BORGATA HOTEL CASINO & SPA
QUARTERLY REPORT

FOR THE QUARTER ENDED DECEMBER 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 DECEMBER 31, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents	1, 9	$37,527	$34,125
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2013, $20,996; 2012, $22,356)	1, 2, 11	33,328	37,199
4	Inventories	1	4,184	3,864
5	Other Current Assets	7, 8	11,138	8,938
6	Total Current Assets		86,177	84,126
7	Investments, Advances, and Receivables	1, 8, 9	4,793	31,269
8	Property and Equipment - Gross	1, 3	1,823,876	1,814,790
9	Less: Accumulated Depreciation and Amortization	1, 3	(610,942)	(564,007)
10	Property and Equipment - Net	1, 3	1,212,934	1,250,783
11	Other Assets	1, 6	16,915	12,391
12	Total Assets		$1,320,819	$1,378,569
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$5,924	$3,642
14	Notes Payable		0	0
	Current Maturities of Long-Term Debt			
15	Due to Affiliates		0	0
16	External	6	3,800	0
17	Income Taxes Payable and Accrued	1	0	656
18	Other Accrued Expenses	1, 4	75,448	75,738
19	Other Current Liabilities	5, 1	22,647	20,945
20	Total Current Liabilities		107,819	100,981
	Long-Term Debt:			
21	Due to Affiliates		0	0
22	External	1, 6, 9	797,460	793,324
23	Deferred Credits	7	7,049	12,280
24	Other Liabilities		20,323	27,239
25	Commitments and Contingencies	8	0	0
26	Total Liabilities		932,651	933,824
27	Stockholders', Partners', or Proprietor's Equity		388,168	444,745
28	Total Liabilities and Equity		$1,320,819	$1,378,569

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 TWELEVE MONTHS ENDED DECEMBER 31, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino		$615,734	$609,128
2	Rooms		113,195	112,709
3	Food and Beverage	8	140,292	140,391
4	Other	8	44,295	41,311
5	Total Revenue		913,516	903,539
6	Less: Promotional Allowances	1	217,816	217,317
7	Net Revenue		695,700	686,222
	Costs and Expenses:			
8	Cost of Goods and Services	1, 10	476,554	469,087
9	Selling, General, and Administrative	1,8,10,11	94,709	95,598
10	Provision for Doubtful Accounts	2	2,824	1,954
11	Total Costs and Expenses		574,087	566,639
12	Gross Operating Profit		121,613	119,583
13	Depreciation and Amortization	3	60,908	63,956
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other		0	0
16	Income (Loss) from Operations		60,705	55,627
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External	1, 4, 6	(81,335)	(82,902)
19	CRDA Related Income (Expense) - Net	8	(2,200)	(4,433)
20	Nonoperating Income (Expense) - Net	1, 6, 8	(38,250)	5,264
21	Total Other Income (Expenses)		(121,785)	(82,071)
22	Income (Loss) Before Taxes and Extraordinary Items		(61,080)	(26,444)
23	Provision (Credit) for Income Taxes	1, 7	(4,503)	(1,253)
24	Income (Loss) Before Extraordinary Items		(56,577)	(25,191)
25	Extraordinary Items (Net of Income Taxes - 2013, $0; 2012, $0)		0	0
26	Net Income (Loss)		($56,577)	($25,191)

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, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino		$143,692	$138,843
2	Rooms		25,507	23,016
3	Food and Beverage	8	32,081	28,041
4	Other	8	9,516	8,409
5	Total Revenue		210,796	198,309
6	Less: Promotional Allowances	1	53,668	50,744
7	Net Revenue		157,128	147,565
	Costs and Expenses:			
8	Cost of Goods and Services	1, 10	115,776	110,259
9	Selling, General, and Administrative	1,8,10,11	23,774	24,466
10	Provision for Doubtful Accounts	2	650	(658)
11	Total Costs and Expenses		140,200	134,067
12	Gross Operating Profit		16,928	13,498
13	Depreciation and Amortization	3	14,635	16,794
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other		0	0
16	Income (Loss) from Operations		2,293	(3,296)
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External	1, 4, 6	(19,436)	(21,017)
19	CRDA Related Income (Expense) - Net	8	(488)	(1,000)
20	Nonoperating Income (Expense) - Net	1, 6, 8	(26,874)	1,280
21	Total Other Income (Expenses)		(46,798)	(20,737)
22	Income (Loss) Before Taxes and Extraordinary Items		(44,505)	(24,033)
23	Provision (Credit) for Income Taxes	1, 7	(3,740)	(1,423)
24	Income (Loss) Before Extraordinary Items		(40,765)	(22,610)
	Extraordinary Items (Net of Income Taxes -			
25	2013, $0; 2012, $0)		0	0
26	Net Income (Loss)		($40,765)	($22,610)

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, 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		$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..........			(56,577)		(56,577)
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, 2013..........**		$446,700	($58,532)	$0	$388,168

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 TWELEVE MONTHS ENDED DECEMBER 31, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		$41,143	$44,457
	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	(22,404)	(34,846)
5	Proceeds from Disposition of Property and Equipment...........	1, 3	47	104
6	CRDA Obligations	8	(7,660)	(7,915)
7	Other Investments, Loans and Advances made........................		0	0
8	Proceeds from Other Investments, Loans, and Advances	1	22,500	2,800
9	Cash Outflows to Acquire Business Entities...........................		0	0
10	Insurance Proceeds for Replacement Assets		0	3,944
11	....		0	0
12	Net Cash Provided (Used) By Investing Activities....................		(7,517)	(35,913)
	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	444,500	632,700
16	Costs of Issuing Debt...	6	(10,115)	(443)
17	Payments to Settle Long-Term Debt.......................................	6	(424,600)	(652,900)
18	Cash Proceeds from Issuing Stock or Capital Contributions....		0	0
19	Purchases of Treasury Stock..		0	0
20	Payments of Dividends or Capital Withdrawals......................		0	0
21	Payments to Repurchase Sr. Secured Notes	6	(416,209)	0
22	Net Proceeds from Issuance of Term Loan	6	376,200	0
23	Net Cash Provided (Used) By Financing Activities...................	6	(30,224)	(20,643)
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		3,402	(12,099)
25	Cash and Cash Equivalents at Beginning of Period...................	1	34,125	46,224
26	Cash and Cash Equivalents at End of Period.............................		$37,527	$34,125

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).......................................		$82,914	$77,693
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 TWELEVE MONTHS ENDED DECEMBER 31, 2013 AND 2012

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)..		($56,577)	($25,191)
30	Depreciation and Amortization of Property and Equipment...	1, 3	60,026	63,426
31	Amortization of Other Assets..		882	530
32	Amortization of Debt Discount or Premium..........................	6	3,782	3,716
33	Deferred Income Taxes - Current	1, 7	(292)	(540)
34	Deferred Income Taxes - Noncurrent	1, 7	(5,231)	(1,096)
35	(Gain) Loss on Disposition of Property and Equipment.........	1	5,212	2,805
36	(Gain) Loss on CRDA-Related Obligations...........................		2,200	4,433
37	(Gain) Loss from Other Investment Activities.......................		4	30
38	(Increase) Decrease in Receivables and Patrons' Checks		3,573	563
39	(Increase) Decrease in Inventories	1	(320)	439
40	(Increase) Decrease in Other Current Assets..........................		(871)	(57)
41	(Increase) Decrease in Other Assets.......................................	6	(68)	3,843
42	Increase (Decrease) in Accounts Payable..............................		2,282	(4,630)
43	Increase (Decrease) in Other Current Liabilities		(420)	4,515
44	Increase (Decrease) in Other Liabilities		1,104	(635)
45	Loss on Early Retirement of Debt	6	25,857	0
46	Gain on Insurance Recoveries	1	0	(7,694)
47	Net Cash Provided (Used) By Operating Activities...................		$41,143	$44,457

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment...................................		($22,404)	($34,846)
49	Less: Capital Lease Obligations Incurred..............................		0	0
50	Cash Outflows for Property and Equipment..............................		($22,404)	($34,846)
	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

439

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, 2013
(UNAUDITED)
($ IN THOUSANDS)

Amended May 13, 2014

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	606,359	$70,792	0	0
2	Food	1,393,175	32,486	1,206,000	$12,060
3	Beverage	5,939,853	19,305	0	0
4	Travel	0	0	20,728	5,182
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	2,814,840	70,371	0	0
7	Complimentary Cash Gifts	532,952	13,324	0	0
8	Entertainment	127,082	5,083	1,770	177
9	Retail & Non-Cash Gifts	44,768	2,238	30,920	7,730
10	Parking	0	0	0	0
11	Other	87,593	4,217	1,479,929	3,678
12	Total	11,546,622	$217,816	2,739,347	$28,827

*Promotional Allowances - Other includes $2,628K of Spa comps, $841K of Comp room incidentals, and $326K change in Comp and Slot dollars earned but not redeemed and $422K of other promotional allowances.

FOR THE THREE MONTHS ENDED DECEMBER 31, 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	142,409	$16,701	0	0
2	Food	315,392	7,657	289,100	$2,891
3	Beverage	1,416,970	4,605	0	0
4	Travel	0	0	5,092	1,273
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	725,826	18,146	0	0
7	Complimentary Cash Gifts	133,081	3,327	0	0
8	Entertainment	25,548	1,022	130	13
9	Retail & Non-Cash Gifts	11,355	568	7,688	1,922
10	Parking	0	0	0	0
11	Other	20,275	1,642	360,273	1,026
12	Total	2,790,856	$53,668	662,283	$7,125

*Promotional Allowances - Other includes $608K of Spa comps, $197K of Comp room incidentals, and $415K change in Comp and Slot dollars earned but not redeemed and $422K of other promotional allowances.

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

FOR THE QUARTER ENDED DECEMBER 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.

3/31/2014
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, 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, which has fully and unconditionally guaranteed MDFC's 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, 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 Division of Gaming Enforcement of the State of New Jersey (the "NJDGE"). MGM has subsequently announced that it had entered into an amended settlement agreement with the NJDGE, as approved by the New Jersey Casino Control Commission ("NJCCC"). The amended agreement 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 the MGM 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 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.

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

Cash and cash equivalents consist of the following:

	Year Ended December 31,	
	2013	**2012**
Unrestricted cash and cash equivalents	35,153,000	34,125,000
Restricted cash	2,374,000	-
Total cash and cash equivalents	**$ 37,527,000**	**$ 34,125,000**

Cash and cash equivalents at December 31, 2013 included restricted cash of $2,374,000 representing the balances of patrons' internet gaming accounts as of the previous day. Pursuant to N.J.A.C. 13:69O-1.3(j), we maintain separate New Jersey bank accounts to ensure the security of funds held in patrons' internet gaming accounts.

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,	
	2013	**2012**
Beginning Balance, January 1	$ 22,356,000	$ 23,554,000
Additions	2,824,000	1,954,000
Deductions	(4,184,000)	(3,152,000)
Ending Balance, December 31	**$ 20,996,000**	**$ 22,356,000**

Management does not believe that any significant concentration of credit risk existed as of December 31, 2013.

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. No interest was capitalized during the year ended December 31, 2013. Capitalized interest for the year ended December 31, 2012 was $469,000.

Debt Financing Cost

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

Gaming Taxes

In New Jersey we are subject to an annual tax assessment based on gross gaming revenues of 8% on our land-based gross gaming revenues and 15% on our online gaming revenues. These gaming taxes are recorded as a gaming expense in the consolidated statements of operations. These taxes were $45,352,000 and $44,307,000 during the years ended December 31, 2013 and 2012, respectively.

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 land-based 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 land-based gross gaming revenues. The Casino Control Act also provides for an assessment of licensees equal to 2.5% of online gaming gross revenues, which is made in lieu of an investment alternative tax equal to 5.0% of online 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 investment 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 us, were $4,613,000 and $28,464,000 as of December 31, 2013 and 2012, respectively, and are included in investments, advances, and receivables on our 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 non-operating income (expense), net on our 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. We used these funds to redeem a portion of our 9.5% Senior Secured Notes (the "2015 Notes").

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 of Current Maturities

Long-term debt, net of current maturities is reported at amortized cost. The discount granted to the initial purchasers upon issuance is recorded as an adjustment to the face amount of the debt. The discount is 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 up to certain amounts and are self-insured up to certain stop loss amounts for employee health coverage. We are 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,	
	2013	**2012**
Beginning balance	$ 9,083,000	$ 8,095,000
Charged to costs and expenses	19,780,000	18,455,000
Payments made	(17,297,000)	(17,467,000)
Ending balance	**$ 11,566,000**	**$ 9,083,000**

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 each 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,	
	2013	**2012**
Amounts payable to members of MDDHC	$ -	$ 1,695,000
Amounts receivable – State	(1,037,000)	(1,039,000)
Income taxes payable (receivable), net	**$ (1,037,000)**	**$ 656,000**

Income taxes receivable is included in other current assets on our consolidated balance sheets.

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.

Internet Gaming Operations
In February of 2013, New Jersey enacted amendments to the Casino Control Act (the “Act”) authorizing intrastate internet gaming pursuant to regulations to be adopted by the New Jersey Division of Gaming Enforcement (“NJDGE”). Those regulations were subsequently promulgated and upon the authority of the NJDGE, internet gaming in the State of New Jersey commenced on November 26, 2013 after a five-day test period which began on November 21, 2013. The authorization to permit internet gaming in the Act will expire in October 2020, unless extended by further act of the New Jersey Legislature.

In accordance with the Act, internet gaming may only be offered by the holder of a New Jersey casino license who is permitted to align with appropriately licensed vendors providing the goods and services necessary to conduct internet gaming operations. Agreements between a casino licensee/permit holder and a Casino Service Industry Enterprise (“CSIE”) to conduct internet gaming operations and share percentages of revenue from internet gaming operations are permissible subject to submission to and approval by the NJDGE. Any vendor with which the casino licensee/permit holder wishes to work must apply for and obtain a CSIE license.

On June 10, 2013, MDDC, as a casino licensee, entered into Agreements (the “Agreements”) with bwin.party (USA), Inc., bwin.party Digital Entertainment PLC and bwin.party Entertainment (NJ), LLC (individually and collectively “bwin”), CSIE licensees, for the primary purpose to conduct internet gaming operations. Pursuant to the Agreements, bwin is responsible for, among other things, developing, operating and maintaining internet gambling games in the State of New Jersey including the responsibility to comply with all requirements of New Jersey Gaming Laws and Regulations (the “bwin Gaming Service”) along with MDDC as the internet gaming permit holder. Under the terms of the Agreements, in exchange for providing the bwin Gaming Service for our internet gaming site (the “Borgata site”), 1) bwin may operate its own internet gaming site (the “bwin site”) for which bwin receives a percentage of the internet gross gaming revenues from the bwin site after the deduction of gaming taxes and CRDA investment alternative obligations; and 2) bwin receives a percentage of the internet gross gaming revenues from the Borgata site after the deduction of certain player-related costs, gaming taxes and CRDA investment alternative obligations. In addition, we are required to reimburse bwin for certain development, operating and maintenance costs related to the bwin Gaming Service and bwin is required to reimburse us for costs and services provided by us related to the bwin site. In accordance with the Act, the Agreements require MDDC to own and establish bank accounts necessary for the operation of the bwin site and require MDDC to file gaming tax returns and pay gaming taxes owed, related to revenues generated from the bwin site.

Pursuant to the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 605-454-45, MDDC recognizes internet gross gaming revenues net of internet gross gaming revenues from the bwin site within Casino revenues on our statements of income. Internet gaming expenses are reflected net of internet gaming expenses related to the bwin site and are included in Cost of Goods and Services on our statements of income. Revenues and expenses associated with internet gaming during the year ended December 31, 2013 were not material to our financial statements. Amounts due to and due from bwin are included in Receivables and Patrons' Checks and Other Current Liabilities on our balance sheets.

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,	
	2013	**2012**
Rooms	$ 71,212,000	$ 71,337,000
Food and beverage	51,542,000	52,859,000
Other	95,062,000	93,121,000
Total promotional allowances	**$ 217,816,000**	**$ 217,317,000**

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

	Year Ended December 31,	
	2013	**2012**
Room	$ 21,861,000	$ 22,703,000
Food and beverage	39,774,000	42,067,000
Other	10,551,000	11,947,000
Total	**$ 72,186,000**	**$ 76,717,000**

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 $14,118,000 and $15,106,000 for the years ended December 31, 2013 and 2012, respectively.

Non-operating Income (Expense), net

Non-operating Income (Expense), net for the year ended December 31, 2013 totaled $38,250,000 including, among other things, losses on early extinguishments of debt of $25,889,000, a $5,032,000 adjustment of carrying values of our CRDA-related accounts, $2,132,000 for self-insurance reserve adjustments related to prior periods and $4,056,000 for preopening expense related to online gaming.

Non-operating Income (Expense), net for the year ended December 31, 2012, reflected a net gain of $5,264,000 which was comprised of, among other things, a gain of $3,944,000 related to the subrogated insurance settlement related to the fire that occurred during the construction of The Water Club in 2007, a gain of $3,750,000 from business interruption proceeds due to the mandated closure of the property in August 2011 related to Hurricane Irene, a non-cash impairment charge of $2,811,000 related to a parking structure project that was abandoned, and $240,000 for preopening expenses.

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, are 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,	
	2013	**2012**
Casino receivables (net of an allowance for doubtful accounts – 2013 $20,968,000 and 2012 $22,302,000)	$ 23,144,000	$ 26,593,000
Other (net of an allowance for doubtful accounts – 2013 $28,000 and 2012 $54,000)	9,806,000	5,626,000
Due from related parties (Note 11)	378,000	4,980,000
Receivables and patrons' checks, net	**$ 33,328,000**	**$ 37,199,000**

NOTE 3. PROPERTY AND EQUIPMENT, NET
Property and equipment consists of the following:

	Year Ended December 31,	
	2013	**2012**
Land	$ 87,301,000	$ 87,301,000
Building and improvements	1,416,432,000	1,411,110,000
Furniture and equipment	314,610,000	310,674,000
Construction in progress	5,533,000	5,705,000
Total property and equipment	1,823,876,000	1,814,790,000
Less accumulated depreciation	610,942,000	564,007,000
Property and equipment, net	**$ 1,212,934,000**	**$ 1,250,783,000**

Depreciation expense was $60,026,000 and $63,426,000 during the years ended December 31, 2013 and 2012, respectively. 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,	
	2013	**2012**
Accrued payroll and related expenses	$ 20,736,000	$ 16,972,000
Accrued interest	15,840,000	22,674,000
Accrued expenses and other liabilities	38,872,000	36,092,000
Other accrued expenses	**$ 75,448,000**	**$ 75,738,000**

NOTE 5. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	Year Ended December 31,	
	2013	**2012**
Casino related liabilities	$ 14,574,000	$ 12,668,000
Due to related parties (see Note 11)	370,000	504,000
Other	7,703,000	7,773,000
Other current liabilities	**$ 22,647,000**	**$ 20,945,000**

NOTE 6. LONG-TERM DEBT, NET

Long-term debt, net of current maturities, consists of the following:

	Year Ended December 31, 2013			
	Outstanding Principle	**Unamortized Discount**	**Unamortized Origination Fees**	**Long-Term Debt, Net**
New Credit Facility	$ 39,900,000	$ -	$ -	$ 39,900,000
Incremental Term Loan	380,000,000	(3,766,000)	-	376,234,000
9.875% Senior Secured Notes due 2018	393,500,000	(1,811,000)	(6,563,000)	385,126,000
	813,400,000	**(5,577,000)**	**(6,563,000)**	**801,260,000**
Less current maturities	3,800,000	-	-	3,800,000
Long-term debt, net	**$ 809,600,000**	**$ (5,577,000)**	**$ (6,563,000)**	**$ 797,460,000**

	Year Ended December 31, 2012			
	Outstanding Principle	**Unamortized Discount**	**Unamortized Origination Fees**	**Long-Term Debt, Net**
Prior 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**
Less current maturities	-	-	-	-
Long-term debt, net	**$ 811,500,000**	**$ (4,628,000)**	**$ (13,548,000)**	**$ 793,324,000**

Bank Credit Facility

Significant Terms

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 Facility"), which provided for the bank credit facility.

The New Credit Facility provides for a $60,000,000 senior secured revolving credit facility including a $15,000,000 swing loan sublimit (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 was used to repay obligations outstanding under the Prior Credit Facility.

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 2015 Notes and, concurrently with or after the 2015 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.

Amounts Outstanding

The net amounts outstanding under the New Credit Facility at December 31, 2013, were:

Revolving Credit Facility	$ 35,000,000
Swing Loan	4,900,000
Total outstanding borrowings under the New Credit Facility	**$ 39,900,000**

After consideration of $3,200,000 allocated to support a letter of credit, approximately $16,900,000 of availability remained under the New Credit Facility at December 31, 2013.

Interest and Fees

Outstanding borrowings under the New Credit Facility including those borrowings under the swing loan 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 blended interest rate for outstanding borrowings under the New Credit Facility was 3.9% at December 31, 2013. The blended interest rate for the outstanding borrowings under the Prior Credit Facility was 4.1% at December 31, 2012.

Guarantees and Collateral

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 New Credit Facility will have priority in payment to the payment of the 2015 Notes and the 2018 Notes. Neither BAC, its parent, its affiliates, nor the Divestiture Trust are guarantors of the credit facility.

Financial and Other Covenants
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.

Debt Financing Costs
In conjunction with the bank credit facility and the amendment thereto, during the years ended December 31, 2013 and 2012, we incurred incremental debt financing costs of $10,115,000 and $443,000, respectively, related to the bank credit facility in incremental debt financing costs, which have been deferred and are being amortized over the remaining term of the bank credit facility.

During the year ended December 31, 2013, we recognized a $564,000 loss on early extinguishments of debt to write-off the remaining, unamortized deferred finance charges related to the Prior Credit Facility.

During the year ended December 31, 2012, we 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 Prior Credit Facility.

Senior Secured Notes
9.5% Senior Secured Notes Due 2015.
Repurchase of Senior Secured Notes
During August 2013, MDFC repurchased and retired $39,800,000 principal amount, in total, of our 2015 Notes at a premium of 103.00% and recognized a loss on early extinguishments of debt of approximately $2,002,000.

On November 15, 2013, MDFC issued a notice that we would redeem all of the outstanding 2015 Notes at a redemption price of 104.750% plus accrued and unpaid interest to the redemption date. The redemption was completed on December 16, 2013, and resulted in a loss on early extinguishment of debt of approximately $23,323,000.

As a result of this redemption, the 2015 Notes have been fully extinguished.

9.875% Senior Secured Notes Due 2018.
Significant Terms
In August 2010, MDFC issued, through a private placement, $400,000,000 principal amount of 2018 Notes, at an issue price of 99.315%, resulting in an original issue discount of $2,740,000. The 2018 Notes require semi-annual interest payments on February 15 and August 15, which commenced on February 15, 2011. The 2018 Notes are guaranteed on a senior secured basis by MDDC and any future restricted subsidiaries of MDDC. The 2018 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.

At any time prior to August 15, 2014, the 2018 Notes may be redeemed at 100% of the principal amount thereof, plus a “make-whole premium” and accrued and unpaid interest. In addition, MDFC shall have the option to redeem the 2018 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 discount has been recorded as an offset to the principal amount of these notes and is being accreted to interest expense over the term of the notes using the effective interest method. At December 31, 2013, the effective interest rate on the 2018 Notes was 10.3%.

Incremental Term Loan
On December 16, 2013, MDFC entered into a Lender Joint Agreement (the "Incremental Term Loan"), among MDDC, Wells Fargo Bank, National Association, as administrative agent, and Deutsche Bank AG New York Branch, as incremental term lender. The Incremental Term Loan increases the term commitments under the New Credit Facility by an aggregate amount of $380,000,000. The Incremental Term Loan was fully funded on December 16, 2013, and proceeds were used to repay MDFC's outstanding 2015 Notes.

The interest rate per annum applicable to the Incremental Term Loan is either (a) the Effective Eurodollar Rate (the greater of the Eurodollar Rate in effect for such interest period and 1.00%) plus the Term Loan Applicable Rate (ranging from 5.50% to 5.75%) if and to the extent the Incremental Term Loan is a Eurodollar Rate Loan under the New Credit Facility, or (b) the Base Rate (Effective Eurodollar Rate for one month plus 1.00%) plus the Term Loan Applicable Rate (ranging from 4.50% to 4.75%) if and to the extent the Incremental Term Loan is a Base Rate Loan under the New Credit Facility. The Incremental Term Loan was issued with 1.00% of original issue discount.

The Incremental Term Loan requires fixed quarterly amortization of principal equal to 0.25% of the original principal amount of the Incremental Term Loan beginning March 31, 2014. The remaining outstanding principal amount of the Incremental Term Loan is required to be paid on August 15, 2018.

With some exceptions, in the event of a full or partial prepayment of the Incremental Term Loan prior to the second anniversary of the funding of the Incremental Term Loan, such prepayment will include a premium in an amount equal to (a) 2.00% of the principal amount so prepaid, in the case of any such prepayment prior to the first anniversary of the funding of the Incremental Term Loan and (b) 1.00% of the principal amount so prepaid, in the case of any such prepayment on or after the first anniversary of the funding of the Incremental Term Loan but prior to the second anniversary of the funding of the Incremental Term Loan.

Original Issue Discount
The original issue discount has been recorded as an offset to the principal amount of the Incremental Term Loan and is being accreted to interest expense over the term of the loan using the effective interest method. At December 31, 2013, the effective interest rate on the Incremental Term Loan was 6.8%.
Indenture
The indenture governing the 2018 Notes allows 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 the 2018 Notes were issued; however, at December 31, 2013, 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 Revolving Credit Facility. At December 31, 2013, the contractual availability under the Revolving Credit Facility was approximately $16,900,000.

Covenant Compliance
As of December 31, 2013, we believe that we were in compliance with the financial and other covenants of our debt instruments.

Scheduled Maturities of Long-Term Debt
The scheduled maturities of long-term debt, as discussed above, are as follows:

For the Year Ending December 31,		
2014	$	3,800,000
2015		3,800,000
2016		3,800,000
2017		3,800,000
2018		798,200,000
Thereafter		-
	$	**813,400,000**

NOTE 7. INCOME TAXES

Benefit from State Income Taxes

A summary of the benefit from state income taxes is as follows:

	Year Ended December 31,	
	2013	**2012**
State		
Current	$ 2,000	$ 57,000
Deferred	(4,505,000)	(1,310,000)
Benefit from state income taxes	**$ (4,503,000)**	**$ (1,253,000)**

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,	
	2013	**2012**
Tax provision at state statutory rate	9.0%	9.0%
Accrued interest on certain tax benefits	(1.5)	(2.1)
New jobs investment tax credit	-	(1.9)
Other, net	(0.1)	(0.3)
Total state income tax provision	**7.4%**	**4.7%**

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,	
	2013	**2012**
Deferred state tax assets		
Net operating loss carryfoward	$ 9,257,000	$ 2,451,000
Provision for doubtful accounts	1,466,000	1,715,000
Reserve for employee benefits	1,150,000	772,000
Accrued expenses	921,000	736,000
Gaming taxes	480,000	1,949,000
Other	777,000	649,000
Gross deferred state tax asset	14,051,000	8,272,000
Deferred state tax liabilities		
Difference between book and tax basis of property	17,728,000	17,482,000
Reserve differential for gaming activities	187,000	229,000
Other	697,000	645,000
Gross deferred state tax liability	18,612,000	18,356,000
Net deferred state tax liability	**$ 4,561,000**	**$ 10,084,000**

At December 31, 2013, we have a state income tax net operating loss of approximately $102,858,000 which may be carried forward or used until expiration beginning in 2032.

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

	Year Ended December 31,	
	2013	2012
Non-current deferred income tax liability	$ 7,049,000	$ 12,280,000
Current deferred income tax asset	(2,488,000)	(2,196,000)
Net deferred state tax liability	**$ 4,561,000**	**$ 10,084,000**

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.

On September 13, 2013, the U.S. Treasury Department released final income tax regulations on the deduction and capitalization of expenditures related to tangible property. These final regulations apply to tax years beginning on or after January 1, 2014. Several of the provisions within the regulations will require a tax accounting method change to be filed with the IRS, resulting in a cumulative effect adjustment. Management does not believe these changes will have a material impact on our consolidated financial statements.

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,	
	2013	2012
Unrecognized tax benefit, January 1	$ 6,225,000	$ 9,068,000
Additions based on tax positions related to the current year	1,000	10,000
Additions based on tax positions related to prior years	-	-
Reductions based on tax positions settled with taxing authorities	-	(1,078,000)
Reductions based on tax positions related to prior years	(5,000)	(1,775,000)
Unrecognized tax benefit, December 31	**$ 6,221,000**	**$ 6,225,000**

Included in the $6,221,000 balance of unrecognized tax benefits at December 31, 2013 are $6,037,000 of tax benefits that, if recognized, would affect the effective tax rate and $184,000 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, 2013 and 2012, we recognized accrued interest and penalties of approximately $528,000, $(547,000), respectively. We have $3,003,000 and $2,486,000 for the payment of interest and penalties accrued at December 31, 2013 and 2012, 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. Statute expirations, related to state income tax returns filed for years prior to December 31, 2009 have been extended to November 30, 2014. The statute of limitations for all remaining state income tax returns will expire over the period October 2015 through October 2018. As we are a partnership for federal income tax purposes, we are not subject to federal income tax.

During 2013 we settled our federal income tax audit related to tax returns filed for the years ended December 31, 2003 and December 31, 2004; and effectively settled a portion of our federal income tax audit for returns filed in 2005 through 2009. Adjustments related to our federal examination affect the members of MDDHC, as we are not subject to federal income tax. 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. The state tax impact of the 2003-2004 federal exam settlements resulted in a reduction to our unrecognized tax benefit in 2012 of $2,852,000. Additionally, our New Jersey state income tax returns for the years ended December 31, 2003 through December 31, 2009 are under audit by the New Jersey Division of Taxation. It is difficult to determine when these examinations will be closed; however it is reasonably possible over the next twelve-month period, that we may experience a decrease in our unrecognized tax benefits, as of December 31, 2013, in a range of $2,427,000 to $6,221,000, substantially all of which would impact our effective tax rate.

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.

Property Taxes

We have filed tax appeal complaints, in connection with our property tax assessments for tax years 2009 through 2013, in New Jersey Tax Court (“Court”). The trial for tax years 2009 and 2010 was held during the second quarter of 2013 and a decision was issued on October 18, 2013. The assessor valued our real property at approximately $2,300,000,000. The Court found in favor of us and reduced our real property valuation to $880,000,000 and $870,000,000 for tax years 2009 and 2010, respectively. The City of Atlantic City filed an appeal in the New Jersey Superior Court - Appellate Division in November 2013. We have paid our property tax obligations consistent with the assessor’s valuation and based on the Court’s decision, we estimate the 2009 and 2010 property tax refunds and related statutory interest will be approximately $48,000,000 and $9,000,000, respectively. The trial for tax years 2011 through 2013 is scheduled to be held in June 2014 and we continue to pay our property tax obligations in accordance with the assessor’s valuation. We can provide no assurances that the Court’s decision will be upheld at the appellate level, nor can we be certain that we will receive a favorable decision in the 2011 through 2013 appeal. Due to the uncertainty surrounding the ultimate resolution of the City’s appeal, we will not record any gain until a final, non-appealable decision has been rendered. The final resolution of our appeals for the period January 1, 2009 through December 31, 2013 could result in adjustment to our estimated property tax liability.

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 per annum. 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 state law provides, among other things, for an assessment of licensees equal to 1.25% of land-based gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of land-based gross gaming revenues and for an assessment of licensees equal to 2.5% of online gross gaming revenues in lieu of an investment alternative tax equal to 5.0% of online 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, 2013 and 2012 were $7,799,000 and $7,659,000, respectively, of which valuation provisions of $2,200,000 and $4,396,000, respectively, were recorded due to the respective underlying agreements.

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, 2013 and 2012 we incurred expenses of $6,464,000 and $6,099,000, respectively, for our pro rata share of the contributions to the ACA.

Leases
As of December 31, 2013, MDDC owns approximately 26 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 for a total of approximately 20 acres of 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. All of these parcels were originally leased from MAC. Following the 2010 sale of several of the leased parcels by MAC to a third party, now only the surface parking lease is with MAC. 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 three 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. The leases consist of:

- Lease and Option Agreement, dated as of January 16, 2002, as amended by 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 acres of land underlying the parking garage (the "Parking Structure Ground Lease");
- Expansion Ground Lease, dated as of January 1, 2005, as amended by the Modification of Expansion Ground Lease, dated March 23, 2010, for approximately 4 acres of land underlying the Public Space Expansion (the "Public Space Expansion Ground Lease");
- 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 2 acres of land underlying the Rooms Expansion and 3 acres of land underlying a parking structure each (the "Rooms Expansion Ground Lease");
- Surface Lot Ground Lease, dated as of August 20, 2004, as amended by a letter agreement, dated April 10, 2009, a letter agreement dated September 21, 2009, the Modification of Surface Lot Ground Lease, dated March 23, 2010, and the Amendment to the Surface Lot Ground Lease dated November 7, 2013, for approximately 8 acres of land consisting of the surface parking lot (collectively, the "Surface Parking Lot Ground Lease"); and
- The Ground Lease Agreement, dated as of March 23, 2010, for approximately 1 acre of undeveloped land.

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. Total rent incurred under the ground leases was $6,101,000 and $5,818,000 for the years ended December 31, 2013 and 2012, respectively. In addition, MDDC is responsible for all property taxes assessed on the leased properties. Total property taxes incurred for ground lease agreements were $18,340,000 and $15,613,000 for the years ended December 31, 2013 and 2012, respectively.

If during the term of the Parking Structure Ground Lease, the Rooms Expansion Ground Lease, the Public Space Expansion Ground Lease or the Ground Lease Agreement, 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 the 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 Agreement.

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, 2013 are as follows:

For the Year Ending December 31,	
2014	$ 7,586,000
2015	6,881,000
2016	6,606,000
2017	6,382,000
2018	6,382,000
Thereafter	317,549,000
Total	**$ 351,386,000**

For the years ended December 31, 2013 and 2012, total rent expense was $14,738,000 and $13,824,000 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, 2013 is as follows:

For the Year Ending December 31,	
2014	$ 1,706,000
2015	1,706,000
2016	1,413,000
2017	1,342,000
2018	1,342,000
Thereafter	6,151,000
Total	**$ 13,660,000**

For the years ended December 31, 2013 and 2012, total rent income was $3,067,000 and $3,268,000, 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, 2013			
	Balance	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash and cash equivalents	$ 37,527,000	$ 37,527,000	$ -	$ -
CRDA investments, net	4,613,000	-	-	4,613,000

	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

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, 2013 and 2012.

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, 2013 and 2012. The change in fair value resulted in a $7,825,000 loss during the year ended December 31, 2013, and a $4,396,000 loss during the year ended December 31, 2012.

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

	Year Ended December 31, 2013			
	Outstanding Face Amount	**Carrying Value**	**Estimated Fair Value**	**Fair Value Hierarchy**
New Credit Facility	$ 39,900,000	$ 39,900,000	$ 39,900,000	Level 2
Incremental Term Loan	380,000,000	376,234,000	381,900,000	Level 2
9.875% Senior Secured Notes due 2018	393,500,000	385,126,000	425,472,000	Level 1
Total long-term debt	**$ 813,400,000**	**$ 801,260,000**	**$ 847,272,000**	

	Year Ended December 31, 2012			
	Outstanding Face Amount	**Carrying Value**	**Estimated Fair Value**	**Fair Value Hierarchy**
Prior 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**	

The carrying value of our bank credit facility at December 31, 2013 and 2012 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, 2013 and 2012.

There were no transfers between Level 1, Level 2 and Level 3 measurements during the years ended December 31, 2013 and 2012.

NOTE 10. EMPLOYEE BENEFIT PLANS

We contribute to multi-employer pension defined benefit plans under terms of collective-bargaining agreements that cover our union-represented employees. These unions cover certain of our culinary, hotel and other trade workers. We are obligated to make defined contributions under these plans.

The significant risks of participating in multiemployer plans include, but are not limited to, the following:

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

- We may contribute assets to the multi-employer 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 $7,282,000 and $6,689,000 during the years ended December 31, 2013 and 2012, 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, 2013 and 2012. Our share of unfunded vested liabilities related to certain multi-employer pension plans is $65,507,000 as of January 1, 2013.

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 $1,362,000 and $1,383,000 during each of the years ended December 31, 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 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 $253,000 and $387,000 at December 31, 2013 and 2012, respectively. Reimbursable expenditures incurred were $660,000 and $565,000 for the years ended December 31, 2013 and 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 $125,000 and $4,593,000 at December 31, 2013 and 2012, respectively. Reimbursable expenditures incurred were $302,000 and $4,784,000 for the years ended December 31, 2013 and 2012, respectively.

Surface Lot Ground Lease
We entered into a ground lease agreement with MGM for approximately 8 acres that provides the land on which our surface parking lot resides. The 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 three months after notice is given. Pursuant to the surface lot ground lease agreement, our lease payment is comprised of a de minimus monthly payment to MGM and the property taxes, which are paid directly to the taxing authority. Property taxes incurred for the surface lot ground lease agreement were $3,236,000 and $2,755,000 for the years ended December 31, 2013 and 2012, respectively, which was included in selling, general and administrative on the consolidated statements of operations.

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 $370,000 and $504,000 at December 31, 2013 and 2012, respectively. Reimbursable expenditures were $7,737,000 and $10,889,000 for the years ended December 31, 2013 and 2012, respectively. Reimbursable expenses, with the exception of deferred financing fees, are included in selling, general and administrative on the consolidated statements of operations.

NOTE 12. SUBSEQUENT EVENTS
We have evaluated all events or transactions that occurred after December 31, 2013. 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, 2013.

BORGATA HOTEL CASINO & SPA

ANNUAL FILINGS

FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013

(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	$17,622		
2	Returned Patrons' Checks	26,490		
3	Total Patrons' Checks	44,112	$20,968	$23,144
4	Hotel Receivables	2,395	28	2,367
	Other Receivables:			
5	Receivables Due from Officers and Employees	29		
6	Receivables Due from Affiliates	378		
7	Other Accounts and Notes Receivables	7,410		
8	Total Other Receivables	7,817		7,817
9	Totals (Form DGE-205)	$54,324	$20,996	$33,328

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	**Description (g)**	**Amount (h)**
10	Beginning Balance (January 1)	$19,597
11	Counter Checks Issued	505,077
12	Checks Redeemed Prior to Deposit	(374,775)
13	Checks Collected Through Deposits	(110,293)
14	Checks Transferred to Returned Checks	(21,984)
15	Other Adjustments	0
16	Ending Balance	$17,622
17	"Hold" Checks Included in Balance on Line 16	0
18	Provision for Uncollectible Patrons' Checks	$2,824
19	Provision as a Percent of Counter Checks Issued	0.6%

BORGATA HOTEL CASINO & SPA
ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2013

($ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages: Other Employees (d)	Salaries and Wages: Officers & Owners (e)	Salaries and Wages: Totals (f)
	CASINO:				
1	Table and Other Games	1,734			
2	Slot Machines	91			
3	Administration				
4	Casino Accounting	202			
5	Simulcasting	19			
6	Other	30			
7	Total - Casino	2,076	$42,773	$1,253	$44,026
8	ROOMS	529	13,685		13,685
9	FOOD AND BEVERAGE	1,733	36,568		36,568
10	GUEST ENTERTAINMENT	259	3,958		3,958
11	MARKETING	190	6,619	1,253	7,872
12	OPERATION AND MAINTENANCE	284	10,139		10,139
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	29	484	2,506	2,990
14	Accounting and Auditing	76	2,728		2,728
15	Security	253	7,481		7,481
16	Other Administrative and General	117	6,088		6,088
	OTHER OPERATED DEPARTMENTS:				
17	Spa, Fitness Center and Pools	128	2,616		2,616
18	Transportation	127	2,382		2,382
19	Barber Shop/Salon	19	241		241
20	Retail	21	650		650
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	5,841	$136,412	$5,012	$141,424