UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2013
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission file number: 333-173275

Marina District Finance Company, Inc.

(Exact name of registrant as specified in its charter)

New Jersey	**22-3767829**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

One Borgata Way, Atlantic City, New Jersey 08401
(Address of principal executive offices) (Zip Code)

(609) 317-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

All of the common equity interests of Marina District Finance Company, Inc. are held by Marina District Development Company, LLC. All of the common equity interests of Marina District Development Company, LLC are held by Marina District Development Holding Company, LLC.

EXPLANATORY NOTE

The registrant has filed all reports that would have been required to be filed by the Securities Exchange Act of 1934, as amended, if the registrant was subject to such requirements.

MARINA DISTRICT DEVELOPMENT COMPANY, LLC

QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED JUNE 30, 2013
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EXPLANATORY NOTE

Unless otherwise indicated, all historical consolidated financial information in this Quarterly Report on Form 10-Q is information regarding Marina District Development Company, LLC, a New Jersey limited liability company (“MDDC”), the parent of Marina District Finance Company, Inc., a New Jersey corporation (“MDFC”). MDFC is a 100% owned finance subsidiary of MDDC, and it is also MDDC's only subsidiary. MDDC has fully and unconditionally guaranteed MDFC's securities; and accordingly, the condensed consolidated financial statements of MDDC (as parent) are included herein.

PART I. Financial Information

Item 1. ***Financial Statements***

MARINA DISTRICT DEVELOPMENT COMPANY, LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
as of June 30, 2013 and December 31, 2012

(In thousands)		June 30, 2013		December 31, 2012
(Unaudited)				
ASSETS				
Current assets				
Cash and cash equivalents	$	33,828	$	34,125
Accounts receivable, net		31,237		37,199
Inventories		4,265		3,864
Prepaid expenses and other current assets		7,394		6,742
Income taxes receivable, net		1,039		—
Deferred income taxes		2,085		2,196
Total current assets		79,848		84,126
Property and equipment, net		1,230,211		1,250,783
Debt financing costs, net		3,586		4,298
Other assets, net		29,787		39,362
Total assets	$	1,343,432	$	1,378,569
LIABILITIES AND MEMBER EQUITY				
Current liabilities				
Accounts payable	$	5,885	$	3,642
Accrued liabilities		103,369		96,683
Income taxes payable, net		—		656
Total current liabilities		109,254		100,981
Long-term debt, net		779,727		793,324
Deferred income taxes		10,216		12,280
Other long-term tax liabilities		11,927		11,452
Other liabilities		8,555		15,787
Commitments and contingencies (Note 6)				
Member equity		423,753		444,745
Total liabilities and member equity	$	1,343,432	$	1,378,569

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

MARINA DISTRICT DEVELOPMENT COMPANY, LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
for the three and six months ended June 30, 2013 and 2012

(In thousands) *(Unaudited)*	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
REVENUES				
Operating revenues:				
Gaming	$ 149,381	$ 152,472	$ 295,060	$ 307,925
Food and beverage	35,123	35,870	69,058	72,116
Room	28,475	29,671	55,149	56,828
Other	10,851	10,160	20,043	18,738
Gross revenues	223,830	228,173	439,310	455,607
Less promotional allowances	50,953	52,758	100,789	104,041
Net revenues	172,877	175,415	338,521	351,566
COSTS AND EXPENSES				
Operating costs and expenses:				
Gaming	60,617	64,585	121,762	127,633
Food and beverage	18,047	18,948	35,375	36,789
Room	3,450	3,751	6,447	6,954
Other	8,842	7,984	15,520	14,315
Selling, general and administrative	39,620	34,987	74,395	67,527
Maintenance and utilities	14,406	14,376	28,675	28,636
Depreciation and amortization	15,794	15,902	31,708	31,093
Impairments of assets	5,032	—	5,032	—
Other operating items, net	125	(2,034)	459	(1,927)
Total operating costs and expenses	165,933	158,499	319,373	311,020
Operating income	6,944	16,916	19,148	40,546
Interest expense, net	20,844	20,649	41,618	41,131
Loss before state income taxes	(13,900)	(3,733)	(22,470)	(585)
State income taxes	943	392	1,478	(184)
Net loss	$ (12,957)	$ (3,341)	$ (20,992)	$ (769)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

MARINA DISTRICT DEVELOPMENT COMPANY, LLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN MEMBER EQUITY
for the six months ended June 30, 2013

	Capital Contributions	Accumulated Deficit	Total Member Equity
(In thousands)			
(Unaudited)			
Balances, January 1, 2013	$ 446,700	$ (1,955)	$ 444,745
Net loss	—	(20,992)	(20,992)
Balances, June 30, 2013	$ 446,700	$ (22,947)	$ 423,753

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

MARINA DISTRICT DEVELOPMENT COMPANY, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
for the six months ended June 30, 2013 and 2012

(In thousands) *(Unaudited)*	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Cash Flows from Operating Activities		
Net loss	$ (20,992)	$ (769)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	31,708	31,093
Gain from insurance subrogation settlement	—	(2,203)
Amortization of debt financing costs	712	651
Amortization of discounts on senior secured notes	2,003	1,811
Deferred income taxes	(1,953)	(347)
Provision for doubtful accounts	1,646	1,755
Noncash asset write-downs	5,089	36
Other operating activities	1	22
Changes in operating assets and liabilities:		
Accounts receivable	4,008	(6,147)
Inventories	(401)	(266)
Prepaid expenses and other current assets	(652)	(223)
Income taxes receivable/payable	(1,695)	267
Other long-term tax assets	—	521
Other assets, net	(2,395)	659
Accounts payable and accrued liabilities	8,788	5,429
Other long-term tax liabilities	475	(258)
Other liabilities	(411)	(209)
Net cash provided by operating activities	25,931	31,822
Cash Flows from Investing Activities		
Capital expenditures	(10,628)	(30,337)
Insurance proceeds from subrogation settlement	—	2,203
Net cash used in investing activities	(10,628)	(28,134)
Cash Flows from Financing Activities		
Borrowings under amended credit facility	200,000	354,500
Payments under amended credit facility	(215,600)	(370,500)
Net cash used in financing activities	(15,600)	(16,000)
Decrease in cash and cash equivalents	(297)	(12,312)
Cash and cash equivalents, beginning of period	34,125	46,224
Cash and cash equivalents, end of period	$ 33,828	$ 33,912
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest, net of amounts capitalized	$ 38,664	$ 38,672
Supplemental Disclosure of Non-Cash Investing Activities		
Payables for capital expenditures	$ 141	$ 827

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

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 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 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 Borgata, were $25.1 million and $28.5 million as of June 30, 2013 and December 31, 2012, respectively, and are included in other assets, net, 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 $45.1 million 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 $5.0 million, which is included in impairments of assets on our condensed consolidated statements of operations. On July 17, 2013, the CRDA disbursed $45.1 million from our funds on deposit with the CRDA of which we received a $22.5 million 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 $0.2 million and $0.5 million, 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:

(In thousands)	June 30, 2013	December 31, 2012
Amounts payable to members of MDDHC	$ —	$ 1,695
Amounts receivable - State	(1,039)	(1,039)
Income taxes payable (receivable), net	$ (1,039)	$ 656

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,	
(In thousands)	2013	2012	2013	2012
Rooms	$ 17,308	$ 17,995	$ 34,393	$ 34,907
Food and beverage	12,322	13,065	24,733	26,410
Other	21,323	21,698	41,663	42,724
Total promotional allowances	$ 50,953	$ 52,758	$ 100,789	$ 104,041

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2013	2012	2013	2012
Rooms	$ 5,351	$ 5,821	$ 10,720	$ 11,117
Food and beverage	9,364	10,547	18,935	20,667
Other	2,609	3,044	4,925	5,431
Total cost of promotional allowances	$ 17,324	$ 19,412	$ 34,580	$ 37,215

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 $11.0 million and $10.8 million during the three months ended June 30, 2013 and 2012, respectively, and $21.8 million and $23.1 million 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. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following:

(In thousands)	June 30, 2013	December 31, 2012
Land	$ 87,301	$ 87,301
Buildings and improvements	1,411,927	1,411,110
Furniture and equipment	315,139	310,674
Construction in progress	10,307	5,705
Total property and equipment	1,824,674	1,814,790
Less accumulated depreciation	594,463	564,007
Property and equipment, net	$ 1,230,211	$ 1,250,783

Construction in progress primarily relates to costs capitalized in conjunction with improvements that have not yet been placed into service, and accordingly, such costs are not currently being depreciated.

Depreciation expense was $15.6 million and $15.9 million during the three months ended June 30, 2013 and 2012, respectively, and $31.3 million and $31.1 million during the six months ended June 30, 2013 and 2012, respectively.

NOTE 4. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

(In thousands)	June 30, 2013	December 31, 2012
Accrued payroll and related	$ 20,540	$ 16,972
Accrued interest	22,911	22,674
Accrued gaming liabilities	21,583	24,694
Accrued expenses and other liabilities	38,335	32,343
Total accrued liabilities	$ 103,369	$ 96,683

NOTE 5. LONG-TERM DEBT, NET

Long-term debt, net consists of the following:

	June 30, 2013			
(In thousands)	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
Amended Credit Facility	$ 4,400	$ —	$ —	$ 4,400
9.50% Senior Secured Notes due 2015	398,000	(2,123)	(4,984)	390,893
9.875% Senior Secured Notes due 2018	393,500	(1,961)	(7,105)	384,434
	$ 795,900	$ (4,084)	$ (12,089)	$ 779,727

	December 31, 2012			
(In thousands)	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
Amended Credit Facility	$ 20,000	$ —	$ —	$ 20,000
9.50% Senior Secured Notes due 2015	398,000	(2,525)	(5,928)	389,547
9.875% Senior Secured Notes due 2018	393,500	(2,103)	(7,620)	383,777
	$ 811,500	$ (4,628)	$ (13,548)	$ 793,324

Bank Credit Facility
The blended interest rate for outstanding borrowings under our $60.0 million payment priority secured revolving credit facility (the "amended credit facility") was 4.9% at both June 30, 2013 and December 31, 2012. At June 30, 2013, the outstanding balance under the credit facility was approximately $4.4 million, leaving contractual availability of $55.6 million.

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 and Other Covenants
The amended credit facility contains certain financial and other covenants, including, without limitation, (i) establishing a minimum Consolidated EBITDA (as defined in the amended credit facility) of $125.0 million 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 million 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 million and (b) the issuance of senior secured term loans to refinance the 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.

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 million 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 $2.1 million 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; (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.

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 Discounts
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 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, 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 6. COMMITMENTS AND CONTINGENCIES

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 7. 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 $33.8 million and $34.1 million as of June 30, 2013 and December 31, 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 December 31, 2012. The fair value of our CRDA deposits was $25.1 million and $28.5 million as of June 30, 2013 and December 31, 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 December 31, 2012.

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

(In thousands)	Three Months Ended June 30, 2013 CRDA Deposits
Balance at April 1, 2013	$ 29,101
Deposits	1,874
Included in earnings	(5,861)
Settlements	—
Ending balance at June 30, 2013	$ 25,114

(In thousands)	Six Months Ended June 30, 2013 CRDA Deposits
Balance at January 1, 2013	$ 28,464
Deposits	3,698
Included in earnings	(6,883)
Settlements	(165)
Ending balance at June 30, 2013	$ 25,114

Balances Disclosed at Fair Value

The following tables present the fair value of our long-term debt at June 30, 2013 and December 31, 2012:

	June 30, 2013			
(In thousands)	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Amended Credit Facility	$ 4,400	$ 4,400	$ 4,400	Level 2
9.50% Senior Secured Notes due 2015	398,000	390,893	411,930	Level 1
9.875% Senior Secured Notes due 2018	393,500	384,434	410,224	Level 1
Total long-term debt	$ 795,900	$ 779,727	$ 826,554	

	December 31, 2012			
(In thousands)	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Amended Credit Facility	$ 20,000	$ 20,000	$ 20,000	Level 2
9.50% Senior Secured Notes due 2015	398,000	389,547	402,275	Level 1
9.875% Senior Secured Notes due 2018	393,500	383,777	373,825	Level 1
Total long-term debt	$ 811,500	$ 793,324	$ 796,100	

The estimated fair value of our amended credit facility at June 30, 2013 and December 31, 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 December 31, 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 8. 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 multiemployer 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, which could affect our ability to meet our obligations to the multiemployer plan.

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

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

Contributions, based on wages paid to covered employees, totaled $1.8 million during each of the three months ended June 30, 2013 and 2012, respectively, and $3.5 million and $3.4 million during the six months ended June 30, 2013 and 2012, respectively. Our share of unfunded vested liabilities related to certain multiemployer pension plans was $68.4 million 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 $0.3 million during each of the three months ended June 30, 2013 and 2012, respectively, and $0.7 million during each of the six months ended June 30, 2013 and 2012, respectively.

NOTE 9. RELATED PARTY TRANSACTIONS

We engage in transactions with BAC and the Divestiture Trust 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.

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. Reimbursable expenditures were $1.7 million and $2.7 million for the three months ended June 30, 2013 and 2012, respectively, and $5.0 million and $5.8 million 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 expenses on the condensed consolidated statements of operations.

NOTE 10. 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 $22.5 million 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 $21.9 million 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 $17.9 million 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 5, *LONG-TERM DEBT, NET.*

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion should be read in conjunction with, and is qualified in its entirety by, the condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q. Unless the context otherwise requires, all references herein to "we," "our," "us" and the "Company," or similar terms, refer to Marina District Development Company, LLC ("MDDC") and Marina District Finance Company, Inc. ("MDFC").

Overview

We developed, own and operate Borgata Hotel Casino and Spa, including The Water Club at Borgata (collectively, "Borgata"), located on a 45.6-acre site within the Marina District of Atlantic City, New Jersey. Since its opening on July 3, 2003, our property has been the leading hotel, casino and spa in the Atlantic City market. The property is an upscale destination resort that features a 160,000 square foot casino and 2,767 guest rooms and suites, comprised of 1,970 guest rooms and suites at the Borgata hotel and 797 guest rooms and suites at The Water Club. Borgata features five fine-dining restaurants, six casual dining restaurants, eight quick dining options, 14 retail boutiques, two European-style spas, two nightclubs and over 8,200 parking spaces. In addition, the property contains approximately 88,000 square feet of meeting and event space, as well as two entertainment venues. Its location within the Marina District provides guests with convenient access to the property via the Atlantic City Expressway Connector tunnel, without the delays associated with driving to competing casinos located on the Boardwalk of Atlantic City.

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 21 wholly 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.

Overall Outlook

We continually work to position Borgata for greater success by strengthening our existing operations and growing through capital investment and other strategic initiatives. For instance, our second hotel, The Water Club, opened in June 2008. The Water Club is a 797-room hotel, featuring five swimming pools, a spa, and additional meeting room space. During 2012, we completed a project, started in 2011, to renovate and refurbish rooms and suites at Borgata, which included new paint and wall treatments, replacement of furniture and fixtures, flat panel televisions, resurfacing of floors, tiles and surrounds and other improvements at the Borgata hotel and incurred $40.9 million, in the aggregate of capital expenditures related to the project. Additionally, we incurred $6.1 million of capital expenditures in 2011 as part of our efforts to keep the gaming floor up-to-date and completed a $4 million renovation to our slot floor in 2010.

As part of our ongoing efforts to position Borgata as the premiere hotel and casino in Atlantic City, our estimated capital expenditures for full year 2013 are expected to be approximately $25.0 million and are primarily comprised of suite renovations, technology enhancements, infrastructure costs for our anticipated launch of online gaming and various maintenance capital projects. We also continue to focus on further improving our operating margins to generate strong and stable cash flow.

We continue to be the leader in table games and slot market share in the Atlantic City market. We achieved 25.7% of the table game drop and 22.0% of the slot handle market share respectively, for the six months ended June 30, 2013, which reflects the success of our focus on managing existing operations, growing non-gaming revenue streams, and reinvesting in our business to retain our position as the leading resort in the market.

We use several key performance indicators to evaluate the operations of our business. These key performance indicators include the following:

- *Gaming revenue indicators*:
  - Slot handle means the dollar amount wagered in slot machines and table game drop means the total amount of cash deposited in table games drop boxes, plus the sum of markers issued at all table games. Slot handle and table game drop are indicators of volume and/or market share.
  - Slot win and table game hold means the difference between customer wagers and customer winnings on slot machines and table games, respectively. Slot win and table game hold percentages represent the relationship between slot handle and table game drop to gaming wins and losses.

- *Food and beverage revenue indicators*: average guest check means the average amount spent per customer visit and is an indicator of volume and product offerings; and number of guests served is an indicator of volume; and the cost per guest served is an indicator of operating margin.

- *Room revenue indicators*: hotel occupancy rate is an indicator of volume measuring the utilization of our available rooms; and average daily rate ("ADR") which is a price indicator.

RESULTS OF OPERATIONS

Summary of Operating Results

Three and Six Months Ended June 30, 2013 and 2012

The following provides a summary of certain key operating results:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2013**	**2012**	**2013**	**2012**
Net revenues	$ 172,877	$ 175,415	$ 338,521	$ 351,566
Operating income	6,944	16,916	19,148	40,546
Net loss	(12,957)	(3,341)	(20,992)	(769)

We continue to be the leader in the Atlantic City market despite increased local and regional competition. A new property formally opened on the Boardwalk in Atlantic City on April 2, 2012, and a property in the Marina District was remodeled during 2012. However, these projects did not generate incremental growth in the market. Rather, the new projects simply shifted existing business from other properties. Although maintaining our results at historical levels has been challenging, we continue to be the market leader in both table game drop and slot drop during the three and six months ended June 30, 2013. We believe this reflects the quality of our amenities, as well as the hospitality and service we provide to our customers.

Three Months Ended June 30, 2013 and 2012

Net revenues

Net revenues decreased $2.5 million, or 1.4%, during the three months ended June 30, 2013, compared to the same period in the prior year. During the three months ended June 30, 2013, we experienced a decrease in all of our significant operations consisting of gaming, food and beverage and room revenues, offset by a nominal increase in other revenues. However, we continue to be the leader of gaming revenue market share in Atlantic City, despite the increased local and regional competition, and achieved 25.2% of the table game drop and 21.2% of the slot handle market share respectively, for the three months ended June 30, 2013. Additionally, we are the dominant leader in poker win and achieved 51.1% of the market share for the three months ended June 30, 2013.

Operating income

Operating income decreased $10.0 million, or 59.0%, during the three months ended June 30, 2013, as compared to the corresponding period of the prior year, and was negatively impacted by a 1.9% and 1.4% decrease in gross revenues and net revenues, respectively. We experienced decreases in all of our significant operations consisting of gaming, food and beverage and room revenues. In addition, on May 8, 2013, we entered into an agreement with the CRDA that included a 50% donation and a 50% refund of $45.1 million of our available deposits. As a result, the carrying values of our CRDA-related accounts were reviewed and adjusted to their net realizable values resulting in a charge of $5.0 million, which is included in impairments of assets on our condensed consolidated statements of operations during the three months ended June 30, 2013.

Net loss

Net loss was $13.0 million for the three months ended June 30, 2013, compared to net loss of $3.3 million during the three months ended June 30, 2012, due to the flow through effect of the decrease in revenues from gaming, food and beverage and room revenues. Overall, gaming, food and beverage, and room revenues decreased 2.0%, 2.1%, and 4.0%, respectively, compared to the same period in the prior year, while total operating costs and expenses related to these revenues decreased approximately $5.2 million, or 5.9%, resulting in a $13.0 million net loss for the three months ended June 30, 2013.

Six Months Ended June 30, 2013 and 2012

Net revenues

Net revenues decreased $13.0 million, or 3.7%, during the six months ended June 30, 2013, compared to the same period in the prior year. During the six months ended June 30, 2013, we experienced a decrease in all of our significant operations consisting of gaming, food and beverage and room revenues, offset by a nominal increase in other revenues. Gaming revenues decreased $12.9 million, or 4.2%, during the six months ended June 30, 2013, compared to the same period in the prior year. The decrease in gaming revenues was partially offset by a $3.3 million decrease in promotional allowances compared to the same period in the prior year. However, we continue to be the leader of gaming revenue market share in Atlantic City, despite the increased local and regional competition, and achieved 25.7% of the table game drop and 22.0% of the slot handle market share respectively, for the six months ended June 30, 2013. Additionally, we are the dominant leader in poker win and achieved 51.1% of the market share for the six months ended June 30, 2013.

Operating income

Operating income decreased $21.4 million, or 52.8%, during the six months ended June 30, 2013, as compared to the corresponding period of the prior year, and was negatively impacted by a 3.6% and 3.7% decrease in gross revenues and net revenues, respectively. We experienced decreases in all of our significant operations consisting of gaming, food and beverage and room revenues. In addition, on May 8, 2013, we entered into an agreement with the CRDA that included a 50% donation and a 50% refund of $45.1 million of our available deposits. As a result, the carrying values of our CRDA-related accounts were reviewed and adjusted to their net realizable values resulting in a charge of $5.0 million, which is included in impairments of assets on our condensed consolidated statements of operations during the three months ended June 30, 2013.

Net loss

Net loss was $21.0 million for the six months ended June 30, 2013, compared to net loss of $0.8 million during the six months ended June 30, 2012, due to the flow through effect of the decrease in revenues from gaming, food and beverage and room revenues. Overall, gaming and food and beverage revenues separately decreased 4.2%, compared to the same period in the prior year, resulting in a $12.9 million and $3.1 million decrease in revenues, respectively. The flow through effect of these decreases resulted in an $21.0 million net loss for the six months ended June 30, 2013.

Operating Revenues

Gaming revenues are significantly comprised of the win from our slot machine operations and from table game wins. We derive the majority of our gross revenues from our gaming operations. Gaming revenues produced approximately 67% of gross revenues for both the three months ended June 30, 2013 and 2012, respectively, and 67% and 68% of gross revenues for both of the six months ended June 30, 2013 and 2012. Food and beverage gross revenues represent the next most significant revenue source, which produced approximately 16% of gross revenues for both of the three months ended June 30, 2013 and 2012, and 16% of gross revenues for both of the six months ended June 30, 2013 and 2012. Rooms produced approximately 13% of gross revenues for both of the three months ended June 30, 2013 and 2012, and 13% and 12% of gross revenues for the six months ended June 30, 2013 and 2012, respectively. Other revenues (including our spa, retail, entertainment and ancillary services) separately contributed less than 5% of gross revenues during each of these periods.

The following table presents our gross revenues and expenses for the three and six months ended June 30, 2013 and 2012.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2013	2012	2013	2012
GROSS REVENUES				
Gaming	$ 149,381	$ 152,472	$ 295,060	$ 307,925
Food and beverage	35,123	35,870	69,058	72,116
Room	28,475	29,671	55,149	56,828
Other	10,851	10,160	20,043	18,738
	$ 223,830	$ 228,173	$ 439,310	$ 455,607
OPERATING COSTS AND EXPENSES				
Gaming	$ 60,617	$ 64,585	$ 121,762	$ 127,633
Food and beverage	18,047	18,948	35,375	36,789
Room	3,450	3,751	6,447	6,954
Other	8,842	7,984	15,520	14,315
	$ 90,956	$ 95,268	$ 179,104	$ 185,691
MARGINS				
Gaming	59.4%	57.6%	58.7%	58.6%
Food and beverage	48.6%	47.2%	48.8%	49.0%
Room	87.9%	87.4%	88.3%	87.8%
Other	18.5%	21.4%	22.6%	23.6%

Three Months ended June 30, 2013 and 2012

The Atlantic City market continues to be challenging due to increased local and regional competition. Regardless, we continue to be the leader in table games drop and slot handle, reflecting the quality of our amenities, as well as the hospitality and service provided to our customers. Overall, gross revenues during the three months ended June 30, 2013 decreased by $4.3 million, or 1.9%, as compared to the corresponding period of the prior year. The decrease in gross revenues was primarily driven by a $3.1 million decrease in gaming revenues and a $1.2 million decrease in room revenues. Promotional spend decreased to 22.8% of gross revenues during the three months ended June 30, 2013, as compared to 23.1% for the three months ended June 30, 2012. Costs and expenses related to gaming, food and beverage, room and other decreased by $4.3 million, or 4.5%, during the three months ended June 30, 2013 as compared to the corresponding period of the prior year.

Gaming

Gaming revenues decreased $3.1 million, or 2.0%, during the three months ended June 30, 2013, as compared to the corresponding period of the prior year. Table game drop decreased $16.0 million, or 4.9%, partially offset by a 60 basis point increase in table games hold percentage as compared to the corresponding period in the prior year. Additionally, during the three months ended June 30, 2013, slot win decreased $2.7 million due to a $13.9 million decrease in slot handle and 10 basis point decrease in slot hold, as compared to the corresponding period of the prior year. Decreases in the gaming volume indicators measured by table game drop and slot handle demonstrate how new competition and a heightened regional promotional environment is shifting business among the Atlantic City market rather than creating incremental revenue growth.

Food and Beverage

Food and beverage revenues decreased by $0.7 million, or 2.1%, during the three months ended June 30, 2013, compared with the corresponding period of the prior year. The $0.7 million decrease was primarily due to a 3.3% decrease in the number of guests served, that was offset by a 1.8% increase in the average guest check.

Room

During the three months ended June 30, 2013, we had 215,568 occupied rooms, with an average occupancy rate of 85.6% at an average daily rate of $130.18, compared to 218,299 occupied rooms, with an average occupancy rate of 86.7% at an average daily rate of $133.76 during the comparable period in the prior year, the net effect of which resulted in a decrease of $1.2 million, or 4.0%, in room revenue.

Six Months ended June 30, 2013 and 2012

The Atlantic City market continues to be challenging due to increased local and regional competition. Regardless, we continue to be the leader in table games drop and slot handle, reflecting the quality of our amenities, as well as the hospitality and service provided to our customers. Overall, gross revenues during the six months ended June 30, 2013 decreased by $16.3 million, or 3.6%, as compared to the corresponding period of the prior year. The decrease in gross revenues was primarily driven by a $12.9 million decrease in gaming revenues and a $3.1 million decrease in food and beverage revenues. Promotional spend as a percentage of gross revenues remained relatively flat, as both gross revenues and promotional allowances decreased during the six months ended June 30, 2013, as compared to the corresponding period in the prior year. Costs and expenses related to gaming, food and beverage, room and other decreased by $6.6 million, or 3.5%, during the six months ended June 30, 2013, as compared to the corresponding period of the prior year, primarily related to reduced patron activity.

Gaming

Gaming revenues decreased $12.9 million, or 4.2%, during the six months ended June 30, 2013, as compared to the corresponding period of the prior year. Table game win decreased $6.4 million, or 7.0%, driven by a 10 basis point decrease in table games hold percentage and a 6.6% decrease in table game drop compared to the same period in the prior year. Additionally, during the six months ended June 30, 2013, slot win decreased $6.1 million due to a 1.4% decrease in slot handle and 20 basis point decrease in slot hold, as compared to the corresponding period of the prior year.

Food and Beverage

Food and beverage revenues decreased by $3.1 million, or 4.2%, during the six months ended June 30, 2013, compared with the corresponding period of the prior year. The $3.1 million decrease was primarily due to a 2.9% decrease in the number of guests served, offset slightly by a less than 1.0% increase in the average guest check.

Room

During the six months ended June 30, 2013, we had 421,834 occupied rooms, with an average occupancy rate of 84.2% at an average daily rate of $128.65, compared to 420,565 occupied rooms, with an average occupancy rate of 83.5% at an average daily rate of $133.13 during the comparable period in the prior year, the net effect of which resulted in a decrease of $1.7 million, or 3.0%, in room revenue.

Other Costs and Expenses

The following costs and expenses are discussed below:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2013**	**2012**	**2013**	**2012**
Selling, general and administrative	$ 39,620	$ 34,987	$ 74,395	$ 67,527
Maintenance and utilities	14,406	14,376	28,675	28,636
Depreciation and amortization	15,794	15,902	31,708	31,093
Impairments of assets	5,032	—	5,032	—
Other operating items, net	125	(2,034)	459	(1,927)

Three Months ended June 30, 2013 and 2012

Selling, General and Administrative

Selling, general and administrative expenses, as a percentage of gross revenues, were 17.7% and 15.3% during the three months ended June, 2013 and 2012, respectively. The increase in selling, general and administrative expenses as a percentage of gross revenues is primarily due to a $4.3 million decrease in gross revenues combined with a $4.6 million increase in selling, general and administrative expenses primarily due to a $3.6 million increase in property tax expense, a $0.9 million increase in legal fees, and a $0.3 million increase in fees related to the Atlantic City Alliance, as compared to the same period in the prior year.

Maintenance and Utilities

Maintenance and utilities expenses, as a percentage of gross revenues, were fairly consistent at 6.4% and 6.3% during the three months ended June 30, 2013 and 2012, respectively. There were no major maintenance projects undertaken in either period.

Depreciation and Amortization

Depreciation and amortization expense was fairly consistent during the three months ended June 30, 2013 compared to the same period in 2012.

Impairments of Assets
On May 8, 2013, we entered into an agreement with the CRDA that included a 50% donation and a 50% refund of $45.1 million of our available deposits. As a result, the carrying values of our CRDA-related accounts were reviewed and adjusted to their net realizable values resulting in a charge of $5.0 million for the three months ended June 30, 2013.

Other Operating Items, net
Other operating items, net, was $0.1 million during the three months ended June 30, 2013. Other operating items, net, reflected a gain of $2.0 million during the three months ended June 30, 2012 due to a gain on a subrogated insurance settlement related to the fire that occurred during the construction of The Water Club in 2007.

Six Months ended June 30, 2013 and 2012
Selling, General and Administrative
Selling, general and administrative expenses, as a percentage of gross revenues, were 16.9% and 14.8% during the six months ended June 30, 2013 and 2012, respectively. The increase in selling, general and administrative expenses as a percentage of gross revenues is primarily due to a $16.3 million decrease in gross revenues compared to the same period in the prior year. Selling, general and administrative expenses increased $6.9 million, or 10.2%, primarily due to a $4.3 million increase in property tax expense, a $1.8 million increase in legal fees, and a $0.6 million increase in fees related to the Atlantic City Alliance, as compared to the same period in the prior year.

Maintenance and Utilities
Maintenance and utilities expenses, as a percentage of gross revenues, were fairly consistent at 6.5% and 6.3% during the six months ended June 30, 2013 and 2012, respectively. There were no major maintenance projects undertaken in either period.

Depreciation and Amortization
Depreciation and amortization expense increased by $0.6 million, or 2.0%, during the six months ended June 30, 2013 compared to the same period in 2012. The increase was due to the completion of the room refurbishments at the Borgata hotel that were completed by June 30, 2012, and reflects the additional depreciation compared to the same period in the prior year.

Impairments of Assets
On May 8, 2013, we entered into an agreement with the CRDA that included a 50% donation and a 50% refund of $45.1 million of our available deposits. As a result, the carrying values of our CRDA-related accounts were reviewed and adjusted to their net realizable values resulting in a charge of $5.0 million for the six months ended June 30, 2013.

Other operating items, net
Other operating items, net, was $0.5 million during the six months ended June 30, 2013. Other operating items, net, reflects a gain $1.9 million during the six months ended June 30, 2012 due to a gain on a subrogated insurance settlement related to the fire that occurred during the construction of The Water Club in 2007.

Other Expenses
Three and Six Months ended June 30, 2013 and 2012
Interest Expense
The following table summarizes information with respect to our interest expense on outstanding indebtedness:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2013**	**2012**	**2013**	**2012**
Interest expense, net	$ 20,844	$ 20,649	$ 41,618	$ 41,131
Average outstanding long-term debt	804,500	818,425	804,129	819,443
Weighted average interest rate	10.4%	10.1%	10.4%	10.0%

Interest expense increased slightly during the three months ended June 30, 2013, as lower average long-term debt balances were offset by slightly higher weighted average interest rates compared to the corresponding period in the prior year. Interest expense increased $0.5 million during the six months ended June 30, 2013, due to higher weighted average interest rates compared to the corresponding period in the prior year despite lower average long-term debt balances.

State Income Taxes

The following table presents our state income tax (provision) benefit and effective tax rate as a percentage of pre-tax income.

(In thousands)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
State income tax (provision) benefit	$ 943	$ 392	$ 1,478	$ (184)
Loss before state income taxes	(13,900)	(3,733)	(22,470)	(585)
Effective state income tax rate	6.8%	10.5%	6.6%	(31.5)%

The effective state income tax rate for the three months ended June 30, 2013 and 2012 was 6.8% and 10.5%, respectively. The effective state income tax rate for the six months ended June 30, 2013 and 2012 was 6.6% and (31.5)%, respectively. The change in the effective tax rates results primarily from the shift in profit and loss before income tax for the respective periods, as well as the impact of certain recurring permanent tax adjustments and accrued interest on uncertain tax benefits.

LIQUIDITY AND CAPITAL RESOURCES

Financial Position

There were no significant changes in our financial position since December 31, 2012.

Working Capital

Historically, we have operated with minimal levels of working capital in order to minimize borrowings and related interest costs under our amended credit facility. As of June 30, 2013 and December 31, 2012, we had balances of cash and cash equivalents of $33.8 million and $34.1 million, respectively. In addition, we had a working capital deficit of $29.4 million as of June 30, 2013 and $16.9 million as of December 31, 2012.

Our New Credit Facility generally provides us with necessary funds for our day-to-day operations and interest payments, as well as capital expenditures. On a daily basis, we evaluate our cash position and adjust the balance under our New Credit Facility, as necessary, by either borrowing or paying it down with excess cash. We also plan the timing and the amounts of our capital expenditures. We believe that our cash and cash equivalents balance, our cash flows from operations and existing financing sources will be sufficient to meet our normal operating requirements and to fund capital expenditures during at least the next twelve months. The source of funds for the repayment of our debt or our capital expenditures is derived primarily from cash flows from operations and availability under our New Credit Facility, to the extent availability exists after we meet our working capital needs, and subject to restrictive covenants.

The indenture governing both the 9.5% senior secured notes (the "2015 Notes") and the 9.875% senior secured notes (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 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 incurrence of debt to refinance existing indebtedness, we are prohibited from incurring additional indebtedness; however, we may still incur additional borrowings under our New Credit Facility, to the extent there is availability. At June 30, 2013, approximately $4.4 million was outstanding under the credit facility leaving contractual availability of $55.6 million.

If availability does not exist under our New Credit Facility, or we are not otherwise able to draw funds on our New Credit Facility, additional financing may not be available to us, and if available, may not be on terms favorable to us.

Liquidity

Our property has historically generated significant operating cash flow, with the majority of our revenue being cash-based. Our industry is capital intensive; we rely heavily on the ability of our property to generate operating cash flows in order to repay debt financing and associated interest costs, pay income taxes, fund maintenance capital expenditures, and provide excess cash for future improvements and payment of limited distributions, subject to restrictive covenants related to our debt obligations.

We generate substantial cash flows from operating activities. We use the cash flows generated by our operations to fund debt service, to reinvest in existing facilities for both refurbishment and expansion projects, to pursue additional growth opportunities and to pay allowable distributions to the members of MDDHC, subject to restrictive covenants related to our debt obligations.

When necessary, we supplement the cash flows generated by our operations with funds provided by financing activities to balance our cash requirements.

Our ability to fund our operations, pay our debt obligations and fund planned capital expenditures depends, in part, upon economic and other factors that are beyond our control, and disruptions in capital markets and restrictive covenants related to our debt could impact our ability to secure additional funds through financing activities.

We cannot provide assurances that our business will generate sufficient cash flows from operations, or that future borrowings will be available to us, to fund our liquidity needs and pay our indebtedness. If we are unable to meet our liquidity needs or pay our indebtedness when it is due, we may have to reduce or delay refurbishment and expansion projects, reduce expenses, sell assets or attempt to restructure our debt. In addition, we have pledged substantially all of our assets as collateral for our senior secured notes and our New Credit Facility, and if the obligation to repay such debt is accelerated, for any reason, there can be no assurance that we will have sufficient assets to repay our indebtedness.

Indebtedness

Bank Credit Facility

Significant Terms

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

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

On December 27, 2012, we entered into the Second Amendment to Credit Agreement that (i) decreases the minimum Consolidated EBITDA (as defined therein) to $125 million for fiscal quarters ending December 31, 2012 and thereafter, (ii) modifies the definition of Consolidated EBITDA to exclude certain losses, charges, and expenses, (iii) adjusts the calculation of Consolidated EBITDA such that for the fiscal quarter ending December 31, 2012 through the fiscal quarter ending September 30, 2013, Consolidated EBITDA will be computed by including the four fiscal quarters with the highest Consolidated EBITDA out of the most recently ended five fiscal quarters, (iv) reduces the Aggregate Commitments (as defined therein) to $60 million, (v) modifies the Use of Proceeds covenant to provide that the proceeds of revolving loans can only be used to repurchase or redeem MDFC's senior secured notes if, after giving affect thereto, the aggregate amount of outstanding loans and letters of credit under the amended credit facility does not exceed $50.0 million and (vi) adds a covenant prohibiting MDFC and MDDC from repurchasing or redeeming MDFC's senior secured notes at any time unless Consolidated EBITDA was at least $125 million for the most recently ended period of four consecutive fiscal quarters prior thereto (without giving effect to the adjustment described in clause (iii) above).

The amended credit facility provides for a $60 million senior secured revolving credit facility and matures in August 2014. The amended credit facility is guaranteed on a senior secured basis by MDDC and any future subsidiaries of MDDC and is secured by a first priority lien on substantially all of our assets, subject to certain exceptions. The obligations under the amended credit facility have priority in payment to our senior secured notes.

On July 24, 2013, the amended credit facility was replaced by the New Credit Facility, as discussed further below.

Interest Rate

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

At June 30, 2013, the outstanding balance under the amended credit facility was $4.4 million, which bore an interest rate of 4.9%. Contractual availability under the amended credit facility at June 30, 2013 was $55.6 million. At December 31, 2012, the outstanding balance under the amended credit facility was $20.0 million, which bore an interest rate of 4.9%. Contractual availability under the amended credit facility at December 31, 2012 was $40.0 million.

Compliance with Financial and Other Covenants
The amended credit facility contains certain financial and other covenants, including, without limitation, (i) establishing a minimum Consolidated EBITDA (as defined in the amended credit facility) of $125 million 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 that 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 bank credit facility.

The New Credit Facility provides for a $60 million 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 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 million and (b) the issuance of senior secured term loans to refinance the 2015 Notes and, concurrently with or after the 2015 Notes have been refinanced, to refinance MDFC's 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 million 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 $2.1 million 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; (ii) pay dividends or make distributions; (iii) make certain investments; (iv) sell or merge with other companies; and (v) enter into certain types of transactions. We believe that we 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 that we were in compliance with these covenants at June 30, 2013.

Original Issue Discounts
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 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 incurrence of debt to refinance existing indebtedness, we are prohibited from incurring additional indebtedness; however, we may still incur additional borrowings under our New Credit Facility, to the extent there is availability.

Cash Flows Summary

	Six Months Ended June 30,	
(In thousands)	**2013**	**2012**
Net cash provided by operating activities	$ 25,931	$ 31,822
Cash flows from investing activities:		
Capital expenditures	(10,628)	(30,337)
Insurance proceeds from subrogation settlement	—	2,203
Net cash used in investing activities	(10,628)	(28,134)
Cash flows from financing activities:		
Borrowings under amended credit facility	200,000	354,500
Payments under amended credit facility	(215,600)	(370,500)
Net cash used in financing activities	(15,600)	(16,000)
Decrease in cash and cash equivalents	$ (297)	$ (12,312)

Cash Flows from Operating Activities
During the six months ended June 30, 2013, we generated operating cash flow of $25.9 million, compared to $31.8 million during the same period of the prior year. Operating cash flow decreased due to the flow through effects from an increase in net loss from $0.8 million to $21.0 million during the six months ended June 30, 2013, compared to the same period in the prior year.

Cash Flows from Investing Activities
Capital expenditures during the six months ended June 30, 2013 and 2012 were $10.6 million and $30.3 million, respectively. Cash paid for capital expenditures during the six months ended June 30, 2013 primarily included $5.6 million on hotel room remodel, $1.8 million on slot updates, and $1.1 million on various information technology projects. Cash paid for capital expenditures during the six months ended June 30, 2012 included amounts spent for our hotel room renovation, slot products and food and beverage facilities. In addition, during the six months ended June 30, 2012, we received $2.2 million in proceeds from a subrogated insurance settlement related to the fire that occurred during the construction of The Water Club on September 23, 2007.

Cash Flows from Financing Activities
We have significant uses for our cash flows, including capital expenditures, interest payments, the repayment of debt, and distributions to our member, although limited by the restrictive covenants related to our amended credit facility. Depending on our cash flow needs, we borrow and repay amounts under our amended credit facility to manage our overall cash position.

During the six months ended June 30, 2013 we repaid a net $15.6 million on our amended credit facility, compared to net repayments of $16.0 million during the six months ended June 30, 2012.

Other Items Affecting Liquidity
We anticipate the ability to fund our capital requirements using cash flows from operations and availability under our amended credit facility, to the extent availability exists after we meet our working capital needs for the next twelve months. Any additional financing that is needed may not be available to us or, if available, may not be on terms favorable to us. The outcome of the following specific matters, including our commitments and contingencies, may also affect our liquidity.

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 expansion projects underway, if any opportunities arise, such projects could 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.

Our estimated total capital expenditures for 2013 are expected to be approximately $25.0 million and are primarily comprised of suite renovations, technology enhancements, infrastructure costs of our anticipated launch of online gaming and various maintenance capital projects. We intend to fund such capital expenditures through our New Credit Facility and operating cash flows. We incurred $10.6 million in capital expenditures for the six months ended June 30, 2013.

Commitments and Contingencies
There have been no material changes to our commitments or contingencies as defined in Item 303(a)(4)(ii) and described under Part II. Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC on March 28, 2013.

Off Balance Sheet Arrangements
Our off balance sheet arrangements as defined in Item 303(a)(4)(ii) and described under Part II. Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K for the year ended December 31, 2012 filed with the SEC on March 28, 2013, consist of the following:

Utility Contract
In 2005, we amended our executory contracts with a wholly owned subsidiary of a local utility company and extended the terms to 20 years from the opening of our rooms expansion. 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 $11.7 million per year. We also committed to purchase a certain portion of our electricity demand at essentially a fixed rate, which is estimated to be approximately $1.7 million in the aggregate per year. Electricity demand in excess of the commitment is subject to market rates based on our tariff class.

Letter of Credit
We had no outstanding letters of credit as of June 30, 2013.

Critical Accounting Policies
Our discussion and analysis of our results of operations and liquidity and capital resources are based on our condensed consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. In accordance with GAAP, we are required to make estimates and assumptions that affect the reported amounts included in our condensed consolidated financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. On an ongoing basis, management reviews and refines those estimates, the following of which materially impact our condensed consolidated financial statements: the recoverability of long-lived assets; determination of self-insured reserves; and provisions for deferred tax assets, certain tax liabilities and uncertain tax positions.

Judgments are based on information including, but not limited to, historical experience, industry trends, conventional practices, expert opinions, terms of existing agreements and information from outside sources. Judgments are subject to an inherent degree of uncertainty, and therefore actual results could differ from these estimates.

A description of our critical accounting policies can be found in our Annual Report on Form 10-K for the year ended December 31, 2012, as originally filed with the SEC on March 28, 2013.

Important Information Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Certain information included in this Quarterly Report on Form 10-Q contains statements that are forward-looking, including, but not limited to, statements relating to our business strategy and development activities as well as other capital spending, financing sources, the effects of regulation (including gaming and tax regulations), expectations concerning future operations, margins, profitability and competition. Any statements contained in this report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, in some cases you can identify forward-looking statements by terminology containing works such as "may," "will," "might," "expect," "believe," "anticipate," "outlook," "could," "would," "estimate," "continue," "pursue," "target," "project," "intend," "plan," "seek," "estimate," "should," "may," "assume," and "continue," or the negative thereof or comparable terminology. Such forward-looking statements may include, but are not limited to, the following:

- Our efforts to strengthen existing operations and growth through capital investment and other strategic initiatives;
- The effect of our ongoing litigation on our financial position, results of operations and cash flows;
- Significant disruptions in the global capital markets, such as the disruptions in recent years, have in the past, and may in the future adversely impact the ability of borrowers, such as our company, to access capital;
- The sufficiency of our cash and cash equivalents, our cash flows from operations and existing financing sources to fund normal operating requirements and capital expenditures during the next twelve months;
- Our estimated total capital expenditures for 2013, our expectation that they will be primarily comprised of suite renovations, technology enhancements, infrastructure costs for our anticipated launch of online gaming and various maintenance capital projects and our intention to fund such capital expenditures through our amended credit facility and operating cash flows;
- The effect of fluctuations in interest rates on our results;
- The possibility of expansion of gaming facilities in nearby states, including the development of a new facility in Philadelphia, as well as, the anticipated timing and scope of the development plans of our competitors, and its potential effect on our business;
- The estimates underlying our critical accounting policies;
- The effect of recently enacted and proposed legislation, including without limitation, legislation concerning the regulation of gaming, bans on smoking and increases and decreases in tax rates, on our business and the business of our competitors;
- Our estimated exposure with respect to the UNITE HERE National Retirement Fund;
- Our estimated annual energy costs;
- Our estimated pro rata share of payments under the AC Alliance;
- The factors that contribute to our ongoing success and our ability to be successful in the future;
- Our business model, areas of focus and strategy for realizing improved results;
- Competition, including expansion of gaming into additional markets, the impact of competition on our operations, our ability to respond to such competition, and our expectations regarding continued competition in the markets in which we compete;
- Our estimated effective income tax rates; estimated tax benefits; and merits of our tax positions;
- The general effect, and expectation, of the national and global economy on our business, as well as the New Jersey economy;
- Our expenses;
- Our expectations, including our responsibility and control over day-to-day operations and the expected managerial resources needed to effectuate a potential sale of the MGM Interest;
- Our expectations with respect to the valuation of our tangible and intangible assets;
- The type of covenants that will be included in any future debt instruments;
- Our expectations with respect to continued access to the global capital markets without disruption, and the potential effect of any disruptions on consumer confidence and reduced levels of consumer spending and the impact of these trends on our financial results;
- Our ability to meet our projected operating and maintenance capital expenditures and the costs associated with any potential expansions or renovations;
- Our ability to pay dividends;
- Our commitment to finding opportunities to strengthen our balance sheet and to operate more efficiently;
- The impact of new accounting pronouncements on our condensed consolidated financial statements;
- That the New Credit Facility and our respective cash flows from operating activities will be sufficient to meet our respective projected operating and maintenance capital expenditures for the next twelve months;

- Our expansion and renovation plans, including the scope of such plans, expected costs, financing (including sources thereof and our expectation that long-term debt will substantially increase in connection with such projects), timing and the ability to achieve market acceptance;
- That margin improvements will remain a driver of profit growth for us going-forward;
- The impact of changes in state gaming legislation, including, for example, in New York, Delaware, Connecticut and Maryland;
- Our asset impairment analyses and our intangible asset and goodwill impairment tests;
- That operating results for previous periods are not necessarily indicative of future performance;
- Our expectations regarding our cost containment efforts;
- Expectations, plans, beliefs, hopes or intentions regarding the future; and
- Assumptions underlying any of the foregoing statements.

Forward-looking statements involve certain risks and uncertainties, and actual results may differ materially from those discussed in any such statement. Factors that could cause actual results to differ materially from such forward-looking statements include, but are not limited to the following:

- The effects of intense competition that exists in the gaming industry;
- The uncertainty about the sustainability and strength of the current economic recovery;
- Our ability to comply with debt covenants and generate sufficient cash flow to service our substantial debt;
- The recent economic downturn and its impact on consumer and discretionary spending, and the risk that a prolonged economic recovery or a return to an economic downturn will result in further decreases in the number of visitors to Atlantic City and the amount they spend on gaming, dining, entertainment and other travel and leisure activities at Borgata;
- The effects of volatility in worldwide credit and financial markets;
- The risk that instability in the financial condition of our lenders could have a negative impact on the New Credit Facility;
- Our dependence on Borgata for all of our cash flow, which subjects us to greater risks than a gaming company with more operating properties or that is more geographically diverse;
- The risk of increased competition arising from, among other things, new casino development and construction activities in Atlantic City and other states in the mid-Atlantic region from which we attract most of our customers; aggressive marketing, promotional and other actions taken by our competitors in reaction to adverse economic conditions; and changes to gaming regulations or gaming taxes that expand gaming, lower the gaming tax rate in other nearby states or that otherwise result in increased competition to us;
- The risk that our casino, hotel and other operations could be halted for a temporary or extended period of time, as a result of casualty, flooding, forces of nature, snowstorms, hurricanes and other adverse weather conditions, mechanical failure, extended or extraordinary maintenance, government shutdowns, labor disputes or regulatory compliance issues, among other causes;
- The effects of events adversely impacting the mid-Atlantic region from which we draw most of our customers, including the effects of the economic downturn, war, terrorist or similar activity or adverse weather conditions and other natural disasters or the outbreak of an infectious disease impacting the mid-Atlantic region;
- The possibility that our insurance coverage may not be adequate to cover the losses that our property could suffer;
- The effects of the extensive governmental gaming regulation and taxation policies that we are subject to, as well as any changes in laws and regulations, including increased taxes and smoking restrictions, which could harm our business and increase competition;
- The risk that our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under our amended credit facility and senior secured notes;
- The risk that negative industry or economic trends, including reduced estimates of future cash flows, disruptions to our business, slower growth rates or lack of growth in our business, may result in significant write-downs or impairments in future periods;
- The risk associated with MGM being denied a statement of compliance and its potential effects on our business and operations if our other joint venture partner, BAC, elects not to exercise its right of first refusal to purchase such interest. Other than its right of first refusal, BAC generally does not have the ability to select the new venture partner and the ongoing operations of Borgata could change if, for example, a new operating agreement is entered into with the new venture partner;
- The risk that our existing gaming license is not renewed, or that we may not receive gaming or other necessary licenses for new projects;
- The risk that members of our business ventures may not receive regulatory approval to conduct internet gaming operations in certain gaming markets;
- The risk relating to legal proceedings;
- Our dependence on key members of existing management and our ability to attract, retain and motivate employees;
- The risk that our capital improvement projects may not be completed, if at all, on time or within established budgets, or that any project will result in increased earnings to us;

- Our ability to obtain capital commitments to fund our capital improvement projects on terms favorable to us, if at all;
- The risks relating to compliance with extensive environmental regulation, which creates uncertainty regarding future environmental expenditures and liabilities;
- Financial community and rating agency perceptions of us, and the effect of economic, credit and capital market conditions on the economy and the gaming and hotel industry;
- The risk inherent by virtue of our ownership by Boyd (through its ownership of BAC) and a divestiture trust, of which MGM and its subsidiaries are the economic beneficiaries, and the possibility that their interests as equity holders may compete or otherwise may conflict with our interests or the interests of a holder of the notes as a creditor;
- Delays and significant cost increases, shortages of materials, shortages of skilled labor or work stoppages;
- Construction scheduling, engineering, environmental, permitting, construction or geological problems, weather interference, floods, fires or other casualty losses;
- Failure by us to obtain financing on acceptable terms, or at all;
- Failure to obtain necessary government or other approvals on time, or at all;
- The risk that new gaming licenses or jurisdictions become available (or offer different gaming regulations or taxes) that results in increased competition to us;
- The risk that we may be unable to refinance our respective outstanding indebtedness as it comes due, or that if we do refinance, the terms are not favorable to us;
- The effect of the expansion of legalized gaming in the United States, particularly in the mid-Atlantic region and on Native American tribal lands, as well as the potential proliferation of legalized internet gaming;
- Our expected liabilities under the multiemployer pensions in which we operate; and
- The risk of failing to maintain the integrity of customer data.

Additional factors that could cause actual results to differ are discussed in Part II. Item 1A. *Risk Factors* of this Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 and in other current and periodic reports provided by us from time to time. All forward-looking statements in this document are made as of the date hereof, based on information available to us as of the date hereof, and we assume no obligation to update any forward-looking statement.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

As of June 30, 2013, there were no material changes to the information previously reported under Item 7A. in our Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the SEC on March 28, 2013.

Item 4. *Controls and Procedures*

As of the end of the period covered by this Report, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Our disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on the evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Report.

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during our most recent fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II. Other Information

Item 1. *Legal Proceedings*

We are subject to various claims and litigation in the normal course of business. Management believes 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.

Item 1A. *Risk Factors*

The risks and uncertainties described below are not the only ones facing us. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of our senior secured notes could decline significantly, and investors could lose all or part of their investment. You should carefully consider the risks described below together with all of the other information included in this Quarterly Report on Form 10-Q. We encourage investors to review the risks and uncertainties relating to our business disclosed under Part I. Item 1A. *Risk Factors*, in our Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the SEC on March 28, 2013.

Risks Related to our Business

Our business is particularly sensitive to reductions in discretionary consumer spending as a result of downturns in the economy.

Consumer demand for entertainment and other amenities at casino hotel properties, such as ours, are particularly sensitive to downturns in the economy and the corresponding impact on discretionary spending on leisure activities. Changes in discretionary consumer spending or consumer preferences brought about by factors such as perceived or actual general economic conditions, effects of declines in consumer confidence in the economy, including the recent housing, employment and credit crisis, the impact of high energy and food costs, the increased cost of travel, the potential for continued bank failures, decreased disposable consumer income and wealth, or fears of war and future acts of terrorism could further reduce customer demand for the amenities that we offer, thus imposing practical limits on pricing and negatively impacting our results of operations and financial condition.

For example, weak economic conditions adversely affected tourism and spending in Atlantic City. While the economy has recently shown signs of recovery, we are unable to determine the sustainability or strength of any economic recovery. Since our business model relies on consumer expenditures on entertainment, luxury and other discretionary items, a slowing or stoppage of the economic recovery or a return to an economic downturn will further adversely affect our results of operations and financial condition.

Intense competition exists in the gaming industry, and increased competition may have an adverse effect on our business results of operations and financial condition.

The gaming industry is highly competitive for both customers and employees, including those at the management level. We compete with numerous casinos and hotel casinos of varying quality and size in market areas where our properties are located. We also compete with other non-gaming resorts and vacation destinations, and with various other casino and other entertainment businesses, and could compete with any new forms of gaming that may be legalized in the future. The casino entertainment business is characterized by competitors that vary considerably in their size, quality of facilities, number of operations, brand identities, marketing and growth strategies, financial strength and capabilities, level of amenities, management talent and geographic diversity. In most markets, we compete directly with other casino facilities operating in the immediate and surrounding market areas. In some markets, we face competition from nearby markets in addition to direct competition within our market areas.

We have invested in expanding existing facilities and developing new facilities including a $200 million casino and non-gaming expansion completed in early 2006 and the opening of The Water Club, a 797-room upscale boutique hotel, in June 2008. Our competitors have also invested in expanding their existing facilities and developing new facilities. For example, in early 2009, Trump Entertainment completed the construction of the Chairman Tower, a 782-room hotel tower at the Taj Mahal.

In addition, MGM owns land adjacent to Borgata, a portion of which consists of common roads, landscaping and master plan improvements, and a portion of which was planned for a wholly-owned development, MGM Grand Atlantic City. As part of MGM's settlement agreement with the NJDGE and the NJCCC (together, the "Gaming Authorities"), MGM has agreed that an affiliate of MGM would withdraw its license application for this development. MGM filed a petition with the NJCCC on February 8, 2013, which was joined by Boyd and MDDC pursuant to which the NJCCC, on February 13, 2013, approved amendments to the Stipulation of Settlement and Trust Agreement which permits MGM to file an application for a Statement of Compliance, which if approved could permit MGM to reacquire its interest in MDDC. The deadline requiring MGM and the Divestiture Trust to sell the MGM interest has been tolled to allow the NJCCC to complete a review of MGM's application. Competition could significantly increase if a developer acquires MGM's interest in such land or MGM is relicensed in New Jersey, and either a new developer or MGM succeeds in developing and opening a competing casino property adjacent to Borgata. We may also face increased competition from postponed, ongoing and future projects in Atlantic City. For example, Revel Casino, a casino and hotel facility located at the northern end of the Boardwalk opened in April 2012, which has increased competition in the Atlantic City market. Competition also may intensify if our competitors commit additional resources to aggressive pricing and promotional activities in order to attract customers. The expansion of existing casino entertainment properties, the increase in the number of properties and the aggressive marketing strategies of many of our competitors have increased competition in the Atlantic City market, and this intense competition can be expected to continue. In addition, competition may intensify if our competitors commit additional resources to aggressive pricing and promotional activities in order to attract customers. Internet gaming, recently approved for New Jersey casinos on February 26, 2013, is also expected to bring additional opportunities and enhanced competition for casino revenues and customers. We plan to engage in Internet gaming, but so do our competitors, and we can make no guarantees that we will emerge as a successful provider of Internet gaming to the gaming public.

If our competitors operate more successfully than we do, either in traditional casino gaming or Internet gaming, if they attract customers away from us as a result of aggressive pricing and promotion, if they are more successful than us in attracting and retaining employees, if their properties are enhanced or expanded, if they operate in jurisdictions that give them operating advantages due to differences or changes in gaming regulations or taxes, or if additional hotels and casinos are established in and around the location in which we conduct business, we may lose market share or the ability to attract or retain employees. In particular, the expansion of casino gaming in or near any geographic area from which we attract or expect to attract a significant number of our customers could have a significant adverse effect on our business, financial condition and results of operations.

The expansion of casino gaming in or near the mid-Atlantic region from which Borgata attracts and expects to attract most of our customers has had an adverse effect on its business, results of operations and financial condition. In January 2010, table game legislation in Pennsylvania was signed into law which allows up to 250 table games at each of the twelve largest authorized casinos and up to 50 table games at each of the remaining two smaller authorized casinos. Table games became operational at the existing casinos in the Philadelphia region in mid-July 2010. In addition, other states near New Jersey, including New York,Delaware and Maryland, either have or are currently contemplating gaming legislation. In January 2010, Delaware legalized table games, which became operational in June 2010 at all three Delaware casinos. In November 2012, Maryland legalized table games, which became operational beginning in March 2013. Convenience may be a more important factor than amenities for some customers, especially mid-week and repeat customers. These customers may prefer the convenience of a closer drive to a nearby casino rather than dealing with a longer drive to enjoy the amenities that Borgata has to offer. Expansion of gaming facilities in Pennsylvania and other nearby states therefore has resulted in fewer customer visits to Borgata, which has adversely impacted Borgata's business, results of operations and financial condition.

Ballot measures or other voter-approved initiatives to allow gaming in jurisdictions where gaming, or certain types of gaming (such as slots), was not previously permitted could be challenged, and, if such challenges are successful, these ballot measures or initiatives could be invalidated. Furthermore, there can be no assurance that there will not be similar or other challenges to legalized gaming in existing or current markets, including the Internet gaming market that has yet to be established, in which we may operate or have development plans, and successful challenges to legalized gaming could require us to abandon or substantially curtail our operations or development plans in those locations, which could have a material adverse effect on our financial condition and results of operations.

Increased competition also may result from changes to existing gaming regulations. For example, in January 2011, legislation was passed into law in New Jersey that changes the minimum room requirements and size of casino hotels. Instead of 500-room hotels with casinos of at least 60,000 square feet that New Jersey law previously required, developers will be able to build smaller, 20,000 square foot, casinos at hotels with at least 200 rooms. The new smaller casinos will be required to pay a tax rate of more than 14 percent on their gross gaming revenue to compensate for the reduced investment compared to existing, larger casinos, which pay just over 9 percent on such revenues. The legislation may result in the development of additional smaller, boutique hotel-casinos in the Atlantic City market, which will further increase competition. In addition, competition could further increase if, as has been contemplated in the past, the State of New Jersey approves the installation of video lottery terminals ("VLTs") at horse racing facilities in New Jersey.

We also compete with legalized gaming from casinos located on Native American tribal lands. Expansion of Native American gaming in the Northeast or mid-Atlantic region from which we draw most of our customers, could have an adverse effect on our operating results. Native American gaming facilities typically have a significant operating advantage over our property due to lower gaming fees or taxes, allowing those facilities to market more aggressively and to expand or update their facilities at an accelerated rate. These competing Native American properties could continue to have an adverse impact on our operations.

We expect that competition from internet gaming will continue to grow and intensify.
We expect that we will face increased competition from internet gaming as the potential for legalized internet gaming continues to grow. There are current proposals to legalize internet gaming under federal law. Additionally, several states are currently considering legislation that would legalize internet gaming at the state level. For example, in February 2013, Nevada amended its internet gaming law to permit Nevada licensed internet providers to commence internet poker and to allow Nevada to enter into agreements with other states to create multi-state poker wagering. In February 2013, New Jersey enacted legislation authorizing intrastate internet gaming through Atlantic City casinos, subject to regulations to be adopted by the NJDGE.

The global financial crisis and a prolonged economic recovery may have an effect on our business and financial condition in ways that we currently cannot accurately predict.
The significant economic distress affecting financial institutions has had, and may continue to have, far-reaching adverse consequences across many industries, including the gaming industry. The recent credit and liquidity crisis greatly restricted the availability of capital and caused the cost of capital (if available) to be much higher than it has traditionally been. Although the financial markets have seen recent signs of recovery and increased availability of capital, the financial markets are still fragile and

remain volatile. We have no assurance that we will continue to have access to credit or capital markets at desirable times or at rates that we would consider acceptable, and the lack of such funding could have a material adverse effect on our business, results of operations and financial condition, including our ability to refinance our or Borgata's indebtedness, our flexibility to react to changing economic and business conditions and our ability or willingness to fund new development projects.

We are not able to predict the duration or strength of the economic recovery or the resulting impact on the solvency or liquidity of our lenders. Prolonged slow growth or a downturn, or further worsening or broadening of adverse conditions in the worldwide and domestic economies could affect our lenders. If a large percentage of our lenders were to file for bankruptcy or otherwise default on their obligations to us, we may not have the liquidity under the New Credit Facility to fund our current projects. There is no certainty that our lenders will continue to remain solvent or fund their respective obligations under the New Credit Facility. If we were otherwise required to renegotiate or replace the New Credit Facility, there is no assurance that we would be able to secure terms that are as favorable to us, if at all.

We may incur impairments to long-lived assets.
In accordance with the provisions of the authoritative accounting guidance for the impairment or disposal of long-lived assets, we test long-lived assets for impairment if a triggering event occurs. During the year ended December 31, 2012, we recorded a non-cash impairment charge of $2.8 million related to a parking structure project that was abandoned. During the year ended December 31, 2011, we recorded a non-cash impairment charge related to our investment in ACES of $1.1 million, representing the amount by which the carrying value of the investment exceeded its contractual liquidation value.

We own facilities that are located in areas that experience extreme weather conditions.
Extreme weather conditions may interrupt our operations, damage our property and reduce the number of customers who visit our facilities.

We have been forced to close due to hurricanes and other storms. Borgata was ordered to close from October 28, 2012 to November 2, 2012 by the NJDGE due to a post-tropical storm. In August 2011, Borgata was closed for three days due to Hurricane Irene. Moreover, Borgata is located in an area that has been identified by the director of the Federal Emergency Management Agency (“FEMA”) as a special flood hazard area, which, according to the FEMA statistics, has a 1% chance of a flood equal to or exceeding the base flood elevation (a 100-year flood) in any given year.

In addition to the risk of flooding and hurricanes, snowstorms and other adverse weather conditions may interrupt our operations, damage our property and reduce the number of customers who visit our facilities. For example, during January and February 2011, much of the country was impacted by some of the worst winter weather in decades, particularly in the Midwest. Additionally, February 2010 was the snowiest month ever recorded in Atlantic City, which generally kept would-be gamblers from traveling to Borgata, contributing to a drop in Borgata's monthly revenues from January to February. The 2010 winter season was the worst on record, and travel throughout the entire Northeast was extremely difficult. The residual impact from these record winter storms resulted in day trip visitations to Atlantic City that were reduced or delayed as regional school calendars were extended in order to make up for prior school closures. Additionally, extreme heat and low precipitation levels in the latter half of the first six months of 2010, particularly in the month of June, had an adverse impact on visitation and spending at Borgata. If there is a prolonged disruption at Borgata due to natural disasters, terrorist attacks or other catastrophic events, our results of operations and financial condition could be materially adversely affected.

While we maintain insurance coverage that may cover certain of the costs and loss of revenue that we incur as a result of some extreme weather conditions, our coverage is subject to deductibles and limits on maximum benefits. There can be no assurance that we will be able to fully collect, if at all, on any claims resulting from extreme weather conditions. If our property is damaged or if operations are disrupted as a result of extreme weather in the future, or if extreme weather adversely impacts general economic or other conditions in the areas in which our property is located or from which we draw our patrons, our business, financial condition and results of operations could be materially adversely affected.

Our expansion and renovation projects may face significant risks inherent in construction projects .
We regularly evaluate expansion and renovation opportunities. Any development projects we may undertake will be subject to many other risks inherent in the expansion or renovation of an existing enterprise, including unanticipated design, construction, regulatory, environmental and operating problems and lack of demand for our projects. Our current and future projects could also experience:

- changes to plans and specifications;
- delays and significant cost increases;
- shortages of materials;
- shortages of skilled labor or work stoppages for contractors and subcontractors;
- disputes with and defaults by contractors and subcontractors;

- health and safety incidents and site accidents;
- engineering problems, including defective plans and specifications;
- poor performance or nonperformance by any of our joint venture partners or other third parties on whom we place reliance;
- changes in laws and regulations, or in the interpretation and enforcement of laws and regulations, applicable to gaming facilities, real estate development or construction projects,
- unforeseen construction scheduling, engineering, environmental, permitting, construction or geological problems;
- environmental issues, including the discovery of unknown environmental contamination;
- weather interference, floods, fires or other casualty losses;
- other unanticipated circumstances or cost increases; and
- failure to obtain necessary licenses, permits, entitlements or other governmental approvals.

The completion dates of any of our projects could differ significantly from expectations for construction-related or other reasons.

In addition, actual costs and construction periods for any of our projects can differ significantly from initial expectations. Our initial project costs and construction periods are based upon budgets, conceptual design documents and construction schedule estimates prepared at inception of the project in consultation with architects and contractors. Many of these costs can increase over time as the project is built to completion. The cost of any project may vary significantly from initial budget expectations and we may have a limited amount of capital resources to fund cost overruns. If we cannot finance cost overruns on a timely basis, the completion of one or more projects may be delayed until adequate funding is available. We can provide no assurance that any project will be completed on time, if at all, or within established budgets, or that any project will result in increased earnings to us. Significant delays, cost overruns, or failures of our projects to achieve market acceptance could have a material adverse effect on our business, financial condition and results of operations.

The failure to obtain necessary government approvals in a timely manner, or at all, can adversely impact our various expansion and renovation projects.
Certain permits, licenses and approvals necessary for some of our current or anticipated projects have not yet been obtained. The scope of the approvals required for expansion, development, investment or renovation projects can be extensive and may include gaming approvals, state and local land-use permits and building and zoning permits. Unexpected changes or concessions required by local, state or federal regulatory authorities could involve significant additional costs and delay the scheduled openings of the facilities. We may not obtain the necessary permits, licenses and approvals within the anticipated time frames, or at all.

If we are unable to finance our expansion and renovation projects, as well as other capital expenditures, through cash flow from operations, borrowings under the New Credit Facility and additional financings, our expansion, development, investment and renovation efforts will be jeopardized.
We intend to finance our current and future expansion, development, investment and renovation projects, as well as our other capital expenditures, primarily with cash flow from operations, borrowings under the New Credit Facility, and debt financings. If we are unable to finance our current or future expansion, development, investment and renovation projects, or our other capital expenditures, we will have to adopt one or more alternatives, such as reducing, delaying or abandoning planned expansion, development, investment and renovation projects as well as other capital expenditures, selling assets, restructuring debt, reducing the amount or suspending or discontinuing the distribution of dividends, obtaining additional financing or joint venture partners, or modifying the New Credit Facility. These sources of funds may not be sufficient to finance our expansion, development, investment and renovation projects, and other financing may not be available on acceptable terms, in a timely manner, or at all. In addition, our existing indebtedness contains certain restrictions on our ability to incur additional indebtedness.

Significant disruptions in the global capital markets, such as the disruptions in recent years, have in the past, and may in the future, adversely impact the ability of borrowers such as our company to access capital. We anticipate that funding for any of our expansion projects would come from cash flows from operations and availability under the New Credit Facility (to the extent that availability exists under the New Credit Facility, as applicable, after we meet our working capital needs).

If availability under the New Credit Facility does not exist or we are otherwise unable to make sufficient borrowings thereunder, any additional financing that is needed may not be available to us or, if available, may not be on terms favorable to us. As a result, if we are unable to obtain adequate project financing in a timely manner, or at all, we may be forced to sell assets in order to raise capital for projects, limit the scope of, or defer such projects, or cancel the projects altogether. In the event that we are unable to access capital with more favorable terms, additional equity and/or credit support may be necessary to obtain construction financing for the remaining cost of the project.

We are entirely dependent on Borgata for all of our cash flows, which subjects us to greater risks than a gaming company with more operating properties.

We are entirely dependent upon Borgata for all of our cash flow. As a result, we are subject to a greater degree of risk than a gaming company that has more operating properties or is more geographically diverse. The risks to which we have a greater degree of exposure include the following:

- local economic and competitive conditions in the Atlantic City gaming market;
- changes in New Jersey governmental laws and regulations, including gaming laws and regulations;
- snowstorms, hurricanes, flooding and other adverse weather conditions, natural and other disasters affecting the mid-Atlantic region;
- a decline in the number of visitors to Atlantic City;
- a decrease in gaming and non-gaming activities at our properties; and
- the outbreak of public health threats at our property or in Atlantic City, or the perception that such threats exist, including pandemic health threats such as the avian influenza, SARS or the H1N1 flu, among others.

In particular, our continued success depends upon our ability to draw customers from New Jersey, New York, Pennsylvania, Maryland and other nearby Northeast and mid-Atlantic states. Adverse weather conditions, road construction, high gasoline prices, disruption in air travel and other factors could make it more difficult for potential customers to travel to Borgata and deter customers from visiting our property. Specifically, adverse weather conditions have had and may continue to have damaging effects on our operations. Since we operate only in the Atlantic City market, these and other risks common to the Atlantic City gaming industry may have a greater impact on us than on a gaming company with more properties or that is more geographically diversified. A prolonged disruption at our property due to any such conditions could materially adversely affect our business, results of operations and financial condition.

The Atlantic City market has been substantially impacted by the recent national recession and weak economic conditions in the United States and elsewhere. A further decline in the Atlantic City market would have a material adverse effect on our business, financial condition and results of operations.

The Atlantic City market has been substantially impacted by the recent national recession, which began in December 2007, and weak economic conditions in the United States and elsewhere. As a result of this recession and the uncertainty over the prospects for recovery, consumers were continuing to curb discretionary spending, which had an adverse effect on the Atlantic City market. Specifically, the number of annual visitors to Atlantic City, which reached a peak of 34.9 million visitors in 2005, began to decline to 34.5 million visitors in 2006, 33.3 million in 2007, 31.8 million in 2008, 30.4 million in 2009, 29.3 million in 2010, 28.5 million in 2011 and 27.2 million in 2012. As national and local economic conditions were mixed and competitive pressures intensified, a more significant drop in visitors occurred in 2008 and 2009, with 31.8 million visitors in 2008 and 30.4 million visitors in 2009, or a decrease of approximately 8.9% and 13.0% from the 2005 peak, respectively. While the overall U.S. economy and the Atlantic City market has recently shown signs of recovery, we are unable to determine the sustainability or strength of any economic recovery. Furthermore, the Atlantic City market may not fully recover from the recent years' decline and decline further. A further decline in the Atlantic City market and Borgata in particular would have a material adverse effect on our business, financial condition and results of operations.

We may become involved in legal proceedings that, if adversely adjudicated or settled, could negatively impact our business, results of operations and financial condition.

From time to time, we are defendants in various lawsuits relating to matters incidental to our business. The nature of our business subjects us to the risk of lawsuits filed by customers, past and present employees, competitors, business partners and others in the ordinary course of business. As with all litigation, no assurance can be provided as to the outcome of these matters and in general, litigation can be expensive and time consuming. We may not be successful in the defense or prosecution of these lawsuits, which could result in settlements or damages that could negatively impact our business, results of operations and financial condition.

The loss of the services of key personnel could have a material adverse effect on our business.

The leadership of the key members of our existing management team has been a critical element of our success. Our other executive officers and other members of senior management have substantial experience and expertise in our business and have made significant contributions to our growth and success. The unexpected loss of services of one or more of these individuals could also adversely affect us. We are not protected by key man or similar life insurance covering members of our senior management.

If we are unable to attract, retain and motivate employees, we may not be able to compete effectively and will not be able to expand our business.

Our success and ability to grow are dependent, in part, on our ability to hire, retain and motivate a sufficient number of talented people, with the increasingly diverse skills needed to serve clients and expand our business. Competition for highly qualified, specialized technical and managerial, and particularly consulting personnel, is intense. Recruiting, training, retention and benefit costs place significant demand on our resources. Additionally, the recent downturn in the gaming, travel and leisure sectors has made recruiting executives to our business more difficult. The inability to attract qualified employees in sufficient numbers to meet particular demands or the loss of a significant number of our employees could have an adverse effect on us.

Work stoppages and other labor problems could negatively impact our business, results of operations and financial condition.
Approximately 2,297 of our employees were represented by four labor unions as of December 31, 2012. Additionally, one of our four collective bargaining agreements had expired in September 2012 and employees covered by the expired agreement continued to work during the negotiations of a new agreement, which was ratified on March 15, 2013. A lengthy strike or other work stoppage could have an adverse effect on our business, results of operations and financial condition. From time to time, we have also experienced attempts to unionize certain of our non-union employees. While these efforts have not resulted in any success to date, we cannot provide any assurance that we will not experience additional and more successful union activity in the future. There has been a trend towards unionization for employees in Atlantic City. The impact of this union activity is undetermined and could negatively impact our business, results of operations and financial condition.

We are a participant in multi-employer pension plans, and the plans have been certified in critical status by the funds' actuary.
In connection with our collective bargaining agreement with the culinary and hotel workers' union, Local 54/UNITE HERE, we participate in the UNITE HERE National Retirement Fund pension plan (the “Fund”). On March 31, 2010, as a result of the extraordinary decline in the financial markets and downturn in the economy, the Fund was certified in critical status by the Fund's actuary under the federal multiemployer plan funding laws pursuant to the Pension Protection Act of 2006 (the “PPA”). In connection with the certification, the Fund's board of trustees has adopted a rehabilitation plan effective on April 1, 2010 (the “Rehabilitation Plan”) with the goal of enabling the Fund to emerge from critical status by January 1, 2023.

The Rehabilitation Plan provides for certain increases in employer contributions and, in some cases, a reduction in participant benefits. We are required to agree with Local 54/UNITE HERE on the adoption of one of three schedules of future accrual and contribution rates proposed under the Rehabilitation Plan, all of which provide for increased monthly contributions. On May 28, 2010, we agreed upon a schedule with Local 54/UNITE HERE pursuant to which we began making increased monthly contributions to the Fund on October 1, 2011.

Our current monthly pension contributions to the Fund are approximately $0.5 million, and our unfunded vested liability to the Fund is $63.8 million for the plan year beginning on January 1, 2011.

Additionally, in connection with our collective bargaining agreement with the Local 68 Engineers Union Pension Plan, NJ Carpenters Pension Fund, and the International Painters and Allied Trades Industry Pension Plan, we participate in other multiemployer pension plans that have been certified in critical status under the federal multiemployer plan funding laws pursuant to the PPA. The boards of trustees of these plans have adopted rehabilitation plans and we are currently in discussions with the boards regarding our level of participation in the rehabilitation plans. The impact of the rehabilitation plans is not expected to have a material adverse effect on our financial condition, results of operations or cash flows. Effective as of July 1, 2011, the Local 68 Engineers Union Pension Plan was no longer certified as endangered or in critical status. Our current monthly pension contributions to the funds associated with these plans approximate less than $0.1 million per month in the aggregate. As of January 1, 2011, our aggregate unfunded vested liability to these funds was approximately $4.5 million.

A renewed economic decline could have a significant adverse effect on the financial condition of the Fund, or other funds to which we contribute, which may require us to make contributions in addition to those already contemplated. Any such increases in our required contributions could adversely affect our results of operations. Under applicable federal law, any employer contributing to a multiemployer pension plan that completely ceases participating in the plan while it is underfunded is subject to payment of such employer's assessed share of the aggregate unfunded vested benefits of the plan. In certain circumstances, an employer can also be assessed withdrawal liability for a partial withdrawal from a multiemployer pension plan. In August 2012, the Fund provided an estimate to us of our exposure, assuming a hypothetical immediate and complete withdrawal from the Fund at the time of such estimate. Based on that estimate, the pre-tax withdrawal liability as of January 1, 2011 in that scenario could have been in excess of $63.8 million. In addition, we estimate the pretax withdrawal liability for the other funds to which we contribute to be approximately $4.5 million. However, we are not able to determine the exact amount of our potential exposure with respect to the Fund, or other funds to which we contribute, because the amount of that exposure could be higher or lower than the estimate, depending on, among other things, the nature and timing of any triggering events and the funded status of the Fund, or other funds to which we contribute, at that time. If, in the future, we elect to withdraw from the Fund, or other funds to which we contribute, additional liabilities would need to be recorded. While it is possible that this would occur in the future, we have not made any decision to incur a partial or complete withdrawal from the Fund or other funds to which we contribute. If any of these adverse events were to occur in the future, it could result in a substantial withdrawal liability assessment that could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Risks Related to our Industry

We are subject to extensive governmental regulation, as well as federal, state and local laws affecting business in general, which may harm our business.

We are subject to a variety of regulations in New Jersey. In addition, regulatory authorities at the federal, state and local levels have broad powers with respect to the licensing of casino operations and may revoke, suspend, condition or limit our gaming or other licenses, impose substantial fines and take other actions, any one of which could have a significant adverse effect on our business, financial condition and results of operations. If additional gaming regulations are adopted in New Jersey, such regulations could impose restrictions or costs that could have a significant adverse effect on us. From time to time, various proposals are introduced in the legislatures that, if enacted, could adversely affect the tax, regulatory, operational or other aspects of the gaming industry and our Company.

Gambling

We are subject to extensive regulation under New Jersey gaming laws, rules and supervisory procedures. Casino gaming was approved by statewide referendum in 1976, with casinos restricted to Atlantic City. The legislative intent was to use gambling as a unique tool for urban revitalization of Atlantic City, and to generate revenue to establish new or expanded programs to benefit senior citizens and disabled residents. New Jersey's gaming regulations include the following:

- *Regulation:* The state's gaming industry is overseen by the NJCCC and the NJDGE. The NJDGE has responsibility for overall regulation of the gaming industry and issues regulations, investigates and polices the industry. The NJCCC issues casino licenses and has responsibility for the licensure of casino key employees. The NJDGE also has jurisdiction over alcoholic beverage licenses at casinos.

- *Licensing Limits:* There is no legislative limit on the number of licensees or machines permitted to be issued to one owner.

- *Infrastructure Requirements:* Gaming was limited to hotels with a minimum of 500 rooms and casinos of at least 60,000 square feet. In January 2011, Governor Chris Christie signed legislation that permits developers to build smaller 20,000 square foot casinos at hotels with at least 200 rooms, which may further increase competition in the Atlantic City market.

- *Gaming:* The state permits full-scale class III gaming including all table games and permits pari-mutuel simulcasting.

- *Facility Types:* Casinos are limited to land-based properties in Atlantic City.

Regulation of smoking

On January 15, 2006, the New Jersey legislature adopted laws that significantly restrict, or otherwise ban, smoking at our property which could materially impact our results of operations.

On April 15, 2007, an ordinance in Atlantic City became effective which extended smoking restrictions under the New Jersey Smoke-Free Air Act. This ordinance mandated that casinos restrict smoking to designated areas of up to 25% of the casino floor. During April 2008, Atlantic City's City Council unanimously approved an amendment to the ordinance, banning smoking entirely on all casino gaming floors and casino simulcasting areas, but allowing smoking in separately exhausted, non-gaming, smoking lounges. The amendment to the ordinance became effective on October 15, 2008, however, on October 27, 2008, Atlantic City's City Council voted to postpone the full smoking ban for at least one year due to, among other things, the weakened economy and increased competition in adjoining states. The postponement of the full smoking ban became effective on November 16, 2008. In December 2009, Atlantic City's City Council announced that it would not consider a full smoking ban in casinos pending further review.

Regulation of directors, officers, key employees and partners

Our directors, officers, key employees and joint venture partners must meet approval standards of certain state regulatory authorities. If state regulatory authorities were to find a person occupying any such position or a joint venture partner unsuitable, we would be required to sever our relationship with that person or the joint venture partner may be required to dispose of their interest in the joint venture. State regulatory agencies may conduct investigations into the conduct or associations of our directors, officers, key employees or joint venture partners to ensure compliance with applicable standards.

Certain public and private issuances of securities and other transactions that we are party to also require the approval of gaming authorities.

Regulations affecting businesses in general
In addition to gaming regulations, we are also subject to various federal, state and local laws and regulations affecting businesses in general. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, environmental matters, smoking, employees, currency transactions, taxation, zoning and building codes, and marketing and advertising. Such laws and regulations could change or could be interpreted differently in the future, or new laws and regulations could be enacted.

We operate in a highly taxed industry and may be subject to higher taxes in the future. If the New Jersey state legislature increases gaming taxes and fees, our results could be adversely affected.
Atlantic City casinos, including Borgata, currently pay a 9.25% effective tax rate on gross gaming revenue, which includes a community investment alternative obligation equal to 1.25% of gross gaming revenue, plus additional taxes and fees. We also pay property taxes, sales and use taxes, payroll taxes, franchise taxes, room taxes, parking fees, various license fees, investigative fees and our proportionate share of regulatory costs. Our profitability depends on generating enough revenues to pay gaming taxes and other largely variable expenses, such as payroll and marketing, as well as largely fixed expenses, such as property taxes and interest expense. Borgata is treated as a partnership for federal income tax purposes and therefore federal income taxes are the responsibility of its members. Casino partnerships in New Jersey, however, are subject to state income taxes under the Casino Control Act. Therefore, we are required to record New Jersey state income taxes. We can provide no assurances that the State of New Jersey will not enact legislation that increases gaming tax rates.

Failure to maintain the integrity of internal customer information could adversely affect us.
Our operations require that we collect customer data, including credit card numbers and other personally identifiable information, for various business purposes, including marketing and promotional purposes. The collection and use of personal data are governed by privacy laws and regulations enacted in the United States and other jurisdictions around the world. Privacy regulations continue to evolve and on occasion may be inconsistent from one jurisdiction to another. Compliance with applicable privacy regulations may increase our operating costs and/or adversely impact our ability to market our products, properties and services to our customers. In addition, non-compliance with applicable privacy regulations by us (or in some circumstances non-compliance by third parties engaged by us) or a breach of security on systems storing our data, including due to cyber-attack, system failure, computer virus or unauthorized or fraudulent use by customers, employees or employees of third party vendors, may result in damage of reputation and/or subject us to fines, payment of damages, lawsuits or restrictions on our use or transfer of data.

Risks Related to our Property
Terrorism and the uncertainty of military conflicts, natural disasters and contagious diseases, as well as other factors affecting discretionary consumer spending, may harm our operating results.
The strength and profitability of our business depends on consumer demand for hotel casino resorts in general and for the type of upscale amenities Borgata offers. Changes in consumer preferences or discretionary consumer spending could harm our business. The terrorist attacks of September 11, 2001, other terrorist activities in the United States and elsewhere, military conflicts in Iraq, Afghanistan and in the Middle East, outbreaks of, or the perception of, public health threats and pandemics, adverse weather conditions and natural disasters, among other things, have had negative effects on travel and leisure expenditures. In addition, other factors affecting travel and discretionary consumer spending, including general economic conditions, disposable consumer income, fears of further economic decline and reduced consumer confidence in the economy, may negatively impact our business. We cannot predict the extent to which similar events and conditions may continue to affect us in the future. An extended period of reduced discretionary spending and/or disruptions or declines in tourism could significantly harm our operations.

Furthermore, our facilities are subject to the risk that operations could be halted for a temporary or extended period of time, as a result of casualty, flooding, forces of nature, adverse weather conditions, mechanical failure, or extended or extraordinary maintenance, among other causes. In particular, Borgata is located in a flood zone and is subject to disruption from hurricanes, snow storms and other adverse weather conditions. For example, Borgata was ordered to close for five days from October 28, 2012 to November 2, 2012 by the NJDGE due to a post-tropical storm. Borgata was also closed for three days in August 2011 which was mandated by civil authorities and the Division of Gaming Enforcement as Hurricane Irene approached the coastline. In addition, severe weather conditions during the first half of 2010 made it very difficult for many of our customers to travel to Borgata, contributing to a decline in revenues during the period. The residual impact from these record winter storms resulted in day trip visitations to Atlantic City that were reduced or delayed as regional school calendars were extended in order to make up for prior school closures. Additionally, extreme heat and low precipitation levels in the second quarter of 2010, particularly in the month of June, had an adverse impact on visitation and spending at our property. If there is a prolonged disruption at our property due to natural disasters, terrorist attacks or other catastrophic events, our results of operations and financial condition could be materially adversely affected.

While we maintain insurance coverage that may cover certain of the costs and loss of revenue that we incur as a result of some extreme weather conditions, our coverage is subject to deductibles and limits on maximum benefits. There can be no assurance that we will be able to fully collect, if at all, on any claims resulting from extreme weather conditions. If our property is damaged or if operations are disrupted as a result of extreme weather in the future, or if extreme weather adversely impacts general economic or other conditions in the area in which our property is located or from which we draw our patrons, our business, financial condition and results of operations could be materially affected.

Our insurance coverage may not be adequate to cover all possible losses that our property could suffer. In addition, our insurance costs may increase and we may not be able to obtain similar insurance coverage in the future.
Although we have "all risk" property insurance coverage for our property, which covers damage caused by a peril (such as fire, natural disasters, acts of war, or terrorism), each policy has certain exclusions. In addition, our property insurance coverage is in an amount that may be significantly less than the expected replacement cost of rebuilding the entire facility if there was a total loss. We have all risk property damage insurance with a $1.0 million deductible and coverage up to $1.5 billion, flood damage insurance with a $10 million deductible and coverage up to $200 million and named windstorm insurance with a 5% deductible on total insured values, subject to a cap of $50 million, and coverage up to $200 million. In addition, we are self-insured up to $0.20 million with respect for each general liability claim and $0.25 million for each non-union employee medical claim. We accrued $9.1 million and $8.1 million for such claims at December 31, 2012 and December 31, 2011, respectively, and incurred expenses for such insurance claims of approximately $18.5 million, $18.6 million and $15.3 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Borgata is located in an area that has been identified by the director of the Federal Emergency Management Agency ("FEMA") as a special flood hazard area. According to the FEMA statistics, this area has a 1% chance of a flood equal to or exceeding the base flood elevation (a 100-year flood) in any given year. Over a 30-year period, the risk of a 100-year flood in a special flood hazard area is 26%. We currently maintain $200 million of flood insurance coverage.

Our level of insurance coverage also may not be adequate to cover all losses in the event of a major casualty. In addition, certain casualty events, such as labor strikes, nuclear events, acts of war, loss of income due to cancellation of room reservations or conventions due to fear of terrorism, deterioration or corrosion, insect or animal damage and pollution, may not be covered at all under our policies. Therefore, certain acts could expose us to substantial uninsured losses.

In addition to the damage caused to our property by a casualty loss, we may suffer business disruption as a result of these events or be subject to claims by third parties that may be injured or harmed. While we carry business interruption insurance and general liability insurance, this insurance may not be adequate to cover all losses in any such event.

On September 23, 2007, The Water Club, then under construction, sustained a fire that caused damage to property with a carrying value of approximately $11.4 million. Our insurance policies included coverage for replacement costs related to property damage, with the exception of minor amounts principally related to insurance deductibles and certain other limitations. In addition, we had "delay-in-completion" insurance coverage for The Water Club for certain costs, subject to various limitations and deductibles. On August 10, 2009, we reached a final settlement of $40.0 million with our insurance carrier and recognized a gain of $28.7 million, representing the amount of insurance recovery in excess of the $11.3 million carrying value of assets damaged and destroyed by the fire (after our $0.1 million deductible). During the year ended December 31, 2012, we recognized a $7.7 million gain consisting of $3.9 million related to the subrogation of insurance claims related to the fire that occurred at The Water Club in 2007 and $3.8 million from business interruption proceeds due to the mandated closure of the property by civil authorities and the Division of Gaming Enforcement for three days in August 2011 related to Hurricane Irene.

We renew our insurance policies on an annual basis. The cost of coverage may become so high that we may need to further reduce our policy limits or agree to certain exclusions from our coverage. Our debt instruments and other material agreements require us to meet certain standards related to insurance coverage. Failure to satisfy these requirements could result in an event of default under these debt instruments or material agreements.

Our owned and leased real property are subject to land use and environmental regulations.
We are subject to land use regulations and future development is subject to possible restrictions. Future development may also be subject to coastal land use requirements in accordance with the Coastal Area Facility Review Act. We are also subject to certain environmental requirements. The property is constructed on the site of a former municipal landfill. Other historical operations at the site include a former incinerator, a dredge spoils area, facilities operated by the Atlantic City Department of Public Works (garage and maintenance shop, traffic signal building, police repair/body shop and tow lot) and a parking lot. The landfill was capped and the property remediated, resulting in the issuance of a conditional soils only no further action letter on December 3, 2009 by the New Jersey Department of Environmental Protection (the "NJDEP"). The property is subject to institutional controls including a Ground Water Classification Exception Area and Deed Notices that impose certain restrictions on the property. The property is also subject to engineering controls to maintain the landfill cap and operate storm water controls and a landfill gas venting, monitoring and alarm system. Biennial reports are required to certify that the institutional and engineering controls

continue to be protective. If changes in future ground water data no longer support the NJDEP soils no further action conclusion, additional soil remediation and excavation could be required. The facility also generates limited amounts of common hazardous wastes that are subject to proper disposal requirements.

We may incur costs to comply with environmental requirements, such as those relating to discharges into the air, water and land, the handling and disposal of solid and hazardous waste and the cleanup of our property affected by hazardous substances. Under these and other environmental requirements we may be required to investigate and clean up hazardous or toxic substances or chemical releases at our property. As an owner or operator, we could also be held responsible to a governmental entity or third parties for property damage, personal injury and investigation and cleanup costs incurred by them in connection with any contamination. These laws typically impose cleanup responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. The liability under those laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of the responsibility. The costs of investigation, remediation or removal of those substances may be substantial, and the presence of those substances, or the failure to remediate a property properly, may impair our ability to use our property.

We do not own or control the land underlying the ground leases MDDC has entered into with the landowners.
MDDC, as lessee, has entered into a series of ground leases with MAC, as lessor, for a total of approximately 19.6 acres of land that provide the land on which our public space expansion, rooms expansion, employee parking structure, and surface parking lot reside, as well as, an undeveloped parcel. Except for the surface parking lot, the term of each ground lease entered into with MAC expires on December 31, 2070. The surface parking lot ground lease is on a month-to-month term and may be terminated by either party effective on the last day of the month that is 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. MGM has transferred ownership of the underlying land and each of these ground leases to the Divestiture Trust pursuant to the terms of its settlement agreement with the NJDGE and the NJCCC.

As a ground lessee, we have the right to use the leased land; however, we do not retain fee ownership in the underlying land. Accordingly, with respect to the leased land, we will have no interest in the land or improvements thereon at the expiration of the ground leases. Moreover, since we do not completely control the land underlying our property, the Divestiture Trust (or any third party to which the leased land is sold) could take certain actions to disrupt our rights in the land leased under the long term leases. While we do not think such interruption is likely, such events are beyond our control. If the entity owning the leased land chose to disrupt our use either permanently or for a significant period of time, then the value of our assets could be impaired and our business and operations could be adversely affected. Additionally, if we default on the terms of any of the long term ground leases, we may be liable for damages and could lose our leasehold interest in the applicable property or portion thereof and any improvement on the land. If any of these events were to occur, our business, results of operations and financial condition could be adversely affected.

In addition, we may lose 900 parking spaces available on the surface parking lot upon termination of the surface parking lot ground lease and the sale of the underlying land to a third party. In such event, MDDC has the option to build a parking garage, if necessary, to replace the lost parking spaces on the leased land underlying the ground lease for the undeveloped parcel. Our business and operations, however, could be disrupted if we are unable to replace the lost parking spaces in a timely manner to meet our parking demands and satisfy applicable zoning requirements.

On July 6, 2010, MDDC received a notice from MAC that the trustee of the Divestiture Trust had entered into an agreement with a third party to sell the land contributed by MAC to the Divestiture Trust in connection with MAC's settlement agreement with the NJDGE, except the land underlying the surface parking lot ground lease. On November 4, 2010, MGM announced that the closing of the sale of the land leased to MDDC pursuant to four ground leases, all of which remain in effect following the closing of the sale of the underlying land. After the sale, MDDC exercised an option to continue to lease an additional undeveloped parcel and pay rent and property taxes on such parcel. Prior to the sale, MDDC had leased the undeveloped parcel with zero rent and property taxes. Other than MDDC's additional obligation to pay rent (in an amount equal to the amount paid per square foot under the 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 (collectively, the “Parking Structure Ground Lease”) and property taxes pursuant to the Ground Lease Agreement, dated as of March 23, 2010 (the “Ground Lease”) for the undeveloped parcel, our obligations under the ground leases were not modified by the sale.

Energy price increases may adversely affect our cost of operations and our revenues.
Our operations use significant amounts of electricity, natural gas and other forms of energy. While no shortages of energy or fuel have been experienced to date, substantial increases in energy and fuel prices in the United States have, and may continue to, negatively affect our results of operations. The extent of the impact is subject to the magnitude and duration of the energy and

fuel price increases, of which the impact could be material. In addition, energy and gasoline price increases could result in a decline of disposable income of potential customers, an increase in the cost of travel and a corresponding decrease in visitation and spending at Borgata, which could have a significant adverse effect on our cost of operations and our revenues.

We have executory contracts with a wholly owned subsidiary of a local utility company with terms that extend until 2028. The utility company provides us with electricity and thermal energy (hot water and chilled water). Obligations under the thermal executory energy contract contain both fixed fees and variable fees based upon usage rates. The fixed fee components under the thermal executory energy contract were estimated at approximately $11.7 million per annum as of December 31, 2012. We are also obligated to purchase a certain portion of our electricity demand at essentially a fixed rate which is estimated at approximately $1.7 million per year. Electricity demand in excess of the commitment is subject to market rates based on our tariff class.

Risks Related to our Significant Indebtedness

Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our debt obligations.

We have substantial indebtedness that could have important consequences, including:

- making it more difficult for us to satisfy our obligations under our current indebtedness, which could in turn result in an event of default under our current indebtedness;
- limiting, along with the financial and other restrictive covenants in our indebtedness, our ability to borrow additional funds, among other things;
- requiring us to sell assets to raise funds, if we are unable to borrow additional funds, for working capital, capital expenditures, acquisitions or other purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness, which would reduce the availability of our cash flows to fund working capital, capital expenditures, expansion efforts and other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- placing us at a disadvantage compared to our competitors that have less debt; and
- limiting, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds.

Our debt instruments contain, and any future debt instruments likely will contain, a number of restrictive covenants that impose significant operating and financial restrictions on us, including restrictions on our ability to, among other things:

- incur additional indebtedness, including providing guarantees or credit support;
- make restricted payments (including paying dividends on, redeeming, repurchasing or retiring our capital stock or the membership interests of MDDC);
- make investments;
- create, incur or suffer to exist liens;
- sell assets;
- enter into agreements restricting our subsidiaries' ability to pay dividends, make loans or transfer assets to us;
- enter into sale and leaseback transactions;
- engage in any new businesses;
- engage in transactions with affiliates; and
- consolidate, merge or sell all or substantially all of our assets.

Failure to comply with these covenants could result in an event of default, which, if not cured or waived, could have a significant adverse effect on our business, results of operations and financial condition.

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 Borgata's assets, subject to certain exceptions. The obligations under the New Credit Facility have priority in payment to Borgata's senior secured notes.

Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures and expansion efforts will depend upon our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

If availability does not exist under the New Credit Facility, or we are not otherwise able to draw funds on the New Credit Facility, additional financing may not be available to us, and if available, may not be on terms favorable to us.

We may be unable to refinance our indebtedness.

Our outstanding indebtedness includes the New Credit Facility and the senior secured notes. 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 Borgata's assets, subject to certain exceptions. The obligations under the New Credit Facility have priority in payment to our senior secured notes.

Our ability to refinance our indebtedness will depend on our ability to generate future cash flow. We are entirely dependent on the operations of Borgata, including The Water Club, for all of our cash flow. Our ability to generate cash in the future, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

It is unlikely that our business will generate sufficient cash flows from operations, or that future borrowings will be available to us under the New Credit Facility, in amounts sufficient to enable it to pay the principal on our indebtedness at maturity and to fund our other liquidity needs. We believe that we will need to refinance all or a portion of our indebtedness, at or before maturity, and cannot provide assurances that we will be able to repay or refinance any of our indebtedness on commercially reasonable terms, or at all. We may have to adopt one or more alternatives, such as reducing or delaying planned expenses and capital expenditures, selling assets, restructuring debt, or obtaining equity or debt financing or joint venture partners. These financing strategies may not be effected on satisfactory terms, if at all. In addition, New Jersey laws and regulations contain restrictions on the ability of companies engaged in the gaming business to undertake certain financing transactions. Such restrictions may prevent us from obtaining necessary capital.

Holders or beneficial owners of our senior secured notes may be required to dispose of, or we may be permitted to redeem, the senior secured notes pursuant to gaming laws.

A Gaming Authority may require that a holder of our senior secured notes be licensed, qualified or found suitable, or comply with any other requirement under applicable New Jersey gaming laws, rules, regulations and supervisory procedures to which we are subject (collectively, the “Gaming Laws”). Pursuant to the terms of the indenture governing the senior secured notes, holders of the notes agreed to comply with all Gaming Law requirements, including, if applicable, to apply for a license, qualification or a finding of suitability, within the required time period, as provided by the applicable Gaming Authority. We will not be responsible for any costs or expenses such holder may incur in connection with such holder's application for a license, qualification or a finding of suitability, or compliance with any other requirement of a Gaming Authority.

Under the Casino Control Act, a casino licensee must demonstrate by clear and convincing evidence the good character, honesty and integrity of all financial backers, including holders of the notes, which bear any relation to a casino project who hold 25% or more of such financial instruments or evidences of indebtedness; provided, however, in circumstances of default, any person holding 10% of such financial instruments or evidences of indebtedness shall be required to establish and maintain such qualification; and further provided, that the applicable Gaming Authority may in its discretion require qualification in any event at a lower threshold. Banking and other licensed lending institutions that make a loan or hold a mortgage or other lien acquired in the ordinary course of business are generally exempt from New Jersey's licensure and qualification requirement. The Gaming Laws also contain provisions that permit waiver if the holder of securities is an “institutional investor” as defined under the Gaming Laws and certain other conditions are met.

Prior approval of the transfer of publicly traded securities is generally not necessary. However, licensure, qualification, exemption or waiver of the purchaser as described herein may be necessary. There is no guarantee that the holders of the senior secured notes will be found exempt or will be waived from qualification. There is also no assurance that if qualification of a holder of the senior secured notes or its affiliates is required by a Gaming Authority, that the NJCCC will deem such holder or its affiliates qualified.

The Gaming Laws contain a provision for the placement of securities into an interim casino authorization trust with a trustee appointed by the Gaming Authorities during the time any security holder is being qualified.

In addition to the indebtedness under the senior secured notes and the New Credit Facility, we may be able to incur substantially more indebtedness. This could exacerbate the risks associated with our substantial indebtedness.

We and our future subsidiaries may be able to incur substantially more debt in the future. Although the indenture and the New Credit Facility contain restrictions on our incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions and, under certain circumstances, indebtedness incurred in compliance with these restrictions could be substantial. The terms of the indenture permit us to incur additional indebtedness, including additional secured indebtedness. If we incur any additional indebtedness secured by liens on the collateral that rank equally with those securing the senior secured notes, the holders of that additional indebtedness will be entitled to share ratably with noteholders in any proceeds distributed in connection with any foreclosure, insolvency, liquidation, reorganization, dissolution or other similar proceedings.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.
Our ability to make payments on, or repay or refinance, our indebtedness, including the senior secured notes, and to fund planned capital expenditures, will depend largely upon our future operating performance. Our future performance, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

In particular, if adverse regional and national economic conditions persist, worsen, or fail to improve significantly, we could experience decreased revenues from our operations attributable to decreases in consumer spending levels and could fail to generate sufficient cash to fund our liquidity needs or fail to satisfy the financial and other restrictive covenants that we are subject to under our indebtedness. In addition, our ability to borrow funds in the future to make payments on our indebtedness will depend on the satisfaction of the covenants in the indenture, the New Credit Facility and our other debt agreements, and other agreements we may enter into in the future. We cannot provide assurance that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under the New Credit Facility or from other sources in an amount sufficient to enable us to pay our indebtedness, including the senior secured notes, or to fund our other liquidity needs.

In addition, we have pledged substantially all of our assets as collateral for our senior secured notes and the New Credit Facility, and if the obligation to repay such debt is accelerated, for any reason, there can be no assurance that we will have sufficient assets to repay our indebtedness.

If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the senior secured notes.
If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal or premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. Any default under the agreements governing our indebtedness, including a default under the New Credit Facility that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness, could render us unable to pay the principal or premium, if any, and interest on the senior secured notes and substantially decrease the market value of the senior secured notes.

The value of the collateral securing the senior secured notes may not be sufficient to satisfy all our obligations under the senior secured notes and it may be difficult to realize the value of the collateral.
Our obligation under the senior secured notes and the guarantees are secured by substantially all of our and each guarantor's property and assets. In the event of a foreclosure on the collateral (or a distribution in respect thereof in a bankruptcy or insolvency proceeding), the proceeds from the collateral securing the New Credit Facility and the senior secured notes may not be sufficient to satisfy the senior secured notes because such proceeds would, under the inter-creditor agreement, first be applied to satisfy our priority payment obligations under the New Credit Facility. Only after all of our priority payment obligations under the New Credit Facility have been satisfied will proceeds from such collateral be applied to satisfy our obligations under the senior secured notes.

The value of the collateral at any time will depend on market and other economic conditions, including the availability of suitable buyers for the collateral. By its nature, some or all of the collateral may be illiquid and may have no readily ascertainable market value. The value of the assets pledged as the collateral for the senior secured notes could be impaired in the future as a result of changing economic conditions, competition or other future trends. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, no assurance can be given that the proceeds from any sale or liquidation of the collateral securing our obligations under the New Credit Facility and the senior secured notes will be sufficient to pay our obligations under the senior secured notes, in full or at all, after first satisfying our priority payment obligations in full and satisfying our obligations with respect to the senior secured notes and and any non-priority payment obligations under the New Credit Facility. There also can be no assurance that the collateral will be salable, and, even if salable, the timing of its liquidation would be uncertain. Accordingly, there may not be sufficient collateral to pay all or any of the amounts due on the senior secured notes. Any claim for the difference between the amount, if any, realized by holders of the senior secured notes from the sale of the collateral securing the senior secured notes and the obligations under the senior secured notes rank equally in right of payment with all of our other unsecured unsubordinated indebtedness and other obligations, including trade payables.

In addition, it may be difficult to realize the value of the collateral. With respect to some of the collateral, the collateral agent's security interest and ability to foreclose will be limited by the need to meet certain requirements, such as obtaining third-party consents and governmental approvals, complying with state law requirements and making additional filings. If we are unable to obtain these consents and approvals, comply with such requirements or make such filings, we may not be able to realize the value of the collateral subject to such security interests. We can provide no assurances that any such required consents or approvals can be obtained on a timely basis or at all. These requirements may limit the number of potential bidders for certain collateral in any foreclosure and may delay any sale, either of which events may have an adverse effect on the sale price of the collateral. Therefore, without the appropriate consents, approvals and filings, the practical value of realizing on the collateral may be limited.

In addition, our business requires numerous federal, state and local permits and licenses. Continued operation of Borgata depends on the maintenance of such permits and licenses. Our business may be adversely affected if we are unable to comply with existing regulations or requirements or changes in applicable regulations or requirements. In the event of foreclosure, the transfer of such permits and licenses may be prohibited or may require us to incur significant cost and expense. Further, we cannot assure that the applicable governmental authorities will consent to the transfer of all such permits. If the regulatory approvals required for such transfers are not obtained or are delayed, the foreclosure may be delayed, a temporary shutdown of operations may result and the value of the collateral may be significantly impaired.

Specifically, our gaming license is not included as part of the collateral and neither the collateral agent nor any holder of the senior secured notes is permitted to operate or manage any gaming business or assets, including gaming devices, unless such person has been licensed under applicable Gaming Laws for such purpose. In addition, Gaming Laws generally require that all persons who propose to own interests in licensed gaming operations be found suitable or qualified by the NJCCC. Consequently, the collateral agent and, in certain circumstances, holders of the senior secured notes would be required to file applications with the Gaming Authorities for qualification or a petition for waiver or exemption with the NJDGE, as well as to file a petition requesting approval to enforce a security interest in gaming assets before they take steps to enforce the security interest. Although the Gaming Laws permit interim qualification and the placement of the gaming assets into an interim casino authorization trust during the time an applicant is being fully qualified, these requirements may nonetheless limit the number of potential bidders who would participate in any foreclosure or bankruptcy sale and may delay the sale of the gaming assets that constitute a portion of the collateral, either of which could have an adverse effect on the amount of proceeds received from such sales. Further, in the event of a bankruptcy of the gaming licensee or a foreclosure on a lien by a person holding a security interest for which gaming devices are security in whole or in part for the lien, the Gaming Authorities may authorize the disposition of the gaming devices; however, such disposition may only be made in the manner approved by the Gaming Authorities.

The security interest of the collateral agent, for the benefit of the trustee under the indenture or the holders of the senior secured notes, is also subject to practical problems generally associated with the realization of security interests in collateral. Accordingly, the collateral agent may not have the ability to foreclose upon such assets, and the value of the collateral may significantly decrease.

The indenture governing the senior secured notes allows liens in favor of other secured creditors with priority over the liens securing the senior secured notes. There are also certain categories of property that are excluded from the collateral.

The indenture permits liens in favor of third parties to secure other obligations or additional debt, including purchase money indebtedness and capital lease obligations. In some cases, such liens could have priority over the liens granted to the collateral agent to secure the guarantees or the obligations under the senior secured notes. The scope of permitted liens and our ability to incur purchase money indebtedness and capital lease obligations are subject to certain limitations.

To the extent that liens permitted under the indenture encumber any of the collateral securing the senior secured notes and the guarantees, the other secured parties may have rights and remedies with respect to the collateral that could adversely affect the value of the collateral and the ability of the collateral agent, the trustee under the indenture or the holders of the senior secured notes to realize or foreclose on the collateral. Such liens and rights include, among other things, potential mechanics' liens that could be filed by suppliers, contractors or other parties in connection with our ongoing renovation projects at Borgata. Consequently, liquidating the collateral securing the senior secured notes may not result in proceeds in an amount sufficient to pay any amounts due under the senior secured notes after also satisfying the obligations to pay any creditors with superior liens and obligations under the payment priority contained in the New Credit Facility. If the proceeds of any sale of the collateral are not sufficient to repay all amounts due on the senior secured notes, the holders of the senior secured notes (to the extent the senior secured notes are not repaid from the proceeds of the sale of the collateral) would have only an unsecured, unsubordinated claim against our and the guarantors' remaining assets.

Certain categories of assets are excluded from the collateral securing the senior secured notes and the guarantees. Excluded assets include (i) capital stock of any person, (ii) any right, title or interest of MDDC or any guarantor in any gaming license, (iii) certain non-assignable permits, licenses and contractual obligations, (iv) any real properties owned by us that are not material real properties and (v) any real properties leased by us that are not material leasehold interests. In addition, we will not be obligated to perfect the security interest in personal property other than deposit accounts with respect to which a lien cannot be perfected by the filing of a financing statement, up to an aggregate book value of $35 million at any time.

Rights of holders of senior secured notes in the collateral may be adversely affected by the failure to perfect liens on certain collateral acquired in the future.
Applicable law requires that certain property and rights acquired after the grant of a general security interest or lien can only be perfected at the time such property and rights are acquired and identified. There can be no assurance that the trustee or the collateral agent will monitor, or that we will inform the collateral agent or the trustee of, the future acquisition of property and rights that constitute collateral, and that the necessary action will be taken to properly perfect the lien on such after-acquired collateral. Neither the collateral agent nor the trustee for the holders of the senior secured notes has any obligation to monitor the acquisition of additional property or rights that constitute collateral or the perfection of any security interests therein. Such failure may result in the loss of the practical benefits of the liens thereon or of the priority of the liens on such property or assets.

Claims of creditors of subsidiaries which do not guarantee the senior secured notes are structurally senior and have priority over holders of the senior secured notes with respect to the assets and earnings of such subsidiaries.
While MDFC had no subsidiaries and MDDC had no subsidiaries other than MDFC at the time of issuance of the senior secured notes, subsidiaries we form or acquire in the future may not necessarily be guarantors under the indenture. All liabilities of such subsidiaries that do not guarantee the senior secured notes are effectively senior to the senior secured notes to the extent of the value of the assets of such non-guarantor subsidiaries.

Fraudulent conveyance laws may permit courts to void the guarantees of the senior secured notes in specific circumstances, which would interfere with the payment of the guarantees and realization upon collateral owned by the guarantors.

MDFC's issuance of the senior secured notes and the issuance of the guarantees by MDDC, and any of MDDC's future subsidiaries may be subject to review under federal and state fraudulent conveyance or similar laws. Under the federal bankruptcy laws and comparable provisions of state fraudulent transfer laws, any guarantee made by MDDC or any of MDDC's future subsidiaries could be voided, or claims under the guarantee made by MDDC or any of MDDC's future subsidiaries could be subordinated to all other obligations of MDDC or any such subsidiary, if MDDC or the subsidiary, at the time it incurred the obligations under any guarantee:

incurred the obligations with the intent to hinder, delay or defraud creditors;

- received less than reasonably equivalent value in exchange for incurring those obligations; and was insolvent or rendered insolvent by reason of that incurrence;
- was engaged in a business or transaction for which such person's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond our ability to pay those debts as they mature.

A legal challenge to the obligations under any guarantee on fraudulent conveyance grounds could focus on any benefits received in exchange for the incurrence of those obligations. Because a portion of the proceeds from the offering of the senior secured notes were used to fund a dividend to the Joint Venture Partners, a court could conclude that the senior secured notes were issued for less than reasonably equivalent value. The obligations of each guarantor under its note guarantee contain a net worth limitation to reduce the risk that a note guarantee would constitute a fraudulent conveyance under applicable law.

The measures of insolvency for purposes of the fraudulent transfer laws vary depending on the law applied in the proceeding to determine whether a fraudulent transfer has occurred. Generally, however, an entity would be considered insolvent if:

- the sum of its debts, including contingent liabilities, is greater than the fair salable value of all of its assets;
- the present fair salable value of its assets is less than the amount that would be required to pay its probable liabilities on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it cannot pay its debts as they become due.

If a guarantee of the senior secured notes by MDDC or a future subsidiary were deemed void as a fraudulent transfer, holders of other indebtedness of, and trade creditors of, MDDC or that subsidiary would generally be entitled to payment of their claims from the assets of MDDC or the subsidiary that constitute a portion of the collateral before such assets could be made available for distribution to us to satisfy our own obligations, including the senior secured notes.

In the event of a bankruptcy, the ability of the holders of the senior secured notes to realize upon the collateral will be subject to certain bankruptcy law limitations.
In addition to limitations under the inter-creditor agreement, bankruptcy law could prevent the collateral agent from repossessing and disposing of, or otherwise exercising remedies in respect of, the collateral upon the occurrence of an event of default if a bankruptcy proceeding were to be commenced by or against us or the guarantors prior to the collateral agent having repossessed and disposed of, or otherwise exercised remedies in respect of, the collateral. Under the U.S. bankruptcy code, a secured creditor such as the collateral agent is prohibited from repossessing its security from a debtor in a bankruptcy case, or from disposing of security repossessed from such debtor, without bankruptcy court approval. Moreover, the bankruptcy code permits the debtor to continue to retain and to use collateral even though the debtor is in default under the applicable debt instrument; provided that the

secured creditor is given "adequate protection." The meaning of the term "adequate protection" may vary according to the circumstances, but it is intended in general to protect the value of the secured creditor's interest in the collateral. The court may find "adequate protection" if the debtor pays cash or grants additional security, if and at such times as the court in its discretion determines, for any diminution in the value of the collateral during the pendency of the bankruptcy case. In view of the lack of a precise definition of the term "adequate protection" and the broad discretionary powers of a bankruptcy court, it is impossible to predict how long payments with respect to the senior secured notes could be delayed following commencement of a bankruptcy case, whether or when the collateral agent could repossess or dispose of the collateral or whether or to what extent holders would be compensated for any delay in payment or loss of value of the collateral through the requirement of "adequate protection."

Any future pledge of collateral might be voidable in bankruptcy.
Any future pledge of collateral in favor of the collateral agent, including pursuant to mortgages and other security documents delivered after the date of the indenture governing the senior secured notes, might be voidable by the pledgor (as debtor-in-possession) or by its trustee in bankruptcy if certain events or circumstances exist or occur, including, among others, if the pledgor is insolvent at the time of the pledge, the pledge permits the holders of the notes to receive a greater recovery than if the pledge had not been given and a bankruptcy proceeding in respect of the pledgor is commenced within 90 days following the pledge or, in certain circumstances, a longer period.

Risks Related to our Ownership
We are owned, indirectly, by the members of MDDHC, and their equity interests may conflict with our interests or the interests of our debt holders.
The members of MDDHC indirectly own 100% of MDDC's outstanding membership interests and will control all matters submitted for approval by MDDC's member. These matters could include the election of the members of MDFC's board of directors, amendments to our organizational documents, or the approval of any proxy contests, mergers, tender offers, sales of assets or other major corporate transactions. The interests of the members of MDDC may compete or otherwise conflict with our interests. For example, Boyd, as a diversified operator of 21 wholly-owned gaming entertainment properties, may from time to time develop or acquire and hold additional gaming businesses that compete directly or indirectly with us. Boyd may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us.

In addition, as of March 24, 2010, the date MAC transferred the MGM Interest and certain land, including land leased to MDDC, to the Divestiture Trust, Boyd effectively obtained control of us. In connection with the transfer, BAC and MAC entered into an amendment to the Operating Agreement, which provides, among other things, for the termination of MGM's participating rights in the operations of MDDHC, effective as of the date of the transfer. As a result, Boyd, through BAC, has effective control of MDDHC.

Boyd, through BAC's operational control of MDDHC, has the ability to significantly influence our affairs and policies, including the election of the board of directors of MDFC and, except as otherwise provided by law, approving or disapproving other matters submitted to a vote of the members of MDDC or the stockholder of MDFC, including a merger, consolidation, sale of assets or other extraordinary transactions.

Moreover, the interests of the members of MDDC may not in all cases be aligned with the interests of a holder of the notes. For example, the members of MDDC could cause us to make acquisitions that increase the amount of the indebtedness that is secured or senior to the notes or sell revenue-generating assets, impairing our ability to make payments under the notes. Additionally, the members of MDDC own and operate businesses that compete directly or indirectly with us. Accordingly, the members of MDDC may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. In addition, the members of MDDC may have an interest in pursuing acquisitions, divestitures and other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to holders of our notes.

MGM has transferred its ownership interest to the Divestiture Trust for sale to a third party.
As a result of the NJDGE's investigation of MGM's relationship with its joint venture partner in Macau, on March 24, 2010, MAC, a second tier, wholly-owned subsidiary of MGM, transferred its 50% ownership interest and certain land leased to MDDC into the Divestiture Trust, of which MGM and its subsidiaries are the economic beneficiaries, for sale to a third party. BAC, a wholly-owned subsidiary of Boyd, has a right of first refusal to purchase the MGM Interest from the Divestiture Trust on the same terms as proposed by any third-party buyer.

As the managing member since our inception, BAC, through MDDHC, has been, and will continue to be, responsible for the oversight and management of our day-to-day operations. Based on the terms of the Operating Agreement between BAC and MAC, we anticipate that BAC will retain control of the operations of Borgata if the sale of the MGM Interest proceeds. If BAC elects not to exercise its right of first refusal, a new member may want to negotiate greater rights or different terms. A new member could have economic or business interests or goals that are inconsistent with our economic or business interests or goals. The ongoing operation of Borgata could change if BAC negotiates agreements with a new member that contain terms that differ from the existing Operating Agreement. In addition, we do not have any rights with respect to whether BAC exercises its right of first refusal or with respect to the selection of the new member.

On July 6, 2010, MDDC received a notice from MAC that the trustee of the Divestiture Trust had entered into an agreement with a third party to sell the land contributed by MAC to the Divestiture Trust in connection with MAC's settlement agreement with the NJDGE, except the land underlying the surface parking lot ground lease. On November 4, 2010, MGM announced that the closing of the sale of the land leased to MDDC pursuant to four ground leases, all of which remain in effect following the closing. After the sale, MDDC exercised an option to continue to lease an additional undeveloped parcel and pay rent and property taxes on such parcel. Prior to the sale, MDDC had leased the undeveloped parcel with zero rent and property taxes. Other than MDDC's additional to pay rent (in an amount equal to the amount paid per square foot under the Parking Structure Ground Lease) and property taxes pursuant to the Ground Lease for the undeveloped parcel, our obligations under the ground leases are not modified by the sale.

MGM announced that it has entered into an amendment with respect to its settlement agreement with the NJDGE, which was approved by the NJCCC at a hearing on August 8, 2011. 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.

MGM filed a petition with the NJCCC on February 8, 2013 which was joined by Boyd Gaming Corporation and MDDC pursuant to which the NJCCC, on February 13, 2013, approved amendments to the Stipulation of Settlement and Trust Agreement which permits MGM to file an application for a statement of compliance, which if approved could permit MGM to reacquire its interest in MDDC. The deadline requiring MGM and the Divestiture Trust to sell the Interest in MDDC has been tolled to allow the NJCCC to complete a review of MGM's application.

Item 6. ***Exhibits***

Exhibit Number	Document of Exhibit	Method of Filing
10.1	Amended and Restated Credit Agreement, dated as of July 24, 2013, among MDFC, MDDC, Wells Fargo, National Association, as administrative agent for the Lenders, L/C Issuer and Swing Line Lender, and the other Lenders party thereto.	Incorporated by reference to Exhibit 10.1 of MDFC's Current Report on Form 8-K filed July 26, 2013.
31.1	Certification of the principal executive officer of the Registrant pursuant to Exchange Act rule 13a-14(a).	Filed electronically herewith
31.2	Certification of the principal financial officer of the Registrant pursuant to Exchange Act rule 13a-14(a).	Filed electronically herewith
32.1	Certification of the principal executive officer of the Registrant pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. § 1350.	Filed electronically herewith
32.2	Certification of the principal financial officer of the Registrant pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. § 1350.	Filed electronically herewith
101	The following materials from Marina District Finance Company Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of June 30, 2013 and December 31, 2012, (ii) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2013 and 2012, (iii) Condensed Consolidated Statement of Changes in Member Equity for the six months ended June 30, 2013, (iv) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2013 and 2012, and (vi) Notes to Condensed Consolidated Financial Statements.*	Filed electronically herewith

* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized, on August 13, 2013.

MARINA DISTRICT FINANCE COMPANY, INC.

By: /s/ Keith E. Smith

Keith E. Smith

President and Director

Principal Executive Officer

By: /s/ Josh Hirsberg

Josh Hirsberg

Vice President, Chief Financial Officer and Treasurer

Principal Financial Officer and Principal Accounting Officer

EXHIBIT LIST

Exhibit No.	Document of Exhibit	Method of Filing
10.1	Amended and Restated Credit Agreement, dated as of July 24, 2013, among MDFC, MDDC, Wells Fargo, National Association, as administrative agent for the Lenders, L/C Issuer and Swing Line Lender, and the other Lenders party thereto.	Incorporated by reference to Exhibit 10.1 of MDFC's Current Report on Form 8-K filed July 26, 2013.
31.1	Certification of the principal executive officer of the Registrant pursuant to Exchange Act rule 13a-14(a).	Filed electronically herewith
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32.2	Certification of the principal financial officer of the Registrant pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. § 1350.	Filed electronically herewith
101	The following materials from Marina District Finance Company Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of June 30, 2013 and December 31, 2012, (ii) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2013 and 2012, (iii) Condensed Consolidated Statement of Changes in Member Equity for the six months ended June 30, 2013, (iv) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2013 and 2012, and (vi) Notes to Condensed Consolidated Financial Statements.*	Filed electronically herewith

* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

Exhibit 31.1

MARINA DISTRICT FINANCE COMPANY, INC.
Rule 13a-14(a)/15d-14(a) Certifications
Quarter ended June 30, 2013

CERTIFICATIONS

I, Keith E. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Marina District Finance Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2013

/s/ Keith E. Smith

Keith E. Smith
President and Director
(Principal Executive Officer)

Exhibit 31.2

MARINA DISTRICT FINANCE COMPANY, INC.
Rule 13a-14(a)/15d-14(a) Certifications
Quarter ended June 30, 2013

CERTIFICATIONS

I, Josh Hirsberg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Marina District Finance Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2013

/s/ Josh Hirsberg

Josh Hirsberg
Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

MARINA DISTRICT FINANCE COMPANY, INC.
Section 1350 Certifications
Quarter ended June 30, 2013

In connection with the periodic report of Marina District Finance Company, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2013 as filed with the Securities and Exchange Commission (the "Report"), I, Keith E. Smith, President and Director of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: August 13, 2013

/s/ Keith E. Smith

Keith E. Smith
President and Director
(Principal Executive Officer)

Exhibit 32.2

MARINA DISTRICT FINANCE COMPANY, INC.
Section 1350 Certifications
Quarter ended June 30, 2013

In connection with the periodic report of Marina District Finance Company, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2013 as filed with the Securities and Exchange Commission (the "Report"), I, Josh Hirsberg, Vice President, Chief Financial Officer and Treasurer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: August 13, 2013

/s/ Josh Hirsberg

Josh Hirsberg
Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)