

**BORGATA HOTEL CASINO & SPA
QUARTERLY REPORT
FOR THE QUARTER ENDED SEPTEMBER 30, 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 SEPTEMBER 30, 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	\$50,294	\$57,917
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2020, \$27,307; 2019, \$23,283).....	3	26,902	41,014
4	Inventories		4,557	4,190
5	Other Current Assets.....	2	14,569	9,222
6	Total Current Assets.....		96,322	112,343
7	Investments, Advances, and Receivables.....	4	586,030	607,518
8	Property and Equipment - Gross.....	5	177,242	139,296
9	Less: Accumulated Depreciation and Amortization.....	5	(83,306)	(63,155)
10	Property and Equipment - Net.....		93,936	76,141
11	Other Assets.....		1,776,638	1,773,535
12	Total Assets.....		\$2,552,926	\$2,569,537
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$1,814	\$3,804
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	70,716	88,410
19	Other Current Liabilities.....	7, 8, 9	194,374	104,278
20	Total Current Liabilities.....		266,904	196,492
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....		0	0
23	Deferred Credits		0	0
24	Other Liabilities.....	8	1,329,934	1,298,872
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		1,596,838	1,495,364
27	Stockholders', Partners', or Proprietor's Equity.....		956,088	1,074,173
28	Total Liabilities and Equity.....		\$2,552,926	\$2,569,537

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 NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	Revenue:			
1	Casino.....	2	\$180,227	\$350,102
2	Rooms.....		40,724	110,272
3	Food and Beverage.....		36,259	115,870
4	Other.....		11,171	44,841
5	Net Revenue.....		268,381	621,085
	Costs and Expenses:			
6	Casino.....		112,611	159,621
7	Rooms, Food and Beverage.....		49,220	115,101
8	General, Administrative and Other.....	8, 9	121,791	181,389
9	Total Costs and Expenses.....		283,622	456,111
10	Gross Operating Profit.....		(15,241)	164,974
11	Depreciation and Amortization.....	5	17,909	13,415
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....		0	0
14	Income (Loss) from Operations.....		(33,150)	151,559
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	0
16	Interest Expense - External.....		625	0
17	CRDA Related Income (Expense) - Net.....		(4,758)	(7,987)
18	Nonoperating Income (Expense) - Net.....		(67,508)	(54,104)
19	Total Other Income (Expenses).....		(71,641)	(62,091)
20	Income (Loss) Before Taxes		(104,791)	89,468
21	Provision (Credit) for Income Taxes.....		(14,259)	8,214
22	Net Income (Loss).....		(\$90,532)	\$81,254

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 SEPTEMBER 30, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	Revenue:			
1	Casino.....	2	\$55,424	\$131,426
2	Rooms.....		15,132	42,818
3	Food and Beverage.....		9,154	42,067
4	Other.....		2,690	18,168
5	Net Revenue.....		82,400	234,479
	Costs and Expenses:			
6	Casino.....		23,806	59,084
7	Rooms, Food and Beverage.....		15,726	41,072
8	General, Administrative and Other.....	8, 9	40,521	64,473
9	Total Costs and Expenses.....		80,053	164,629
10	Gross Operating Profit.....		2,347	69,850
11	Depreciation and Amortization.....	5	5,993	4,320
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....		0	0
14	Income (Loss) from Operations.....		(3,646)	65,530
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	0
16	Interest Expense - External.....		625	0
17	CRDA Related Income (Expense) - Net.....		(1,107)	(3,128)
18	Nonoperating Income (Expense) - Net.....		(20,574)	(20,715)
19	Total Other Income (Expenses).....		(21,056)	(23,843)
20	Income (Loss) Before Taxes		(24,702)	41,687
21	Provision (Credit) for Income Taxes.....		(6,376)	10,635
22	Net Income (Loss).....		(\$18,326)	\$31,052

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 NINE MONTHS ENDED SEPTEMBER 30, 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.....			(90,532)		(90,532)
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			(9,888)		(9,888)
18						0
19	Balance, September 30, 2020.....		\$1,150,373	(\$194,285)	\$0	\$956,088

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 NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$11,314	\$125,661
	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.....		(3,335)	(28,505)
5	Proceeds from Disposition of Property and Equipment.....		2	57
6	CRDA Obligations		(6,519)	(7,415)
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.....		(9,852)	(35,863)
	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)	(111,501)
22	Finance Lease Interest Expense		2,203	
23	Net Cash Provided (Used) By Financing Activities.....		(25,797)	(111,501)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(24,335)	(21,703)
25	Cash and Cash Equivalents at Beginning of Period.....		74,629	79,620
26	Cash and Cash Equivalents at End of Period.....		\$50,294	\$57,917
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$0	\$0
28	Income Taxes.....		\$0	\$8,350

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 NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$90,532)	\$81,254
30	Depreciation and Amortization of Property and Equipment...		12,777	13,177
31	Amortization of Other Assets.....		5,132	238
32	Amortization of Debt Discount or Premium.....		0	0
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent		(14,258)	867
35	(Gain) Loss on Disposition of Property and Equipment.....		(4)	4
36	(Gain) Loss on CRDA-Related Obligations.....		4,758	7,987
37	(Gain) Loss from Other Investment Activities.....		(12,043)	54,345
38	(Increase) Decrease in Receivables and Patrons' Checks		11,788	478
39	(Increase) Decrease in Inventories		(605)	(210)
40	(Increase) Decrease in Other Current Assets.....		(5,526)	(3,004)
41	(Increase) Decrease in Other Assets.....		1,396	(1,408)
42	Increase (Decrease) in Accounts Payable.....		(1,100)	1,517
43	Increase (Decrease) in Other Current Liabilities		106,124	(30,796)
44	Increase (Decrease) in Other Liabilities		(27,947)	286
45	Amortization of Operating Lease		21,354	926
46				0
47	Net Cash Provided (Used) By Operating Activities.....		\$11,314	\$125,661

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$3,335)	(\$28,505)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		(\$3,335)	(\$28,505)
	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 NINE MONTHS ENDED SEPTEMBER 30, 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	170,559	\$28,751	0	\$0
2	Food	535,919	14,341	79,260	793
3	Beverage	1,347,354	4,379	0	0
4	Travel	0	0	4,921	1,230
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	1,089,126	27,228	0	0
7	Complimentary Cash Gifts	2,784,688	69,617	0	0
8	Entertainment	17,543	702	364	36
9	Retail & Non-Cash Gifts	8,843	442	6,699	1,675
10	Parking	306,509	288	331,492	1,326
11	Other	93,557	3,866	128,747	701
12	Total	6,354,097	\$149,614	551,483	\$5,761

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 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	62,194	\$10,913	0	\$0
2	Food	158,047	4,229	29,894	299
3	Beverage	285,783	929	0	0
4	Travel	0	0	1,979	495
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	469,031	11,726	0	0
7	Complimentary Cash Gifts	1,366,966	34,174	0	0
8	Entertainment	0	0	0	0
9	Retail & Non-Cash Gifts	2,869	143	2,971	743
10	Parking	80,761	76	119,289	477
11	Other	27,494	1,837	42,446	249
12	Total	2,453,143	\$64,027	196,579	\$2,263

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

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

FOR THE QUARTER ENDED SEPTEMBER 30, 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.

11/13/2020

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.

Revenue Recognition

The Company’s revenue contracts with customers consist of casino wager, hotel room sales, food & beverage transactions, and other transactions. The transaction price for a casino wager is the difference between gaming wins and losses (“net win”). In certain circumstances, the Company offers discounts on markers, which is estimated based upon historical business practice, and recorded as a reduction of casino revenue. The Company accounts for casino revenue on a portfolio basis given the similar characteristics of wagers by recognizing net win per gaming day versus on an individual wager basis.

For casino wager transactions that include other goods and services provided by the Company to gaming patrons on a discretionary basis to incentivize gaming, the Company allocates revenue from the casino wager transaction to the good or service delivered based upon stand-alone selling price (“SSP”). Discretionary goods and services provided by the Company and supplied by third parties are recognized as an operating expense.

For casino wager transactions that include incentives earned by customers under the Company’s loyalty programs, the Company allocates a portion of net win based upon the SSP of such incentive (less estimated breakage). This allocation is deferred and recognized as revenue when the customer redeems the incentive. When redeemed, revenue is recognized in the department that provides the goods or service. Redemption of loyalty incentives at third party outlets are deducted from the loyalty liability and amounts owed are paid to the third party, with any discount received recorded as other revenue. After allocating revenue to other goods and services provided as part of casino wager transactions, the Company records the residual amount to casino revenue.

The transaction price of rooms, food and beverage, and retail contracts is the net amount collected from the customer for such goods and services. The transaction price for such contracts is recorded as revenue when the good or service is transferred to the customer over their stay at the hotel or when the delivery is made for the food & beverage and other contracts. Sales and usage-based taxes are excluded from revenues. For some arrangements, the Company acts as an agent in that it arranges for another party to transfer goods and services, which primarily includes the Company's arrangement with BetMGM, LLC ("BetMGM"), under which BetMGM operates the sportsbook located at Borgata and online gaming activities in the state of New Jersey in exchange for the full economics of such activities. As of July 1, 2020, since the Company does not control the betting service (it does not set the odds), the Company records the transactions on a net basis, that is, sportsbook and online gaming revenues are offset, in full, by the amounts paid to BetMGM.

The Company also has other contracts that include multiple goods and services, such as packages that bundle food and beverage offerings with hotel stays and convention services. For such arrangements, the Company allocates revenue to each good or service based on its relative SSP. The Company primarily determines the SSP of rooms, food and beverage, and other goods and services based on the amount that the Company charges when sold separately in similar circumstances to similar customers.

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 September 30, 2020 and 2019 included \$17,221,000 and \$6,671,000 of patrons' internet gaming account balances that are 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:

	September 30,	
	2020	2019
Casino receivables (net of an allowance for doubtful accounts – 2020 \$27,296,000 and 2019 \$23,201,000)	\$ 13,666,000	\$ 32,690,000
Other (net of an allowance for doubtful accounts – 2020 \$11,000 and 2019 \$82,000)	13,236,000	8,324,000
Receivables and patrons' checks, net	\$ 26,902,000	\$ 41,014,000

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 9.0% and 9.3% as of September 30, 2020 and 2019, respectively.

NOTE 5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following:

	September 30,	
	2020	2019
Building and improvements	\$ 21,352,000	\$ 15,995,000
Furniture and equipment	119,991,000	96,084,000
Construction in progress	9,064,000	27,217,000
Finance lease ROU assets	26,835,000	-
Total property and equipment	177,242,000	139,296,000
Less accumulated depreciation	77,823,000	63,155,000
Less Finance lease ROU asset depreciation	5,483,000	-
Property and equipment, net	\$ 93,936,000	\$ 76,141,000

Depreciation expense was \$4,282,000 and \$4,246,000 for the three months ended September 30, 2020 and 2019, respectively, and \$12,778,000 and \$13,360,000 for the nine months ended June 30, 2020 and 2019, respectively.

NOTE 6. OTHER ACCRUED EXPENSES

Other accrued expenses consist of the following:

	September 30,	
	2020	2019
Accrued payroll and related expenses	\$ 20,767,000	\$ 25,652,000
Accrued expenses and other liabilities	45,393,000	50,817,000
Self-insurance reserves	4,556,000	11,941,000
Other accrued expenses	\$ 70,716,000	\$ 89,410,000

NOTE 7. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	September 30,	
	2020	2019
Casino related liabilities	\$ 28,782,000	\$ 19,588,000
Due to related parties (see Note 9)	116,906,000	38,884,000
Lease liabilities – current	39,719,000	34,622,000
Other	8,967,000	11,184,000
Other current liabilities	\$ 194,374,000	\$ 104,278,000

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 Investment Alternative Tax (“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.

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 payment in lieu of taxes (“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 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

The Company has evaluated subsequent events through November 13, 2020, the date these financial statements were available to be issued, and no events other than that discussed below were identified requiring further discussion in these financial statements.

The novel coronavirus (“COVID-19”) pandemic has caused, and is continuing to cause, significant economic disruption both globally and in the United States, and has, and we expect will continue to have, a significant impact on the Company’s business, financial condition and results of operations. On March 16, 2020, the property was temporarily closed to the public pursuant to state and local government requirements as a result of the unprecedented public health crisis from the COVID-19 pandemic.

On July 23, 2020, the property was re-opened with limited amenities, and the Company expects to open additional venues as demand builds and if conditions permit. In addition, while the property has been able to re-open, it may be subject to temporary, complete or partial shutdowns in the future due to COVID-19. The Company has also implemented certain measures to mitigate the spread of COVID-19, including limits on the number of gaming tables allowed to operate and on the number of seats at each table game, as well as slot machine spacing, temperature checks, mask protection and other measures to enforce social distancing, including property capacity and amenity restrictions.

While the Company has engaged in cost reduction efforts in connection with the impact of COVID-19, the Company still has significant fixed and variable expenses, which will adversely affect its profitability. In addition, the Company has seen, and expects to continue to see, weakened demand as a result of continued domestic and international travel restrictions or warnings, consumer fears and reduced consumer discretionary spending and general economic uncertainty. In light of the foregoing, the Company is unable to determine when the property will return to pre-pandemic demand and pricing, or if the property will remain re-opened, but it expects that the impact of COVID-19 will have a material impact on its consolidated results of operations during 2020 and potentially thereafter.