BORGATA HOTEL CASINO & SPA

QUARTERLY REPORT

FOR THE QUARTER ENDED JUNE 30, 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 JUNE 30, 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	$36,688	$41,303	
2	Short-Term Investments		0	0	
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2016, $19,855; 2015, $22,198)	3	35,360	32,704	
4	Inventories	2	4,754	4,754	
5	Other Current Assets	9	10,301	19,632	
6	Total Current Assets		87,103	98,393	
7	Investments, Advances, and Receivables	2,3,9	397	12,403	
8	Property and Equipment - Gross	4	1,859,958	1,838,667	
9	Less: Accumulated Depreciation and Amortization	4	(723,461)	(679,609)	
10	Property and Equipment - Net	4	1,136,497	1,159,058	
11	Other Assets	9	5,761	6,254	*
12	Total Assets		$1,229,758	$1,276,108	
	LIABILITIES AND EQUITY:				
	Current Liabilities:				
13	Accounts Payable		$3,405	$3,701	
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	13,666	5,254	
18	Other Accrued Expenses	5	70,819	87,074	
19	Other Current Liabilities	6	30,968	30,464	
20	Total Current Liabilities		126,858	130,293	
	Long-Term Debt:				
21	Due to Affiliates		0	0	
22	External	7,9	583,557	692,324	*
23	Deferred Credits		2,906	9,387	
24	Other Liabilities		5,412	12,246	
25	Commitments and Contingencies	8	0	0	
26	Total Liabilities		718,733	844,250	
27	Stockholders', Partners', or Proprietor's Equity		511,025	431,858	
28	Total Liabilities and Equity		$1,229,758	$1,276,108	

*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 SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	Revenue:			
1	Casino		$355,000	$335,405
2	Rooms		57,334	56,951
3	Food and Beverage		71,760	70,860
4	Other		21,609	19,909
5	Total Revenue		505,703	483,125
6	Less: Promotional Allowances	2	112,063	109,373
7	Net Revenue		393,640	373,752
	Costs and Expenses:			
8	Casino		135,026	133,976
9	Rooms, Food and Beverage		41,800	43,622
10	General, Administrative and Other	10	110,669	112,391
11	Total Costs and Expenses		287,495	289,989
12	Gross Operating Profit		106,145	83,763
13	Depreciation and Amortization	4	28,987	29,590
	Charges from Affiliates Other than Interest:			
14	Management Fees			
15	Other			
16	Income (Loss) from Operations		77,158	54,173
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External	7,9	(22,880)	(32,964)
19	CRDA Related Income (Expense) - Net	9	(80)	(1,424)
20	Nonoperating Income (Expense) - Net	8	12,519	(257)
21	Total Other Income (Expenses)		(10,441)	(34,645)
22	Income (Loss) Before Taxes		66,717	19,528
23	Provision (Credit) for Income Taxes	2	6,068	(453)
24	Net Income (Loss)		$60,649	$19,981

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 JUNE 30, 2016 AND 2015

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	Revenue:			
1	Casino		$180,987	$170,277
2	Rooms		29,832	29,834
3	Food and Beverage		38,002	36,392
4	Other		11,356	10,912
5	Total Revenue		260,177	247,415
6	Less: Promotional Allowances	2	56,830	56,252
7	Net Revenue		203,347	191,163
	Costs and Expenses:			
8	Casino		67,233	67,057
9	Rooms, Food and Beverage		22,249	22,801
10	General, Administrative and Other	10	55,397	56,012
11	Total Costs and Expenses		144,879	145,870
12	Gross Operating Profit		58,468	45,293
13	Depreciation and Amortization	4	14,638	14,791
	Charges from Affiliates Other than Interest:			
14	Management Fees			
15	Other			
16	Income (Loss) from Operations		43,830	30,502
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External	7,9	(11,125)	(16,307)
19	CRDA Related Income (Expense) - Net	9	2,281	(772)
20	Nonoperating Income (Expense) - Net	8	6,138	(96)
21	Total Other Income (Expenses)		(2,706)	(17,175)
22	Income (Loss) Before Taxes		41,124	13,327
23	Provision (Credit) for Income Taxes	2	3,736	1,374
24	Net Income (Loss)		$37,388	$11,953

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 SIX MONTHS ENDED JUNE 30, 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..........			60,649		60,649
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, June 30, 2016..................**		$446,700	$64,325	$0	$511,025

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 SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$95,992	$63,394
	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	(16,898)	(15,305)
5	Proceeds from Disposition of Property and Equipment...........	4	72	251
6	CRDA Obligations	2,9	(4,838)	(4,587)
7	Other Investments, Loans and Advances made.......................		0	0
8	Proceeds from Other Investments, Loans, and Advances		11,625	0
9	Cash Outflows to Acquire Business Entities...........................		0	0
10	....			
11	....			
12	Net Cash Provided (Used) By Investing Activities....................		(10,039)	(19,641)
	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	7,9	268,600	309,800
16	Costs of Issuing Debt..		0	(30)
17	Payments to Settle Long-Term Debt......................................	7,9	(363,200)	(353,950)
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	Partnership Distrubutions		(5,309)	0
22	....			
23	Net Cash Provided (Used) By Financing Activities...................		(99,909)	(44,180)
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		(13,956)	(427)
25	Cash and Cash Equivalents at Beginning of Period..................		50,644	41,730
26	Cash and Cash Equivalents at End of Period............................		$36,688	$41,303

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)......................................	7,9	$21,394	$30,851
28	Income Taxes..	2	$1	$1,916

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 SIX 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)		$60,649	$19,981
30	Depreciation and Amortization of Property and Equipment	4	28,746	29,300
31	Amortization of Other Assets		241	290
32	Amortization of Debt Discount or Premium	7,9	1,716	1,155
33	Deferred Income Taxes - Current	2	0	38
34	Deferred Income Taxes - Noncurrent	2	(3,907)	3,072
35	(Gain) Loss on Disposition of Property and Equipment		515	(14)
36	(Gain) Loss on CRDA-Related Obligations		80	1,424
37	(Gain) Loss from Other Investment Activities		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		(399)	135
39	(Increase) Decrease in Inventories		(136)	(299)
40	(Increase) Decrease in Other Current Assets		(2,589)	1,603
41	(Increase) Decrease in Other Assets		(51)	(276)
42	Increase (Decrease) in Accounts Payable		270	(2,041)
43	Increase (Decrease) in Other Current Liabilities		9,498	10,207
44	Increase (Decrease) in Other Liabilities		131	(2,216)
45	Loss on Early Retirement of Debt		1,228	1,035
46				
47	Net Cash Provided (Used) By Operating Activities		$95,992	$63,394

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line	Description	Notes	2016	2015
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment	4	($16,898)	($15,305)
49	Less: Capital Lease Obligations Incurred			
50	Cash Outflows for Property and Equipment		($16,898)	($15,305)
	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 JUNE 30, 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	162,130	$ 18,383	-	$ -
2	Food	388,440	9,117	315,900	3,159
3	Beverage	1,464,362	4,759	-	-
4	Travel	-	-	4,288	1,072
5	Bus Program Cash	-	-	-	-
6	Promotional Gaming Credits	713,059	17,827	-	-
7	Complimentary Cash Gifts	111,368	2,784	-	-
8	Entertainment	32,271	1,290	70	7
9	Retail & Non-Cash Gifts	10,370	518	6,356	1,589
10	Parking	-	-	-	-
11	Other	20,435	2,152	353,397	1,443
12	Total	2,902,435	$56,830	680,011	$7,270

*Promotional Allowances - Other includes $613K of Spa comps, $107K of Comp room incidentals, $64K change in Comp and Slot dollars earned but not redeemed and $1,368K in other promotional allowances.

FOR THE SIX MONTHS ENDED JUNE 30, 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	314,088	$ 35,944	-	$ -
2	Food	767,151	17,971	612,200	6,122
3	Beverage	2,893,817	9,405	-	-
4	Travel	0	-	8,932	2,233
5	Bus Program Cash	0	-	-	-
6	Promotional Gaming Credits	1,400,315	35,008	-	-
7	Complimentary Cash Gifts	232,872	5,822	-	-
8	Entertainment	61,435	2,457	640	64
9	Retail & Non-Cash Gifts	19,705	985	12,860	3,215
10	Parking	0	-	-	-
11	Other	41,331	4,471	690,555	2,635
12	Total	5,730,714	$112,063	1,325,187	$14,269

*Promotional Allowances - Other includes $1,240K of Spa comps, $228K of Comp room incidentals, $170K change in Comp and Slot dollars earned but not redeemed and $2,833K in other promotional allowances.

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

FOR THE QUARTER ENDED JUNE 30, 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.

8/15/2016
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:

	June 30,	
	2016	2015
Unrestricted cash and cash equivalents	$ 31,271,000	$ 35,149,000
Restricted cash	5,417,000	6,154,000
Total cash and cash equivalents	**$ 36,688,000**	**$ 41,303,000**

Cash and cash equivalents at March 31, 2016 and 2015 included restricted cash of $5,417,000 and $6,154,000, 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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Rooms	$ 18,383,000	$ 17,689,000	$ 35,944,000	$ 34,400,000
Food and Beverage	13,826,000	12,961,000	27,278,000	25,761,000
Other	24,621,000	25,602,000	48,841,000	49,212,000
Total promotional allowances	**$ 56,830,000**	**$ 56,252,000**	**$ 112,063,000**	**$ 109,373,000**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Rooms	$ 5,359,000	$ 5,371,000	$ 10,580,000	$ 10,438,000
Food and Beverage	10,810,000	10,295,000	21,527,000	20,481,000
Other	2,884,000	3,002,000	5,418,000	5,542,000
Total cost of promotional allowances	**$ 19,053,000**	**$ 18,668,000**	**$ 37,525,000**	**$ 36,461,000**

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 14,135,000 and 13,186,000 during the three months ended June 30, 2016 and 2015, respectively, and $27,819,000 and $26,239,000 during the six months ended June 30, 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 receivable is presented below:

	June 30,	
	2016	2015
Amounts payable to members of MDDHC	$ 13,617,000	$ 4,920,000
Amounts payable – the State of New Jersey	49,000	334,000
Income taxes payable	**$ 13,666,000**	**$ 5,254,000**

Income taxes receivable at June 30, 2016 is included in other current assets on our condensed balance sheets.

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 2016-12, Revenue from Contracts with Customers - Narrow-Scope Improvements and Practical Expedients ("Update 2016-12"); Accounting Standards Update 2016-11, Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815) - Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting ("Update 2016-11"); Accounting Standards Update 2016-10, Revenue from Contracts with Customers - Identifying Performance Obligations and Licensing ("Update

2016-10"); and Accounting Standards Update 2016-08, Revenue from Contracts with Customers - Principal versus Agent Considerations (Reporting Revenue Gross versus Net) ("Update 2016-08")

In March 2016 through May 2016, the FASB issued Update 2016-08, Update 2016-10, Update 2016-11 and Update 2016-12, which amend and further clarify the new revenue standard, Accounting Standards Update 2014-09, Revenue from Contracts with Customers ("Update 2014-09"), which was subsequently amended and deferred in Accounting Standards Update 2015-14, Revenue from Contracts with Customers - Deferral of the Effective Date ("Update 2015-14", and collectively with the original standard, Update 2014-09, and subsequent amendments, Update 2016-08, Update 2016-10, Update 2016-11 and Update 2016-12, the "Revenue Standard"). The Revenue Standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Earlier application is permitted only for fiscal years, and interim periods within those years, beginning after December 15, 2016. The Company is evaluating the impact of the Revenue Standard on its consolidated 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.

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:

	June 30,	
	2016	**2015**
Casino receivables (net of an allowance for doubtful accounts – 2016 $19,832,000 and 2015 $22,166,000)	$ 25,452,000	$ 22,988,000
Other (net of an allowance for doubtful accounts – 2016 $23,000 and 2015 $32,000)	9,719,000	9,534,000
Due from related parties (Note 10)	189,000	182,000
Receivables and patrons’ checks, net	**$ 35,360,000**	**$ 32,704,000**

NOTE 4. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	June 30, 2016	June 30, 2015
Land	$ 87,301,000	$ 87,301,000
Building and improvements	1,443,907,000	1,424,057,000
Furniture and equipment	321,392,000	315,645,000
Construction in progress	7,358,000	11,664,000
Total property and equipment	1,859,958,000	1,838,667,000
Less accumulated depreciation	723,461,000	679,609,000
Property and equipment, net	**$ 1,136,497,000**	**$ 1,159,058,000**

Depreciation expense was $14,507,000 and $14,647,000 during the three months ended June 30, 2016 and 2015, respectively, and $28,745,000 and $29,300,000 during the six months ended June 30, 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:

	June 30, 2016	June 30, 2015
Accrued payroll and related expenses	$ 20,817,000	$ 20,488,000
Accrued interest	745,000	14,933,000
Accrued expenses and other liabilities	49,257,000	51,653,000
Other accrued expenses	**$ 70,819,000**	**$ 87,074,000**

NOTE 6. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	June 30, 2016	June 30, 2015
Casino related liabilities	$ 17,234,000	$ 16,576,000
Due to related parties (see Note 10)	34,000	40,000
Other	13,700,000	13,848,000
Other current liabilities	**$ 30,968,000**	**$ 30,464,000**

NOTE 7. LONG-TERM DEBT, NET

Long-term debt, net consists of the following:

	June 30, 2016				
	Interest Rates at June 30, 2015	**Outstanding Principal**	**Unamortized Discount**	**Unamortized Origination Fees**	**Long-Term Debt, Net**
Revolving Credit Facility	3.63 %	$ 27,100,000	$ -	$ (913,000)	$ 26,187,000
2018 Term Loan	6.50 %	159,000,000	(724,000)	(1,413,000)	156,863,000
2023 Term Loan	6.50 %	416,850,000	(7,416,000)	(927,000)	408,507,000
		602,950,000	**(8,140,000)**	**(3,253,000)**	**591,557,000**
Less current maturities		8,000,000	-	-	8,000,000
Long-term debt, net		**$ 594,950,000**	**$ (8,140,000)**	**$ (3,253,000)**	**$ 583,557,000**

	June 30, 2015				
	Interest Rates at June 30, 2015	**Outstanding Principal**	**Unamortized Discount**	**Unamortized Origination Fees**	**Long-Term Debt, Net**
Revolving Credit Facility	3.63 %	$ 18,400,000	$ -	$ (1,456,000)	$ 16,944,000
2013 Term Loan	6.50 %	298,850,000	(2,001,000)	(3,905,000)	292,944,000
9.875% Senior Secured Notes due 2018	9.88 %	393,500,000	(6,074,000)	(1,190,000)	386,236,000
		710,750,000	**(8,075,000)**	**(6,551,000)**	**696,124,000**
Less current maturities		3,800,000	-	-	3,800,000
Long-term debt, net		**$ 706,950,000**	**$ (8,075,000)**	**$ (6,551,000)**	**$ 692,324,000**

At June 30, 2016, $27,100,000 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 $36,900,000.

Covenant Compliance

As of June 30, 2016, we believe that we were in compliance with the financial and other covenants of our debt instruments.

Loss on Early Extinguishments of Debt

We incurred non-cash charges of $902,000 and $544,000 during the three months ended June 30, 2016 and 2015, respectively, and $1,228,000 and $1,035,000 during the six months ended June 30, 2016 and 2015, 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 $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, which time has expired. As Borgata has been engaged in ongoing settlement discussions with the City and the State, the mandamus action is being held in abeyance. 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 have provided quarterly notices to the City tax collector that we were applying the 2009 and 2010 refund as credits against our 2016 first, second and third quarter property tax installment obligations; and recorded $23,056,000 as recoveries of previously paid property taxes against our 2016 first, second and third quarter property tax expenses. Finally, in connection with litigation, the Tax Court ruled that Borgata could invoke the Freeze Act, a statutory provision that allows a taxpayer that has been awarded a final judgment in a property tax appeal to apply that judgment to two subsequent years. Accordingly, the assessment judgment for 2010 has been applied to tax years 2011 and 2012.

We have paid our property tax obligations consistent with the assessor's valuation and based on the Tax Court's decision, we estimate the total 2009, 2010, 2011 and 2012 property tax refunds and related statutory interest will be approximately $106,110,000 and $25,996,000, respectively, as of June 30, 2016. 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 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.

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:

	June 30, 2016			
	Balance	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash and cash equivalents	$ 31,271,000	$ 31,271,000	$ -	$ -
Restricted Cash	5,417,000	5,417,000	-	-
CRDA investments, net	-	-	-	-

	June 30, 2015			
	Balance	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash and cash equivalents	$ 35,149,000	$ 35,149,000	$ -	$ -
Restricted Cash	6,154,000	6,154,000	-	-
CRDA investments, net	12,008,000	-	-	12,008,000

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 June 30, 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 June 30, 2016 and December 31, 2015.

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

	Three Months Ended June 30,	
	2016	**2015**
Balance at April 1,	$ 6,888,000	$ 10,462,000
Deposits	2,456,000	2,319,000
Included in earnings	2,281,000	(773,000)
Settlements	(11,625,000)	-
Ending balance at June 30,	**$ -**	**$ 12,008,000**

	Six Months Ended June 30,	
	2016	**2015**
Balance at January 1,	$ 6,867,000	$ 9,158,000
Deposits	4,838,000	4,275,000
Included in earnings	(80,000)	(1,425,000)
Settlements	(11,625,000	-
Ending balance at June 30,	**$ -**	**$ 12,008,000**

Balances Disclosed at Fair Value

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

	June 30, 2016			
	Outstanding Face Amount	**Carrying Value**	**Estimated Fair Value**	**Fair Value Hierarchy**
Revolving Credit Facility	$ 27,100,000	$ 26,187,000	$ 27,100,000	Level 2
2018 Incremental Term Loan	159,000,000	156,863,000	156,863,000	Level 2
2023 Incremental Term Loan	416,850,000	408,507,000	417,532,000	Level 3
Total long-term debt	**$ 602,950,000**	**$ 591,557,000**	**$ 601,495,000**	

	June 30, 2015			
	Outstanding Face Amount	**Carrying Value**	**Estimated Fair Value**	**Fair Value Hierarchy**
Revolving Credit Facility	$ 18,400,000	$ 16,944,000	$ 18,400,000	Level 2
2018 Incremental Term Loan	298,850,000	292,944,000	307,068,000	Level 2
9.875% Senior Secured Notes due 2018	393,500,000	386,236,000	399,363,000	Level 1
Total long-term debt	**$ 710,750,000**	**$ 696,124,000**	**$ 724,831,000**	

The estimated fair value of our Revolving Credit Facility at June 30, 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 June 30, 2016 and December 31, 2015.

There were no transfers between Level 1, Level 2 or Level 3 measurements during the six months ended June 30, 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 $189,000 and $172,000 at June 30, 2016 and 2015, respectively. Reimbursable expenditures incurred were $169,000 and $332,000 for the three and six months ended June 30, 2016 respectively and $112,000 and $258,000 for the three and six months ended June 30, 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 $10,000 at June 30, 2016 and 2015, respectively. Reimbursable expenditures incurred were $7,000 and $35,000 for the three and six months ended June 30, 2016, respectively and $41,000 and $80,000 for the three and six months ended June 30, 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 $34,000 and $40,000 at June 30, 2016 and 2015, respectively. Reimbursable expenditures were $78,000 and $196,000 for the three and six months ended June 30, 2016, respectively, and $114,000 and $1,661,000 for the three and six months ended June 30, 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 August 1, 2016, we realized the benefit of $8,513,000 of the amount owed to us by the City as a result of property tax refunds by offsetting this amount against 2016 property taxes due to the City on that date.

In May 2016, MGM entered into a definitive agreement to acquire Boyd's interest in MDDC. Further, MGM and MGM Growth Properties LLC (“MGP”) entered into a definitive agreement whereby, following the completion of the acquisition of Boyd's interest, MGP acquired MDDC's real property from MGM and leased back the real property to a subsidiary of MGM, after which a subsidiary of MGM began operating MDDC.

Both transactions closed on August 1, 2016, at which time MDDC became a consolidated subsidiary of MGM. Cash proceeds paid to Boyd for its interest in MDDC was $589,000,000 after customary working capital adjustments and consideration of MDDC’s outstanding debt of approximately $575,000,000.

MGP subsequently acquired Borgata’s real property from a subsidiary of MGM, in exchange for MGP’s assumption of $545,000,000 of indebtedness and the issuance of 27.4 million Operating Partnership units to a subsidiary of MGM.

Pursuant to an amendment to the master lease, MGP leased back the real property to a subsidiary of MGM. Initial rent payments to MGP will be $100,000,000. Consistent with the master lease terms, 90% of this rent is fixed and will contractually grow at 2% per year until 2022.

We have evaluated all events or transactions that occurred after June 30, 2016. 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.