BORGATA HOTEL CASINO & SPA

QUARTERLY REPORT

FOR THE QUARTER ENDED DECEMBER 31, 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 DECEMBER 31, 2012 AND 2011

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents	1, 9	$34,125	$46,224
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2012, $22,356; 2011, $23,554)	1, 2, 12	37,199	34,012
4	Inventories	1	3,864	4,303
5	Other Current Assets	7, 8	8,938	8,341
6	Total Current Assets		84,126	92,880
7	Investments, Advances, and Receivables	1, 8, 9	31,269	31,448
8	Property and Equipment - Gross	1, 3	1,814,790	1,806,607
9	Less: Accumulated Depreciation and Amortization	1, 3	(564,007)	(524,148)
10	Property and Equipment - Net	1, 3	1,250,783	1,282,459
11	Other Assets	1, 6	12,391	15,708
12	Total Assets		$1,378,569	$1,422,495
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$3,642	$8,459
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	656	599
18	Other Accrued Expenses	1, 4	75,738	73,890
19	Other Current Liabilities	5, 12	20,945	18,553
20	Total Current Liabilities		100,981	101,501
	Long-Term Debt:			
21	Due to Affiliates		0	0
22	External	1, 6, 9	793,324	809,808
23	Deferred Credits	7	12,280	13,376
24	Other Liabilities		27,239	27,874
25	Commitments and Contingencies	8	0	0
26	Total Liabilities		933,824	952,559
27	Stockholders', Partners', or Proprietor's Equity		444,745	469,936
28	Total Liabilities and Equity		$1,378,569	$1,422,495

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 TWELVE MONTHS ENDED DECEMBER 31, 2012 AND 2011

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	Revenue:			
1	Casino		$609,128	$648,442
2	Rooms		112,709	115,548
3	Food and Beverage	8	140,391	148,083
4	Other	8	41,311	42,447
5	Total Revenue		903,539	954,520
6	Less: Promotional Allowances	1	217,317	224,246
7	Net Revenue		686,222	730,274
	Costs and Expenses:			
8	Cost of Goods and Services	1, 11	469,087	471,747
9	Selling, General, and Administrative	1,8,11,12	95,598	92,665
10	Provision for Doubtful Accounts	2	1,954	3,304
11	Total Costs and Expenses		566,639	567,716
12	Gross Operating Profit		119,583	162,558
13	Depreciation and Amortization	3	63,956	61,745
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other		0	0
16	Income (Loss) from Operations		55,627	100,813
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External	1, 4, 6	(82,902)	(84,772)
19	CRDA Related Income (Expense) - Net	8	(4,433)	(3,467)
20	Nonoperating Income (Expense) - Net	1, 8, 10	5,264	(2,431)
21	Total Other Income (Expenses)		(82,071)	(90,670)
22	Income (Loss) Before Taxes and Extraordinary Items		(26,444)	10,143
23	Provision (Credit) for Income Taxes	1, 7	(1,253)	1,738
24	Income (Loss) Before Extraordinary Items		(25,191)	8,405
	Extraordinary Items (Net of Income Taxes -			
25	2011, $0; 2010, $0)		0	0
26	Net Income (Loss)		($25,191)	$8,405

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 DECEMBER 31, 2012 AND 2011

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	Revenue:			
1	Casino		$138,843	$157,710
2	Rooms		23,016	26,910
3	Food and Beverage	8	28,041	35,223
4	Other	8	8,409	10,019
5	Total Revenue		198,309	229,862
6	Less: Promotional Allowances	1	50,744	53,452
7	Net Revenue		147,565	176,410
	Costs and Expenses:			
8	Cost of Goods and Services	1, 11	110,259	115,076
9	Selling, General, and Administrative	1,8,11,12	24,466	23,085
10	Provision for Doubtful Accounts	2	(658)	277
11	Total Costs and Expenses		134,067	138,438
12	Gross Operating Profit		13,498	37,972
13	Depreciation and Amortization	3	16,794	14,664
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other		0	0
16	Income (Loss) from Operations		(3,296)	23,308
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External	1, 4, 6	(21,017)	(21,708)
19	CRDA Related Income (Expense) - Net	8	(1,000)	56
20	Nonoperating Income (Expense) - Net	1, 8, 10	1,280	(955)
21	Total Other Income (Expenses)		(20,737)	(22,607)
22	Income (Loss) Before Taxes and Extraordinary Items		(24,033)	701
23	Provision (Credit) for Income Taxes	1, 7	(1,423)	272
24	Income (Loss) Before Extraordinary Items		(22,610)	429
	Extraordinary Items (Net of Income Taxes -			
25	2011 $0; 2010 $0)		0	0
26	Net Income (Loss)		($22,610)	$429

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, 2012 AND 2011

(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			(25,191)		(25,191)
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,December 31, 2012..........**		$446,700	($1,955)	$0	$444,745

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 TWELVE MONTHS ENDED DECEMBER 31, 2012 AND 2011

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		$44,457	$74,466
	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	(34,846)	(32,704)
5	Proceeds from Disposition of Property and Equipment...	1, 3	104	78
6	CRDA Obligations ...	8	(7,915)	(8,020)
7	Other Investments, Loans and Advances made...		0	0
8	Proceeds from Other Investments, Loans, and Advances ...		2,800	0
9	Cash Outflows to Acquire Business Entities...		0	0
10	Gain From Insurance Recoveries ...		3,944	356
11	...		0	0
12	Net Cash Provided (Used) By Investing Activities...		(35,913)	(40,290)
	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	632,700	741,300
16	Costs of Issuing Debt...	6	(443)	(1,153)
17	Payments to Settle Long-Term Debt...	6	(652,900)	(762,000)
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...	6	0	0
21	Partnership Distributions ...	6	0	0
22	Payments on Retirements of Long-Term Debt ...	6	0	(8,198)
23	Net Cash Provided (Used) By Financing Activities...		(20,643)	(30,051)
24	Net Increase (Decrease) in Cash and Cash Equivalents...		(12,099)	4,125
25	Cash and Cash Equivalents at Beginning of Period...		46,224	42,099
26	Cash and Cash Equivalents at End of Period...		$34,125	$46,224

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)...		$77,693	$87,872
28	Income Taxes...		$0	$7,514

The accompanying notes are an integral part of the financial statements.
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BORGATA HOTEL CASINO & SPA
STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012 AND 2011

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)		($25,191)	$8,405
30	Depreciation and Amortization of Property and Equipment	1, 3	63,426	61,671
31	Amortization of Other Assets		530	74
32	Amortization of Debt Discount or Premium	6	3,716	3,390
33	Deferred Income Taxes - Current	1, 7	(540)	(435)
34	Deferred Income Taxes - Noncurrent	1, 7	(1,096)	(546)
35	(Gain) Loss on Disposition of Property and Equipment	1, 10	2,805	1,931
36	(Gain) Loss on CRDA-Related Obligations		4,433	3,466
37	(Gain) Loss from Other Investment Activities		30	1,290
38	(Increase) Decrease in Receivables and Patrons' Checks		563	(3,788)
39	(Increase) Decrease in Inventories	1	439	84
40	(Increase) Decrease in Other Current Assets		(57)	3,860
41	(Increase) Decrease in Other Assets	6	3,843	2,064
42	Increase (Decrease) in Accounts Payable		(4,630)	475
43	Increase (Decrease) in Other Current Liabilities		4,515	(8,325)
44	Increase (Decrease) in Other Liabilities		(635)	1,212
45	Gain on Early Retirement of Debt	6, 10	0	(6)
46	Gain From Insurance Recoveries	10	(7,694)	(356)
47	Net Cash Provided (Used) By Operating Activities		$44,457	$74,466
	SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment	1, 3	($34,846)	($32,704)
49	Less: Capital Lease Obligations Incurred		0	0
50	Cash Outflows for Property and Equipment		($34,846)	($32,704)
	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 TWELEVE MONTHS ENDED DECEMBER 31, 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	603,337	$ 71,251	-	$ -
2	Food	1,442,597	33,293	1,143,600	$ 11,436
3	Beverage	6,100,061	19,825	-	-
4	Travel	-	-	20,868	5,217
5	Bus Program Cash	-	-	-	-
6	Promotional Gaming Credits	2,764,979	69,124	-	-
7	Complimentary Cash Gifts	490,442	12,261	-	-
8	Entertainment	126,770	5,071	4,150	415
9	Retail & Non-Cash Gifts	50,337	2,517	33,748	8,438
10	Parking	-	-	-	-
11	Other	91,386	3,975	1,173,500	3,677
12	Total	11,669,909	$ 217,317	2,375,866	$ 29,183

*Promotional Allowances - Other includes $2,742K of Spa comps, $727K of Comp room incidentals, and $506K change in Comp and Slot dollars earned but not redeemed.

FOR THE THREE MONTHS ENDED DECEMBER 31, 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	136,781	$ 16,043	-	$ -
2	Food	305,970	7,262	284,900	$ 2,849
3	Beverage	1,344,614	4,369	0	0
4	Travel	-	-	5,140	1,285
5	Bus Program Cash	-	-	-	-
6	Promotional Gaming Credits	665,200	16,630	-	-
7	Complimentary Cash Gifts	132,596	3,314	-	-
8	Entertainment	22,713	908	660	66
9	Retail & Non-Cash Gifts	12,086	605	8,304	2,076
10	Parking	-	-	-	-
11	Other	21,130	1,613	252,814	709
12	Total	2,641,090	$ 50,744	551,818	$ 6,985

*Promotional Allowances - Other includes $635K of Spa comps, $172K of Comp room incidentals, and $806K change in Comp and Slot dollars earned but not redeemed.

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

FOR THE QUARTER ENDED DECEMBER 31, 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 of Gaming Enforcement'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 requirements contained in N.J.S.A. 5:12-84(a)1-5 during the quarter.

4/1/2013
Date

Hugh Turner

Vice President of Finance
Title

007833-11
License Number

On Behalf of:

BORGATA HOTEL CASINO & SPA
Casino Licensee

Marina District Development Company, LLC and Subsidiary

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

Notes to Consolidated Financial Statements
(Unaudited)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization
Marina District Development Company LLC ("MDDC") is the parent of Marina District Finance Company, Inc., a New Jersey corporation ("MDFC"). MDFC is a 100% owned finance subsidiary of MDDC, which has fully and unconditionally guaranteed it securities.

MDDC was incorporated in July 1998 and has been operating since July 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 each 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 21 wholly owned gaming entertainment properties. Headquartered in Las Vegas, Boyd has other gaming operations in Nevada, Illinois, Iowa, Louisiana, Mississippi, Kansas 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 of the State of New Jersey (the "NJDGE"). MGM subsequently announced that it had entered into an amendment to the 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. MGM filed a petition with the NJCCC on February 8, 2013 which was joined by Boyd Gaming Corporation and MDDC pursuant to which the NJCCC, on February 13, 2013, approved amendments to the Stipulation of Settlement and Trust Agreement which permits MGM to file an application for a statement of compliance, which if approved could permit MGM to reacquire its interest in MDDC. The deadline requiring MGM and the Divestiture Trust to sell the Interest in MDDC has been tolled to allow the NJCCC to complete a review of MGM's application. 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.

Principles of Consolidation
The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and include the accounts of MDDC and MDFC.

All material 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.

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.

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.

The activity comprising our allowance for doubtful accounts is as follows:

	Year Ended December 31,	
	2012	**2011**
Beginning Balance, January 1	$ 23,554,000	$ 23,313,000
Additions	1,954,000	3,304,000
Deductions	(3,152,000)	(3,063,000)
Ending Balance, December 31	**$ 22,356,000**	**$ 23,554,000**

Management does not believe that any significant concentrations of credit risk existed as of December 31, 2012.

Inventories
Inventories consist primarily of food and beverage and retail items and are stated at the lower of cost or market. Cost is determined using the average cost method.

Property and Equipment
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. Capitalized interest for the years ended December 31, 2012 and 2011 was $469,000 and $353,000, respectively.

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.

CRDA Investments
New Jersey state law provides, among other things, for an assessment of licensees equal to 1.25% of gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. Generally, a licensee may satisfy this investment obligation by: (i) investing in qualified eligible direct investments; (ii) making qualified contributions; or (iii) depositing funds with the New Jersey Casino Reinvestment Development Authority (“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. Our gross deposits with the CRDA eligible to be used to fund qualified investments were $45,845,000 and $39,990,000 as of December 31, 2012 and 2011, respectively, and are included in investments, advances, and receivables on our consolidated balance sheet.

Joint Venture Interest
In 2006, we entered into an agreement with two other Atlantic City casinos (both of which are owned by Caesars Entertainment Corp, formerly Harrah's Entertainment Inc.) to form the Atlantic City Express Service ("ACES"). With each member having a 33.3% interest, this New Jersey limited liability company was formed for the purpose of contracting with New Jersey Transit to operate express rail service between Manhattan and Atlantic City, which operations commenced in February 2009. Each member guaranteed, jointly and severally, liability for all terms, covenants and conditions of the ACES agreement with New Jersey Transit consisting primarily of the necessary operating and capital expenses of ACES. The responsibilities of the managing member rotated annually among the members.

We evaluate our investment in this unconsolidated subsidiary for impairment when events or changes in circumstances indicate that the carrying value of such investment may have experienced an other-than-temporary decline in value. If such conditions exist, we compare the estimated fair value of the investment to its carrying value to determine if an impairment is indicated and determine whether such impairment is other-than-temporary based on our assessment of all relevant factors.

ACES suspended services in September 2011, and accordingly, the joint venture agreement terminated in January 2012, which forced a liquidation of the joint venture's assets. During the year ended December 31, 2011, we recorded a non-cash impairment charge to our investment in the unconsolidated subsidiary in the amount of $1,051,000, representing the amount by which the carrying value of the investment exceeded its contractual liquidated value.

In October 2012, the primary assets held by ACES were liquidated, and we received $2,800,000 representing our share of the proceeds. The dissolution efforts of the joint venture continue with further liquidation of the remaining miscellaneous assets. As of December 31, 2012 and 2011, the carrying value of our net investment in ACES $14,000 and $2,844,000 respectively, and is included in investments, advances, and receivables on our consolidated balance sheets.

Loyalty Programs

We have established promotional programs to encourage repeat business from frequent and active customers. Members earn points based on gaming activity, and such points can be redeemed for a specified period of time, principally for restricted free play slot machine credits and complimentary goods and services. We accrue for earned points expected to be redeemed as a promotional allowance. The accruals are based on estimates and assumptions regarding the mix of restricted free play and complimentary goods and services expected to be redeemed and the costs of providing those benefits. Historical data is used to assist in the determination of the estimated accruals. The points accruals for our loyalty programs are included in accrued liabilities on our consolidated balance sheets.

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. This resulting difference 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 over the term of the underlying debt.

Self-Insurance Reserves

We are self-insured for general liability costs and self-insured up to certain stop loss amounts for employee health coverage. Borgata is currently self-insured with respect to each catastrophe related property damage claim, non-catastrophe related property damage claim, general liability claim, and non-union employee medical case, respectively. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of estimates for claims incurred but not yet reported. In estimating these accruals, we consider historical loss experience and make judgments about the expected levels of costs per claim. Management believes the estimates of future liability are reasonable based upon our methodology; however, changes in health care costs, accident frequency and severity and other factors could materially affect the estimate for these liabilities. Certain of these claims represent obligations to make future payments; and therefore we discount such reserves to an amount representing the present value of the claims which will be paid in the future using a blended rate, which represents the inherent risk and the average payout duration. Self-insurance reserves are included in other accrued expenses on our consolidated balance sheets.

	December 31,	
	2012	**2011**
Beginning balance	$ 8,095,000	$ 6,807,000
Additions:		
Charged to costs and expenses	18,455,000	18,611,000
Payments made	(17,467,000)	(17,323,000)
Ending balance	**$ 9,083,000**	**$ 8,095,000**

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 consolidated financial statements are reported as if MDDC was taxed for state purposes on a stand-alone basis; however, MDDC files a consolidated state tax return with the members of MDDHC.

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:

	December 31,	
	2012	2011
Amounts payable to members of MDDHC	$ 1,695,000	$ 1,642,000
Amounts receivable – State	(1,039,000)	(1,043,000)
Income taxes payable, net	**$ 656,000**	**$ 599,000**

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:

	Year Ended December 31,	
	2012	2011
Rooms	$ 71,337,000	$ 70,498,000
Food and beverage	52,859,000	56,581,000
Other	93,121,000	97,167,000
Total promotional allowances	**$ 217,317,000**	**$ 224,246,000**

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

	Year Ended December 31,	
	2012	2011
Room	$ 22,703,000	$ 22,720,000
Food and beverage	42,067,000	42,471,000
Other	11,947,000	12,016,000
Total	**$ 76,717,000**	**$ 77,207,000**

Gaming Taxes

We are subject to taxes based on gross gaming revenues in New Jersey. These gaming taxes are an assessment on our gaming revenues and are recorded as a cost of goods and services in the consolidated statements of operations. These taxes were $44,307,000 and $47,269,000 during the years ended December 31, 2012 and 2011, respectively.

Advertising Expense

Direct advertising costs are expensed the first time such advertising appears. Advertising costs are included in selling, general and administrative expenses on the consolidated statements of operations and totaled $15,106,000 and $14,104,000 for the years ended December 31, 2012 and 2011, respectively.

Preopening Expenses

Certain costs of start-up activities were expensed as incurred. During the years ended December 31, 2012 and 2011, we expensed $240,000 and $229,000, respectively, which is included in nonoperating income (expenses) on the consolidated statement of operations.

Concentration of Credit Risk

Financial instruments that subject the Company to credit risk consist of cash equivalents, accounts receivable and CRDA deposits. The Company's policy is to limit the amount of credit exposure to any one financial institution, and place investments with financial institutions evaluated as being creditworthy, or in short-term money market funds which are exposed to minimal interest rate and credit risk. The Company has bank deposits which may at times exceed federally-insured limits.

Concentrations of credit risk, with respect to gaming receivables, is limited through the Company's credit evaluation process. The Company issues markers to approved gaming customers only following credit checks and investigations of creditworthiness.

Certain Risks and Uncertainties

The Company's operations are dependent on its continued licensing by the state gaming commission. The loss of our license could have a material adverse effect on future results of operations. The Company is dependent on geographically local markets for a significant number of its customers and revenues. If economic conditions in these areas deteriorate or additional gaming licenses are awarded in these markets, the Company's results of operations could be adversely affected. The Company is dependent on the economy of the United States, in general, and any deterioration in the national economic, energy, credit and capital markets could have a material adverse effect on future results of operations.

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 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 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.

NOTE 2. RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks consist of the following:

	Year Ended December 31,	
	2012	**2011**
Casino receivables (net of an allowance for doubtful accounts – 2012 $22,302,000 and 2011 $23,519,000)	$ 26,593,000	$ 28,819,000
Other (net of an allowance for doubtful accounts – 2012 $54,000 and 2011 $35,000)	5,626,000	4,995,000
Due from related parties (Note 12)	4,980,000	198,000
Receivables and patrons' checks, net	**$ 37,199,000**	**$ 34,012,000**

NOTE 3. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	Year Ended December 31,	
	2012	2011
Land	$ 87,301,000	$ 87,301,000
Building and improvements	1,411,110,000	1,396,312,000
Furniture and equipment	310,674,000	305,624,000
Construction in progress	5,705,000	17,370,000
Total property and equipment	1,814,790,000	1,806,607,000
Less accumulated depreciation	564,007,000	524,148,000
Property and equipment, net	**$ 1,250,783,000**	**$ 1,282,459,000**

Depreciation expense was $63,426,000 and $61,672,000 during the years ended December 31, 2012 and 2011, respectively. Major items included in construction in progress at December 31, 2012 and December 31, 2011 include various property improvement and capital projects currently in process. The decrease in construction in progress of $11,665,000 at December 31, 2012, as compared to December 31, 2011, is primarily due to the timing of the room refurbishment project at the Borgata hotel, which commenced during the fourth quarter of 2011 and was completed during the year ended December 31, 2012. Construction in progress presented in the table above primarily relates to costs capitalized in conjunction with major improvements that have not yet been placed into service, and accordingly, such costs are not currently being depreciated.

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:

	Year Ended December 31,	
	2012	2011
Accrued payroll and related expenses	$ 16,972,000	$ 19,760,000
Accrued interest	22,674,000	22,674,000
Accrued expenses and other liabilities	36,092,000	31,456,000
Other accrued expenses	**$ 75,738,000**	**$ 73,890,000**

NOTE 5. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	Year Ended December 31,	
	2012	2011
Casino related liabilities	$ 12,668,000	$ 11,537,000
Due to related parties (see Note 12)	504,000	312,000
Other	7,773,000	6,704,000
Other current liabilities	**$ 20,945,000**	**$ 18,553,000**

NOTE 6. LONG-TERM DEBT, NET

Long-term debt, net consists of the following:

	Year Ended December 31, 2012			
	Outstanding Principle	**Unamortized Discount**	**Unamortized Origination Fees**	**Long-Term Debt, Net**
Bank credit facility	$ 20,000,000	$ -	$ -	$ 20,000,000
9.50% Senior Secured Notes due 2015	398,000,000	(2,525,000)	(5,928,000)	389,547,000
9.875% Senior Secured Notes due 2018	393,500,000	(2,103,000)	(7,620,000)	383,777,000
	$ 811,500,000	**$ (4,628,000)**	**$ (13,548,000)**	**$ 793,324,000**

	Year Ended December 31, 2011			
	Outstanding Principle	**Unamortized Discount**	**Unamortized Origination Fees**	**Long-Term Debt, Net**
Bank credit facility	$ 40,200,000	$ -	$ -	$ 40,200,000
9.50% Senior Secured Notes due 2015	398,000,000	(3,271,000)	(7,680,000)	387,049,000
9.875% Senior Secured Notes due 2018	393,500,000	(2,366,000)	(8,575,000)	382,559,000
	$ 831,700,000	**$ (5,637,000)**	**$ (16,255,000)**	**$809,808,000**

Bank Credit Facility

Significant Terms

On August 6, 2010, Marina District Finance Company, Inc. (the “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 (the "amended credit facility") and the issuance of $800,000,000 of aggregate principal amount of notes. MDFC is a wholly-owned subsidiary of Marina District Development Company ("MDDC"), which develops and owns Borgata, and which is the guarantor of both the amended credit facility and the 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 Borgata's joint venture owners.

On November 11, 2011, we entered into a First Amendment to Credit Agreement (the "First Credit Facility Amendment") 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 terms of the credit facility modifies certain terms of the bank credit facility among Borgata, the Lenders from time to time party thereto, the Administrative Agent, and Wells Fargo.

On December 27, 2012, MDFC entered into a Second Amendment to Credit Agreement among MDFC, MDDC and Wells Fargo, as administrative agent for the Lenders that (i) decreases the minimum Consolidated EBITDA (as defined therein) to $110,000,000 for fiscal quarters ending December 31, 2012 and thereafter, (ii) modifies the definition of Consolidated EBITDA to exclude certain losses, charges, and expenses, (iii) adjusts the calculation of Consolidated EBITDA such that the fiscal quarter ending December 31, 2012 through the fiscal quarter ending September 30, 2013, Consolidated EBITDA will be computed by including the four fiscal quarters with the highest Consolidated EBITDA out of the most recently ended five fiscal quarters, (iv) reduces the Aggregate Commitments (as defined therein) to $60,000,000, (v) modifies the Use of Proceeds covenant to provide that the proceeds of revolving loans can only be used to repurchase or redeem MDFC's senior secured notes if, after giving affect thereto, the aggregate amount of outstanding loans and letters of credit under the credit facility does not exceed $50,000,000 and (vi) adds a covenant prohibiting MDFC and MDDC from repurchasing or redeeming MDFC's senior secured notes at any time unless Consolidated EBITDA was at least $125,000,000 for the most recently ended period of four consecutive fiscal quarters prior thereto (without giving effect to the adjustment described in cause (iii) above).

As amended, the amended credit facility provides for a $60,000,000 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. The obligations under the amended credit facility have priority in payment to our senior secured notes.

At December 31, 2012, the outstanding balance under the credit facility was $20,000,000 leaving contractual availability of $40,000,000. The interest rate on the outstanding borrowings at December 31, 2012 was 4.9%.

Guarantees
Neither BAC, or MAC, either of their parent companies, nor the Divestiture Trust are guarantors of the bank credit facility.

Interest Rate
Outstanding borrowings under the amended credit facility accrue interest at a selected rate based upon either: (i) the 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 $110,000,000 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 Borgata's 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.

Debt Financing Costs
In conjunction with the amended credit facility, during years ended December 31, 2012 and 2011 we incurred $443,000 and $1,153,000, respectively, in incremental debt financing costs which have been deferred and are being amortized over the remaining term of the amended credit facility. During the year ended December 31, 2012, we also accelerated the amortization of approximately $146,000 of the outstanding deferred loan fees, which adjusted the fees by an amount representing the pro rata reduction in borrowing capacity under our amended credit facility. During the year ended December 31, 2011, we also accelerated the amortization of approximately $1,029,000 of the outstanding deferred loan fees, which adjusted the fees by an amount representing the pro rata reduction in borrowing capacity under our 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 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 December 31, 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 December 31, 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 December 31, 2012, the effective interest rates on the 9.50% notes due 2015 and the 9.875% notes due 2018 were each 10.3%.

Repurchase of Senior Secured Notes

During the year ended December 31, 2011, we repurchased and retired $8,500,000, principal amount, in total, of our senior secured notes, which included $2,000,000 of the 9.5% senior secured notes and $6,500,000 of the 9.875% senior secured notes. The total purchase price of the notes was $8,198,000, resulting in a gain of less than $6,000, net of associated deferred financing fees, which is recorded as a gain on early retirement of debt in nonoperating income (expenses) in our consolidated statement of operations during the year ended December 31, 2011.

Indenture

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 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 December 31, 2012, our coverage ratio (as defined in the indenture) was below 2.0 to 1.0. Accordingly, the indenture prohibits us from incurring new indebtedness; however, we may still borrow under the $60,000,000 senior secured credit facility. At December 31, 2012, the outstanding balance under the amended credit facility was $20,000,000 leaving contractual availability of $40,000,000.

The scheduled maturities of the face amounts of long-term debt, as of December 31, 2011 are as follows:

For the Year Ending December 31,	
2013	$ -
2014	20,000,000
2015	398,000,000
2016	-
2017	-
Thereafter	393,500,000
	$ 811,500,000

NOTE 7. INCOME TAXES

Provision for (benefit from) State Income Taxes

A summary of the provision for (benefit from) state income taxes is as follows:

	Year Ended December 31,	
	2012	**2011**
State		
Current	$ 57,000	$ 1,610,000
Deferred	(1,310,000)	128,000
Provision for (benefit from) state income taxes	**$ (1,253,000)**	**$ 1,738,000**

The following table provides a reconciliation between the state statutory rate and the effective income tax rate where both are expressed as a percentage of income.

	Year Ended December 31,	
	2012	**2011**
Tax provision at state statutory rate	9.0%	9.0%
Accrued interest on certain tax benefits	(2.1)	7.7
New jobs investment tax credit	(1.9)	-
Other, net	(0.3)	0.5
Total state income tax provision	**4.7%**	**17.2%**

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are provided to record the effects of temporary differences between the tax basis of an asset or liability and its amount as reported in our consolidated balance sheets. These temporary differences result in taxable or deductible amounts in future years.

The components comprising the Company's net deferred state tax liability are as follows:

	Year Ended December 31,	
	2012	**2011**
Deferred state tax assets		
Net operating carryfoward loss	$ 2,451,000	$ -
Gaming taxes	1,949,000	1,834,000
Provision for doubtful accounts	1,715,000	1,830,000
Reserve for employee benefits	772,000	736,000
Other	1,385,000	1,173,000
Gross deferred state tax asset	8,272,000	5,573,000
Deferred state tax liabilities		
Difference between book and tax basis of property	17,482,000	16,530,000
Reserve differential for gaming activities	229,000	174,000
Other	645,000	589,000
Gross deferred state tax liability	18,356,000	17,293,000
Net deferred state tax liability	**$ 10,084,000**	**$ 11,720,000**

The items comprising our deferred income taxes included in our consolidated balance sheets are as follows:

	Year Ended December 31,	
	2012	**2011**
Non-current deferred income tax liability	$ 12,280,000	$ 13,376,000
Current deferred income tax asset	2,196,000	1,656,000
Net deferred state tax liability	**$ 10,084,000**	**$ 11,720,000**

In connection with our formation in 2000, MAC contributed assets consisting of land and South Jersey Transportation Authority bonds with a tax basis of approximately $9,200,000 and $13,800,000 respectively. The recorded book value of those assets was $90,000,000. Pursuant to the Joint Venture and Tax Sharing Agreements between BAC and MAC, any subsequent gain or loss associated with the sale of the MAC contributed property would be allocated directly to MAC for both state and federal income tax purposes. As such, no state deferred tax liability has been recorded in connection with the book and tax basis differences related to the MAC contributed property.

Accounting for Uncertain Tax Positions

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

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

	Year Ended December 31,	
	2012	**2011**
Unrecognized tax benefit, January 1	$ 9,068,000	$ 8,836,000
Additions based on tax positions related to the current year	10,000	212,000
Additions based on tax positions related to prior years	-	196,000
Reductions based on tax positions settled with taxing authorities	(1,078,000)	-
Reductions based on tax positions related to prior years	(1,775,000)	(176,000)
Unrecognized tax benefit, December 31	**$ 6,225,000**	**$ 9,068,000**

Included in the $6,225,000 balance of unrecognized tax benefits at December 31, 2012 are $6,037,000 of tax benefits that, if recognized, would affect the effective tax rate and $188,000 of tax benefits that, if recognized, would result in adjustments to other tax accounts, primarily deferred taxes.

We recognize accrued interest and penalties related to unrecognized tax benefits in the income tax provision. During the years ended December 31, 2012 and 2011 we recognized accrued interest and penalties of approximately $(547,000), $630,000, respectively. We have $2,486,000 and $3,032,000 for the payment of interest and penalties accrued at December 31, 2012 and 2011, respectively.

Status of Examinations

We are subject to state taxation in New Jersey and our state tax returns are subject to examination for tax years ended on or after December 31, 2001. Our state tax return for the year ended December 31, 2001 is open to the extent of a net operating loss carryforward utilized in subsequent years. Statute expirations, related to state income tax returns filed for years prior to December 31, 2007 have been extended to March 31, 2014. The statute of limitations for all remaining state income tax returns will begin to expire over the period October 2013 through October 2017. As we are a partnership for federal income tax purposes, we are not subject to federal income tax.

During 2012 we received Notices of Proposed Adjustments (“Adjustments”) in connection with our 2005 to 2009 Internal Revenue Service ("IRS") examination. We have agreed to certain Adjustments and the related state tax effect is presented in our consolidated balance sheet, we continue to evaluate the remaining Adjustments and to the extent they remain unresolved at the IRS audit's conclusion and we intend to contest such Adjustments through available administrative procedures. We effectively settled our federal income tax audits related to the tax returns filed for the years ended December 31, 2003 and December 31, 2004, which resulted in a reduction of our unrecognized tax benefit by $2,223,000. Any adjustments related to the federal examination would affect the members of MDDHC, as we are not subject to federal income tax. Additionally, our New Jersey state income tax returns for the years ended December 31, 2003 through December 31, 2006 are under audit by the New Jersey Division of Taxation. It is difficult to determine when these examinations will be closed. We have recorded the expected state tax impact to our unrecognized tax benefits of certain federal income tax adjustments that have been settled with the IRS, for which the state and federal tax treatment should be consistent. The adjustments primarily relate to the appropriate class lives of certain depreciable assets. As it relates to years under audit and unaudited open years, we do not anticipate any material changes, over the next 12 month period, to our unrecognized tax benefits as of December 31, 2012.

NOTE 8. COMMITMENTS AND CONTIGNECIES

Commitments

Capital Spending and Development

We continually perform on-going refurbishment and maintenance at our facilities to maintain our standards of quality. Certain of these maintenance costs are capitalized, if such improvement or refurbishment extends the life of the related asset, while other maintenance costs that do not so qualify are expensed as incurred. Although we do not have any future expansion projects, if any opportunities arise, such projects will require significant capital commitments. The commitment of capital and the related timing thereof are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate regulatory bodies. We must also comply with covenants and restrictions set forth in our debt agreements.

Utility Contract

In 2005, we amended our executory contracts with a wholly-owned subsidiary of a local utility company, extending the end of the terms to 20 years from the opening of The Water Club. The utility company provides us with electricity and thermal energy (hot water and chilled water). Obligations under the thermal energy executory contract contain both fixed fees and variable fees based upon usage rates. The fixed fee components under the thermal energy executory contract are currently estimated at approximately $11,700,000. We also committed to purchase a certain portion of our electricity demand at essentially a fixed rate, which is estimated at approximately $1,700,000 per annum. Electricity demand in excess of the commitment is subject to market rates based on our tariff class.

Investment Alternative Tax

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. Generally, we 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.

Our CRDA obligations for the years ended December 31, 2012 and 2011 were $7,659,000 and $8,148,000, respectively, of which valuation provisions of $4,396,000 and $3,466,000, respectively, were recorded due to the respective underlying agreements.

Purse Enhancement Agreement

In August 2008, we and the ten other casinos in the Atlantic City market (collectively, the “Casinos”) entered into a Purse Enhancement Agreement (the “Agreement”) with the New Jersey Sports & Exposition Authority (the “NJSEA”) and the CRDA in the interest of further deferring or preventing the proliferation of competitive gaming at New Jersey racing tracks through December 31, 2011. In addition to the continued prohibition of casino gaming in New Jersey outside of Atlantic City, legislation was enacted to provide for the deduction of certain promotional gaming credits from the calculation of the tax on casino gross revenue.

Under the terms of the Agreement, the Casinos were required to make scheduled payments to the NJSEA totaling $90,000,000 to be used for certain authorized purposes (the “Authorized Uses”) as defined by the Agreement. For each year, each casino's share of the scheduled payments equated to a percentage representing its gross gaming revenue for the prior calendar year compared to the gross gaming revenues for that period for all Casinos. Each casino, solely and individually, was responsible for its respective share of the scheduled amounts due. As a result, we expensed our pro rata share of the $90,000,000, approximately $15,024,000, based on our actual market shares of gross gaming revenue, on a straight-line basis over the applicable term of the Agreement. We recorded expense of $5,076,000 for the year ended December 31, 2011 related to our share of the contributions.

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 requires 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 quarterly by the casinos commencing January 1, 2012 for a term of five years. Each casino's share of the quarterly contributions will equate to a percentage representing its gross gaming revenue for each corresponding period compared to the aggregate gross gaming revenues for that period for all casinos. As a result, we will expense our pro rata share of the $155,000,000 as incurred. During the years ended December 31, 2012 and 2011, we incurred expenses of $6,099,000 and $910,000, respectively, for our pro rata share of the contributions to the ACA.

Leases

As of December 31, 2012, MDDC owns approximately 26.0 acres of land and all improvements thereon with respect to that portion of the property consisting of the Borgata hotel. In addition, MDDC, as lessee, entered into a series of ground leases with MGM, as lessor, for a total of approximately 19.6 acres that provide the land on which our existing employee parking garage, public space expansion, rooms expansion, and modified surface parking lot reside, as well as, an undeveloped parcel. On November 4, 2010, MGM sold the land on which the employee parking garage, public space expansion and rooms expansion reside, as well as, the undeveloped parcel. Other than MDDC's obligation to pay rent (in an amount equal to the amount paid per square foot under the parking structure ground lease) and property taxes pursuant to the ground lease for the undeveloped parcel, our obligations under the ground leases were not modified by the sale. The leases consist of:

- Lease and Option Agreement, dated as of January 16, 2002, as amended by a letter agreement, dated April 10, 2009, a letter agreement, dated September 21, 2009, the Modification of Lease and Option Agreement, dated as of August 20, 2004, and the Second Modification of Employee Parking Structure Lease and Option Agreement, dated March 23, 2010, for approximately 2.0 acres of land underlying the parking garage;

- Expansion Ground Lease, dated as of January 1, 2005, as amended by the Modification of Expansion Ground Lease, dated March 23, 2010, for approximately 3.5 acres of land underlying the Public Space Expansion;

- Tower Expansion & Additional Structured Parking Ground Lease Agreement, dated as of January 1, 2005, as amended by the Modification of Tower Expansion & Additional Structured Parking Ground Lease Agreement, dated February 20, 2010, and the Second Modification of Tower Expansion & Additional Structured Parking Ground Lease Agreement, dated March 23, 2010, for approximately 1.6 acres of land underlying the Rooms Expansion and 2.7 acres of land underlying a parking structure respectively;

- Surface Lot Ground Lease, dated as of August 20, 2004, as amended by the Modification of Surface Lot Ground Lease, dated March 23, 2010, for approximately 8.4 acres of land consisting of the surface parking lot; and

- Ground Lease Agreement, dated as of March 23, 2010, for approximately 1.4 acres of land underlying a proposed additional parking structure.

Pursuant to the ground lease for the undeveloped parcel, (i) commencing on the date of the Divestiture Trust's agreement to sell the land underlying the ground leases, MDDC became responsible for all real property taxes assessed against the land underlying ground lease and (ii) payment of monthly rent under ground lease was deferred until July 2, 2010, the date 18 months following the execution of the sale agreement. Effective as of the date of execution of the sale agreement, the monthly rent due under the ground lease was in an amount consistent with the rent due under the parking structure ground lease on a per square foot basis.

The lease terms extend until December 31, 2070 with the exception of the surface parking lot lease. The surface parking lot ground lease is on a month-to-month term and may be terminated by either party effective on the last day of the month that is six months after notice is given. In addition, the surface parking lot ground lease will terminate on any termination of the Divestiture Trust, unless the NJCCC approves an extended term of such lease.

MDDC owns all improvements made on the leased lands during the term of each ground lease. Upon expiration of such term, ownership of such improvements reverts back to the landlord.

If during the term of the rooms expansion ground lease, the public space expansion ground lease or the ground lease for the undeveloped parcel, the third party landlord ("Landlord") or any person associated with the Landlord is found by the NJCCC to be unsuitable to be associated with a casino enterprise and such person is not removed from such association in a manner acceptable to the NJCCC, then MDDC may, upon written notice to the Landlord, elect to purchase the leased land for the appraised value as determined under the terms of such ground leases, unless the Landlord elects, upon receipt of such notice, to sell the land to a third party, subject to the ground leases. If the Landlord elects to sell the land to a third party but is unable to do so within one year, then the Landlord must sell the land to MDDC for the appraised value.

In addition, MDDC has an option to purchase the land leased under the parking structure ground lease at any time during the term of that lease so long as it is not in default thereunder, at fair market value as determined in accordance with the terms of parking structure ground lease. In the event that the land underlying the surface parking lot ground lease is sold to a third party, MDDC has the option to build a parking garage, if necessary, to replace the lost parking spaces on the land underlying the ground lease for the undeveloped parcel.

Future Minimum Lease Payments and Rental Income
Future minimum lease payments required under noncancelable operating leases (principally for land, see below and Note 12, Related Party Transactions) as of December 31, 2012 are as follows:

For the Year Ending December 31,	
2013	$ 7,195,000
2014	6,863,000
2015	6,480,000
2016	6,413,000
2017	6,382,000
Thereafter	323,931,000
Total	**$ 357,264,000**

For the years ended December 31, 2012 and 2011, total rent expense was $13,824,000 and $12,631,000 respectively, which were included in selling, general and administrative accounts in the consolidated statements of operations.

Future minimum rental income, which is primarily related to retail and restaurant facilities located within our properties, as of December 31, 2012 is as follows:

For the Year Ending December 31,	
2013	$ 1,842,000
2014	1,842,000
2015	1,842,000
2016	1,743,000
2017	1,672,000
Thereafter	6,857,000
Total	**$ 15,798,000**

For the years ended December 31, 2012 and 2011, total rent income was $3,268,000 and $3,133,000, respectively, which is recorded as other income in the consolidated statement of operations.

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

NOTE 9. 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 following tables show the fair values of certain of our financial instruments.

	December 31, 2012			
	Balance	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash and cash equivalents	$ 34,125,000	$ 34,125,000	$ -	$ -
CRDA investments, net	28,464,000	-	-	28,464,000

	December 31, 2011			
	Balance	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash and cash equivalents	$ 46,224,000	$ 46,224,000	$ -	$ -
CRDA investments, net	25,905,000	-	-	25,905,000

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 December 31, 2012 and 2011.

The fair value of our CRDA investments, classified in the fair value hierarchy as Level 3, is based on the estimates of realizable value applied to the balances on statements received from the CRDA at December 31, 2012 and 2011. The change in fair value did not have an impact on the net income (loss) during the years ended December 31, 2012 and 2011.

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

	Year Ended December 31, 2012			
	Outstanding Face Amount	**Carrying Value**	**Estimated Fair Value**	**Fair Value Hierarchy**
Bank Credit Facility	$ 20,000,000	$ 20,000,000	$ 20,000,000	Level 2
9.5% Senior Secured Notes due 2015	398,000,000	389,547,000	402,275,000	Level 1
9.875% Senior Secured Notes due 2018	393,500,000	383,777,000	373,825,000	Level 1
Total long-term debt	**$ 811,500,000**	**$ 793,324,000**	**$ 796,100,000**	

	Year Ended December 31, 2011			
	Outstanding Face Amount	**Carrying Value**	**Estimated Fair Value**	**Fair Value Hierarchy**
Bank Credit Facility	$ 40,200,000	$ 40,200,000	$ 40,200,000	Level 2
9.5% Senior Secured Notes due 2015	398,000,000	387,049,000	378,100,000	Level 1
9.875% Senior Secured Notes due 2018	393,500,000	382,559,000	358,085,000	Level 1
Total long-term debt	**$ 831,700,000**	**$ 809,808,000**	**$ 776,385,000**	

The carrying value of our amended credit facility at December 31, 2012 and 2011 approximates its estimated fair 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 December 31, 2012 and 2011.

There were no transfers between Level 1, Level 2 and Level 3 measurements during the years ended December 31, 2012 and 2011.

NOTE 10. OTHER OPERATING ITEMS, NET

Other operating items, net, is comprised of the following:

	Year Ended December 31,	
	2012	**2011**
Impairment of assets	$ 2,811,000	$ 1,051,000
Loss (gain) on disposal of assets	(6,000)	880,000
Gain from insurance proceeds	(7,694,000)	(356,000)
Gain on bond repurchase	-	(6,000)
Other operating items, net	**$ (4,889,000)**	**$ 1,569,000**

Impairment of Assets
During the year ended December 31, 2012, we recorded a non-cash impairment charge of $2,811,000 related to a parking structure project that was abandoned. During the year ended December 31, 2011, we recorded a non-cash impairment charge related to our investment in ACES of $1,051,000, representing the amount by which the carrying value of the investment exceeded its contractual liquidation value.

Loss on Disposal of Assets
During the years ended December 31, 2012 and 2011, losses on disposal of assets is comprised of amounts recognized in connection with our disposal of assets in the ordinary course of business

Gain from Insurance Recoveries
During the year ended December 31, 2012, we recognized a gain of $7,694,000 consisting of $3,944,000 related to the subrogation of insurance claims related to the fire that occurred during construction of The Water Club at Borgata in September 2007 and $3,750,000 from business interruption proceeds due to the mandated closure of the property by civil authorities and the NJDGE for three days in August 2011 related to Hurricane Irene.

Gain on early retirement of debt
During the year ended December 31, 2011, we repurchased and retired $2,000,000 of the 9.5% senior secured notes and $6,500,000 of the 9.875% senior secured notes resulting in a gain on early retirement of debt.

NOTE 11. 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, 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 impact 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 $6,689,000 and $5,970,000 during the years ended December 31, 2012 and 2011, respectively. These aggregate contributions were not individually significant to any of the respective plans. There were no significant changes that would affect the comparability of our employer contributions during the years ended December 31, 2012 and 2011. Our share of unfunded vested liabilities related to certain multi-employer pension plans was $68,400,000 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 $1,383,000 and $1,433,000 during the years ended December 31, 2012 and 2011, respectively.

NOTE 12. 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 receivables and patrons' checks (see note 2) or other current liabilities (see note 5), as applicable, on the 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 $387,000 and $87,000 at December 31, 2012 and 2011, respectively. Reimbursable expenditures incurred were $565,000 and $575,000 for the years ended December 31, 2012 and 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 $4,593,000 and $111,000 at December 31, 2012 and 2011, respectively. Reimbursable expenditures incurred were $4,784,000 and $403,000 for the years ended December 31, 2012 and 2011, respectively.

Ground Leases

We entered into a series of ground lease agreements with MGM totaling 19.6 acres that provide the land on which our existing employee parking garage, public space expansion, rooms expansion, and modified surface parking lot reside, as well as an undeveloped parcel. The lease terms extend until December 31, 2070 with the exception of the surface parking lot lease which could be terminated by either party effective on the last day of the month that is six months after notice is given. On November 4, 2010, MGM sold the land on which the employee parking garage, public space expansion and rooms expansion reside, as well as the undeveloped parcel. We did not have any amounts due to MAC or the third-party land owner for these types of expenditures at December 31, 2012 and 2011. Total rent incurred for ground lease agreements was $5,820,000 and $5,059,000 for the years ended December 31, 2012 and 2011, respectively, which was included in selling, general and administrative on the consolidated statements of operations.

Pursuant to the ground lease agreements, we are responsible for the direct payment of related property taxes. As such, we did not have any amounts due to MAC or the third party land owner for these types of expenditures at December 31, 2012 and 2011. Total property taxes incurred for ground lease agreements were $15,613,000 and $14,048,000, for the years ended December 31, 2012 and 2011, respectively, which was included in selling, general and administrative on the consolidated statements of operations. Of these amounts, property taxes paid related to MAC was $2,755,000 and $2,478,000, for the years ended December 31, 2012 and 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, certain advertising and certain financing fees. The related amounts due to BAC for these types of expenditures paid by BAC were $504,000 and $312,000 at December 31, 2012, and 2011, respectively. Reimbursable expenditures were $10,889,000 and $10,012,000 for the years ended December 31, 2012 and 2011, respectively. Reimbursable expenses, with the exception of deferred financing fees, are included in selling, general and administrative on the consolidated statements of operations.

NOTE 13. SUBSEQUENT EVENTS

We have evaluated all events or transactions that occurred after December 31, 2012. During this period, we did not identify any subsequent events, the effects of which would require adjustment to our financial position or results of operations as of and for the year ended December 31, 2012.

BORGATA HOTEL CASINO & SPA
ANNUAL FILINGS

FOR THE YEAR ENDED DECEMBER 31, 2012

**SUBMITTED TO THE
DIVISION OF GAMING ENFORCEMENT
OF THE
STATE OF NEW JERSEY**

**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

BORGATA HOTEL CASINO & SPA

ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE YEAR ENDED DECEMBER 31, 2012

(UNAUDITED)
($ IN THOUSANDS)

Amended 10/7/14

ACCOUNTS RECEIVABLE BALANCES				
Line (a)	**Description (b)**	**Account Balance (c)**	**Allowance (d)**	**Accounts Receivable (Net of Allowance) (e)**
	Patrons' Checks:			
1	Undeposited Patrons' Checks	$19,597		
2	Returned Patrons' Checks	29,298		
3	Total Patrons' Checks	48,895	$22,302	26,593
4	Hotel Receivables	2,175	54	2,121
	Other Receivables:			
5	Receivables Due from Officers and Employees	29		
6	Receivables Due from Affiliates	4,980		
7	Other Accounts and Notes Receivables	3,476		
8	Total Other Receivables	8,485	-	8,485
9	Totals (Form DGE-205)	$59,555	$22,356	37,199

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	**Description (g)**	**Amount (h)**
10	Beginning Balance (January 1)	$23,556
11	Counter Checks Issued	516,747
12	Checks Redeemed Prior to Deposit	(372,854)
13	Checks Collected Through Deposits	(120,124)
14	Checks Transferred to Returned Checks	(27,728)
15	Other Adjustments	
16	Ending Balance	$19,597
17	"Hold" Checks Included in Balance on Line 16	0
18	Provision for Uncollectible Patrons' Checks	$1,954
19	Provision as a Percent of Counter Checks Issued	0.4%

BORGATA HOTEL CASINO & SPA
ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2012

($ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games	1,642			
2	Slot Machines	93			
3	Administration				
4	Casino Accounting	188			
5	Simulcasting	19			
6	Other	28			
7	Total - Casino	1,970	$43,532	$1,487	$45,019
8	ROOMS	503	14,551		14,551
9	FOOD AND BEVERAGE	1,999	37,714		37,714
10	GUEST ENTERTAINMENT	262	3,653		3,653
11	MARKETING	174	6,810	1,487	8,297
12	OPERATION AND MAINTENANCE	273	10,319		10,319
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	33	574	2,973	3,547
14	Accounting and Auditing	78	2,903		2,903
15	Security	243	7,347		7,347
16	Other Administrative and General	116	6,397		6,397
	OTHER OPERATED DEPARTMENTS:				
17	Spa, Fitness Center and Pools	121	2,823		2,823
18	Transportation	126	2,430		2,430
19	Barber Shop/Salon	17	246		246
20	Retail	21	646		646
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	5,936	$139,945	$5,947	$145,892