BORGATA HOTEL CASINO & SPA
QUARTERLY REPORT

FOR THE QUARTER ENDED JUNE 30, 2013

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

OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

BORGATA HOTEL CASINO & SPA
BALANCE SHEETS

AS OF JUNE 30, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents	9	$33,828	$33,912
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2013, $22,781; 2012, $23,588)	3,11	31,237	38,404
4	Inventories		4,265	4,569
5	Other Current Assets	2	10,518	8,712
6	Total Current Assets		79,848	85,597
7	Investments, Advances, and Receivables	2,9	25,219	32,765
8	Property and Equipment - Gross	4	1,824,674	1,835,353
9	Less: Accumulated Depreciation and Amortization	4	(594,463)	(552,973)
10	Property and Equipment - Net	4	1,230,211	1,282,380
11	Other Assets		8,154	12,465
12	Total Assets		$1,343,432	$1,413,207
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$5,885	$8,019
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	2	0	866
18	Other Accrued Expenses	5	83,403	74,151
19	Other Current Liabilities	6,11	19,966	24,801
20	Total Current Liabilities		109,254	107,837
	Long-Term Debt:			
21	Due to Affiliates		0	0
22	External	1,5,7	779,727	795,619
23	Deferred Credits		10,216	13,177
24	Other Liabilities		20,482	27,407
25	Commitments and Contingencies		0	0
26	Total Liabilities		919,679	944,040
27	Stockholders', Partners', or Proprietor's Equity		423,753	469,167
28	Total Liabilities and Equity		$1,343,432	$1,413,207

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

BORGATA HOTEL CASINO & SPA
STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino		$295,060	$307,925
2	Rooms		54,269	55,988
3	Food and Beverage		69,058	72,116
4	Other		20,923	19,578
5	Total Revenue		439,310	455,607
6	Less: Promotional Allowances	2	100,789	104,041
7	Net Revenue		338,521	351,566
	Costs and Expenses:			
8	Cost of Goods and Services	2	232,163	231,929
9	Selling, General, and Administrative	10	47,243	46,215
10	Provision for Doubtful Accounts	3	1,646	1,755
11	Total Costs and Expenses		281,052	279,899
12	Gross Operating Profit		57,469	71,667
13	Depreciation and Amortization	4	31,708	31,093
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other		0	0
16	Income (Loss) from Operations		25,761	40,574
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External	5,7	(41,618)	(41,131)
19	CRDA Related Income (Expense) - Net		(1,134)	(2,253)
20	Nonoperating Income (Expense) - Net	2	(5,479)	2,225
21	Total Other Income (Expenses)		(48,231)	(41,159)
22	Income (Loss) Before Taxes and Extraordinary Items		(22,470)	(585)
23	Provision (Credit) for Income Taxes	2	(1,478)	184
24	Income (Loss) Before Extraordinary Items		(20,992)	(769)
25	Extraordinary Items (Net of Income Taxes - 2013, $0; 2012, $0)		0	0
26	Net Income (Loss)		($20,992)	($769)

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

BORGATA HOTEL CASINO & SPA
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino		$149,381	$152,472
2	Rooms		28,063	29,200
3	Food and Beverage		35,123	35,870
4	Other		11,263	10,631
5	Total Revenue		223,830	228,173
6	Less: Promotional Allowances	2	50,953	52,758
7	Net Revenue		172,877	175,415
	Costs and Expenses:			
8	Cost of Goods and Services	2	119,496	118,925
9	Selling, General, and Administrative	10	24,349	23,734
10	Provision for Doubtful Accounts	3	888	1,034
11	Total Costs and Expenses		144,733	143,693
12	Gross Operating Profit		28,144	31,722
13	Depreciation and Amortization	4	15,794	15,902
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other		0	0
16	Income (Loss) from Operations		12,350	15,820
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External	5,7	(20,844)	(20,649)
19	CRDA Related Income (Expense) - Net		(93)	(1,096)
20	Nonoperating Income (Expense) - Net	2	(5,313)	2,192
21	Total Other Income (Expenses)		(26,250)	(19,553)
22	Income (Loss) Before Taxes and Extraordinary Items		(13,900)	(3,733)
23	Provision (Credit) for Income Taxes	2	(943)	(392)
24	Income (Loss) Before Extraordinary Items		(12,957)	(3,341)
25	Extraordinary Items (Net of Income Taxes - 2013, \$0; 2012, \$0)		0	0
26	Net Income (Loss)		($12,957)	($3,341)

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 THE SIX MONTHS ENDED JUNE 30, 2013

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	__________ __________ __________ (e)	Total Equity (Deficit) (f)
1	**Balance, December 31, 2011..........**	- - - -	$446,700	$23,236	$0	$469,936
2	Net Income (Loss) - 2012..........	- - - -		(25,191)		(25,191)
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, 2012..........**	- - - -	446,700	(1,955)	0	444,745
11	Net Income (Loss) - 2013..........	- - - -		(20,992)		(20,992)
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, June 30, 2013..................**		$446,700	($22,947)	$0	$423,753

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

BORGATA HOTEL CASINO & SPA
STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		$29,491	$35,766
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments		0	0
3	Proceeds from the Sale of Short-Term Investments		0	0
4	Cash Outflows for Property and Equipment............................	4	(10,639)	(30,357)
5	Proceeds from Disposition of Property and Equipment...........	4	11	20
6	CRDA Obligations		(3,560)	(3,944)
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		0	2,203
11	....			
12	Net Cash Provided (Used) By Investing Activities....................		(14,188)	(32,078)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		0	0
14	Payments to Settle Short-Term Debt......................................		0	0
15	Proceeds from Long-Term Debt	7	200,000	354,500
16	Costs of Issuing Debt...		0	0
17	Payments to Settle Long-Term Debt.......................................	7	(215,600)	(370,500)
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	....			
22	....			
23	Net Cash Provided (Used) By Financing Activities...................		(15,600)	(16,000)
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		(297)	(12,312)
25	Cash and Cash Equivalents at Beginning of Period...................		34,125	46,224
26	Cash and Cash Equivalents at End of Period.............................	9	$33,828	$33,912

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).......................................	5	$38,664	$38,672
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 SIX MONTHS ENDED JUNE 30, 2013 AND 2012

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)		($20,992)	($769)
30	Depreciation and Amortization of Property and Equipment	4	31,284	31,020
31	Amortization of Other Assets		424	73
32	Amortization of Debt Discount or Premium	7	2,003	1,811
33	Deferred Income Taxes - Current	2	111	(148)
34	Deferred Income Taxes - Noncurrent	2	(2,064)	(199)
35	(Gain) Loss on Disposition of Property and Equipment		57	36
36	(Gain) Loss on CRDA-Related Obligations		1,134	2,216
37	(Gain) Loss from Other Investment Activities		1	22
38	(Increase) Decrease in Receivables and Patrons' Checks	3	5,654	(4,392)
39	(Increase) Decrease in Inventories		(401)	(266)
40	(Increase) Decrease in Other Current Assets		(652)	(223)
41	(Increase) Decrease in Other Assets		585	3,479
42	Increase (Decrease) in Accounts Payable		2,102	(1,080)
43	Increase (Decrease) in Other Current Liabilities	6	4,853	6,856
44	Increase (Decrease) in Other Liabilities		360	(467)
45	Gain From Insurance Recoveries		0	(2,203)
46	Non Cash Asset Write-Downs		5,032	0
47	Net Cash Provided (Used) By Operating Activities		$29,491	$35,766

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line	Description	Notes	2013	2012
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment	4	($10,639)	($30,357)
49	Less: Capital Lease Obligations Incurred		0	0
50	Cash Outflows for Property and Equipment		($10,639)	($30,357)
	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 SIX MONTHS ENDED JUNE 30, 2013
(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	291,958	$ 33,994		
2	Food	654,833	15,414	593,400	$ 5,934
3	Beverage	2,903,968	9,438		
4	Travel			10,496	2,624
5	Bus Program Cash				
6	Promotional Gaming Credits	1,227,250	30,681		
7	Complimentary Cash Gifts	244,550	6,114		
8	Entertainment	57,850	2,314	890	89
9	Retail & Non-Cash Gifts	22,209	1,110	15,040	3,760
10	Parking				
11	Other	43,100	1,724	697,982	1,620
12	Total	5,445,718	$ 100,789	1,317,808	$ 14,027

*Promotional Allowances - Other includes $1,293K of Spa comps, $399K of Comp room incidentals, and $32K change in Comp and Slot dollars earned but not redeemed.

FOR THE THREE MONTHS ENDED JUNE 30, 2013

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	148,559	$ 17,106		
2	Food	330,333	7,730	300,400	$ 3,004
3	Beverage	1,431,402	4,652		
4	Travel			4,588	1,147
5	Bus Program Cash				
6	Promotional Gaming Credits	634,398	15,860		
7	Complimentary Cash Gifts	116,113	2,903		
8	Entertainment	31,279	1,251	390	39
9	Retail & Non-Cash Gifts	10,556	527	8,284	2,071
10	Parking				
11	Other	21,819	924	358,359	759
12	Total	2,724,459	$ 50,953	672,021	$ 7,020

*Promotional Allowances - Other includes $655K of Spa comps, $202K of Comp room incidentals, and $67K change in Comp and Slot dollars earned but not redeemed.

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

FOR THE QUARTER ENDED JUNE 30, 2013

1. I have examined this Quarterly Report.

2. All the information contained in this Quarterly Report has been prepared in conformity with the Division's Quarterly Report Instructions and Uniform Chart of Accounts.

3. To the best of my knowledge and belief, the information contained in this report is accurate.

4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.S.A. 5:12-84a(1)-(5) during the quarter.

8/15/2013
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 condensed 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 the Marina District 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 and MAC each originally held a 50% interest in Marina District Development Holding Co., LLC, MDDC's parent holding company (“MDDHC”).

As managing member of MDDHC pursuant to the terms of the Operating Agreement, BAC, through MDDHC, has responsibility for the oversight and management of our day-to-day operations. We do not presently record a management fee to BAC, as our management team performs these services directly or negotiates contracts to provide for these services. As a result, the costs of these services are directly borne by us and are reflected in our condensed consolidated financial statements. Boyd, the parent of BAC, is a diversified operator of 21wholly owned gaming entertainment properties. Headquartered in Las Vegas, Nevada, Boyd has gaming operations in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana, and Mississippi.

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 New Jersey Division of Gaming Enforcement ("NJDGE"). MGM has subsequently announced that it had entered into an agreement with the NJDGE, as approved by the New Jersey Casino Control Commission ("NJCCC"). The amendment provided that until March 24, 2013, MGM had the right to direct the Divestiture Trust to sell the MGM Interest. If a sale was not concluded by that time, the Divestiture Trust was to be responsible for selling MGM's Interest during the following 12-month period, or not later than March 24, 2014. Subsequent to a Joint Petition of MGM, Boyd and MDDC, 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 MGM Interest has been tolled to allow the NJCCC to complete a review of the 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 condensed 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 condensed 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 condensed consolidated financial statements.

Basis of Presentation

Interim Condensed Consolidated Financial Statements

The accompanying unaudited condensed consolidated financial statements of MDDC have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all information and footnote disclosures necessary for complete financial statements in conformity with accounting principles generally accepted in the United States ("GAAP").

These condensed consolidated financial statements should be read in conjunction with the audited condensed consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the SEC on March 28, 2013.

The results for the periods indicated are unaudited, however, such results reflect all adjustments (consisting only of normal recurring adjustments) that management considers necessary for a fair presentation of financial position, results of operations and cash flows. Results of operations and cash flows for the interim periods presented herein are not necessarily indicative of the results that would be achieved during a full year of operations or in 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CRDA Investments

Pursuant to the New Jersey Casino Control Act ("Casino Control Act"), as a casino licensee, we are assessed an amount equal to 1.25% of our gross gaming revenues in order to fund qualified investments. This assessment is made in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. Once our funds are deposited with the New Jersey Casino Reinvestment Development Authority ("CRDA"), qualified investments may be satisfied by: (i) the purchase of bonds issued by the CRDA at below market rates of interest; (ii) direct investment in CRDA-approved projects; or (iii) a donation of funds to projects as determined by the CRDA. According to the Casino Control Act, funds on deposit with the CRDA are invested by the CRDA and the resulting income is shared two-thirds to the casino licensee and one-third to the CRDA. Further, the Casino Control Act requires that CRDA bonds be issued at statutory rates established at two-thirds of market value.

We are required to make quarterly deposits with the CRDA to satisfy our investment obligations. At the date the obligation arises, we record charges to expense (i) pursuant to the respective underlying agreements for obligations with identified qualified investments and (ii) by applying a one-third valuation reserve to our obligations that are available to fund qualified investments to reflect the anticipated below market return on investment. The one-third valuation reserve is adjusted accordingly when a qualified investment is identified. Our deposits with the CRDA, net of valuation reserves held by Borgata, were $25,114,000 and $27,244,000 as of June 30, 2013 and 2012, respectively, and are included in investments, advances, and receivables, on our condensed consolidated balance sheets.

On May 8, 2013, we entered into an agreement with the CRDA that included a 50% donation and a 50% refund of $45,091,000 of our available deposits. As a result, the carrying values of our CRDA-related accounts at June 30, 2013 were reviewed and adjusted to their net realizable values resulting in a charge of $5,032,000 which is included in nonoperating income (expense), net on our condensed consolidated statements of operations. On July 17, 2013, the CRDA disbursed $45,091,000 from our funds on deposit with the CRDA of which we received a $22,545,000 refund which will be used to redeem a portion of our 9.5% Senior Secured Notes (the “2015 Notes”).

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. We did not capitalize interest during the three and six months ended June 30, 2013. Capitalized interest during the three and six months ended June 30, 2012 was $185,000 and $469,000, respectively.

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 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 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 members' 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:

	June 30, 2013	June 30, 2012
Amounts payable to members of MDDHC	$ -	$ 1,909,000
Amounts receivable – State	(1,039,000)	(1,043,000)
Income taxes payable (receivable), net	**$ (1,039,000)**	**$ 866,000**

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 June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Rooms	$ 17,207,000	$ 17,807,000	$ 34,194,000	$ 34,562,000
Food and Beverage	12,322,000	13,065,000	24,733,000	26,410,000
Other	21,424,000	21,886,000	41,862,000	43,069,000
Total promotional allowances	**$ 50,953,000**	**$ 52,758,000**	**$ 100,789,000**	**$ 104,041,000**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Rooms	$ 5,453,000	$ 5,727,000	$ 10,919,000	$ 10,945,000
Food and Beverage	9,364,000	10,547,000	18,935,000	20,667,000
Other	2,507,000	3,138,000	4,726,000	5,603,000
Total cost of promotional allowances	**$ 17,324,000**	**$ 19,412,000**	**$ 34,580,000**	**$ 37,215,000**

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 gaming expense in the condensed consolidated statements of operations. These taxes were $10,981,000 and $10,751,000 during the three months ended June 30, 2013 and 2012, respectively, and $21,802,000 and $23,051,000 during the six months ended June 30, 2013 and 2012, 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 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 3. RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks consist of the following:

	June 30,	
	2013	2012
Casino receivables (net of an allowance for doubtful accounts – 2013 $22,753,000 and 2012 $23,534,000)	$ 24,245,000	$ 29,928,000
Other (net of an allowance for doubtful accounts – 2013 $28,000 and 2012 $54,000)	6,776,000	8,037,000
Due from related parties (Note 11)	216,000	439,000
Receivables and patrons' checks, net	**$ 31,237,000**	**$ 38,404,000**

NOTE 4. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	June 30, 2013	June 30, 2012
Land	$ 87,301,000	$ 87,301,000
Building and improvements	1,411,927,000	1,405,910,000
Furniture and equipment	315,139,000	329,133,000
Construction in progress	10,307,000	13,009,000
Total property and equipment	1,824,674,000	1,835,353,000
Less accumulated depreciation	594,463,000	552,973,000
Property and equipment, net	**$ 1,230,211,000**	**$ 1,282,380,000**

Construction in progress 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.

Depreciation expense was $15,589,000 and $15,862,000 during the three months ended June 30, 2013 and 2012, respectively, and $31,284,000 and $31,020,000 during the six months ended June 30, 2013 and 2012, respectively.

NOTE 5. OTHER ACCRUED EXPENSES

Other accrued expenses consist of the following:

	June 30, 2013	June 30, 2012
Accrued payroll and related expenses	$ 20,540,000	$ 21,787,000
Accrued interest	22,911,000	22,671,000
Accrued expenses and other liabilities	39,952,000	29,693,000
Other accrued expenses	**$ 83,403,000**	**$ 74,151,000**

NOTE 6. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	June 30, 2013	June 30, 2012
Casino related liabilities	$ 10,317,000	$ 14,223,000
Due to related parties (see Note 11)	316,000	435,000
Other	9,333,000	10,143,000
Other current liabilities	**$ 19,966,000**	**$ 24,801,000**

NOTE 7. LONG-TERM DEBT, NET

Long-term debt, net consists of the following:

	June 30, 2013			
	Outstanding Principle	**Unamortized Discount**	**Unamortized Origination Fees**	**Long-Term Debt, Net**
Amended Credit Facility	$ 4,400,000	$ -	$ -	$ 4,400,000
9.50% Senior Secured Notes due 2015	398,000,000	(2,123,000)	(4,984,000)	390,893,000
9.875% Senior Secured Notes due 2018	393,500,000	(1,961,000)	(7,105,000)	384,434,000
	$ 795,500,000	**$ (4,084,000)**	**$ (12,089,000)**	**$ 779,727,000**

	June 30, 2012			
	Outstanding Principle	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
Amended Credit Facility	$ 24,200,000	$ -	$ -	$ 24,200,000
9.50% Senior Secured Notes due 2015	398,000,000	(2,907,000)	(6,827,000)	388,266,000
9.875% Senior Secured Notes due 2018	393,500,000	(2,238,000)	(8,109,000)	383,153,000
	$ 815,700,000	**$ (5,145,000)**	**$ (14,936,000)**	**$ 795,619,000**

Bank Credit Facility

The blended interest rate for outstanding borrowings under our $60,000,000 payment priority secured revolving credit facility (the "amended credit facility") was 4.9% at June 30, 2013. At June 30, 2013, the outstanding balance under the credit facility was approximately $4,400,000, leaving contractual availability of $55,600,000.

Guarantees

The 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 credit facility have priority in payment to our senior secured notes.

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

Compliance with Financial 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 our 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.

We believe we were in compliance with the amended credit facility covenants at June 30, 2013.

Amended and Restated Credit Agreement

On July 24, 2013, MDFC entered into an Amended and Restated Credit Agreement (the “New Credit Facility”) with MDDC, certain financial institutions, and Wells Fargo Bank, National Association, as administrative agent, letter of credit issuer and swing line lender. The New Credit Facility replaces the Credit Agreement, dated as of August 6, 2010, among MDFC, MDDC, various lenders and Wells Fargo Bank, National Association, as administrative agent, letter of credit issuer and swing line lender, as amended (the “Prior Credit Agreement”), which provided for the amended credit facility.

The New Credit Facility provides for a $60,000,000 senior secured revolving credit facility (the “Revolving Credit Facility”) which matures in February 2018 (or earlier upon the occurrence or non-occurrence of certain events). A portion of the availability under the New Credit Facility will be used to repay obligations outstanding under the Prior Credit Agreement and is expected to be used, together with cash on hand, to redeem up to 10% of MDFC's 9.5% Senior Secured Notes due 2015 (the “2015 Notes”) outstanding pursuant to that certain Indenture dated as of August 6, 2010 (the “Indenture”) among MDFC, MDDC and U.S. Bank National Association, as trustee.

The New Credit Facility includes an accordion feature which permits: (a) an increase in the Revolving Credit Facility in an amount not to exceed $15,000,000 and (b) the issuance of senior secured term loans to refinance the 2015 Borgata Notes and, concurrently with or after the 2015 Borgata Notes have been refinanced, to refinance MDFC's 9.875% Senior Secured Notes due 2018 (the “2018 Notes”) outstanding pursuant to the Indenture, in each case, subject to the satisfaction of certain conditions.

The New 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 the assets of MDFC, MDDC and any future subsidiaries of MDDC, subject to certain exceptions. The obligations under the Revolving Credit Facility will have priority in payment to the payment of the 2015 Notes and the 2018 Notes.

Outstanding borrowings under the Revolving Credit Facility accrue interest, at the option of MDFC, at a 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%, and (c) the daily federal funds rate plus 0.50%, or (ii) the Eurodollar rate, plus with respect to each of clause (i) and (ii), an applicable margin as specified in the New Credit Facility. In addition, a commitment fee is incurred on the unused portion of the Revolving Credit Facility ranging from 0.50% per annum to 0.75% per annum.

The New Credit Facility contains customary affirmative and negative covenants, including but not limited to, (i) establishing a minimum Consolidated EBITDA (as defined in the New 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 and MDDC's ability to incur additional debt, create liens, enter into transactions with affiliates, merge or consolidate, and engage in unrelated business activities; and (iii) imposing restrictions on MDDC's ability to pay dividends.

As a result of the New Credit Facility, we incurred approximately $2,150,000 of financing fees.

Senior Secured Notes

9.5% Senior Secured Notes Due 2015.

Significant Terms

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; 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 we were in compliance with these covenants at June 30, 2013.

9.875% Senior Secured Notes Due 2018.

Significant Terms

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 we were in compliance with these covenants at June 30, 2013.

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 June 30, 2013, the effective interest rates on the 2015 Notes and the 2018 Notes were 10.4% each.

Indenture

The indenture governing both the 2015 Notes and the 2018 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 June 30, 2013, our coverage ratio (as defined in the indenture) is below 2.0 to 1.0. Accordingly, except as specifically allowed under the indenture, including the occurrence of debt to refinance existing indebtedness, we are prohibited from incurring additional indebtedness; however, we may still borrow under the new credit facility to the extent there is availability.

NOTE 8. COMMITMENTS AND CONTIGENCIES

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, 2012, filed with the SEC on March 28, 2013.

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 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 fair value of our cash and cash equivalents was $33,828,000 and $33,912,000 as of June 30, 2013 and 2012, 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 June 30, 2013 and 2012, respectively. The fair value of our CRDA deposits was $25,114,000 and $27,244,000 as of June 30, 2013 and 2012, respectively. The fair value of our CRDA deposits, classified in the fair value hierarchy as Level 3, is based on estimates of the realizable value applied to the balances on statements received from the CRDA at June 30, 2013 and 2012, respectively.

The following table summarizes the fair value of the Company's Level 3 assets for six months ended June 30, 2013.

	Three Months Ended June 30, 2013 CRDA Deposits
Balance at April1, 2013	$ 29,101,000
Deposits	1,874,000
Included in earnings	(5,861,000)
Settlements	-
Ending Balance at June 30, 2013	**$ 25,114,000**

	Six Months Ended June 30, 2013 CRDA Deposits
Balance at January 1, 2013	$ 28,464,000
Additional deposits, net of reserve	3,698,000
Included in earnings	(6,883,000)
Settlements	(165,000)
Ending Balance at June 30, 2013	**$ 25,114,000**

Balances Disclosed at Fair Value

The following tables present the fair value of our long-term debt at June 30, 2013 and June 30, 2012:

	June 30, 2013			
	Outstanding Face Amount	**Carrying Value**	**Estimated Fair Value**	**Fair Value Hierarchy**
Amended Credit Facility	$ 4,400,000	$ 4,400,000	$ 4,400,000	Level 2
9.5% Senior Secured Notes due 2015	398,000,000	390,893,000	411,930,000	Level 1
9.875% Senior Secured Notes due 2018	393,500,000	384,434,000	410,224,000	Level 1
Total long-term debt	**$ 795,900,000**	**$ 779,727,000**	**$ 826,554,000**	

	June 30, 2012			
	Outstanding Face Amount	**Carrying Value**	**Estimated Fair Value**	**Fair Value Hierarchy**
Amended Credit Facility	$ 24,200,000	$ 24,200,000	$ 24,200,000	Level 2
9.5% Senior Secured Notes due 2015	398,000,000	388,266,000	390,239,000	Level 1
9.875% Senior Secured Notes due 2018	393,500,000	383,153,000	369,890,000	Level 1
Total long-term debt	**$815,700,000**	**$ 795,619,000**	**$ 784,329,000**	

The estimated fair value of our amended credit facility at June 30, 2013 and June 30, 2012 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 June 30, 2013 and June 30, 2012.

There were no transfers between Level 1, Level 2 or Level 3 measurements during the three and six months ended June 30, 2013.

NOTE 10. EMPLOYEE BENEFIT PLANS

We contribute to multiemployer 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, 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 $1,779,000 and $1,833,000 during the three months ended June 30, 2013 and 2012, respectively, and $3,498,000 and $3,377,000 during the six months ended June 30, 2013 and 2012, respectively. Our share of unfunded vested liabilities related to certain multiemployer 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 $347,000 and $345,000 during the three months ended June 30, 2013 and 2012, respectively, and $699,000 and $696,000 during the six months ended June 30, 2013 and 2012, respectively.

NOTE 11. 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 $160,000 and $207,000 at June 30, 2013 and 2012, respectively. Reimbursable expenditures incurred were $149,000 and $381,000 for the three and six months ended June 30, 2013 respectively and $116,000 and $257,000 for the three and six months ended June 30, 2012, 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 $56,000 and $232,000 at June 30, 2013 and 2012, respectively. Reimbursable expenditures incurred were $58,000 and $233,000 for the three and six months ended June 30, 2013, respectively and $78,000 and $121,000 for the three and six months ended June 30, 2012, 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 $316,000 and $435,000 at June 30, 2013 and 2012, respectively. Reimbursable expenditures were $1,659,000 and $2,677,000 for the three months ended June 30, 2013 and 2012, respectively, and $5,041,000 and $5,839,000 during the six months ended June 30, 2013 and 2012, respectively. Reimbursable expenses, with the exception of deferred financing fees, are included in selling, general and administrative on the condensed consolidated statements of operations.

NOTE 12. SUBSEQUENT EVENTS

We have evaluated all events or transactions that occurred after June 30, 2013. During this period, the following subsequent events occurred:

On July 17, 2013, we received a $22,545,000 refund from the CRDA pursuant to the agreement entered into in May 2013.

On July 19, 2013, we issued a conditional notice of our election to redeem $21,885,000 of our 2015 Notes on August 18, 2013. On July 24, 2013, we issued a second conditional notice of our election to redeem an additional $17,915,000 of our outstanding 2015 Notes on August 23, 2013. These redemptions will be funded using the refund received from the CRDA and funds available under the New Credit Facility.

On July 24, 2013, we entered into the New Credit Facility as discussed in Note 7, LONG-TERM DEBT, NET.