

**BORGATA HOTEL CASINO & SPA
QUARTERLY REPORT
FOR THE QUARTER ENDED MARCH 31, 2020**

**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, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$14,823	\$64,706
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2020, \$24,938; 2019, \$21,521).....	3	31,844	38,532
4	Inventories		3,668	3,996
5	Other Current Assets.....		15,400	7,879
6	Total Current Assets.....		65,735	115,113
7	Investments, Advances, and Receivables.....	4	599,822	630,049
8	Property and Equipment - Gross.....	5,8	176,687	112,873
9	Less: Accumulated Depreciation and Amortization.....	5,8	(71,449)	(55,297)
10	Property and Equipment - Net.....		105,238	57,576
11	Other Assets.....	8	1,775,991	1,785,571
12	Total Assets.....		\$2,546,786	\$2,588,309
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$689	\$2,865
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....		0	0
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	6	59,420	88,269
19	Other Current Liabilities.....	7,8	99,155	94,497
20	Total Current Liabilities.....		159,264	185,631
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....		0	0
23	Deferred Credits		0	0
24	Other Liabilities.....	8	1,347,503	1,311,591
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		1,506,767	1,497,222
27	Stockholders', Partners', or Proprietor's Equity.....		1,040,019	1,091,087
28	Total Liabilities and Equity.....		\$2,546,786	\$2,588,309

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, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	Revenue:			
1	Casino.....		\$94,214	\$104,711
2	Rooms.....		25,592	31,865
3	Food and Beverage.....		27,148	36,017
4	Other.....		8,116	12,037
5	Net Revenue.....		155,070	184,630
	Costs and Expenses:			
6	Casino.....		50,570	48,720
7	Rooms, Food and Beverage.....		31,713	36,094
8	General, Administrative and Other.....	8,9	50,139	60,109
9	Total Costs and Expenses.....		132,422	144,923
10	Gross Operating Profit.....		22,648	39,707
11	Depreciation and Amortization.....	5,8	5,984	4,564
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....		0	0
14	Income (Loss) from Operations.....		16,664	35,143
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	0
16	Interest Expense - External.....		0	0
17	CRDA Related Income (Expense) - Net.....		(2,416)	(2,383)
18	Nonoperating Income (Expense) - Net.....		(27,050)	(11,926)
19	Total Other Income (Expenses).....		(29,466)	(14,309)
20	Income (Loss) Before Taxes		(12,802)	20,834
21	Provision (Credit) for Income Taxes.....		(1,525)	2,136
22	Net Income (Loss).....		(\$11,277)	\$18,698

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, 2019
AND THE THREE MONTHS ENDED MARCH 31, 2020

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2018.....		\$1,150,373	(\$122,999)	\$0	\$1,027,374
2	Net Income (Loss) - 2019.....			108,750		108,750
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....			(123,500)		(123,500)
6	Prior Period Adjustments.....					0
7	Distribution to Parent in					0
8	connection with REIT			(1,294)		(1,294)
9	Impact of ASC 842 Adoption			73,178		73,178
10	Balance, December 31, 2019.....		1,150,373	(65,865)	0	1,084,508
11	Net Income (Loss) - 2020.....			(11,277)		(11,277)
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....			(28,000)		(28,000)
15	Prior Period Adjustments.....					0
16	Distribution to Parent in					0
17	connection with REIT			(5,212)		(5,212)
18						0
19	Balance, March 31, 2020.....		\$1,150,373	(\$110,354)	\$0	\$1,040,019

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, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$26,538)	\$34,025
	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.....		(2,604)	(1,015)
5	Proceeds from Disposition of Property and Equipment.....		0	0
6	CRDA Obligations		(2,780)	(2,424)
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				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(5,384)	(3,439)
	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		0	0
16	Costs of Issuing Debt.....		0	0
17	Payments to Settle Long-Term Debt.....		0	0
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	Distributions to Parent		(28,000)	(45,500)
22	Finance Lease Interest Expense		116	0
23	Net Cash Provided (Used) By Financing Activities.....		(27,884)	(45,500)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(59,806)	(14,914)
25	Cash and Cash Equivalents at Beginning of Period.....		74,629	79,620
26	Cash and Cash Equivalents at End of Period.....		\$14,823	\$64,706
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$0	\$0
28	Income Taxes.....		\$0	\$2,000

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, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$11,277)	\$18,698
30	Depreciation and Amortization of Property and Equipment...		4,272	4,474
31	Amortization of Other Assets.....		1,712	90
32	Amortization of Debt Discount or Premium.....		0	0
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent		(1,129)	212
35	(Gain) Loss on Disposition of Property and Equipment.....		0	1
36	(Gain) Loss on CRDA-Related Obligations.....		2,416	2,383
37	(Gain) Loss from Other Investment Activities.....		(64)	(15,291)
38	(Increase) Decrease in Receivables and Patrons' Checks		6,845	2,960
39	(Increase) Decrease in Inventories		284	(16)
40	(Increase) Decrease in Other Current Assets.....		(6,357)	(1,661)
41	(Increase) Decrease in Other Assets.....		1,411	1,077
42	Increase (Decrease) in Accounts Payable.....		(2,401)	359
43	Increase (Decrease) in Other Current Liabilities		(19,615)	(5,020)
44	Increase (Decrease) in Other Liabilities		(9,643)	(4,567)
45	Amortization of Operating Leases		7,008	30,326
46				
47	Net Cash Provided (Used) By Operating Activities.....		(\$26,538)	\$34,025

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$2,604)	(\$1,015)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$2,604)	(\$1,015)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....		\$0	\$0
52	Goodwill Acquired.....		0	0
53	Other Assets Acquired - net		0	0
54	Long-Term Debt Assumed.....		0	0
55	Issuance of Stock or Capital Invested.....		0	0
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, 2020
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	108,365	\$17,838	0	\$0
2	Food	377,873	10,112	49,366	494
3	Beverage	1,061,571	3,450	0	0
4	Travel	0	0	2,942	735
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	620,096	15,502	0	0
7	Complimentary Cash Gifts	802,171	20,054	0	0
8	Entertainment	17,543	702	364	36
9	Retail & Non-Cash Gifts	5,974	299	3,727	932
10	Parking	225,748	212	212,203	849
11	Other	66,063	2,057	86,301	452
12	Total	3,285,403	\$70,226	354,904	\$3,498

FOR THE THREE MONTHS ENDED MARCH 31, 2020

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	108,365	\$17,838	0	\$0
2	Food	377,873	10,112	49,366	494
3	Beverage	1,061,571	3,450	0	0
4	Travel	0	0	2,942	735
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	620,096	15,502	0	0
7	Complimentary Cash Gifts	802,171	20,054	0	0
8	Entertainment	17,543	702	364	36
9	Retail & Non-Cash Gifts	5,974	299	3,727	932
10	Parking	225,748	212	212,203	849
11	Other	66,063	2,057	86,301	452
12	Total	3,285,403	\$70,226	354,904	\$3,498

*No item in this category (Other) exceeds 5%.

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

FOR THE QUARTER ENDED MARCH 31, 2020

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.

5/15/2020

Date



Hugh Turner

VP of Finance

Title

007833-11

License Number

On Behalf of:

BORGATA HOTEL CASINO & SPA
Casino Licensee

Marina District Development Company, LLC



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

Notes to Financial Statements
(Unaudited)

NOTE 1. BUSINESS

Organization

Marina District Development Company, LLC (“MDDC” or the “Company”), is a New Jersey limited liability company and Marina District Development Holding Company (“MDDHC”) is the sole member of MDDC. MDDHC is a wholly owned subsidiary of MGM Resorts International (“MGM”).

MDDC was incorporated in July 1998 and has been operating since July 3, 2003. The Company developed, owns and operates 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). These condensed financial statements should be read in conjunction with the notes accompanying the quarterly report for the quarter ended December 31, 2019, filed on April 30, 2020.

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 at March 31, 2020 and 2019 included \$9,837,000 and \$6,093,000, respectively, primarily related to patrons’ internet gaming account balances maintained in separate New Jersey bank accounts.

Use of Estimates

The preparation of financial statements in conformity with US 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.

NOTE 3. RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks consist of the following:

	<u>March 31,</u>	
	<u>2020</u>	<u>2019</u>
Casino receivables (net of an allowance for doubtful accounts – 2020 \$24,856,000 and 2019 \$21,463,000)	\$ 20,582,000	\$ 27,448,000
Other (net of an allowance for doubtful accounts – 2020 \$82,000 and 2019 \$58,000)	11,262,000	11,084,000
Receivables and patrons' checks, net	\$ 31,844,000	\$ 38,532,000

NOTE 4. INVESTMENT IN UNCONSOLIDATED AFFILIATE

In 2016, MGM Resorts completed a series of transactions in which the real estate assets of the Company was ultimately transferred to the Operating Partnership in exchange for partnership units pursuant to a master contribution agreement. The Operating Partnership is controlled by MGM Growth Properties LLC (“MGP”).

The Company's investment in the Operating Partnership has been accounted for under the equity method. The Company's share of income and losses from its equity method investment is included in income from unconsolidated affiliate in the statements of operations.

The Company's ownership percentage in the Operating Partnership varies as the Operating Partnership issues or redeems additional Operating Partnership units to other partners and was 8.2% and 9.1% as of March 31, 2020 and 2019, respectively.

NOTE 5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following:

	<u>March 31,</u>	
	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 22,987,000	\$ 15,329,000
Furniture and equipment	111,931,000	95,499,000
Construction in progress	14,934,000	2,045,000
Finance lease ROU assets	26,835,000	-
Total property and equipment	176,687,000	112,873,000
Less accumulated depreciation	69,321,000	55,297,000
Less Finance lease ROU asset depreciation	2,128,000	-
Property and equipment, net	\$ 105,238,000	\$ 57,576,000

Depreciation expense was \$17,336,000 and \$4,474,000 for the three months ended March 31, 2020 and 2019, respectively.

NOTE 6. OTHER ACCRUED EXPENSES

Other accrued expenses consist of the following:

	<u>March 31,</u>	
	<u>2020</u>	<u>2019</u>
Accrued payroll and related expenses	\$ 17,704,000	\$ 22,030,000
Accrued expenses and other liabilities	36,629,000	52,559,000
Self-insurance reserves	5,087,000	13,680,000
Other accrued expenses	\$ 59,420,000	\$ 88,269,000

NOTE 7. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	March 31,	
	2020	2019
Casino related liabilities	\$ 20,768,000	\$ 18,342,000
Due to related parties (see Note 9)	30,837,000	30,710,000
Lease liabilities – current	37,060,000	30,970,000
Other	10,490,000	14,475,000
Other current liabilities	\$ 99,155,000	\$ 94,497,000

NOTE 8. COMMITMENTS AND CONTIGENCIES

Investment Alternative Tax

The New Jersey state law provides, among other things, for an assessment of licensees equal to 1.25% of land-based and sports related gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of land-based and sports related gross gaming revenues and for an assessment of licensees equal to 2.5% of non-sports online gross gaming revenues in lieu of an IAT equal to 5.0% of non-sports online gross gaming revenues. Generally, the Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA. Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to fifty years and bear interest at below market rates.

The Company's CRDA obligations for the years ended December 31, 2019 and 2018 were \$10,952,000 and \$10,322,000, respectively, which were expensed pursuant to the PILOT law.

PILOT Agreement

On February 15, 2017, the Company, the Department of Community Affairs of the State of New Jersey and Atlantic City entered into an interim PILOT financial agreement, effective January 1, 2017. Under the PILOT agreement, commencing in 2017 and for a period of ten (10) years, Atlantic City casino gaming properties will be required to pay a prorated share of PILOT payments totaling \$120,000,000 based on a formula that accounts for gaming revenues, the number of hotel rooms and the square footage of each casino gaming property. Commencing in 2018 and each year thereafter, the \$120,000,000 base year aggregate payment may either increase to as high as \$165,000,000 (based upon industry gross gaming revenue ("GGR") of between \$3.0 billion and \$3.4 billion) or decrease to a low of \$90,000,000 (based upon industry GGR less than \$1.8 billion) and further taking into account certain non-GGR revenue streams, with the base year \$120,000,000 industry GGR set at between \$2.2 billion and \$2.6 billion. In years in which the industry PILOT payments do not increase based upon an increase in GGR above the base year or other bracketed amounts, PILOT payments will increase 2%. For casinos whose PILOT payment exceeds their 2015 real estate tax assessment, they will receive a credit against the Investment Alternative Tax ("IAT") for the first five (5) years of the PILOT agreement. As our 2015 tax assessment was \$29,087,000, we will receive quarterly reimbursements for payment amounts that are projected to cause us to exceed \$29,087,000 annually for the years 2017 through 2021.

On February 11, 2019, the Company, the Department of Community Affairs of the State of New Jersey and Atlantic City entered into an interim PILOT financial agreement, effective January 1, 2019, establishing our prorated share as \$29,200,000 for calendar year 2019.

On March 19, 2020, the Company, the Department of Community Affairs of the State of New Jersey and Atlantic City entered into an interim PILOT financial agreement, effective January 1, 2020, establishing our prorated share as \$38,992,000 for calendar year 2020.

Legal Matters

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

NOTE 9. RELATED PARTY TRANSACTIONS

The Company does not pay a management fee to MGM. The Company is engaged in certain transactions with MGM and some of its wholly owned subsidiaries. Related party balances are non-interest bearing and are included in “Other Current Liabilities” on the balance sheets.

NOTE 10. SUBSEQUENT EVENTS

On March 16, 2020, we temporarily suspended the operations of Borgata as a precautionary measure against the ongoing spread of novel coronavirus (known as “COVID-19”) pursuant to an emergency order issued on March 16, 2020 by the state of New Jersey Governor. We will remain in consultation with the state gaming regulatory bodies licensed casinos, public health authorities and government officials to determine safe protocols for when operations may resume. The Company continues to evaluate the nature and extent of the impact of COVID-19 on its business, which is expected to have a material adverse effect on its financial statements for the first quarter of 2020 and thereafter. Given the uncertain nature of these circumstances, the related impact on the Company’s financial condition, results of operations and cash flows cannot be reasonably estimated at this time.

The Company has evaluated subsequent events through May 15, 2020, the date these financial statements were available to be issued, and no further events were identified requiring further discussion in these financial statements.