BORGATA HOTEL CASINO & SPA

QUARTERLY REPORT

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

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, 2012 AND 2011

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents	1, 8	$32,303	$32,180
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2012, $23,684; 2011, $24,263)	2,10	33,267	30,619
4	Inventories		4,144	3,985
5	Other Current Assets		20,578	10,666
6	Total Current Assets		90,292	77,450
7	Investments, Advances, and Receivables	1	33,475	30,890
8	Property and Equipment - Gross	1,3	1,835,995	1,794,568
9	Less: Accumulated Depreciation and Amortization	1,3	(566,465)	(510,601)
10	Property and Equipment - Net	1,3	1,269,530	1,283,967
11	Other Assets	1	13,125	15,996
12	Total Assets		$1,406,422	$1,408,303
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$4,174	$9,869
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	1	515	8,211
18	Other Accrued Expenses	4	88,522	72,533
19	Other Current Liabilities	5,10	19,021	23,503
20	Total Current Liabilities		112,232	114,116
	Long-Term Debt:			
21	Due to Affiliates		0	0
22	External	1,6,8	786,054	783,726
23	Deferred Credits		13,214	13,211
24	Other Liabilities		27,567	27,743
25	Commitments and Contingencies		0	0
26	Total Liabilities		939,067	938,796
27	Stockholders', Partners', or Proprietor's Equity		467,355	469,507
28	Total Liabilities and Equity		$1,406,422	$1,408,303

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, 2012 AND 2011

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	Revenue:			
1	Casino		$470,285	$490,732
2	Rooms		89,693	88,638
3	Food and Beverage		112,350	112,860
4	Other		32,902	32,428
5	Total Revenue		705,230	724,658
6	Less: Promotional Allowances	1	166,573	170,794
7	Net Revenue		538,657	553,864
	Costs and Expenses:			
8	Cost of Goods and Services	1	358,828	356,671
9	Selling, General, and Administrative	10	71,132	69,580
10	Provision for Doubtful Accounts	2	2,612	3,027
11	Total Costs and Expenses		432,572	429,278
12	Gross Operating Profit		106,085	124,586
13	Depreciation and Amortization	3	47,162	47,081
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other		0	0
16	Income (Loss) from Operations		58,923	77,505
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External	4,6	(61,885)	(63,064)
19	CRDA Related Income (Expense) - Net		(3,433)	(3,523)
20	Nonoperating Income (Expense) - Net		3,984	(1,476)
21	Total Other Income (Expenses)		(61,334)	(68,063)
22	Income (Loss) Before Taxes and Extraordinary Items		(2,411)	9,442
23	Provision (Credit) for Income Taxes	1	170	1,466
24	Income (Loss) Before Extraordinary Items		(2,581)	7,976
25	Extraordinary Items (Net of Income Taxes - 2012, $0; 2011, $0)		0	0
26	Net Income (Loss)		($2,581)	$7,976

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, 2012 AND 2011

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	Revenue:			
1	Casino		$162,360	$176,738
2	Rooms		33,705	32,530
3	Food and Beverage		40,234	41,337
4	Other		13,324	12,528
5	Total Revenue		249,623	263,133
6	Less: Promotional Allowances	1	62,532	61,115
7	Net Revenue		187,091	202,018
	Costs and Expenses:			
8	Cost of Goods and Services	1	126,899	125,981
9	Selling, General, and Administrative	10	24,917	23,705
10	Provision for Doubtful Accounts	2	857	848
11	Total Costs and Expenses		152,673	150,534
12	Gross Operating Profit		34,418	51,484
13	Depreciation and Amortization	3	16,069	14,562
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other		0	0
16	Income (Loss) from Operations		18,349	36,922
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External	5,7	(20,754)	(20,995)
19	CRDA Related Income (Expense) - Net		(1,180)	(1,274)
20	Nonoperating Income (Expense) - Net	4	1,759	(177)
21	Total Other Income (Expenses)		(20,175)	(22,446)
22	Income (Loss) Before Taxes and Extraordinary Items		(1,826)	14,476
23	Provision (Credit) for Income Taxes	1	(14)	1,550
24	Income (Loss) Before Extraordinary Items		(1,812)	12,926
25	Extraordinary Items (Net of Income Taxes - 2012, $0; 2011, $0)		0	0
26	Net Income (Loss)		($1,812)	$12,926

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, 2011
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	________ (e)	Total Equity (Deficit) (f)
1	**Balance, December 31, 2010..........**		$446,700	$14,831	$0	$461,531
2	Net Income (Loss) - 2011..........			8,405		8,405
3	Capital Contributions................					0
4	Capital Withdrawals..................					0
5	Partnership Distributions...........					0
6	Prior Period Adjustments..........					0
7	________					0
8	________					0
9	________					0
10	**Balance, December 31, 2011..........**		446,700	23,236	0	469,936
11	Net Income (Loss) - 2012..........			(2,581)		(2,581)
12	Capital Contributions................					0
13	Capital Withdrawals..................					0
14	Partnership Distributions...........					0
15	Prior Period Adjustments..........					0
16	________					0
17	________					0
18	________					0
19	**Balance, September 30, 2012........**		$446,700	$20,655	$0	$467,355

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, 2012 AND 2011

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$48,839	$70,403
	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...........................	1,3	(34,018)	(19,517)
5	Proceeds from Disposition of Property and Equipment..........	1,3	24	29
6	CRDA Obligations		(5,858)	(5,799)
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	Insurance Proceeds for Replacement Assets		3,809	0
11	....			
12	Net Cash Provided (Used) By Investing Activities....................		(36,043)	(25,287)
	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	6	515,300	574,700
16	Costs of Issuing Debt...	6	(217)	(937)
17	Payments to Settle Long-Term Debt.....................................	6	(541,800)	(620,600)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock...		0	0
20	Payments of Dividends or Capital Withdrawals......................		0	0
21	Payments on Retirements of Long-Term Debt			(8,198)
22	....			
23	Net Cash Provided (Used) By Financing Activities..................		(26,717)	(55,035)
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		(13,921)	(9,919)
25	Cash and Cash Equivalents at Beginning of Period..................		46,224	42,099
26	Cash and Cash Equivalents at End of Period............................	8	$32,303	$32,180

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).......................................	6	$58,396	$68,676
28	Income Taxes..		$0	$0

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

BORGATA HOTEL CASINO & SPA
STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)		($2,581)	$7,976
30	Depreciation and Amortization of Property and Equipment	1,3	46,845	47,038
31	Amortization of Other Assets		317	43
32	Amortization of Debt Discount or Premium	6	2,746	2,507
33	Deferred Income Taxes - Current	1	(99)	(324)
34	Deferred Income Taxes - Noncurrent	1	(162)	(711)
35	(Gain) Loss on Disposition of Property and Equipment	1	41	924
36	(Gain) Loss on CRDA-Related Obligations		3,396	3,523
37	(Gain) Loss from Other Investment Activities		27	1,010
38	(Increase) Decrease in Receivables and Patrons' Checks	2	745	(395)
39	(Increase) Decrease in Inventories		159	402
40	(Increase) Decrease in Other Current Assets		(12,138)	1,424
41	(Increase) Decrease in Other Assets		2,957	1,479
42	Increase (Decrease) in Accounts Payable		(4,248)	1,827
43	Increase (Decrease) in Other Current Liabilities	5	14,950	2,652
44	Increase (Decrease) in Other Liabilities		(307)	1,081
45	Gain on Early Retirement of Debt		0	(53)
46	Gain From Insurance Recovery		(3,809)	0
47	Net Cash Provided (Used) By Operating Activities		$48,839	$70,403

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line	Description	Notes	2012	2011
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment	1,3	($34,018)	($19,517)
49	Less: Capital Lease Obligations Incurred		0	0
50	Cash Outflows for Property and Equipment		($34,018)	($19,517)
	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, 2012
(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	466,556	$ 55,208	0	$0
2	Food	1,136,627	26,031	858,700	$ 8,587
3	Beverage	4,755,447	15,456	0	0
4	Travel	0	0	15,728	3,932
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	2,099,779	53,685	0	0
7	Complimentary Cash Gifts	357,846	7,756	0	0
8	Entertainment	104,057	4,163	3,490	349
9	Retail & Non-Cash Gifts	38,251	1,912	25,444	6,362
10	Parking	0	0	0	0
11	Other	70,256	2,362	920,686	2,968
12	Total	9,028,819	$ 166,573	1,824,048	$ 22,198

*Promotional Allowances - Other includes $2,107K of Spa comps, $555K of Comp room incidentals, and $(300K) change in Comp and Slot dollars earned but not redeemed.

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	174,644	$ 20,647		
2	Food	427,435	9,507	301,000	$ 3,010
3	Beverage	1,676,404	5,449		
4	Travel			5,344	1,336
5	Bus Program Cash				
6	Promotional Gaming Credits	811,051	20,276		
7	Complimentary Cash Gifts	133,401	3,335		
8	Entertainment	44,493	1,780	1,240	124
9	Retail & Non-Cash Gifts	12,696	635	8,748	2,187
10	Parking				
11	Other	24,782	903	335,889	1,110
12	Total	3,304,906	$ 62,532	652,221	$ 7,767

*Promotional Allowances - Other includes $743K of Spa comps, $210K of Comp room incidentals, and $(50K) change in Comp and Slot dollars earned but not redeemed.

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

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.

11/19/2012
Date

[Insert Name Here]

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. MDDC has fully and unconditionally guaranteed MDFC's securities; and accordingly, the consolidated financial statements of MDDC (as parent) are included herein. 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 (the successor-in-interest to MGM MIRAGE) ("MGM"). The joint venture operates pursuant to an operating agreement between BAC and MAC (the "Operating Agreement"), in which BAC held a 50% interest and MAC originally held a 50% interest in Marina District Development Holding Company, 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 16 wholly owned gaming entertainment properties. Headquartered in Las Vegas, Boyd has other gaming operations in Nevada, Illinois, Louisiana, Mississippi and Indiana.

On March 24, 2010, MAC transferred its 50% ownership interest (the "MGM Interest") in MDDHC, and certain land leased to MDDC, into a divestiture trust, of which MGM and its subsidiaries are the economic beneficiaries (the "Divestiture Trust"), for sale to a third-party in connection with MGM's settlement agreement with the Division of Gaming Enforcement Office of the Attorney General of the State of New Jersey (the "NJDGE"). MGM had subsequently announced that it had entered into an agreement with the NJDGE, as approved by the New Jersey Casino Control Commission ("NJCCC"). The amendment provides that the deadline for the mandated sale of the MGM Interest be increased by an additional 18 months to March 24, 2014. BAC has a right of first refusal on any sale of the MGM Interest. We continue to operate under normal business conditions throughout MGM's sales efforts, and do not believe that it has had or will have a material impact on our operations.

Upon the transfer of the MGM Interest into the Divestiture Trust, MGM relinquished all of its specific participating rights under the Operating Agreement, and Boyd effectively obtained control of Borgata. As a result, beginning on March 24, 2010, our financial position and results of operations have been included in the consolidated financial statements of Boyd. This resulting change in control required acquisition method accounting by Boyd in accordance with the authoritative accounting guidance for business combinations; however, there was no resulting direct impact on our consolidated financial statements. Accordingly, our financial position and results of operations as reported herein will differ from the results as consolidated with and separately reported by Boyd, as certain fair value and other acquisition method accounting adjustments have not been pushed down to our stand alone consolidated financial statements.

Basis of Presentation

Interim Condensed Consolidated Financial Statements

As permitted by the rules and regulations of the Securities and Exchange Commission ("SEC"), certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP, have been condensed or omitted, although we believe that the disclosures made are adequate to make the information reliable. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2011.

In our opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments of normal recurring nature necessary to fairly present our financial position as of September 30, 2012 and the results of our operations for the three and nine months ended September 30, 2012 and 2011 and our cash flows for the nine months ended September 30, 2012 and 2011. The condensed consolidated balance sheet as of September 30, 2012 is unaudited. Our operating results for the three and nine months ended September 30, 2012 and 2011, and our cash flows for the nine months ended September 30, 2012 and 2011, are unaudited, and are not necessarily indicative of the results that would be achieved for the full year or future periods.

Principles of Consolidation

The accompanying condensed consolidated financial statements have been prepared in accordance with GAAP and include the accounts of MDDC and MDFC.

All intercompany accounts and transactions have been eliminated.

Investment in unconsolidated subsidiary, which is less than 50% owned and does not meet the consolidation criteria of the authoritative accounting guidance for voting or variable interest models, is accounted for under the equity method. During the year ended December 31, 2011, we reclassified our investment in unconsolidated subsidiary to other assets based on the relative immateriality of such investment and to reflect the fact that the investment is presently being liquidated.

Cash and Cash Equivalents

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

Accounts Receivable, Net

Accounts receivable consist primarily of casino, hotel and other receivables. Accounts receivable are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems the account to be uncollectible. An estimated allowance for doubtful accounts is maintained to reduce our receivables to their carrying amount. The allowance is estimated based on specific review of customer accounts as well as management's experience with collection trends in the casino industry and current economic and business conditions. As a result, the net carrying value approximates fair value.

Property and Equipment, Net

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or, for leasehold improvements, over the shorter of the asset's useful life or term of the lease.

The estimated useful lives of our major components of property and equipment are:

Building and improvements	10 through 40 years
Furniture and equipment	3 through 7 years

Gains or losses on disposals of assets are recognized as incurred, using the specific identification method. Costs of major improvements are capitalized, while costs of normal repairs and maintenance are charged to expense as incurred.

We evaluate the carrying value of long-lived assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. For an asset that is to be disposed of, we recognize the asset at the lower of carrying value or fair market value, less costs of disposal, as estimated based on comparable asset sales, solicited offers, or a discounted cash flow model. For a long-lived asset to be held and used, we review the asset for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We then compare the estimated undiscounted future cash flows of the asset to the carrying value of the asset. The asset is not impaired if the undiscounted future cash flows exceed its carrying value. If the carrying value exceeds the undiscounted future cash flows, then an impairment charge is recorded, typically measured using a discounted cash flow model, which is based on the estimated future results of the relevant reporting unit discounted using our weighted-average cost of capital and market indicators of terminal year free cash flow multiples. If an asset is under development, future cash flows include remaining construction costs. All resulting recognized impairment charges are recorded as operating expenses.

Capitalized Interest

Interest costs, primarily associated with our expansion projects, are capitalized as part of the cost of our constructed assets. Interest costs, which include commitment fees, letter of credit fees and the amortized portion of deferred financing fees, discounts and origination fees, are capitalized on amounts expended for the respective projects using our weighted-average cost of borrowing. Capitalization of interest will cease when the respective project, or discernible portions of the projects, are substantially complete. We amortize capitalized interest over the estimated useful life of the related asset. No interest was capitalized during the three months ended September 30, 2012. Capitalized interest during the nine months ended September 30, 2012 was $469,000. Capitalized interest during both the three and nine months ended September 30, 2011 was $137,000.

Debt Financing Cost

Debt financing costs, which include legal and other direct costs related to the issuance of our outstanding debt, are deferred and amortized to interest expense over the contractual term of the underlying long-term debt using the effective interest method. In the event that our debt is modified, repurchased or otherwise reduced prior to its original maturity date, we ratably reduce the unamortized debt financing costs.

Long-Term Debt, Net

Long-term debt is reported at amortized cost. The discounts on the senior secured notes and the transaction costs paid to the initial purchasers upon issuance are recorded as adjustments to the face amounts of our outstanding debt. These resulting differences between the net proceeds upon issuance of the senior secured notes and the face amounts of the senior secured notes are accreted to interest expense using the effective interest method.

Income Taxes

As a single member LLC, MDDC is treated as a disregarded entity for federal income tax purposes. As such, it is not subject to federal income tax and its income is treated as earned by its member, MDDHC. MDDHC is treated as a partnership for federal income tax purposes and federal income taxes are the responsibility of its members. In New Jersey, casino partnerships are subject to state income taxes under the New Jersey Casino Control Act; therefore, MDDC, considered a casino partnership, is required to record New Jersey state income taxes. In 2004, MDDC was granted permission by the state of New Jersey, pursuant to a ruling request, to file a consolidated New Jersey corporation business tax return with the members of its parent, MDDHC. The amounts reflected in the condensed consolidated financial statements are reported as if MDDC was taxed for state purposes on a standalone basis; however, MDDC files a consolidated state tax return with the members of MDDHC.

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

	September 30, 2012	September 30, 2011
Amounts payable to members of MDDHC	$ 1,642,000	$ 8,609,000
Amounts receivable – State	(1,127,000)	(398,000)
Income taxes payable, net	**$ 515,000**	**$ 8,211,000**

Revenue Recognition

Gaming revenue represents the net win from gaming activities, which is the aggregate difference between gaming wins and losses. The majority of our gaming revenue is counted in the form of cash and chips and therefore is not subject to any significant or complex estimation procedures. Cash discounts, commissions and other incentives to customers related to gaming play are recorded as a reduction of gross gaming revenues as promotional allowances.

Room revenue recognition criteria are met at the time of occupancy.

Food and beverage revenue recognition criteria are met at the time of service.

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 in 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 September 30,		**Nine Months Ended September 30,**	
	2012	**2011**	**2012**	**2011**
Rooms	$ 20,647,000	$ 19,161,000	$ 55,209,000	$ 53,771,000
Food and Beverage	14,889,000	15,471,000	41,299,000	43,184,000
Other	26,996,000	26,483,000	70,065,000	73,839,000
Total promotional allowances	**$ 62,532,000**	**$ 61,115,000**	**$ 166,573,000**	**$ 170,794,000**

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

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2012	**2011**	**2012**	**2011**
Rooms	$ 6,144,000	$ 5,733,000	$ 17,089,000	$ 16,872,000
Food and Beverage	11,199,000	11,217,000	31,866,000	31,728,000
Other	3,807,000	3,784,000	9,410,000	9,254,000
Total cost of promotional allowances	**$ 21,150,000**	**$ 20,734,000**	**$ 58,365,000**	**$ 57,854,000**

Gaming Taxes

We are subject to taxes based on gross gaming revenues in New Jersey. These gaming taxes are an assessment of our gaming revenues and are recorded as a gaming expense in the condensed consolidated statements of operations. These taxes were $11,213,000 and $12,626,000 during the three months ended September 30, 2012 and 2011, respectively, and $34,265,000 and $35,941,000 during the nine months ended September 30, 2012 and 2011, respectively.

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. Significant estimates incorporated into our condensed consolidated financial statements include the estimated allowance for doubtful accounts receivable, the estimated useful lives for depreciable and amortizable assets, value of certain funds deposited with the New

Jersey Casino Reinvestment Development Authority (the "CRDA"), estimated cash flows in assessing the recoverability of long-lived assets, certain tax liabilities, self-insured liability reserves, various loyalty point programs, fair values of assets and liabilities measured at fair value, fair values of assets and liabilities disclosed at fair value, contingencies and litigation, claims and assessments. Actual results could differ from these estimates.

Recently Issued Accounting Pronouncements

A variety of additional proposed or otherwise potential accounting standards are currently under study 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 2. RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks consist of the following:

	September 30, 2012	September 30, 2011
Casino receivables (net of an allowance for doubtful accounts – 2012 $23,620,000 and 2011 $24,224,000)	$ 28,048,000	$ 25,918,000
Other (net of an allowance for doubtful accounts – 2012 $64,000 and 2011 $39,000)	4,647,000	4,660,000
Due from related parties (Note 10)	572,000	41,000
Receivables and patrons' checks, net	**$ 33,266,000**	**$ 30,619,000**

NOTE 3. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	September 30, 2012	September 30, 2011
Land	$ 87,301,000	$ 87,301,000
Building and improvements	1,408,724,000	1,393,394,000
Furniture and equipment	329,616,000	299,534,000
Construction in progress	10,354,000	14,339,000
Total property and equipment	1,835,995,000	1,794,568,000
Less accumulated depreciation	566,465,000	510,601,000
Property and equipment, net	**$ 1,269,530,000**	**$ 1,283,967,000**

Depreciation expense was $15,826,000 and $14,527,000 during the three months ended September 30, 2012 and 2011, respectively, and $46,845,000 and $47,037,000 during the nine months ended September 30, 2012 and 2011, respectively. Major items included in construction in progress at September 30, 2012 and 2011 include various property improvement and capital projects currently in process.

We test certain of these property and equipment assets for recoverability if a recent operating cash flow loss, combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses, is associated with the use of a long-lived asset.

Impairment is the condition that exists when the carrying value of a long-lived asset exceeds its fair value. An impairment loss shall be recognized only if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The carrying value of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. That assessment shall be based on the carrying amount of the asset at the date it is tested for recoverability. An impairment loss shall be measured as the amount by which the carrying value of a long-lived asset exceeds its fair value.

NOTE 4. OTHER ACCRUED EXPENSES

Other accrued expenses consist of the following:

	September 30, 2012	September 30, 2011
Accrued payroll and related expenses	$ 21,950,000	$ 20,387,000
Accrued interest	22,409,000	22,405,000
Accrued expenses and other liabilities	44,163,000	29,741,000
Other accrued expenses	**$ 88,522,000**	**$ 72,533,000**

NOTE 5. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	September 30, 2012	September 30, 2011
Casino related liabilities	$ 11,792,000	$ 11,686,000
Due to related parties (see Note 10)	440,000	4,556,000
Other	6,789,000	7,261,000
Other current liabilities	**$ 19,021,000**	**$ 23,503,000**

NOTE 6. LONG-TERM DEBT, NET

Long-term debt, net consists of the following:

September 30, 2012	Outstanding Principle	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
Amended credit facility	$ 13,700,000	$ -	$ -	$ 13,700,000
9.50% Senior Secured Notes due 2015	398,000,000	(2,720,000)	(6,387,000)	388,893,000
9.875% Senior Secured Notes due 2018	393,500,000	(2,171,000)	(7,868,000)	383,461,000
	$ 805,200,000	**$ (4,891,000)**	**$ (14,255,000)**	**$ 786,054,000**

September 30, 2011	Outstanding Principle	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
Amended credit facility	$ 15,000,000	$ -	$ -	$ 15,000,000
9.50% Senior Secured Notes due 2015	398,000,000	(3,449,000)	(8,099,000)	386,452,000
9.875% Senior Secured Notes due 2018	393,500,000	(2,429,000)	(8,797,000)	382,274,000
	$ 806,500,000	**$ (5,878,000)**	**$ (16,896,000)**	**$ 783,726,000**

Bank Credit Facility

Significant Terms

On August 6, 2010, MDFC announced that it had closed a $950,000,000 debt financing, consisting of the establishment of a $150,000,000 new payment priority secured revolving credit facility and the issuance of $800,000,000 of aggregate principal amount of notes. The proceeds from the financing were used to (i) pay fees and expenses related to the financing; (ii) repay the former credit facility; and (iii) make a one-time distribution to our joint venture owners.

On November 11, 2011, MDFC entered into an amended credit facility among MDFC, MDDC, certain other financial institutions (each a "Lender", and collectively the "Lenders") and Wells Fargo, National Association ("Wells Fargo"), as administrative agent (in such capacity, "Administrative Agent") for the Lenders. The amendment modifies certain terms of the former credit facility among the Company, the Lenders from time to time party thereto, the Administrative Agent, and Wells Fargo.

The amended credit facility: (i) reduced the aggregate commitments under the amended credit facility to a maximum amount of $75,000,000; (ii) decreased the minimum Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization as defined in the amended credit facility) to $125,000,000 for a trailing twelve-month period ending on the last day of a calendar quarter; (iii) eliminated the covenant requiring us to have a minimum amount of cash, cash equivalents, and unused commitments; and (iv) added a covenant prohibiting us from borrowing under the amended credit facility, to purchase our senior secured notes at any time when the total amount outstanding under the amended credit facility is $65,000,000 or more.

The amended credit facility provides for a $75,000,000 senior secured revolving credit facility and matures in August 2014. The amended credit facility is guaranteed on a senior secured basis by MDDC and any future subsidiaries of MDDC and is secured by a first priority lien on substantially all of our assets, subject to certain exceptions. MDDC is also the guarantor of the senior secured notes. The obligations under our amended credit facility have priority in payment to the senior secured notes.

At September 30, 2012, the outstanding balance under the amended credit facility was $13,700,000, leaving contractual availability of $61,300,000. The interest rate on the outstanding borrowings at September 30, 2012 was 4.4%.

Guarantees
Neither BAC, its parent, its affiliates, nor the Divestiture Trust are guarantors of the amended credit facility.

Interest Rate
Outstanding borrowings under the amended credit facility accrue interest at a selected rate based upon either: (i) highest of (a) the agent bank's quoted prime rate, (b) the one-month Eurodollar rate plus 1.00%, or (c) the daily federal funds rate plus 1.50%, and in any event not less than 1.50% (such highest rate, the "base rate"), or (ii) the Eurodollar rate, plus with respect to each of clause (i) and (ii) an applicable margin as provided in the amended credit facility. In addition, a commitment fee is incurred on the unused portion of the amended credit facility ranging from 0.50% per annum to 1.00% per annum.

Financial and Other Covenants
The amended credit facility contains certain financial and other covenants, including, without limitation, (i) establishing a minimum consolidated EBITDA (as defined in the amended credit facility) of $125,000,000 over each trailing twelve-month period ending on the last day of each calendar quarter; (ii) imposing limitations on MDFC's ability to incur additional debt; and (iii) imposing restrictions on our ability to pay dividends and make other distributions, make certain restricted payments, create liens, enter into transactions with affiliates, merge or consolidate, and engage in unrelated business activities.

Compliance with Financial Covenants
We believe that we were in compliance with the amended credit facility covenants, including the minimum Consolidated EBITDA, which, at September 30, 2012, was $145,492,000.

Debt Financing Costs
In conjunction with the amended credit facility, during the both the three and nine months ended September 30, 2012, we incurred $217,000 incremental debt financing costs, and incurred approximately $258,000 and $937,000 during the three and nine months ended September 30, 2011, respectively, in incremental debt financing costs, which have been deferred and are being amortized over the remaining term of the amended credit facility.

Senior Secured Notes
9.5% Senior Secured Notes Due 2015.
Significant Terms
In August 2010, MDFC issued, through a private placement, $400,000,000 principal amount of 9.5% senior secured notes due October 2015, at an issue price of 98.943%, resulting in a discount at issuance of $4,228,000. The notes require semi-annual interest payments on April 15 and October 15, which commenced on April 15, 2011. The notes are guaranteed on a

senior secured basis by MDDC and any future restricted subsidiaries of MDDC. The notes contains covenants that, among other things, limit MDFC's ability and the ability of MDDC to (i) incur additional indebtedness or liens; (ii) pay dividends or make distributions;(iii) make certain investments; (iv) sell or merge with other companies; and (v) enter into certain types of transactions. We believe that we are in compliance with these covenants at September 30, 2012.

At any time prior to October 15, 2013, the notes may be redeemed at 100% of the principal amount thereof, plus a "make-whole premium" and accrued and unpaid interest. In addition, until October 15, 2013, MDFC may redeem up to 35% of the notes at a redemption price of 109.50% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds from certain equity offerings. In addition, at any time prior to October 15, 2013, MDFC may redeem up to an aggregate of 10% of the notes in each twelve month period at a redemption price of 103% of the principal amount thereof plus accrued and unpaid interest, if any, to, but not including, the redemption date. On or after October 15, 2013, MDFC shall have the option to redeem the notes, in whole or in part, at redemption prices (expressed as percentages of the principal amount) ranging from 104.75% beginning on October 15, 2013 to 102.375% beginning on October 15, 2014, plus accrued and unpaid interest to the applicable redemption date.

9.875% Senior Secured Notes Due 2018.
Significant Terms
In August 2010, MDFC issued, through a private placement, $400,000,000 principal amount of 9.875% senior secured notes due August 2018, at an issue price of 99.315%, resulting in an original issue discount of $2,740,000. The notes require semi-annual interest payments on February 15 and August 15, which commenced on February 15, 2011. The notes are guaranteed on a senior secured basis by MDDC and any future restricted subsidiaries of MDDC. The notes contain covenants that, among other things, limit MDFC's ability and the ability of MDDC to (i) incur additional indebtedness or liens; (ii) pay dividends or make distributions; (iii) make certain investments; (iv) sell or merge with other companies; and (v) enter into certain types of transactions. We believe that we are in compliance with these covenants at September 30, 2012.

At any time prior to August 15, 2014, the notes may be redeemed at 100% of the principal amount thereof, plus a "make-whole premium" and accrued and unpaid interest. In addition, until August 15, 2013, MDFC may redeem up to 35% of the notes at a redemption price of 109.875% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds from certain equity offerings. In addition, at any time prior to August 15, 2013, MDFC may redeem up to an aggregate of 10% of the notes in each twelve month period at a redemption price of 103% of the principal amount thereof plus accrued and unpaid interest, if any, to, but not including, the redemption date. On or after August 15, 2013, MDFC shall have the option to redeem the notes, in whole or in part, at redemption prices (expressed as percentages of the principal amount) ranging from 104.938% beginning on August 15, 2014, to 102.469% beginning on August 15, 2015, to 100% beginning on August 15, 2016 and thereafter, plus accrued and unpaid interest, to the applicable redemption date.

Original Issue Discount
The original issue discounts have been recorded as offsets to the principal amounts of these notes and are being accreted to interest expense over the terms of the notes using the effective interest method. At September 30, 2012, the effective interest rates on the 9.50% notes due 2015 and the 9.875% notes due 2018 were 10.2% and 10.3%, respectively.

Indentures
The indenture governing both the 9.5% notes and the 9.875% notes allow for the incurrence of additional indebtedness, if after giving effect to such incurrence, our coverage ratio (as defined in the indenture, essentially a ratio of Consolidated EBITDA as defined, to fixed charges, including interest) for a trailing four-quarter period on a pro forma basis would be at least 2.0 to 1.0. Such pro forma coverage ratio was above 2.0 to 1.0 at the dates in which these respective tranches of senior secured notes were issued; however, at September 30, 2012, our coverage ratio (as defined in the indenture) is below 2.0 to 1.0. Accordingly, the indenture prohibits us from incurring new indebtedness; however, we may still borrow under the $75,000,000 senior secured credit facility.

NOTE 7. COMMITMENTS AND CONTIGNECIES
Commitments
There have been no material changes to our commitments described under Note 6, Commitments and Contingencies, in our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on March 30, 2012.

Atlantic City Tourism District

As part of the State of New Jersey's plan to revitalize Atlantic City, a new law was enacted in February 2011 requiring that a tourism district (the “Tourism District”) be created and managed by the CRDA. The Tourism District has been established to include each of the Atlantic City casino properties along with certain other tourism related areas of Atlantic City. The law requires that a public-private partnership be created between the CRDA and a private entity that represents existing and future casino licensees. The private entity, known as The Atlantic City Alliance (the “ACA”), has been established in the form of a not-for-profit limited liability company, of which MDDC is a member. The public-private partnership between the ACA and CRDA shall be for an initial term of five years and its general purpose shall be to revitalize the Tourism District. The law required that a $5,000,000 contribution be made to this effort by all casinos prior to 2012 followed by an annual amount of $30,000,000 to be contributed by the casinos commencing January 1, 2012 for a term of five years. Each casino's share of the annual contributions will equate to a percentage representing its gross gaming revenue for the prior calendar year compared to the aggregate gross gaming revenues for that period for all casinos. As a result, we are expensing our pro rata share of the $155,000,000 as incurred. As of December 31, 2011, we incurred expense of 910,000 for the pro rata share of the initial contribution to the ACA. During the three and nine months ended September 30, 2012, we incurred expense of $1,375,000 and $4,126,000, respectively, related to our share of the 2012 contribution.

Contingencies

Legal Matters

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

NOTE 8. FAIR VALUE MEASUREMENTS

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

These inputs create the following fair value hierarchy:

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

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

Balances Measured at Fair Value

The fair value of our cash and cash equivalents was $32,303,000 and $32,180,000 as of September 30, 2012 and 2011, respectively. The fair value of our cash and cash equivalents, classified in the fair value hierarchy as Level 1, is based on statements received from our banks at September 30, 2012 and 2011.

Balances Disclosed at Fair Value

The following table provides the fair value measurement information about our long-term debt at:

	September 30, 2012			
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Amended credit facility	$ 13,700,000	$ 13,700,000	$ 13,700,000	Level 2
9.5% Senior Secured Notes due 2015	398,000,000	388,893,000	408,010,000	Level 1
9.875% Senior Secured Notes due 2018	393,500,000	383,461,000	395,468,000	Level 1
Total long-term debt	**$ 805,200,000**	**$ 786,054,000**	**$ 817,178,000**	

	September 30, 2011			
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Amended credit facility	$ 15,000,000	$ 15,000,000	$ 15,000,000	Level 2
9.5% Senior Secured Notes due 2015	398,000,000	386,452,000	364,170,000	Level 1
9.875% Senior Secured Notes due 2018	393,500,000	382,274,000	348,248,000	Level 1
Total long-term debt	**$ 806,500,000**	**$ 783,726,000**	**$ 727,418,000**	

The estimated fair value of our amended credit facility at September 30, 2012 and 2011 approximates its carrying value due to the short-term nature and variable repricing of the underlying Eurodollar loans comprising our amended credit facility. The estimated fair values of our senior secured notes are based on quoted market prices as of September 30, 2012 and 2011.

There were no transfers between Level 1 and Level 2 measurements during the three and nine months ended September 30, 2012.

NOTE 9. EMPLOYEE BENEFIT PLANS

We contribute to multi-employer pension defined benefit plans under terms of collective-bargaining agreements that cover our union-represented employees. These unions cover certain of our culinary, hotel and other trade workers. We are obligated to make defined contributions under these plans. The significant risks of participating in multiemployer plans include, but are not limited to, the following:

- We may elect to stop participating in our multi-employer plans. As a result, of such election, we may be required to pay a withdrawal liability based on the underfunded status of the plan, as applicable. Our ability to fund such payments would be based on the results of our operations and subject to the risk factors that impact our business. If any of these risks actually occur, our business, financial condition and results of operations could be materially and adversely affected and it could affect our ability to meet our obligations to the multiemployer plan.

- We may contribute assets to the multiemployer plan for the benefit of our covered employees that are used to provide benefits to employees of other participating employers.

- We may be required to fund additional amounts if other participating employers stop contributing to the multiemployer plan.

Contributions, based on wages paid to covered employees, totaled $1,667,000 and $1,380,000 during the three months ended September 30, 2012 and 2011, respectively and $5,043,000 and $4,247,000 during the nine months ended September 30, 2012 and 2011, respectively. Our share of unfunded vested liabilities related to certain multi-employer pension plans was $68,389,000 as of January 1, 2011.

We have a retirement savings plan under Section 401(k) of the Internal Revenue Code covering our non-union employees. The plan allows employees to defer up to the lesser of the Internal Revenue Code prescribed maximum amount or 100% of their income on a pre-tax basis through contributions to the plan. We expensed our voluntary contributions to the 401(k) plan of $362,000 and $368,000 during three months ended September 30, 2012 and 2011, respectively and $1,058,000 and $1,091,000 during nine months ended September 30, 2012 and 2011, respectively.

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 the Divestiture Trust for these types of expenditures incurred by us were $246,000 and $37,000 at September 30, 2012 and 2011, respectively. Reimbursable expenditures incurred were $167,000 and $424,000 for the three and nine months ended September 30, 2012 respectively and $58,000 and $333,000 for the three and nine months ended September 30, 2011, 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 $326,000 and $4,000 at September 30, 2012 and 2011, respectively. Reimbursable expenditures incurred were $94,000 and $215,000 for the three and nine months ended September 30, 2012, respectively and $72,000 and $297,000 for the three and nine months ended September 30, 2011, respectively.

Compensation of Certain Employees

We reimburse BAC for compensation paid to employees performing services for us and for out-of-pocket costs and expenses incurred related to travel. BAC is also reimbursed for various payments made on our behalf, primarily related to third party insurance premiums and certain financing fees. The related amounts due to BAC for these types of expenditures paid by BAC were $440,000 and $4,556,000 at September 30, 2012 and 2011, respectively. Reimbursable expenditures were $2,525,000 and $2,408,000 for the three months ended September 30, 2012 and 2011, respectively, and $8,365,000 and $7,134,000 during the nine months ended September 30, 2012 and 2011, respectively. In each case, reimbursable expenses are included in selling, general and administrative on the condensed consolidated statements of operations.

NOTE 11. SUBSEQUENT EVENTS

We have evaluated all events or transactions that occurred after September 30, 2012. During this period, the following events occurred.

In October 2012, the rail cars held in the ACES joint venture were liquidated, and we received $2,800,000 representing our share of the proceeds. The dissolution efforts of the joint venture continue with the further liquidation of the remaining miscellaneous assets. Our net investment in ACES is currently less than $100,000 at October 31, 2012.

Borgata closed temporarily on October 28, 2012 and reopened on November 2, 2012 due to Hurricane Sandy. As a result of Hurricane Sandy, the property suffered minor property damage from flooding and the financial impact of the hurricane is still in the process of being assessed.