	(624,834)
10	Property and Equipment - Net	2, 4	1,163,455	1,200,276
11	Other Assets	2, 9	14,038	15,660
12	Total Assets		$1,278,108	$1,306,715
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$2,841	$8,572
14	Notes Payable		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates		0	0
16	External	7	3,800	3,800
17	Income Taxes Payable and Accrued	2	5,484	0
18	Other Accrued Expenses	2, 5	71,754	66,935
19	Other Current Liabilities	2, 6	32,461	29,865
20	Total Current Liabilities		116,340	109,172
	Long-Term Debt:			
21	Due to Affiliates		0	0
22	External	2, 7, 9	720,412	793,873
23	Deferred Credits	7	9,877	6,035
24	Other Liabilities		11,574	20,131
25	Commitments and Contingencies	8	0	0
26	Total Liabilities		858,203	929,211
27	Stockholders', Partners', or Proprietor's Equity		419,905	377,504
28	Total Liabilities and Equity		$1,278,108	$1,306,715

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, 2015 AND 2014

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2015 (c)	2014 (d)
	Revenue:			
1	Casino		$165,128	$153,686
2	Rooms		27,117	25,046
3	Food and Beverage		34,468	31,054
4	Other		8,997	9,094
5	Total Revenue		235,710	218,880
6	Less: Promotional Allowances	2	53,121	51,616
7	Net Revenue		182,589	167,264
	Costs and Expenses:			
8	Casino		66,919	63,464
9	Rooms, Food and Beverage		20,821	18,325
10	General, Administrative and Other	10	56,379	64,434
11	Total Costs and Expenses		144,119	146,223
12	Gross Operating Profit		38,470	21,041
13	Depreciation and Amortization	4	14,799	14,542
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other		0	0
16	Income (Loss) from Operations		23,671	6,499
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External	5, 7	(16,657)	(17,690)
19	CRDA Related Income (Expense) - Net	2, 9	(652)	(554)
20	Nonoperating Income (Expense) - Net		(161)	377
21	Total Other Income (Expenses)		(17,470)	(17,867)
22	Income (Loss) Before Taxes and Extraordinary Items		6,201	(11,368)
23	Provision (Credit) for Income Taxes	2	(1,827)	(704)
24	Income (Loss) Before Extraordinary Items		8,028	(10,664)
25	Extraordinary Items (Net of Income Taxes - 2014, $0; 2013, $0)		0	0
26	Net Income (Loss)		$8,028	($10,664)

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, 2014
AND THE THREE MONTHS ENDED MARCH 31, 2015

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	__________ (e)	Total Equity (Deficit) (f)
1	**Balance, December 31, 2013_........**		$446,700	($58,532)		$388,168
2	Net Income (Loss) - 2014..........			23,709		23,709
3	Capital Contributions................					0
4	Capital Withdrawals..................					0
5	Partnership Distributions...........					0
6	Prior Period Adjustments..........					0
7	____________________					0
8	____________________					0
9	____________________					0
10	**Balance, December 31, 2014.........**		446,700	(34,823)	0	411,877
11	Net Income (Loss) - 2015..........			8,028		8,028
12	Capital Contributions................					0
13	Capital Withdrawals..................					0
14	Partnership Distributions...........					0
15	Prior Period Adjustments..........					0
16	____________________					0
17	____________________					0
18	____________________					0
19	**Balance, March 31, 2015...............**		$446,700	($26,795)	$0	$419,905

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, 2015 AND 2014

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2015 (c)	2014 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$21,913	$4,828
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments		0	0
3	Proceeds from the Sale of Short-Term Investments		0	0
4	Cash Outflows for Property and Equipment	4	(4,886)	(1,811)
5	Proceeds from Disposition of Property and Equipment	4	97	2
6	CRDA Obligations	2, 9	(2,268)	(1,875)
7	Other Investments, Loans and Advances made		0	0
8	Proceeds from Other Investments, Loans, and Advances		0	0
9	Cash Outflows to Acquire Business Entities		0	0
10	Gain from Subrogation Settlement		0	451
11				
12	Net Cash Provided (Used) By Investing Activities		(7,057)	(3,233)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		0	0
14	Payments to Settle Short-Term Debt		0	0
15	Proceeds from Long-Term Debt	7	149,300	116,200
16	Costs of Issuing Debt		(7)	0
17	Payments to Settle Long-Term Debt	7	(171,150)	(120,350)
18	Cash Proceeds from Issuing Stock or Capital Contributions		0	0
19	Purchases of Treasury Stock		0	0
20	Payments of Dividends or Capital Withdrawals		0	0
21	Payments to Repurchase Sr. Secured Notes		0	0
22	Net Proceeds from Issuance of Term Loan		0	0
23	Net Cash Provided (Used) By Financing Activities		(21,857)	(4,150)
24	Net Increase (Decrease) in Cash and Cash Equivalents		(7,001)	(2,555)
25	Cash and Cash Equivalents at Beginning of Period		41,730	37,527
26	Cash and Cash Equivalents at End of Period	2	$34,729	$34,972

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)	7	$25,975	$27,271
28	Income Taxes		$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
STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2015 (c)	2014 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)		$8,028	($10,664)
30	Depreciation and Amortization of Property and Equipment	4	14,652	14,471
31	Amortization of Other Assets		147	71
32	Amortization of Debt Discount or Premium	7	576	563
33	Deferred Income Taxes - Current	2	12	57
34	Deferred Income Taxes - Noncurrent	2	3,562	(1,014)
35	(Gain) Loss on Disposition of Property and Equipment		(20)	(2)
36	(Gain) Loss on CRDA-Related Obligations		652	554
37	(Gain) Loss from Other Investment Activities		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks	3	(864)	1,338
39	(Increase) Decrease in Inventories		25	(8)
40	(Increase) Decrease in Other Current Assets		4,364	(2,643)
41	(Increase) Decrease in Other Assets		(979)	1,184
42	Increase (Decrease) in Accounts Payable		(2,909)	2,646
43	Increase (Decrease) in Other Current Liabilities	6	(3,522)	(1,550)
44	Increase (Decrease) in Other Liabilities		(2,303)	276
45	Loss on Early Retirement of Debt		492	(451)
46				
47	Net Cash Provided (Used) By Operating Activities		$21,913	$4,828

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line	Description	Notes	2015	2014
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment	4	($4,886)	($1,811)
49	Less: Capital Lease Obligations Incurred			
50	Cash Outflows for Property and Equipment		($4,886)	($1,811)
	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, 2015
(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	142,611	$16,711	0	$0
2	Food	351,985	8,229	288,000	2,880
3	Beverage	1,426,579	4,636	0	0
4	Travel	0	0	5,428	1,357
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	671,346	16,784	0	0
7	Complimentary Cash Gifts	118,201	2,955	0	0
8	Entertainment	25,109	1,004	0	0
9	Retail & Non-Cash Gifts	10,935	547	6,444	1,611
10	Parking	0	0	0	0
11	Other	20,919	2,255	330,806	1,265
12	Total	2,767,685	$53,121	630,678	$7,113

*Promotional Allowances - Other includes $628K of Spa comps, $235K of Comp room incidentals, $122K change in Comp and Slot dollars earned but not redeemed and $1,270M in other promotional allowances.

FOR THE THREE MONTHS ENDED MARCH 31, 2015

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	142,611	$16,711	0	$0
2	Food	351,985	8,229	288,000	2,880
3	Beverage	1,426,579	4,636	0	0
4	Travel	0	0	5,428	1,357
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	671,346	16,784	0	0
7	Complimentary Cash Gifts	118,201	2,955	0	0
8	Entertainment	25,109	1,004	0	0
9	Retail & Non-Cash Gifts	10,935	547	6,444	1,611
10	Parking	0	0	0	0
11	Other	20,919	2,255	330,806	1,265
12	Total	2,767,685	$53,121	630,678	$7,113

*Promotional Allowances - Other includes $628K of Spa comps, $235K of Comp room incidentals, $122K change in Comp and Slot dollars earned but not redeemed and $1,270M in other promotional allowances.

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

FOR THE QUARTER ENDED MARCH 31, 2015

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.

5/15/2015
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.

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 (the successor-in-interest to MGM MIRAGE) ("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.

On March 24, 2010, MAC transferred its 50% ownership interest (the "MGM Interest") in MDDHC, and certain land leased to MDDC, into a divestiture trust, of which MGM and its subsidiaries are the economic beneficiaries (the "Divestiture Trust") in connection with MGM's settlement agreement with the New Jersey Division of Gaming Enforcement ("NJDGE"). After submission of a Joint Petition of MGM, Boyd and MDDC, the NJCCC, on February 13, 2013, approved amendments to the settlement agreement which permitted MGM to file an application for a statement of compliance, which, if approved, would permit MGM to reacquire its interest in MDDC. On September 10, 2014, the NJCCC approved MGM's application. As a result, the Divestiture Trust was dissolved as of September 30, 2014, and MGM reacquired its interest in MDDC as of such date. There was no resulting direct impact on our consolidated financial statements from these events.

Basis of Presentation

The accompanying condensed 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.

The results for the periods indicated are unaudited, but reflect all adjustments (consisting only of normal recurring adjustments) that management considers necessary for a fair presentation of financial position, results of operations and cash flows. Results of operations and cash flows for the interim periods presented herein are not necessarily indicative of the results that would be achieved during a full year of operations or in future periods.

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the U.S. Securities and Exchange Commission ("SEC") on March 19, 2015.

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,	
	2015	**2014**
Unrestricted cash and cash equivalents	$ 28,472,000	$ 29,001,000
Restricted cash	6,257,000	5,971,000
Total cash and cash equivalents	**$ 34,729,000**	**$ 34,972,000**

Cash and cash equivalents included restricted cash of $6,257,000 and $5,971,000 at March 31, 2015 and 2014, 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 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 investment alternative tax 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, when a qualified investment is identified. Our deposits with the CRDA, net of valuation reserves held by us, were $10,462,000 and $5,547,000 as of March 31, 2015 and 2014, respectively, and are included in other assets on our condensed consolidated balance sheets.

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,	
	2015	2014
Rooms	$ 16,711,000	$ 16,560,000
Food and beverage	12,800,000	12,152,000
Other	23,610,000	22,904,000
Total promotional allowances	**$ 53,121,000**	**$ 51,616,000**

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

	Three Months Ended March 31,	
	2015	2014
Rooms	$ 5,067,000	$ 5,106,000
Food and beverage	10,186,000	9,672,000
Other	2,540,000	2,474,000
Total	**$ 17,793,000**	**$ 17,252,000**

Gaming Taxes

In New Jersey, 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 condensed consolidated statements of operations. These taxes were $13,053,000 and $12,092,000 during the three months ended March 31, 2015 and 2014, respectively.

Income Taxes

As a single member LLC, 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 condensed 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 resulted in an income tax payable that will be remitted to the members of MDDHC under the tax sharing agreement. Amounts due to the State reflect the estimated tax effect of proposed audit adjustments agreed to in the New Jersey 2003 through 2009 state income tax examination. Such amounts were reclassified from other long term tax liabilities, as it is reasonably possible that payment will occur in the next twelve month period.
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 receivable is presented below:

	March 31,	
	2015	2014
Amounts payable to members of MDDHC	$ 4,148,000	$ -
Amounts payable (receivable) - State	1,336,000	(1,037,000)
Income taxes payable (receivable)	**$ 5,484,000**	**$ (1,037,000)**

Income taxes receivable at March 31, 2014 is included in other current assets on our condensed balance sheets.

Accounting for Uncertain Tax Positions

The impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Accounting guidance, which is applicable to all income tax positions, provides direction on derecognition, classification, interest and penalties, accounting in interim periods and disclosure.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

		Three Months Ended March 31, 2015
Unrecognized tax benefit as of January 1, 2015	$	6,217,000
Additions based on tax positions related to current year		-
Additions based on tax positions related to prior years		-
Reductions based on tax positions settled with taxing authorities		-
Reductions based on tax positions related to prior years	$	(3,213,000)
Unrecognized tax benefit as of March 31, 2015	**$**	**3,004,000**

During the quarter, we effectively settled our 2005 through 2009 IRS examination and adjusted our unrecognized tax benefits and state income tax payable for the expected state tax impact of the federal income tax adjustments, where the state and federal tax treatment should be consistent. In the quarter, we reduced our unrecognized tax benefits by $3,213,000. The reduction in our unrecognized tax benefits and reversal of interest accrued on other state income tax liabilities resulted in an income statement benefit to our tax provision of $2,548,000.

Our New Jersey state income tax returns for the years ended December 31, 2003 through December 31, 2009 are under audit by the New Jersey Division of Taxation. It is reasonably possible over the next twelve-month period that we may experience a decrease in our unrecognized tax benefits, as of March 31, 2015, in an amount up to $3,000,000, all of which would impact our effective tax rate. Such reduction is due to the resolution of certain issues, primarily related to the realization of tax attributes, in connection with our state examination.

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 2015-03 Simplifying the Presentation of Debt Issuance Costs

In April 2015, the Financial Accounting Standards Board ("FASB") issued Update 2015-03. Update 2015-03 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 that debt liability, consistent with debt discounts. The standard is effective for financial statements issued for fiscal years beginning after December 15, 2015, for interim periods within those fiscal years, and early adoption is permitted. The Company is evaluating the potential impact of the new standard on its financial reporting.

Accounting Standards Update 2015-01 Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items ("Update 2015-01")

In January 2015, the FASB issued Update 2015-01. Update 2015-01 eliminates from GAAP the concept of an extraordinary item, which is an event or transaction that is both (1) unusual in nature and (2) infrequently occurring. Under Update 2015-01, an entity will no longer (1) segregate an extraordinary item from the results of ordinary operations; (2) separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; or (3) disclose income taxes and earnings-per-share data applicable to an extraordinary item. The standard is effective for annual periods beginning after December 15, 2015 with early adoption permitted. The Company is evaluating the potential impacts of the new standard on its financial reporting.

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, 2015	March 31, 2014
Casino receivables (net of an allowance for doubtful accounts – 2015 $21,512,000 and 2014 $20,234,000)	$ 23,378,000	$ 25,153,000
Other (net of an allowance for doubtful accounts – 2015 $27,000 and 2014 $28,000)	10,194,000	6,543,000
Due from related parties (Note 10)	131,000	294,000
Receivables and patrons' checks, net	**$ 33,703,000**	**$ 31,990,000**

NOTE 4. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	March 31, 2015	March 31, 2014
Land	$ 87,301,000	$ 87,301,000
Building and improvements	1,422,474,000	1,417,205,000
Furniture and equipment	322,034,000	316,293,000
Construction in progress	9,779,000	4,311,000
Total property and equipment	1,841,588,000	1,825,110,000
Less accumulated depreciation	678,133,000	624,834,000
Property and equipment, net	**$ 1,163,455,000**	**$ 1,200,276,000**

Depreciation expense was $14,652,000 and $14,471,000 during the three months ended March 31, 2015 and 2014, 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, 2015	March 31, 2014
Accrued payroll and related expenses	$ 22,306,000	$ 20,460,000
Accrued interest	5,265,000	5,050,000
Accrued expenses and other liabilities	44,183,000	41,425,000
Other accrued expenses	**$ 71,754,000**	**$ 66,935,000**

NOTE 6. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	March 31, 2015	March 31, 2014
Casino related liabilities	$ 17,450,000	$ 14,511,000
Due to related parties (see Note 10)	1,458,000	2,051,000
Other	12,968,000	13,303,000
Other current liabilities	**$ 31,876,000**	**$ 29,865,000**

NOTE 7. LONG-TERM DEBT, NET

Long-term debt, net consists of the following:

March 31, 2015	Interest Rates at March 31, 2015	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
Revolving Credit Facility	4.00 %	$ 13,800,000	$ -	$ -	$ 13,800,000
Incremental Term Loan	6.50 %	325,750,000	(2,356,000)	-	323,394,000
9.875% Senior Secured Notes due 2018	9.88 %	393,500,000	(1,402,000)	(5,080,000)	387,018,000
		733,050,000	**(3,758,000)**	**(5,080,000)**	**724,212,000**
Less current maturities		3,800,000	-	-	3,800,000
Long-term debt, net		**$ 729,250,000**	**$ (3,758,000)**	**$ (5,080,000)**	**$ 720,412,000**

March 31, 2014	Interest Rates at March 31, 2014	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
Revolving Credit Facility	3.86 %	$ 36,700,000	$ -	$ -	$ 36,700,000
Incremental Term Loan	6.75 %	379,050,000	(3,563,000)	-	375,487,000
9.875% Senior Secured Notes due 2018	9.88 %	393,500,000	(1,733,000)	(6,281,000)	385,486,000
		809,250,000	**(5,296,000)**	**(6,281,000)**	**797,673,000**
Less current maturities		3,800,000	-	-	3,800,000
Long-term debt, net		**$ 805,450,000**	**$ (5,296,000)**	**$ (6,281,000)**	**$ 793,873,000**

At March 31, 2015, $13,800,000 was outstanding under the revolving credit facility (the “Revolving Credit Facility”) component of the MDFC Amended and Restated Credit Agreement (the "Credit Facility"), with $4,800,000 allocated to support a letter of credit, leaving remaining contractual availability of $51,400,000.

Covenant Compliance

As of March 31, 2015, 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, 2015, we incurred non-cash charges of $492,000 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

Commitments

There have been no material changes to our commitments described under Note 8, *Commitments and Contingencies*, in our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on March 19, 2015.

Contingencies

Borgata Property Taxes

We have filed tax appeal complaints, in connection with our property tax assessments for tax years 2009 through 2014, 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 trial date for the Appellate Court hearing is scheduled for June 1, 2015. 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 $11,971,000, respectively. We can provide no assurances that the Tax Court's decision in the 2009-2010 appeal will be upheld at the appellate level. Due to the uncertainty surrounding the ultimate resolution of the City's appeal, we will not recognize any gain until a final, non-appealable decision has been rendered.

On June 5, 2014, we entered into a settlement agreement with the City. The agreement resolved the tax appeal complaints we filed in connection with property tax assessments for tax years 2011 through 2014. Under the terms of the agreement, we are entitled to receive a tax refund of $88,250,000 for tax years 2011 through 2013, as well as a tax credit of approximately $19,300,000 for tax year 2014. Such credit results from a lower 2014 property tax valuation relative to the prior year and the City's issuance of a final 2014 property tax rate. Additionally, the City has agreed to a defined property tax valuation for tax year 2015. In exchange, we have agreed to relinquish our right to further contest the property tax assessments for tax years 2011 through 2015, contingent upon the City fulfilling its obligations under the agreement. We filed a protective appeal in Tax Court on our 2015 property tax valuation on March 20, 2015. The agreement does not affect the pending appeals of the property tax assessments for tax years 2009 and 2010. Per the terms of the agreement, the City intends to fulfill its obligation to pay the refund to us through a bond issuance. The ordinance to issue the bonds was approved by applicable state and local agencies in September 2014; however, the occurrence and timing of such issuance continues to be subject to general market conditions. In the event that the City does not issue bonds, or otherwise fails to pay the refund, we retain our right to compel a trial on the filed appeals. We cannot be certain that the City will issue bonds or fund their obligations under the agreement through other sources. Due to this uncertainty, we will not record the recovery of the $88,250,000 in previously paid property taxes until the City has successfully issued bonds or obtained other dedicated sources of funding in an amount sufficient to pay the refund for tax years 2011 through 2013 per the terms of the agreement.

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 adverse impact on our financial position, results of operations or cash flows.

NOTE 9. FAIR VALUE MEASUREMENTS

We have adopted the authoritative accounting guidance for fair value measurements, which does not determine or affect the circumstances under which fair value measurements are used, but 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

These inputs create the following fair value hierarchy:

- *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, 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

	March 31, 2014			
	Balance	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash and cash equivalents	$ 29,001,000	$ 29,001,000	$ -	$ -
Restricted Cash	5,971,000	5,971,000	-	-
CRDA investments, net	5,547,000	-	-	5,547,000

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, 2015 and March 31, 2014. 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, 2015 and March 31, 2014.

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

	Three Months Ended March 31,	
	2015	**2014**
Balance at January 1,	$ 9,158,000	$ 4,613,000
Deposits	1,956,000	1,747,000
Included in earnings	(652,000)	(554,000)
Settlements	-	(259,000)
Ending balance at March 31,	**$ 10,462,000**	**$ 5,547,000**

Balances Disclosed at Fair Value

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

	March 31, 2015			
	Outstanding Face Amount	**Carrying Value**	**Estimated Fair Value**	**Fair Value Hierarchy**
Revolving Credit Facility	$ 13,800,000	$ 13,800,000	$ 13,800,000	Level 2
Incremental Term Loan	325,750,000	323,394,000	327,310,000	Level 2
9.875% Senior Secured Notes due 2018	393,500,000	387,018,000	411,208,000	Level 1
Total long-term debt	**$ 733,050,000**	**$ 724,212,000**	**$ 752,318,000**	

	March 31, 2014			
	Outstanding Face Amount	**Carrying Value**	**Estimated Fair Value**	**Fair Value Hierarchy**
Revolving Credit Facility	$ 36,700,000	$ 36,700,000	$ 36,700,000	Level 2
Incremental Term Loan	379,050,000	375,487,000	384,421,000	Level 2
9.875% Senior Secured Notes due 2018	393,500,000	385,486,000	421,045,000	Level 1
Total long-term debt	**$ 809,250,000**	**$ 797,673,000**	**$ 842,166,000**	

The estimated fair value of our Revolving Credit Facility at March 31, 2015 and March 31, 2014 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 incremental term loan is based on a relative value analysis performed on or about March 31, 2015 and March 31, 2014. The estimated fair value of our senior secured notes is based on quoted market prices as of March 31, 2015 and March 31, 2014.

There were no transfers between Level 1, Level 2 or Level 3 measurements during the three months ended March 31, 2015.

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 $125,000 and $241,000 at March 31, 2015 and 2014, respectively. Reimbursable expenditures incurred were $146,000 and $197,000 at March 31, 2015 and 2014, 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 $6,000 and $53,000 at March 31, 2015 and 2014, respectively. Reimbursable expenditures incurred were $38,000 and $53,000 at March 31, 2015 and 2014, respectively.

Compensation of Certain Employees

We reimburse BAC for compensation paid to employees performing services for us and 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 $1,458,000 and $2,051,000 at March 31, 2015 and 2014, respectively. Reimbursable expenditures were $1,547,000 and $2,226,000 at March 31, 2015 and 2014, 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

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