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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2013

OR

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

Commission file number: 333-173275

Marina District Finance Company, Inc.

(Exact name of company 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, NJ 08401
(Address of principal executive offices) (Zip Code)

(609) 317-1000
(Telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☒No ☐

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 Website, 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.☐

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 Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 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 required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, during the preceding 12 months.

MARINA DISTRICT DEVELOPMENT COMPANY, LLC

ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2012
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PART I

ITEM 1. Business

Overview

Unless otherwise indicated, all historical financial information in this Annual Report on Form 10-K is information regarding Marina District Development Company, LLC ("MDDC"), the parent of Marina District Finance Company, Inc., a New Jersey corporation (“MDFC”). MDFC is a 100% owned finance subsidiary of MDDC. MDDC has fully and unconditionally guaranteed MDFC's securities; and accordingly, the consolidated financial statements of MDDC (as parent) are included herein. Unless otherwise indicated or required by the context, the terms “we,” “our,” “us” and the “Company” refer to MDDC and MDFC.

MDDC developed, owns and operates Borgata Hotel Casino and Spa, including The Water Club at Borgata (collectively, "Borgata"), located on a 45.6-acre site at Renaissance Pointe 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. We believe no other Atlantic City property offers the quality and breadth of non-gaming amenities and best-in-class gaming operations as Borgata. 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 with acclaimed chefs including Bobby Flay, Wolfgang Puck, Michael Schulson and Stephen Kalt, 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. Borgata was master-planned with ease of access and designed as a single-level casino floor with appealing design elements, creating an immediate sense of excitement upon entrance, heightened by the placement of multiple food and beverage outlets on the casino floor itself. Our location at Renaissance Pointe 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 initially opened with an investment of approximately $1.1 billion. Since opening, we have completed two major capital investments to expand the facility. In July 2006, we opened the public space expansion on the north side of the property, an approximate $200 million project that expanded the public areas to include additional gaming positions, food and beverage outlets, a second nightclub, a new poker room that became the largest in the Atlantic City market, and a simulcast race book. In June 2008, The Water Club, a $450 million, 43-story, 797-room hotel expansion project, opened. In addition to the hotel, the rooms expansion included an additional spa and five pools, additional meeting and retail space, a new parking structure and a separate porte-cochere and front desk. During the year ended December 31, 2010, we completed renovations to the casino floor, the renovation and refurbishment of all of the Fiore suites, and we began room refurbishment at the Borgata hotel. During the years ended December 31, 2011, and 2012, we continued the renovation of the Borgata hotel, and all rooms were completed by June 2012. As part of our ongoing efforts to position Borgata as the premiere hotel and casino in Atlantic City, our estimated total capital expenditures for 2014 are expected to be approximately $25.0 million and are primarily comprised of maintenance capital projects. We intend to fund such capital expenditures through our New Credit Facility and operating cash flows.

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 (“MGM”). As discussed further below under *Regulatory Developments*, on March 24, 2010, MAC transferred its 50% ownership interest (the “MGM Interest”) in Marina District Development Holding Co., LLC, MDDC’s parent holding company (“MDDHC”), and certain land leased to MDDC into a divestiture trust, of which MGM and its subsidiaries are the economic beneficiaries (the “Divestiture Trust”), for sale to a third party in connection with MGM’s settlement agreement with the Division of Gaming Enforcement Office of the Attorney General of the State of New Jersey (the “NJDGE”). On November 4, 2010, MGM sold the leased land. BAC has a right of first refusal on any sale of the MGM Interest. As 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.

Boyd, our managing member (through Boyd's ownership of BAC), is a multi-jurisdictional gaming company that has been operating for almost 40 years. Boyd owns and operates 21 wholly owned casino entertainment facilities located in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana and Mississippi. Borgata contributed approximately $46.1 million in operating income to Boyd for the year ended December 31, 2013, which we believe demonstrates the importance of Borgata to Boyd's operations and the corresponding focus and dedication committed by Boyd's management team to Borgata.

General Business Developments
Significant developments affecting our business for the year ended December 31, 2013 include:

- On July 24, 2013, we entered into an amended and restated credit agreement with our lenders (the "New Credit Facility"). See Note 4, *Long-term Debt,* to the consolidated financial statements for discussion of the terms of the New Credit Facility.

- During August 2013, we redeemed $39.8 million of our 9.5% Senior Secured Notes due 2015 (the "2015 Notes".) The redemption price paid was 103% of the principal amount thereof, plus accrued and unpaid interest to the redemption date.

- Following the enactment of online gaming legislation by the state of New Jersey in February 2013, on November 26, 2013, we launched our real-money online gaming to the general public in the state of New Jersey. Our site, developed under an arrangement with our online gaming partner, bwin.party Digital Entertainment PLC ("bwin"), has captured a 30% market share since its launch. Working in collaboration with bwin, we offer a full suite of games, including poker, slots and table games, under the Borgata brand and bwin's PartyPoker brand.

- On December 16, 2013, we increased the term commitments available to us under our New Credit Facility by an aggregate of $380.0 million (the "Incremental Term Loan".) See Note 4, *Long-Term Debt*, to the consolidated financial statements for discussion of the terms of the Incremental Term Loan.

- On December 16, 2013, we redeemed all of our remaining outstanding 2015 Notes at a redemption price of 104.750% of the principal amount thereof, plus accrued and unpaid interest to the redemption date. The redemption was funded by the net proceeds of the Incremental Term Loan and borrowings under the $60 million senior secured revolving credit facility (the " Revolving Credit Facility").

Our Strengths
Since inception, Borgata has been designed and has performed as the leading property and premier gaming facility in the Atlantic City market.

Premier Destination Resort in Atlantic City
With over 160,000 square feet of gaming space, 2,767 hotel rooms and a broad array of dining, retail, meeting space and entertainment offerings, we believe Borgata is the premier destination resort in Atlantic City. Our high-end, yet accessible, approach to the market has allowed us to capture a leading share of the Atlantic City gaming and non-gaming markets. We have consistently been the market leader in Atlantic City based on total gaming revenue, holding the number one position in each year since 2005, and have maintained the leading market share in non-gaming revenue as well.

Dominant Market Leader in Gaming Operations
We have led the Atlantic City market in total gaming revenue market share every year since 2005. For the year ended December 31, 2013, we achieved a market share of 21.6% of total casino win, including a market share of 23.3% and 20.3% of total table win and total slot win, respectively. For the same time period, we recorded a 62.4% table game win fair share premium (excluding poker tables) and a 64.7% slot win fair share premium relative to the Atlantic City market. A summary of key gaming terms is set forth below under the caption "Industry and Market Data; Certain Industry Terms."

Superior Performance in Non-Gaming Revenue
We believe that no other casino in the Atlantic City market offers the quality and breadth of non-gaming amenities as Borgata. For the year ended December 31, 2013, our average daily rate ("ADR") was $131 per night, with an average occupancy rate of 85%. The food and beverage product was designed to be a key feature of the property and we believe we provide a diverse choice of offerings, including our five fine dining restaurants that bring a world of culinary experiences to Atlantic City.

Strong Sponsorship and Experienced Management Team
Boyd, our managing member (through Boyd's ownership of BAC), is a multi-jurisdictional gaming company that has been operating for almost 40 years. Boyd owns and operates 21 casino entertainment facilities located in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana and Mississippi.

Our Strategy

Our strategy is to capitalize on our high quality facilities and diverse array of gaming, dining, retail and entertainment options to effectively compete in the Atlantic City market and with our other regional competitors. We believe Borgata's fun, upscale and superior design, along with our high quality and breadth of gaming and non-gaming amenities, have allowed us to capture a leading share of the Atlantic City gaming market. Our casino features spacious gaming floors that are operationally efficient and has the greatest number of gaming positions by property in the Atlantic City market as of December 31, 2013.

Capitalize on Our Superior Location and Easy Accessibility

We believe our location offers several advantages. Borgata is the first casino to be located upon arrival at Renaissance Pointe and is approximately a quarter mile away from its nearest competitors. The Atlantic City Expressway Connector provides quick access to Borgata, making it one of the most easily accessible properties in the Atlantic City market. The Atlantic City Expressway Connector offers guests a four-lane road to Renaissance Pointe and eliminates all but one occasional traffic stop from the Atlantic City Expressway. This advantage is significant as motorists are able to reach Borgata before its competitors and without the delays associated with driving to competing casinos. This is especially crucial during the summer months, when traffic along the main thruways (Arctic, Atlantic and Pacific Avenues) to the Boardwalk properties is heaviest. Upon exiting the Atlantic City Expressway at the Borgata exit, the Borgata Loop provides quick and direct access to valet and parking garages for Borgata. In addition, Borgata is highly visible from the Atlantic City Expressway, the primary roadway serving Atlantic City, which helps draw immediate brand awareness.

Provide Superior Product to the Market

We regularly evaluate additional improvements, renovations and development projects as we seek to continue to compete effectively with future development projects and expansion activities by our competitors. In particular, we completed the process of renovating and refurbishing all of the Fiore suites at the Borgata hotel in 2010 and completed the renovation and refurbishment of all remaining rooms at the Borgata hotel during the year ended December 31, 2012. We believe maintaining our property as the premier destination in the Atlantic City market has contributed to our success in the past and will be important to our success in the future.

Emphasize Slot Revenues, the Most Consistently Profitable Segment of the Gaming Industry, while also Seeking to Maximize Table Game and Poker Room Revenues

We ranked number one among the 12 hotel casinos operating in Atlantic City during 2013 in terms of slot win and table win, earning $418.4 million in slot win, or 20.3% of the total slot win in the Atlantic City market, and $176.0 million in table win, or 23.3% of the total table win in the Atlantic City market. In addition, since the opening of our poker room (the largest in Atlantic City), we are the leader in poker win and have captured 51.7% of total poker win in the Atlantic City market for the year ended December 31, 2013. Our continued success will depend significantly upon our ability to continue to attract players to our slot machines, table games and poker room, including through our marketing and promotional efforts. While the focus on slot marketing remains competitive, we also market aggressively towards table game customers.

Capitalize on Our Non-Gaming Businesses

We seek to maximize non-gaming revenues by offering our customers a host of amenities and entertainment offerings. We believe the quality and diversity of our dining, entertainment, spa and retail facilities have contributed to making Borgata a destination resort rather than a day trip casino. Our standard hotel rooms are well-appointed, featuring floor-to-ceiling windows, comfortable custom-made mattresses, Egyptian cotton bed and bath sheets and large bathrooms with marble floors, granite countertops, oversized glass-enclosed showers and private commode rooms. Our customers can select from a diverse array of high quality dining options at various price points, including fine dining restaurants operated by some of the world's most acclaimed chefs. We also offer many entertainment options designed to enrich the overall resort and gaming experience and attract customers to our facilities. Our Events Center, which can accommodate up to 3,500 people, and The Music Box, which seats approximately 950, host concerts and headliner entertainment throughout the year. Guests can also relax and unwind at our 54,000 square foot Spa Toccare or at the Immersion Spa, a more intimate European spa located on the 32nd and 33rd floors of The Water Club. The resort also features meeting rooms with flexibility to arrange accommodations to suit most occasions, whether hosting a meeting of 30 business executives, a general session for 3,000 or a gala dinner.

Increase Customer Retention and Acquisition

Our core strategy is to position Borgata as a customer-friendly destination that will expand our brand awareness and leverage our strong loyalty card program. Our marketing and promotional programs serve an important role, especially in the current economic downturn, in helping us retain existing customers, maintain trip frequency and acquire new customers. We offer our guests comprehensive, competitive and targeted marketing and promotion programs. Our “My Borgata Rewards” program, for example, offers players a hassle-free way of earning slot dollars, comp dollars and other rewards and benefits based on game play, with convenient on-line access of account balances and other program information. From time to time, we offer other promotional offers and discounts targeted towards new customers, frequent customers, inactive customers and prospective customers who have not yet visited Borgata, and mid-week and other promotional activities that seek to generate visits to Borgata during slower periods. Our promotional slot dollars are restricted and can only be redeemed for slot play and may not be cashed out. Comp dollars and other rewards generally can only be redeemed at our restaurants, retail and spa facilities. In addition, we strive to differentiate our casino with high-quality guest service to further enhance our overall brand and customer experience to position Borgata as the must visit property in Atlantic City.

We maintain a database of customers enrolled in “My Borgata Rewards" which, together with demographic data, we utilize to support our marketing efforts. For instance, in 2009, to target a specific demographic, we launched a nightlife rewards program that offers incentives and rewards based on customer spending at our nightlife venues.

Actively Manage Expenses
In response to the recent economic downturn and increasing regional competition, we have taken steps to streamline our operational expenses and realign our operating structure to appropriately function within current business volumes. Specifically, we have been able to significantly reduce operating expenses by electing not to accept guests at The Water Club hotel generally during the mid-week period from November through May. This gives us the flexibility of operating a single hotel rather than two separate properties to adjust to decreased demand during the non-peak seasons due to the continued weakness in the economy. The Water Club hotel is open every day of the week during the summer peak season of June to October, and is fully operational during the weekends from Friday to Monday from November through May. In addition, we have undertaken other cost management efforts to operate more efficiently, including a reduction in payroll expenses and adjusting the availability of our other amenities, such as the operating days for certain restaurants, to match demand.

Our Property

Casino Overview
Borgata offers a 160,000 square foot casino containing approximately 3,200 slot machines, 183 table games, 80 live poker tables and a simulcast race book facility. Table games include blackjack, craps, roulette, baccarat, pai gow, novelty games, sic bo and other games. Our poker program continues to gain momentum with The Borgata Poker Open, a four-part major tournament series, monthly signature events and daily tournaments in the casino's poker room. Unlike several other properties in Atlantic City, our casino is contiguous and encompasses the majority of the property's first floor. This design provides a more fluid, Las Vegas-style gaming environment. In addition, this layout is more efficient from an operations standpoint as oversight and game layout is easier to manage when gaming activities are conducted in contiguous areas. Borgata was the first casino to be designed under the more user-friendly regulations governing casino design in Atlantic City. Management believes that those regulatory changes have benefited our casino's design by improving the traffic flow in the casino, reducing the amount of exits required and allowing restaurants and entertainment venues to be directly adjacent to the casino floor.

We continue to maintain the most up-to-date gaming floor in Atlantic City with the latest technology designed to provide customers with a personalized and enjoyable entertainment experience, as well as to increase the operating efficiency of our facility. We incurred $6.1 million in capital expenditures for our gaming floor in 2011 as part of our efforts to keep the gaming floor up-to-date. During the year ended December 31, 2010, we completed a $4 million renovation to our slot floor. The renovation consisted of removing approximately 470 slot machines to create a more efficient and spacious layout for our gaming customers. In addition, as part of the renovation, we installed 175 new slot machines and re-themed 247 slot machines.

Borgata Hotel Overview
Featuring a Las Vegas-style layout, the Borgata hotel's 1,970 guest rooms and suites include six tiers of accommodations: 1,566 Classic Rooms (each with 445 square feet); 312 Fiore Suites (each with 695 square feet); eight Studio Suites (each with 795 square feet); 39 Opus Suites (each with 1,010 square feet); 39 Piatto Suites (each with 1,455 square feet); four Quadri Suites (each with 2,670 square feet); and two Residences (each with an average of 5,000 square feet). Stylish amenities, including floor-to-ceiling windows, Egyptian cotton bed and bath linens, comfortable custom-made mattresses, large bathrooms with granite countertops and marble walls and floors, oversized glass-enclosed showers with therapeutic showerheads and body sprays, high-speed internet access and three phones, each with dual lines, are included in each suite and room in the hotel.

As part of our efforts to maintain and enhance Borgata as the premier destination in Atlantic City, during the years ended December 31, 2012 and 2011, we incurred $25.3 million and $15.6 million, respectively, in capital renovations for the renovation and refurbishment of all remaining rooms at the Borgata hotel, which was completed during the six months ended June 30, 2012. During the year ended December 31, 2010, we completed a $4.4 million capital improvement project to renovate each Fiore suite at the Borgata hotel, which renovation included new paint and wall treatments, replacement of furniture and fixtures (including the installation of a large flat panel television in each suite), resurfacing of marble floors and tiles and other renovation work.

The Water Club
Atlantic City's first boutique-lifestyle hotel combines elements of Borgata, while delivering a unique personality of its own. The 43-story, $450 million hotel features 797 guestrooms and suites; Immersion, a two-story European-style spa on the 32nd and 33rd floors, 18,000 square feet of meeting and event space; three residences modeled after chic, urban lofts; five heated pools-indoor and outdoor, each offering a distinct experience; and five retail shops including Hugo Boss and Just Cavalli, while offering direct access to and from the Borgata hotel and casino. The Water Club hotel is open every day of the week during the summer peak season from June to October and is fully operational from Friday to Monday during the non-peak seasons from November to May.

Dining Options
We offer a diverse array of high quality dining options at various price points, including fine dining restaurants operated by some of the world's most acclaimed chefs. The food and beverage product was designed to be a key feature of the property and we believe the layout provides for efficient operations in both the slower winter months and peak summer season. Our five fine dining restaurants bring a world of culinary experiences to Atlantic City. These restaurants consist of:

- *Old Homestead Steak House*: The venerable New York City landmark makes its second home at Borgata, featuring its legendary steakhouse menu, served in a warm, contemporary atmosphere.

- *Izakaya*: A modern Japanese pub serving sushi, sake and robatayaki in a sensual, yet contemporary atmosphere by celebrated chef Michael Schulson.

- *Bobby Flay Steak*: Food Network personality and chef, Bobby Flay, puts his avant-garde touch on the classic, steakhouse fare, served in an environment that fuses sleek, modern design elements with natural materials such as leather, cast glass and hewn woods.

- *Wolfgang Puck American Grille*: Celebrated chef Wolfgang Puck, with his namesake Wolfgang Puck American Grille, offers contemporary American cuisine in two distinctive dining areas ranging from casual and relaxed to elegant and upscale.

- *Fornelletto Cucino & Wine Bar*: A casual fine dining concept by celebrated chef Stephen Kalt that offers guests the comfort and culinary pleasures found in the Southern regions of Italy.

Other dining establishments include The Metropolitan Café, the Borgata Buffet, Noodles of the World (N.O.W.), Amphora, Bread and Butter and the Sunroom located at The Water Club. Our customers can also grab a quick bite to eat at our multi-concept quick service dining facility known as the Cafeteria, which features fast dining alternatives such as Ben & Jerry's, Panda Express, Hibachi San, Villa Pizza, Fatburger, Lettuce Heads and Tony Luke's. We believe the diverse array of dining options that we offer has been well received by the market and is an important factor in making Borgata a destination resort rather than a day trip casino.

MDDC owns and operates each of the restaurants at Borgata, except for Starbucks coffee and five of the seven quick dining establishments located in the Cafeteria. These dining establishments are operated under lease agreements entered into by MDDC with third party lessees for specified terms. The lease agreements generally provide for a minimum base rent amount plus additional rent based on a percentage of gross sales. The dining establishments, Lettuce Heads and Tony Luke's, in the Cafeteria are owned and operated by MDDC.

In addition, MDDC has entered into restaurant management agreements with the operators of our five fine dining restaurants. Under the terms of these agreements, each restaurant operator is generally responsible for the day-to-day management and oversight of the restaurant's operations. As the owner, MDDC is responsible for all expenses of constructing, opening, operating, furnishing, supplying, marketing, repairing and maintaining each restaurant. In exchange for services rendered under the restaurant management agreement, each restaurant operator is entitled to a management fee, consisting of a base fee equal to a percentage of gross restaurant sales (as defined in the respective management agreements) plus an incentive fee equal to a percentage of net restaurant profits (as defined in the respective management agreements). Additionally, the restaurant management agreements with the operators of Izakaya, Bobby Flay Steak and Fornelletto provide for a minimum guaranteed management fee. Unless terminated sooner in accordance with its terms, each restaurant management agreement expires 120 months after the date of the restaurant's opening, except that the restaurant management agreements with Izakaya and Fornelletto expire 60 months after opening. The Old Homestead Steakhouse term has been extended through June 2019. MDDC also has the option to extend the initial term of the restaurant management agreements with the operators of Izakaya and Fornelletto for an additional five-year period.

Entertainment and Nightlife
We offer our customers two entertainment venues designed to enrich the overall resort and gaming experience and to attract customers to the casino. Accessed by elevator and escalator from the casino, our Events Center presents concerts and headliner entertainment throughout the year. The facility can accommodate approximately 2,400 people on both flat floor and stadium style raised seating platforms and up to 3,500 people for a standing show. The venue features premium audio-visual equipment, special effect lighting and a theater-quality sound system. The Events Center, which has been host to musical talents such as Pearl Jam, Gwen Stefani, Sting, Carly Simon, Kelly Clarkson, Aerosmith and Lenny Kravitz, is also utilized for in-house casino and slot marketing events and seats approximately 1,800 persons for banquet service. We also offer an intimate entertainment venue, The Music Box, which seats approximately 950 people for live music, comedians and other entertainment and is home to our nightly Comedy Club. The Music Box has been host to a variety of talented performers, including Jackson Brown, Kathy Griffin, Jewel, Franki Valli and Lewis Black.

In addition to these two entertainment venues, live bands and club DJ mix music can be found at five nightlife hotspots. With a variety of original nightlife concepts under one roof, including Gypsy Bar (a rock and tequila bar), B Bar, Long Bar, MIXX (a nightclub), and mur.mur (an intimate ultra lounge experience with celebrity guest DJs), these hot spots offer guests the ultimate sense of nightlife escapism.

Spa Facilities
A European-style, 54,000 square foot spa and related facilities, Spa Toccare, located at the Borgata hotel, complete with salon, fitness center and barbershop, is the place to relax and escape in Atlantic City. Spa Toccare offers an extensive menu of rejuvenating treatments, while guests seeking a relaxing respite can find it at Spa Toccare's indoor pool and outdoor gardens.

Guests can also relax and unwind at the Immersion Spa, a more intimate European spa located on the 32nd and 33rd floors of The Water Club, high above Atlantic City, with peerless ocean and skyline views. The spa features, among other amenities, 360 degrees of floor-to-ceiling water views, a 25-yard lap pool, 16 experience rooms, state-of-the-art fitness center, extensive treatment options and a gourmet spa menu.

Retail
To round out the array of amenities are eight boutiques and shops located at Borgata, and six additional boutiques and shops located at The Water Club. The stylish shopping spots offer men's, women's and children's fashions, gifts, toys, retail wine, housewares and absolute essentials. Shopping boutiques at Borgata and The Water Club include:

- *Whim*: Offers electronics and distinctive gift ideas.
- *Misura*: Features men's apparel, accessories, furnishings and gifts.
- *Carina*: Features women's apparel, accessories and gifts.
- *Borgata Collections*: Borgata Brandwear, fine gifts, sundries and children's wear.
- *Borgata & Co.*: Fine cigars, fine chocolates and other delicious indulgences.
- *Ciao!*: Souvenirs and last minute gift shopping.
- *Essentials*: Gifts, sundries and other convenience items.
- *Hugo Boss*: Features fine menswear from designer Hugo Boss.
- *Just Cavalli*: Features denim products including jeans, jackets, and accessories from designer Roberto Cavalli.
- *Fixation*: A shoe store.
- *Borgata Employee Store*: A store for our employees.
- *Cameo*: Small gifts and toiletries.
- *Vintage:* A retail wine store.
- *Antica Murrina:* A jewelry store.

MDDC owns and operates Whim, Vintage, Just Cavalli, Fixation, Cameo and Antica Murrina and leases the remaining retail outlets to third parties under lease agreements, including a lease agreement with The Marshall Retail Group, LLC, a subsidiary of Marshall Hotels and Resorts, Inc., a national hotel management company. Under the terms of the lease agreement, Marshall Management AC, LLC leases and operates the retail stores Misura, Carina, Borgata Collections, Borgata & Co., Borgata Employee Store, Ciao! and Essentials.

Meeting Spaces
Whether planning a meeting of 30 business executives, a general session for 3,000 or a gala dinner, we have the resources and production knowledge to make the event happen. We have the flexibility to arrange accommodations to suit many occasions. Our meeting space is equipped to accommodate speakerphones, data ports, high-speed internet access, and advanced audio-visual equipment. A total of 70,000 square feet of divisible meeting space is available at the Borgata hotel, featuring the following options:

- One 13,500 square foot meeting venue;
- Three 4,200 square foot meeting rooms;
- Four 1,250 square foot meeting rooms;
- Two 600 square foot boardrooms; and
- Indoor pool and outside garden area.

The meeting space features built-in lighting systems and media-rich video and sound systems. An additional 18,000 square feet of meeting space is available at The Water Club.

Parking
We offer over 8,200 parking spaces, which include self-park spaces, valet spaces, and employee parking spaces, which ranks Borgata number one in the market in terms of capacity, well above the majority of the competition. In addition, ingress and egress from the resort is more typical of a Las Vegas style-resort with a spacious pavilion as opposed to the typical Atlantic City property where the resort entrance is on a public through-way. The self-parking garage features speed ramps to enable the arriving guests to secure a parking space quickly. Guests who choose valet parking will arrive via a six-lane porte cochère. Valet departures are separated on a lower level from all arriving guests to avoid cross traffic and to speed service for both arriving and departing guests. Borgata valet parking spaces are conveniently located below the casino floor and do not require using city streets. This results in substantially better and more efficient valet parking service compared to other Atlantic City casinos. Guests checking in to The Water Club follow a dedicated roadway leading to an underground carport where they are greeted by a valet attendant, checked-in and directed to a short escalator ride to the hotel lobby. Departing guests from The Water Club utilize a separate carport for departures which minimizes traffic and maximizes safety.

Our Market
Atlantic City Gaming Market Overview
The Atlantic City gaming market is one of the largest in the United States and is predominantly a regional day-trip and overnight-trip market, primarily within a three-hour driving distance of major cities in New Jersey, Connecticut, New York, Pennsylvania, Maryland and Delaware. We directly compete with ten other Atlantic City casinos as well as with gaming operations in surrounding jurisdictions.

The Atlantic City market was substantially impacted by the national recession, which began in December 2007, and weak economic conditions in the United States and elsewhere. As a result, consumers continue to curb discretionary spending during the recession and recovery, which has had, and continues to have, 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, to 33.3 million in 2007, to 31.8 million in 2008, to 30.4 million in 2009, to 29.3 million in 2010, and to 28.5 million in 2011, 27.2 million in 2012 and 26.7 million in 2013.

To cope with the difficult economic period and increased competition, we have focused on managing our operating margins and targeted several initiatives that we believe will enhance our ongoing efforts to retain existing customers, maintain trip frequency and acquire new customers. These efforts and initiatives are discussed under “Business Summary-Our Strategy.”

Competition

The gaming industry is highly competitive and our competitors vary considerably in 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. We also compete with other non-gaming resorts and vacation areas, and with various other entertainment businesses and with online gaming sites, and may face new competition from new forms of gaming that may be legalized in the future. Following legalization in New Jersey in February 2013, we launched our real-money online gaming site with bwin in November 2013. While the Borgata site has captured a 30% market share since its launch, we expect that we will face increasing competition, both to our online gaming site and our property, from internet lotteries, sweepstakes, and other internet wagering gaming services, which allow their customers to wager on a wide variety of sporting events and play Las Vegas-style casino games from home or in non-casino settings. Such internet wagering services are often illegal under federal law but operate from overseas locations, and are nevertheless sometimes accessible to domestic gamblers. Further, Nevada recently 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, and several other states are currently considering legislation that would legalize internet gaming at the state level. Expansion of internet gaming in other jurisdictions (both legal and illegal) could further compete with our traditional operations, which could have an adverse impact on our business and result of operations. Our competitors in our market may have substantially greater financial, marketing and other resources than we do, and there can be no assurance that they will not engage in aggressive pricing action to compete with us in the future. Although we believe we are currently able to compete effectively, we cannot make assurances that we will be able to continue to do so or that we will be capable of maintaining or further increasing our current market share. Our failure to compete successfully in our market could adversely affect our business, financial condition, results of operations and cash flow.

Atlantic City

The Atlantic City market is highly competitive. The 11 hotel casinos now operating in Atlantic City, including Borgata, compete with each other on the basis of customer service, quality and extent of amenities and promotional offers. For this reason, we and our competitors require substantial capital expenditures to compete effectively. In 2010 we completed a $4 million renovation to our slot floor and a $4.4 million renovation and refurbishment of our Fiore suites. In 2011, additions included a high-limit players club lounge, a New York style bar; and a wine retail outlet. We also refreshed our poker room, Asian gaming area and high-limit slot area. Additionally, in 2011 we began a redesign project of Borgata hotel's standard rooms including corridors, elevator landings and high-end suites that was completed in June 2012.

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 New Jersey Casino Control Commission ("NJCCC") (together, the "Gaming Authorities"), MGM has agreed that an affiliate of MGM would withdraw its license application for this development. On February 20, 2013, MGM announced that it had entered into an amendment with the NJDGE, effective February 13, 2013, pursuant to which MGM was allowed to reapply to the NJCCC for licensure in New Jersey. 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.

Increased competition also may result from changes to existing gaming regulations. For example, to help spark new investment in Atlantic City, former Atlantic City mayor James Whelan, who is now a state senator, introduced legislation on March 22, 2010 that, among other things, would change 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 now requires, developers would be able to build smaller, 20,000 square foot, casinos at hotels with at least 200 rooms under the proposed legislation. The legislation was signed into law by the governor in January 2011 and will likely result in the development of additional smaller, boutique hotel-casinos in the Atlantic City market, further increasing competition. In addition, competition could further increase if, as has been discussed in the past, the State of New Jersey approves the installation of video lottery terminals ("VLTs") at horse racing facilities in New Jersey.

Other Regional Competitors

The expansion of casino gaming in or near the mid-Atlantic region from which we attract most of our customers, including state law changes expanding gaming in Pennsylvania, New York, Connecticut, Delaware and Maryland, could have a significant adverse effect on our business, financial condition, results of operations and cash flow.

Qualification Requirements and Waivers for Certain Institutional Investors

As discussed below under *Restrictions on Issuance, Ownership and Transfer of Securities*, an entity qualifier or intermediary or holding company is required to be qualified by the NJCCC and meet the same basic standards for approval as a casino licensee;

provided, however, that the Director of the NJDGE, shall have the authority to waive any or all of the qualification requirements for any Corporate officer as defined in the NJ Act, each director and each person who directly or indirectly holds a beneficial interest or ownership interest of 5% or more in such company.

Applicants for and holders of casino licenses shall be required to establish and maintain the qualifications of any financial backer, investor, mortgagee, bondholder, or holders of indentures, notes or other evidences of indebtedness, either in effect or proposed which bears relation to the casino operation or casino hotel premises who holds 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 his qualifications. The director may, in his discretion, require that any other financial backer, investor, mortgagee, bondholder, or holder of indentures, notes or other evidences of indebtedness who does not meet the threshold set forth herein to establish and maintain his qualifications. Banks and licensed lending institutions shall be exempt from any qualification requirements under this act if such bank or licensed lending institution is acting in the ordinary course of business.

An “Institutional Investor” is defined by the New Jersey Casino Control Act ("Casino Control Act") as any:

- retirement fund administered by a public agency for the exclusive benefit of federal, state, or local public employees;
- investment company registered under the Investment Company Act of 1940;
- collective investment trust organized by banks under Part Nine of the Rules of the Comptroller of the Currency;
- closed end investment trust;
- chartered or licensed life insurance company or property and casualty insurance company;
- banking and other chartered or licensed lending institution;
- investment advisor registered under the Investment Advisers Act of 1940; and
- such other persons as the NJCCC may determine for reasons consistent with the policies of the Casino Control Act.

An Institutional Investor may be granted a waiver by the NJDGE from financial source or other qualification requirements applicable to a holder of publicly-traded securities, in the absence of a prima facie showing by the NJDGE that there is any cause to believe that the Institutional Investor may be found unqualified, on the basis of NJDGE findings that:

- its holdings were purchased for investment purposes only and, upon request by the NJCCC, it files a certified statement to the effect that is has no intention of influencing or affecting the affairs of the issuer, the casino licensee or its holding or intermediary companies; provided, however, that the Institutional Investor will be permitted to vote on matters put to the vote of the outstanding security holders; and
- if the securities are debt securities of a casino licensee's holding or intermediary companies or another subsidiary company of the casino licensee's holding or intermediary companies which is related in any way to the financing of the casino licensee and represent either:
  - 25% or less of the total outstanding debt of the company; or
  - 50% or less of any issue of outstanding debt of the company unless the full issue is in the amount of $150 million or less;
- the securities are under 25% of the equity securities of a casino licensee's holding or intermediary companies; or
- if the securities so held exceed such percentages, upon a showing of good cause.

The NJDGE may grant a waiver of qualification to an Institutional Investor holding a higher percentage of such securities upon a showing of good cause and if the conditions specified above are met.

Generally, the NJDGE requires each institutional holder seeking waiver of qualification to execute a certification to the effect that:

- the holder has reviewed the definition of Institutional Investor under the Casino Control Act and believes that it meets the definition of Institutional Investor;
- the securities are those of a publicly-traded corporation;
- the holder purchased the securities for investment purposes only and holds them in the ordinary course of business;
- the holder has no involvement in the business activities of, and no intention of influencing or affecting the affairs of the issuer, the casino licensee, or any affiliate; and

- if the holder subsequently determines to influence or affect the affairs of the issuer, the casino licensee or any affiliate, will provide not less than 30 days' prior notice of such intent and will file with the NJDGE an application for qualification before taking any such action.

If an Institutional Investor changes its investment intent, or if the Gaming Authorities finds reasonable cause to believe that it may be found unqualified, the Institutional Investor may take no action with respect to the security holdings, other than to divest itself of such holdings, until it has applied for interim casino authorization and has executed a trust agreement pursuant to such an application.

Restrictions on Issuance, Ownership and Transfer of Securities

The ownership and operation of casino gaming facilities in New Jersey are subject to the Casino Control Act. In general, the Casino Control Act and the regulations promulgated thereunder contain detailed provisions concerning, among other things:

- the granting of casino licenses;
- the suitability of the approved hotel facility and the amount of authorized casino space and gaming units;
- the qualification of natural persons and entities related to the casino licensee;
- the licensing and registration of employees and vendors of casino licensees;
- the rules of the games;
- the selling and redeeming of gaming chips;
- the granting and duration of credit and the enforceability of gaming debts;
- the management control procedures, accountability, and cash control methods and reports to gaming agencies;
- the security standards;
- the manufacture and distribution of gaming equipment;
- the equal opportunity for employees and casino operators, contractors of casino facilities, and others;
- advertising and entertainment; and
- alcoholic beverages.

The Gaming Authorities are empowered under the Casino Control Act to regulate a wide spectrum of gaming and non-gaming related activities and to approve the form of ownership and financial structure of not only a casino licensee, but also its entity qualifiers and intermediary and holding companies.

No casino hotel facility may operate unless the appropriate license and approvals are obtained from the Gaming Authorities, which have broad discretion with regard to the issuance, renewal, revocation, and suspension of such licenses and approvals, which are nontransferable. The qualification criteria with respect to the holder of a casino license include the following:

- its financial stability, integrity and responsibility;
- the integrity and adequacy of its financial resources which bear any relation to the casino project;
- its good character, honesty, and integrity; and
- the sufficiency of its business ability and casino experience to establish the likelihood of creation and maintenance of a successful, efficient casino operation.

To be considered financially stable, a licensee must demonstrate the following abilities:

- to pay winning wagers when due;
- to achieve a gross operating profit;

- to pay all local, state, and federal taxes when due;
- to make necessary capital and maintenance expenditures to insure that it has a superior first-class facility; and
- to pay, exchange, refinance or extend debts which will mature and become due and payable during the license term.

The Casino Control Act imposes certain restrictions upon the issuance, ownership, and transfer of securities of an entity that holds a casino license or is an entity qualifier, subsidiary, or holding company of a casino licensee (each, a "Regulated Company"), and defines the term "security" to include instruments which evidence a direct or indirect beneficial ownership or creditor interest in a Regulated Company including, but not limited to, stocks, bonds, mortgages, debentures, security agreements, notes, warrants, options and rights, and any disposition shall be effective five business days after the NJCCC receives notice of such disposition, unless within the five business day period, the commission disapproves of such disposition.

If the Gaming Authorities find that a holder of such securities is not qualified under the Casino Control Act, it has the right to take any remedial action it may deem appropriate, including the right to force divestiture by such disqualified holder of such securities. In the event that certain disqualified holders fail to divest themselves of such securities, the Gaming Authorities have the power to revoke or suspend the casino license affiliated with the Regulated Company which issued the securities; provided, however, if the Gaming Authorities also find that: (1) we have complied with the Gaming Laws; (2) we have made a good faith effort, including the prosecution of all legal remedies, to comply with any order of the NJCCC or NJDGE requiring divestiture; and (3) such disqualified holder does not have the ability to control us or to elect one or more members of the board of directors, no action may be taken against us with respect to the continued ownership of the security interest by the disqualified holder. If a holder is found unqualified, it is unlawful for the holder:

- to exercise, directly or through any trustee or nominee, any right conferred by such securities; or
- to receive any dividends or interest upon any such securities or any remuneration, in any form, from its affiliated casino licensee for services rendered or otherwise.

With respect to non-publicly-traded securities, the Casino Control Act requires that the corporate charter or partnership agreement of a Regulated Company establish:

- a right of prior approval with regard to transfers of securities, shares and other interests; and
- an absolute right in the Regulated Company to repurchase at the market price or the purchase price, which-ever is the lesser, any such security, share, or other interest in the event that the Gaming Authorities disapprove a transfer.

With respect to publicly-traded securities, such corporate charter or partnership agreement is required to establish that any such securities of the entity are held subject to the condition that, if a holder thereof is found to be disqualified, such holder shall dispose of such securities.

Whenever any person enters into a contract to transfer any property which relates to an on-going casino operation, including a security of the casino licensee or a holding or intermediary company or entity qualifier, under circumstances which would require that the transferee obtain licensure or be qualified under the Casino Control Act, and that person is not already licensed or qualified, the transferee is required to apply for interim authorization. Furthermore, the closing or settlement date in the contract may not be earlier than the 121st day after the submission of a complete application for licensure or qualification together with a fully executed trust agreement in a form approved by the Gaming Authorities. If, after the report of the NJDGE and a hearing by the NJCCC, the NJCCC grants interim authorization, the property will be subject to a trust. If the NJCCC denies interim authorization, the contract may not close or settle until the NJCCC makes a determination on the qualifications of the applicant. If the NJCCC denies qualification, the contract will be terminated for all purposes, and there will be no liability on the part of the transferor.

If, as the result of a transfer of publicly-traded securities of a Regulated Company or a financing entity of a Regulated Company, any person is required to qualify under the Casino Control Act, that person is required to file an application for licensure or qualification within 30 days after the Gaming Authorities determine that qualification is required or declines to waive qualification.

The application must include a fully executed trust agreement in a form approved by the Gaming Authorities, or in the alternative, within 120 days of a determination that qualification is required, the person whose qualification is required must divest such securities in order to remove the need to qualify.

The NJCCC may grant interim casino authorization where it finds by clear and convincing evidence that:

- statements of compliance have been issued pursuant to the Casino Control Act;
- the casino hotel is an approved hotel in accordance with the Casino Control Act;
- the trustee satisfies qualification criteria applicable to casino key employees, except for residency; and
- interim operation will best serve the interests of the public.

When the NJCCC finds the applicant qualified, the interim casino authorization and the trust will terminate. If the NJCCC denies qualification to a person who has received interim casino authorization, or if it has reason to believe qualification will be denied, the trust will become operative. The trustee is required to endeavor, and is authorized, to sell, assign, convey, or otherwise dispose of the property subject to the trust to such persons who are licensed or qualified or shall themselves obtain interim casino authorization.

Where a holder of publicly-traded securities is required, in applying for qualification as a financial source or qualifier, to transfer such securities to a trust in application for interim casino authorization and the NJCCC thereafter orders that the trust become operative:

- during the time the trust is operative, the holder may not participate in the earnings of the casino hotel or receive any return on its investment or debt security holdings; and
- after disposition, if any, of the securities by the trustee, proceeds distributed to the unqualified holder may not exceed the lower of their actual cost to the unqualified holder or their value calculated as if the investment had been made on the date the trust became operative.

In addition to the provisions contained in the notes regarding mandatory redemption pursuant to Gaming Laws (see "Description of Notes-Mandatory Disposition or Redemption Pursuant to Gaming Laws"), our organizational documents contain provisions establishing the right to redeem the securities of disqualified holders.

Casino Control Act Violations

If, at any time, it is determined that a Regulated Company has violated the Casino Control Act, or that any such entity cannot meet the qualification requirements of the Casino Control Act, such entity could be subject to fines or the suspension or revocation of its license or qualification. If a Regulated Company's license is suspended for a period in excess of 120 days or revoked, or upon the failure or refusal to renew a casino license, the NJCCC could appoint a conservator to operate or dispose of such entity's casino hotel facilities. The conservator would be required to act under the direct supervision of the Gaming Authorities and would be charged with the duty of conserving, preserving and, if permitted, continuing the operation of such casino hotel. During the period of true conservatorship, a former or suspended casino licensee is entitled to a fair rate of return out of net earnings, if any, on the property retained by the conservator. The Gaming Authorities may also discontinue any conservatorship action and direct the conservator to take such steps as are necessary to affect an orderly transfer of the property of a former or suspended casino licensee.

Taxes, Fees and Other Charges

The Gaming Authorities are authorized to establish annual fees for the renewal of casino licenses. The renewal fee is based upon the cost of maintaining control and regulatory activities prescribed by the Casino Control Act, and may not be less than $0.2 million for either a one-year casino license or a five-year casino license. Additionally, casino licenses are subject to potential assessments to fund any annual operating deficits incurred by the NJCCC or the NJDGE.

Each casino licensee is required to pay an annual tax of 8% on its land-based gross gaming revenues, and 15% on its online gross gaming revenues. Additionally, pursuant to the Casino Control Act, as a casino licensee, we are assessed an amount equal to 1.25% of our land-based gross gaming revenues in order to fund qualified investments. This assessment is made in lieu of an investment alternative tax equal to 2.5% of land-based gross gaming revenues. The Casino Control Act also provides for an assessment of licensees equal to 2.5% of online gross gaming revenues, which is made in lieu of an investment alternative tax equal to 5.0% of online gross gaming revenues. Once our funds are deposited with the New Jersey Casino Reinvestment Development Authority ("CRDA"), qualified investments may be satisfied by: (i) the purchase of bonds issued by the CRDA at below market rates of interest; (ii) direct investment in CRDA-approved projects; or (iii) a donation of funds to projects as determined by the CRDA. According to the Casino Control Act, funds on deposit with the CRDA are invested by the CRDA and the resulting income is shared two-thirds to the casino licensee and one-third to the CRDA. Further, the Casino Control Act requires that CRDA bonds be issued at statutory rates established at two-thirds of market value.

Furthermore, there is also an annual license fee of $500 for each slot machine maintained for use or in use in any casino, a parking fee and $3.00 room tax fee on all rooms, including complimentary rooms, the proceeds of which will be primarily deposited into a special fund for use by the CRDA.

Our CRDA obligations for the years ended December 31, 2013, 2012 and 2011 were $7.8 million, $7.7 million and $8.1 million, respectively, of which valuation provisions of $2.2 million, $4.4 million and $3.5 million respectively, were recorded due to the respective underlying agreements.

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 have been introduced in the New Jersey legislature that, if enacted, could adversely affect the tax, regulatory, operational or other aspects of the gaming industry and us. We do not know whether such legislation will be enacted. The federal government has also previously considered a federal tax on casino revenues and the elimination of betting on amateur sporting events and may consider such a tax or eliminations on betting in the future. In addition, gaming companies are currently subject to significant state and local taxes and fees in addition to normal federal and state corporate income taxes, and such taxes and fees are subject to increase at any time. Any material increase in these taxes or fees could adversely affect us.

Summary of Internet Gaming Regulations Recently Adopted by the State of New Jersey

The real money online gaming offering we recently launched is subject to extensive regulation. In February of 2013, New Jersey enacted amendments to the Casino Control Act (the “Act”) authorizing intrastate internet gaming pursuant to regulations to be adopted by the NJDGE. Those regulations were subsequently promulgated and Internet gaming went “live” in November of 2013 upon the authority of the NJDGE. The authorization to permit Internet gaming in the Act will expire in October 2020, unless extended by further act of the New Jersey Legislature.

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

“Internet gaming” is defined in New Jersey as “the placing of wagers with a casino licensee at a casino located in Atlantic City using a computer network of both federal and non-federal interoperable packet switched data networks through which the casino licensee may offer authorized games to individuals who have established a wagering account with the casino licensee and who are physically present in this State.” Thus, under the Act, Internet gaming can be conducted when the servers on which internet wagers are taken are located within an Atlantic City Casino by customers who are within the boundaries of New Jersey who have established an internet wagering account in the manner proscribed by the NJDGE’s regulations. Games that are permitted to be offered include poker, slots, and all other land-based casino games that are authorized by the Act and the regulations. Account holders must establish their identity and eligibility (21 years of age or older; not excluded or voluntarily self-excluded) and provide means of ensuring that the person playing is the account holder via “know your customer” methods. The software employed in an Internet gaming system must be capable of, among other things, assuring that the computer or other device from which the wager is placed is within the state of New Jersey via “geolocation” technology. Further, all “primary equipment” used to operate the Internet game must be physically located in approved restricted area on the premises of the applicable Atlantic City casino. Back-up equipment, even if needed for temporary operations, may be located elsewhere, if the site is approved by the NJDGE.

In order to offer internet gaming, the casino licensee is required to obtain an Internet gaming permit, which is valid for a period of one year. Fees associated with Internet gaming include $400,000 for initial permit and $250,000 for each renewal; costs can go higher based on actual costs incurred by the NJDGE, and an additional annual fee of $250,000 ($140,000 allocated to Council on Compulsive Gambling, and $110,000 for compulsive gambling treatment programs). Each such permit entitles the casino licensee to offer up to five separate online gaming offerings.

The tax on internet gaming gross gaming revenues is 15% and thus is higher than the 8% gross gaming revenue tax rate for New Jersey’s land-based casinos. In addition, the investment alternative tax established by the Act also applies to Internet wagering gross revenues, except that the investment alternative tax on these revenues is 5% and the investment alternative is 2.5%, which rates are double those applied to gross gaming revenues generated by land-based casinos.

In addition to the above requirements, The NJDGE’s detailed regulations governing Internet gaming, including the following: required financial and statistical reports, required employees, certain of which must be located in State, facility requirements, accounting controls, computer system requirements, patron account requirement, creation and maintenance of lists of persons excluded, voluntarily or otherwise, from participating in Internet gaming; and forms and reports related to the tax on Internet gaming gross revenue, and more.

Regulatory Oversight
On June 11, 2003 the NJCCC found that MDDC, the developer, owner and operator of Borgata, complied with all the requirements of the Casino Control Act for the issuance of a gaming license to own and operate Borgata. The effective date of the license was July 2, 2003, the date the NJCCC issued MDDC with an Operation Certificate. Such gaming license was valid for a one-year period and was renewed in June of 2004 for an additional one year period. On June 30, 2005 the gaming license of MDDC was renewed for a five-year period and is subject to successive five-year renewal periods thereafter. On June 24, 2010, the NJCCC approved the renewal of our gaming license effective July 1, 2010 for a five-year period ending June 30, 2015.

By letter on July 27, 2009, the NJDGE made a formal request to the NJCCC that the NJCCC reopen the gaming license held by MDDC. The Letter indicated that the NJDGE's reopening request was for the exclusive purpose of examining the qualifications of MGM, as a qualified holding company of MDDC, in light of the issues raised by the Special Report of the NJDGE to the NJCCC on its investigation of MGM's joint venture in Macau, Special Administrative Region, People's Republic of China. The Letter noted that the NJDGE had found that neither we nor BAC had any involvement with MGM's development activities in Macau and also expressed the NJDGE's confidence that the NJCCC could thoroughly examine the issues raised in the Special Report as to MGM's qualifications without negatively affecting the MDDC gaming license, BAC or us.

The NJCCC informed us that, pursuant to Section 88(a) of the Casino Control Act, the MDDC casino license was reopened on July 27, 2009, the date of the Letter. This was a procedural step required by the Casino Control Act that does not represent a finding as to the issues raised by the NJDGE. Under the Gaming Laws, the NJCCC may reopen licensing hearings at any time and must reopen a licensing hearing at the request of the NJDGE.

In February 2010, BAC and MAC entered into an agreement to amend their operating agreement (the "Operating Agreement") to, among other things, facilitate the transfer of the MGM Interest to the Divestiture Trust established for the purpose of selling the MGM Interest to a third party. The proposed sale of the MGM Interest through the Divestiture Trust was part of a then-proposed settlement agreement between MGM and the NJDGE. Pursuant to the terms of the amended Operating Agreement, in connection with the refinancing of our former credit facility on August 6, 2010, MDDHC made a $240 million one-time distribution to Boyd, on behalf of BAC, and the Divestiture Trust. Upon the sale of the MGM Interest, BAC will receive an additional payment from the Divestiture Trust in an amount (if any) equal to the excess of 3% of the proceeds from the sale over $10 million.

On March 17, 2010, MGM announced that its settlement agreement with the NJDGE had been approved by the NJCCC. The NJDGE's investigation did not conclude that MGM was unsuitable as a casino licensee under applicable New Jersey gaming regulations. Moreover, the NJDGE and MGM agreed under the settlement agreement that the entry into the settlement agreement by MGM shall neither be construed, nor is it intended by way of suggestion or implication, to be any admission of liability or culpability on the part of MGM and its subsidiaries and affiliates with respect to the matters set forth in the Special Report.

Pursuant to the terms of the settlement agreement, MGM agreed to transfer the MGM Interest into the Divestiture Trust and further agreed to sell such interest within a 30-month period. During the first 18 months of such period, (which was subsequently extended by an additional 12 months), MGM has the power to direct the trustee to sell the MGM Interest, subject to the approval of the NJCCC. If the sale has not occurred by such time, the trustee will be solely responsible for the sale of the MGM Interest. The MGM Interest was transferred to the Divestiture Trust on March 24, 2010.

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 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.

We are required to provide written notifications to the NJCCC and the NJDGE at least three days prior to the issuance of any dividends or distributions to our Joint Venture Partners other than for the payment of a tax distribution.

Gaming Credit

Casinos must follow certain procedures which are outlined in the Casino Control Act when granting gaming credit and recording counter checks which have been exchanged, redeemed or consolidated. Gaming debts arising in Atlantic City in accordance with applicable regulations are enforceable in the courts of the State of New Jersey.

Gaming Escheat Laws

If a patron does not claim money or redeem the representation of debt owed to such patron from a gaming transaction within one year of the date of the transaction, the obligation of the casino licensee to pay the patron shall expire and 25% of the money or the value of the debt shall be paid to the Casino Revenue Fund by the casino licensee, and the remaining 75% was retained by the casino licensee, provided the licensee uses the full amount for marketing purposes. Obligations incurred prior to the effective date of April 5, 2009 expired one year after such effective date, at which time 50% of the money or the value of the debt shall be paid to the Casino Revenue Fund, subject to the requirement that each casino licensee was required, on or before June 30, 2009, to make a payment to the Casino Revenue Fund in an amount equal to 25% of the value of the money or debt owed to its patrons as a result of gaming transactions that occurred more than one year prior to the effective date, which payment was credited towards the total obligation to make payments in an amount equal to 50% of the value of such expired gaming related obligations.

Smoking Regulation

On January 15, 2006, the New Jersey State legislature enacted the Smoke-Free Air Act that became effective April 15, 2006. This law called for smoke-free environments in essentially all indoor workplaces and places open to the public including places of business and service-related activities. The law contains several exceptions including an exemption for all casino floor space and 20% of a hotel's designated hotel rooms. On February 15, 2007, Atlantic City promulgated a local ordinance that reduced the casino floor exemption to 25% of a casino's floor space that became effective April 15, 2007. As such, smoking is prohibited on 75% of a casino's floor space and permitted on 25% of a casino's floor space if such space is enclosed and separately ventilated. In April 2008, Atlantic City voted to completely ban smoking on the casino floor, to take effect in October 2008; however, as a consequence of the economic downturn, in October 2008, Atlantic City voted to overturn the temporary smoking ban, returning to the 2007 law restricting smoking to no more than 25% of the casino floor. 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. Under the Atlantic City ordinance, smoking will remain permissible in 20% of a hotel's designated hotel rooms, consistent with state law.

Regulatory Developments

On February 3, 2010, New Jersey Governor Chris Christie issued Executive Order 11 creating the New Jersey Gaming, Sports and Entertainment Advisory Commission (“Advisory Commission”), to provide recommendations to comprehensively address the challenges confronting New Jersey's gaming, professional sports and entertainment industries.

The Advisory Commission's report was made public on July 21, 2010. A major focus of the report was dedicated to improving the gaming industry in Atlantic City in order to keep Atlantic City a major destination resort and to expand its entertainment and amusement offerings. To that end, the report rejected the concept of expanding gaming outside of Atlantic City and called for the creation of an entertainment and gaming district in Atlantic City which would be overseen by a public/private body with state involvement with a primary goal of revitalizing Atlantic City and the gaming industry by increasing business volumes, attracting investment and creating jobs. This report also recommended streamlining and updating the gaming regulatory system to be current with technological advances. Additionally, this report proposed the transfer of regulatory power over the casinos in Atlantic City from the NJCCC to the NJDGE.

Atlantic City Tourism District

As part of the State of New Jersey's plan to revitalize Atlantic City, a new law was enacted in February 2011 requiring that a tourism district (the “Tourism District”) be created and managed by the CRDA. The Tourism District has been established to include each of the Atlantic City casino properties along with certain other tourism related areas of Atlantic City. The law requires that a public-private partnership be created between the CRDA and a private entity that represents existing and future casino licensees. The private entity, known as The Atlantic City Alliance (the "ACA"), has been established in the form of a not-for-profit limited liability company, of which MDDC is a member. The public-private partnership between the ACA and CRDA shall be for an initial term of five years and its general purpose shall be to revitalize the Tourism District. The law required that a $5 million contribution be made to this effort by all casinos prior to 2012 followed by an annual amount of $30 million to be contributed quarterly by the casinos commencing January 1, 2012 for a term of five years. Each casino's share of the quarterly contributions will equate to a percentage representing its gross gaming revenue for each corresponding period compared to the aggregate gross gaming revenues for that period for all casinos. As a result, we are expensing our pro rata share of the $155 million as incurred. During the years ended December 31, 2013, 2012 and 2011, we incurred expenses of $6.5 million, $6.1 million and $0.9 million, respectively, for our pro rata share of the contributions to the ACA.

Seasonality

Our cash flows from operating activities are seasonal in nature. Spring and summer are traditionally the peak seasons for our property, with autumn and winter being non-peak seasons. Any excess cash flow achieved from operations during peak seasons is used to subsidize non-peak seasons. Performance in non-peak seasons is usually dependent on favorable weather and a long-weekend holiday calendar. In the event that we are unable to generate excess cash flows in one or more peak seasons, we may not be able to subsidize non-peak seasons.

Employees and Labor Relations

Casino employees are subject to more stringent requirements than non-casino employees and must meet applicable standards pertaining to financial stability, responsibility, good character, honesty, integrity and New Jersey residency. These requirements have resulted in significant competition among Atlantic City casino operators for the services of qualified employees. At December 31, 2013, we employed 5,833 persons. On such date, we had collective bargaining agreements with four unions covering approximately 2,203 employees.

Financial Information

For further information related to our revenues, profit (loss) and total assets as of and for the three years in the period ended December 31, 2013, see our consolidated financial statements presented in Part IV, Item 15, *Exhibits and Financial Statement Schedules*.

Industry and Market Data; Certain Industry Terms

This Annual Report on Form 10-K includes industry data that we obtained from periodic industry publications, including Atlantic City industry data and other information published by the NJCCC and NJDGE. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. As a result, you should be aware that market, ranking and other similar industry data included in this report, and estimates and beliefs based on that data, may not be reliable. We cannot guarantee the accuracy or completeness of any such information contained in this report.

Unless otherwise indicated, as used throughout this report:

- "casino win" means slot win plus table win, poker win, keno win and simulcast win;
- "fair share premium" means the amount, expressed as a percentage, that a particular casino's market share of revenue exceeds its fair share percentage; a casino's "fair share percentage" is determined by dividing the number of gaming positions held by such casino by the total gaming positions in the market;
- "gaming positions" means one gaming position per slot machine and six gaming positions per table game;
- "poker win" represent a percentage of customer wagers and tournament entry fees, as reported by the casino properties operating in Atlantic City, including Borgata, on a cash basis to the NJCCC;
- "slot handle" means the dollar amount wagered in slot machines;
- "slot win," "table win," "keno win," and "simulcast win" means the difference between customer wagers and customer winnings on slot machines, table games (exclusive of poker games), keno games and simulcast betting, respectively, as reported (without any revenue adjustments for progressive jackpot accruals) to the NJCCC; and
- "table games drop" means the total amount of cash deposited in the table games drop boxes, plus the sum of markers issued at all table games.

Corporate Information
Our principal executive offices are located at One Borgata Way, Atlantic City, New Jersey 08401, and our main telephone number is (609) 371-1000. Our website is www.theborgata.com.

Available Information
We file annual, quarterly and current reports and other information with the Securities and Exchange Commission (the "SEC"). You may read and copy, at prescribed rates, any document we have filed at the SEC's public reference room in Washington, D.C. Please call the SEC at 1-800-SEC-0330 (1-800-732-0330) for further information on the public reference room. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC (http://www.sec.gov). You also may read and copy reports and other information filed by us at the office of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

We make our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K, and all amendments to these reports, available free of charge on our corporate website as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC.

Important Information Regarding Forward-Looking Statements
This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Statements that are forward-looking, include, but are 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 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 2014, our expectation that they will be primarily comprised of various maintenance capital projects and our intention to fund such capital expenditures through our New Credit Facility and operating cash flows;
- The effect of fluctuations in interest rates on our results;
- The possibility of expansion of gaming facilities and nearby states, including 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, federal and state legislation on internet gaming, 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, including the internet gaming market, 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 expectations, including our responsibility and control over day-to-day operations and the managerial resources we expect to devote to effectuate the sale of the MGM Interest, if such sale occurs;
- The type of covenants that will be included in any future debt instruments;
- Our ability to meet our projected operating and maintenance capital expenditures;
- 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 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 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;
- Our expectation that Congress legalizes online gaming in the United States;
- 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;
- 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 slowing or stoppage of the economic recovery or a return on 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 future volatility and weakness in worldwide credit and financial markets;
- 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 effects of intense competition that exists in the gaming industry and the risk of increased competition arising from, among other things, internet gaming, 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 continuing effects of the recent 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 a final resolution of our appeals of certain property taxes for the period January 1, 2009 through December 31, 2013 could result in adjustment to our estimated property tax liability, which could adversely affect us;

- The risk that we fail to maintain the integrity of internal customer information which could adversely affect us;
- The risk that our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under our New 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 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 mid-Atlantic region, including the possible expansion of online gaming in neighboring jurisdictions; and
- Our expected liabilities under the multiemployer pensions in which our employees participate.

Additional factors that could cause actual results to differ are discussed in Part I, Item 1A, *Risk Factors,* of this Annual Report on Form 10-K for the year ended December 31, 2013 and in our other current and periodic reports. 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 1A. Risk Factors

The material risks and uncertainties that management believes affect us are described below. This report is qualified in its entirety by these risk factors.

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. We encourage investors to also review the risks and uncertainties relating to our business contained in Part I, Item 1, *Business - Important Information Regarding Forward-Looking Statements*.

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 with online gaming sites, 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 new 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.

Internet gaming is also expected to bring additional opportunities and enhanced competition for casino revenues and customers. Following the legalization in New Jersey in February 2013, we launched our real-money online gaming site with bwin in November 2013. While our site has captured a 30% market share since its launch, we expect that we will face increased competition, both to our online gaming site and to our property, from internet lotteries, sweepstakes, and other internet wagering gaming services, which allow their customers to wager on a wide variety of sporting events and play Las Vegas-style casino games from home or in non-casino settings. Such internet wagering services are often illegal under federal law but operate from overseas locations, and are nevertheless sometimes accessible to domestic gamblers. We plan to continue to engage in Internet gaming, but our competitors also plan to enter the internet gaming market, and we can make no guarantees that we will emerge as a successful provider of Internet gaming to the gaming public.

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, Nevada recently 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. Expansion of internet gaming in other jurisdictions (both legal and illegal) could further compete with our traditional operations, which could have an adverse impact on our business and result of operations.

The expansion of casino gaming in or near the mid-Atlantic region from which we attract and expect to attract most of our customers has had an adverse effect on our 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 our 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 fully established and developed, 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 revenues 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.

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 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 during the recent financial crisis had, far-reaching adverse consequences across many industries, including the gaming industry. The financial crisis greatly restricted the availability of capital and has caused the cost of capital (if available) to be much higher than it has traditionally been. Although the financial markets have generally recovered and availability of capital has increased, the financial markets are still fragile and remain volatile. Although we successfully refinanced a significant amount of our indebtedness in 2013, 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 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 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. No long-lived asset impairment charges were recorded in 2013. 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. If our estimates of projected cash flows related to our assets are not achieved, we may be subject to future impairment charges, which could have a material adverse impact on our financial statements.

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. We were ordered to close from October 28, 2012 to November 2, 2012 by the NJDGE due to a post-tropical storm. In August 2011, we were 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, the current 2013/2014 winter and
during January and February 2011, much of the country was impacted by some of the worst winter weather in decades. 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 occurrence of any of these development and construction risks could increase the total costs of any current or future construction projects, or delay or prevent the construction or opening or otherwise affect the design and features of any of our construction projects, which could materially adversely affect our plan of operations, financial condition and ability to satisfy our debt obligations.

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.

In addition, although we design our projects to minimize disruption of our existing business operations, expansion and renovation projects require, from time to time, all or portions of affected existing operations to be closed or disrupted. Any significant disruption in operations of our property could have a significant adverse effect on our business, financial condition and results of operations.

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 was substantially impacted by the recent national recession and weak economic conditions in the United States and elsewhere. A slowing or stoppage of the economic recovery or a return to an economic downturn will further adversely affect the Atlantic City market and our results of operations and financial.

The Atlantic City market was 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, consumers continued to curb discretionary spending during the recession and the recovery, 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, 27.2 million in 2012 and 26.7 million in 2013. While the overall U.S. economy and the Atlantic City market have 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 slowing or stoppage of the economic recovery or a return to an economic downturn will further adversely affect the Atlantic City market and our results of operations and financial condition.

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, 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 2,203 of our employees were represented by four labor unions as of December 31, 2013. 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 $0.6 million, and our unfunded vested liability to the Fund is $61.0 million for the plan year beginning on January 1, 2013.

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, 2013 in that scenario could have been in excess of $61.0 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 land-based gross gaming revenue and 17.5% effective tax rate for online gross gaming revenue, which includes a community investment alternative obligation equal to 1.25% of land-based gross gaming revenue and 2.5% of online 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. We are treated as a partnership for federal income tax purposes and therefore federal income taxes are the responsibility of our 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 cannot assure that the State of New Jersey will not enact legislation that increases gaming tax rates.

A final resolution of our appeals of certain property taxes for the period January 1, 2009 through December 31, 2013 could result in adjustment to our estimated property tax liability, which could adversely affect us.
We have filed tax appeal complaints, in connection with our property tax assessments for tax years 2009 through 2013, in the New Jersey Tax Court ("Court"). The trial for tax years 2009 and 2010 was held during the second quarter of 2013 and a decision was issued on October 18, 2013. The assessor valued our real property at approximately $2.3 billion. The Court found in favor of us and reduced our real property valuation to $880 million and $870 million for tax years 2009 and 2010, respectively. The City of Atlantic City filed an appeal in the New Jersey Superior Court - Appellate Division in November 2013. We have paid our property tax obligations consistent with the assessor's valuation and based on the Court's decision, we estimate the 2009 and 2010 property tax refunds and related statutory interest will be approximately $48.0 million and $9.0 million, respectively. The trial for tax years 2011 through 2013 is scheduled to begin in June 2014 and we continue to pay our property tax obligations in accordance with the assessor's valuation. We can provide no assurances that the Court's decision regarding the 2009 and 2010 tax years will be upheld at the appellate level, nor can we be certain that we will receive a favorable decision in the 2011 through 2013 appeal. Due to the uncertainty surrounding the ultimate resolution of the City's expected appeal, we will not record any gain until a final, non-appealable decision has been rendered. The final resolution of our appeals for the period January 1, 2009 through September 30, 2013 could result in adjustment to our estimated property tax liability.

Failure to maintain the integrity of our information technology systems, protect our internal customer information, or comply with applicable privacy regulations 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 of this information imposes various privacy compliance related obligations on our business and increases the risks associated with a breach or failure of the integrity of our information technology systems. 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, we were ordered to close for five days from October 28, 2012 to November 2, 2012 by the NJDGE due to a post-tropical storm. We were 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 $0.2 million with respect for each general liability claim and $0.2 million for each non-union employee medical claim. We accrued $11.6 million and $9.1 million for such claims at December 31, 2013 and December 31, 2012, respectively, and incurred expenses for such insurance claims of approximately $19.8 million, $18.5 million, and $18.6 million for the years ended December 31, 2013, 2012 and 2011, 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.

As further described in Item 2, *Properties*, MDDC, as lessee, has entered into a series of ground leases for a total of approximately 20 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 ground lease, the term of each ground lease entered into 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. Pursuant to the terms of MGM's settlement agreement with the NJDGE and the NJCCC, the Divestiture Trust maintains ownership of the land underlying the surface lot.

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, our landlords 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.

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, 2013. 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 provides for the Revolving Credit Facility which matures in February 2018 (or earlier upon the occurrence or non-occurrence of certain events). 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 our assets, subject to certain exceptions. The obligations under the New Credit Facility have priority in payment to our 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.

Note 4, *Long-Term Debt*, included in the notes to our audited consolidated financial statements provided in Item 15, *Exhibits, Financial Statement Schedules,* of this Annual Report on Form 10-K contains further disclosure regarding our current outstanding debt.

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 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 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 governing the senior secured notes 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 under the New Credit Facility in full and satisfying our obligations with respect to the senior secured notes 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. Consequently, liquidating the collateral securing the senior secured notes may not result in proceeds in an amount sufficient to pay 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 obligation 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 1B. Unresolved Staff Comments
None.

ITEM 2. Properties
Information relating to the location and general characteristics of our property appears in Part 1, Item 1, *Business - Our Property,* and is incorporated herein by reference.

MDDC owns approximately 26 acres of land and all improvements thereon with respect to that portion of the property consisting of the Borgata hotel. In addition, MDDC, as lessee, entered into a series of ground leases for a total of approximately 20 acres of land on which our existing employee parking garage, public space expansion, rooms expansion, and modified surface parking lot reside, as well as, an undeveloped parcel. All of these parcels were originally leased from MAC. Following the 2010 sale of several of the leased parcels by MAC to a third party, now only the surface parking lease is with MAC. The lease terms extend until December 31, 2070 with the exception of the surface parking lot lease which could be terminated by either party effective on the last day of the month that is three months after notice is given. In addition, the surface parking lot ground lease will terminate on any termination of the Divestiture Trust, unless the NJCCC approves an extended term of such lease. The leases consist of:

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

MDDC owns all improvements made on the leased lands during the term of each ground lease. Upon expiration of such term, ownership of such improvements reverts back to the landlord. Total rent incurred under the ground leases was $6.1 million, $5.8 million and $5.1 million for the years ended December 31, 2013, 2012 and 2011, respectively. In addition, MDDC is responsible for all property taxes assessed on the leased properties. Total property taxes incurred for ground lease agreements were $18.3 million, $15.6 million and $14.0 million for the years ended December 31, 2013, 2012 and 2011, respectively.

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

In addition, MDDC has an option to purchase the land leased under the Parking Structure Ground Lease at any time during the term of that lease so long as it is not in default thereunder, at fair market value as determined in accordance with the terms of the Parking Structure Ground Lease. In the event that the land underlying the Surface Parking Lot Ground Lease is sold to a third party, MDDC has the option to build a parking garage, if necessary, to replace the lost parking spaces on the land underlying the Ground Lease Agreement.

Pursuant to the Operating Agreement, MAC is responsible for its allocable share of expenses related to master plan and government improvements at Renaissance Pointe. The related amounts due from MAC for these types of expenditures incurred by us were $0.3 million and $0.4 million at December 31, 2013 and 2012, respectively. Reimbursable expenditures incurred were $0.7 million for the year ended December 31, 2013, and $0.6 million for each of the years ended December 31, 2012 and 2011.

ITEM 3. 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 4. Mine Safety Disclosures

Not applicable.

PART II.

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Neither the common equity of MDFC nor the common equity of MDDC is publicly traded.

As of December 31, 2013, MDFC was wholly owned by MDDC, and MDDC was wholly owned by MDDHC. BAC and MAC each originally held 50% of the ownership interests in MDDHC; however, as further discussed above, MAC transferred its interest into the Divestiture Trust on March 24, 2010.

We may make distributions to our member, which are in turn, distributed to its members, BAC and the Divestiture Trust. There were no distributions to our member during the years ended December 31, 2013, 2012 and 2011.

ITEM 6. Selected Financial Data

We have derived the selected consolidated financial data presented below as of December 31, 2013 and 2012 and for the three years in the period ended December 31, 2013 from the audited consolidated financial statements contained elsewhere in this Annual Report on Form 10-K. The selected consolidated financial data presented below as of December 31, 2011, 2010 and 2009 and for the years ended December 31, 2010 and 2009 has been derived from our audited consolidated financial statements not contained herein. Operating results for the periods presented below are not necessarily indicative of the results that may be expected for future years.

	Years Ended December 31,				
(In thousands)	**2013(a)**	**2012(b)**	**2011(c)**	**2010(d)**	**2009(e)**
Statement of Operations Data:					
Net revenues	$ 695,700	$ 686,222	$ 730,274	$ 738,429	$ 777,408
Operating income	46,111	56,458	94,909	99,693	146,847
Interest expense, net	81,335	82,902	84,772	50,199	27,668
Net income (loss)	(56,577)	(25,191)	8,405	44,221	108,241
Balance Sheet Data:					
Cash and cash equivalents	$ 37,527	$ 34,125	$ 46,224	$ 42,099	$ 46,894
Total assets	1,320,819	1,378,569	1,422,495	1,446,521	1,501,951
Long-term debt, net of current maturities	797,460	793,324	809,808	835,370	679,619
Total member equity	388,168	444,745	469,936	461,531	698,781

(a) During 2013, our results were impacted by $25.9 million in loss on early extinguishments of debt as a result of the redemption of the 2015 Notes.

(b) During 2012, our results were impacted by an order by the NJDGE to close from October 28, 2012 to November 2, 2012. The results for this period also include a gain of $7.7 million consisting of $3.9 million related to the subrogation of insurance claims related to the fire that occurred during the construction of The Water Club in 2007 and $3.8 million from business interruption proceeds due to Hurricane Irene.

(c) During 2011, our results included an impairment charge of $1.1 million, representing the amount by which the carrying value of our investment in a nonconsolidated subsidiary exceeded its potential liquidation value. Interest expense increased $34.6 million from the prior year, of which $33.3 million related to the full impact of the 2010 refinancing, which increased both our outstanding debt and blended borrowing rate, and $1.0 million related to the acceleration of certain deferred loan fees associated with an amendment to our amended credit facility.

(d) During 2010, our results were impacted by a decline in table games hold percentage and table games volumes and adverse weather conditions, especially during the first half of 2010. Interest expense increased $28.2 million, of which $26.1 million related to the impact of additional amounts at a higher rate, and $2.0 million related to the accelerated write off of deferred loan fees on refinanced borrowings.

(e) In 2009, our results include a gain from the property damage insurance recoveries related to the 2007 fire during the construction of The Water Club.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
Overview

Overview

We developed, own and operate Borgata, located on a 45.6-acre site at Renaissance Pointe 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 at Renaissance Pointe 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 BAC, a wholly owned subsidiary, and MAC, a second tier, wholly owned subsidiary of MGM. The joint venture operates pursuant to an operating agreement between BAC and MAC (the “Operating Agreement”), under 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 consolidated financial statements. Boyd, the parent of BAC, is a diversified operator of 21 wholly owned gaming entertainment properties. Headquartered in Las Vegas, Boyd has other gaming operations in Nevada, Illinois, Indiana, Iowa, Kansas Louisiana, and Mississippi.

On March 24, 2010, MAC transferred its 50% ownership interest (the “MGM Interest”) in MDDHC, and certain land leased to MDDC, into a divestiture trust, of which MGM and its subsidiaries are the economic beneficiaries (the “Divestiture Trust”), for sale to a third-party in connection with MGM's settlement agreement with the Division of Gaming Enforcement of the State of New Jersey (the “NJDGE”). MGM has subsequently announced that it had entered into an amended settlement agreement with the NJDGE, as approved by the New Jersey Casino Control Commission ("NJCCC"). The amended agreement provided that until March 24, 2013, MGM had the right to direct the Divestiture Trust to sell the MGM Interest. If a sale was not concluded by that time, the Divestiture Trust was to be responsible for selling the MGM Interest during the following 12-month period, or not later than March 24, 2014. Subsequent to a Joint Petition of MGM, Boyd and MDDC, the NJCCC, on February 13, 2013, approved amendments to the Stipulation of Settlement and Trust Agreement which permits MGM to file an application for a statement of compliance, which, if approved, could permit MGM to reacquire its interest in MDDC. The deadline requiring MGM and the Divestiture Trust to sell the MGM Interest has been tolled to allow the NJCCC to complete a review of the application. BAC has a right of first refusal on any sale of the MGM Interest. We continue to operate under normal business conditions throughout MGM's sales efforts, and do not believe that it has had or will have a material impact on our operations.

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

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. In November 2013, we launched our real money online gaming site under the provisions of the New Jersey legislation authorizing intrastate internet gaming. Working in collaboration with bwin, we offer a full suite of games, including poker, slots and table games, under the Borgata brand and bwin's PartyPoker brand. While our site has captured a 30% market share since its launch, we expect that we will face increased competition, both to our online gaming site and to our other properties, from internet lotteries, sweepstakes, and other internet wagering gaming services. We incurred total capital expenditures of $40.9 million for the room and suite renovation at the Borgata hotel that commenced in 2011 and was completed during June 2012. As part of our ongoing efforts to maintain our position as the premiere hotel and casino in Atlantic City, our estimated total capital expenditures for 2014 are expected to be approximately $25.0 million and are primarily comprised of various maintenance capital projects. We intend to fund such capital expenditures through our New Credit Facility and operating cash flows.

However, due to a number of factors affecting consumers, including reduced consumer spending and depressed home prices, the outlook for the gaming industry remains highly unpredictable. Because of these uncertain conditions, we have increasingly focused on managing our operating margins. Our present objective is to manage our cost and expense structure to cope with the increase in regional competition and generate strong and stable cash flow.

We sponsor our own program to expand our brand awareness and leverage its strong loyalty card program, predicated on efforts to use marketing and promotional programs to retain existing customers, maintain trip frequency and acquire new customers. We offer our guests comprehensive, competitive and targeted marketing and promotion programs. The “My Borgata Rewards” program, for example, offers players a hassle-free way of earning slot dollars, comp dollars and other rewards and benefits based on game play, with convenient on-line access to account balances and other program information. In addition, we strive to differentiate our casino with high-quality guest service to further enhance overall brand and customer experience to position Borgata as the must visit property in Atlantic City. We maintain a database of customers enrolled in “My Borgata Rewards,” which are used to support our marketing efforts.

We continue to be the leader in table games and slot market share in the Atlantic City market. We achieved 25.5% of the table game drop and 22.0% of the slot handle market share, for the year ended December 31, 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 measures to evaluate the operations of our business. These key performance measures include the following:

- *Gaming revenue measures*:
  - 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 measures of volume and/or market share.
  - Slot win and table game hold mean 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 measures*:
  - Average guest check means the average amount spent per customer visit and is a measure of volume and product offerings; and number of guests served (“food covers”) is a measure of volume; and the cost per guest served is a measure of operating margin.

- *Room revenue measures*:
    - Hotel occupancy rate measures the utilization of our available rooms; and average daily rate ("ADR") is a price measure.

RESULTS OF OPERATIONS
Overview
Summary of Operating Results

The following provides a summary of certain key operating results:

	Year Ended December 31,		
(In thousands)	**2013**	**2012**	**2011**
Net revenues	$ 695,700	$ 686,222	$ 730,274
Operating income	46,111	56,458	94,909
Net income (loss)	(56,577)	(25,191)	8,405

Years ended December 31, 2013 and 2012
Net revenues for 2013, as compared to 2012, increased by $9.5 million, or 1.4%. The increase is primarily the result of a $6.6 million, or 1.1%, increase in gaming revenues and a $2.9 million, or 7.2%, increase in other revenues. We launched our real money online gaming site during fourth quarter 2013, which contributed $2.6 million of the gaming revenue increase. We continue to be impacted by increased local and regional competition, particularly in the Atlantic City and Eastern Pennsylvania gaming markets. The increase in gaming revenues was attributed to a 1.6% increase of in slot drop and an increase in table game win percentage. We continue to be the market leader in Atlantic City.

The decline in operating income in 2013 versus 2012 is due to the inclusion in the prior year of certain nonrecurring insurance recoveries as described below, and a $5.0 million impairment charge, primarily related to the write-down of CRDA deposits. Further contributing to the increase in the net loss as compared to the prior year is a $25.9 million pretax charge related to the early extinguishment of debt.

Years ended December 31, 2012 and 2011
Net revenues for 2012, as compared to 2011, decreased by 6.0% to $686.2 million from $730.3 million. Overall, results during 2012 were negatively impacted by the order to close Borgata from October 28, 2012 to November 2, 2012 due to a post-tropical storm. As a result of the storm, the property suffered minor property damage, however, the surrounding area experienced severe flooding and significant property damage. Additionally, throughout the year, we were adversely impacted by increased local and regional competition particularly in the Atlantic City and Eastern Pennsylvania gaming markets. As a result of these factors, gaming revenues, food and beverage revenues, and room revenues decreased by $39.3 million, $7.7 million, and $2.0 million, respectively. The decrease in gaming revenues was due to a decrease in table game drop and slot drop of 9.7% and 3.8%, respectively.

Partially offsetting the impact of these factors on operating income were gains from insurance settlements totaling $7.7 million, consisting of $3.9 million related to the subrogation of insurance claims related to the fire that occurred during the construction of The Water Club in 2007 and $3.8 million from business interruption proceeds related to Hurricane Irene.

Operating Revenues
We derive the majority of our gross revenues from our gaming operations, which produced approximately 67% of gross revenues for each of the years ended December 31, 2013 and 2012, and 68% of gross revenues for the year ended December 31, 2011. Food and beverage gross revenues represent the next most significant revenue source, which produced approximately 15% of gross revenues for the year ended December 31, 2013 and 16% of gross revenues for each of the years ended December 31, 2012 and 2011. Room gross revenues produced approximately 13% of gross revenues for each of the years ended December 31, 2013 and 2012, and 12% of gross revenues for the year ended December 31, 2011. Other revenues (including our spa, retail, entertainment and ancillary services) separately contributed less than 5% of gross revenues during each of 2013, 2012 and 2011. The following provides a summary of our gross revenues and related costs for 2013, 2012 and 2011.

(In thousands)	Year Ended December 31, 2013	2012	2011
REVENUES			
Gaming	$ 615,734	$ 609,128	$ 648,442
Food and beverage	140,292	140,391	148,083
Room	115,113	114,505	116,537
Other	42,377	39,515	41,458
Gross revenues	913,516	903,539	954,520
Less promotional allowances	217,816	217,317	224,246
Net revenues	$ 695,700	$ 686,222	$ 730,274
COSTS AND EXPENSES			
Gaming	$ 249,357	$ 254,935	$ 263,871
Food and beverage	71,048	71,584	71,358
Room	12,934	13,492	14,535
Other	34,642	31,712	33,277
	$ 367,981	$ 371,723	$ 383,041
MARGINS			
Gaming	59.5%	58.1%	59.3%
Food and beverage	49.4%	49.0%	51.8%
Room	88.8%	88.2%	87.5%
Other	18.3%	19.7%	19.7%

Gaming

Gaming revenues are significantly comprised of the net win from our table games and slot machine operations. During 2013, gaming revenues increased 1.1% as compared to the prior year. The increase reflects an increase in our table game win percentage, which more than offset a 3.4% decline in table game drop, and increases in slot handle of 1.6%.

Overall, the 6.1%, decrease in gaming revenues during 2012 as compared to 2011 is due to a decline in table games win of 13.2% and slot win of 3.4%. The decrease in table games win is due to a 9.7% decrease in our table games drop and a 50 basis point decrease in our table games hold percentage. The decline in slot win is due to a 3.8% decrease in slot handle while slot hold remained unchanged. As noted earlier, we believe the decrease in gaming volumes reflect the ongoing constraints in consumer spending resulting from political uncertainties, reduced discretionary spending and consumer confidence, as well as the impact from our forced closure from October 28, 2012 to November 2, 2012 due to a post-tropical storm.

Food and Beverage

Food and beverage revenues were essentially unchanged during 2013 as compared to 2012, which followed a 5.2% decrease during 2012 from 2011. These declines were primarily due to decreases in the number of food covers.

Room

For 2013, we had an average occupancy rate of 85.4% at an average daily rate of $131.27. During the year ended December 31, 2012, we had an average occupancy rate of 85.0% at an average daily rate of $132.80, compared to an average occupancy rate of 85.7% at an average daily rate of $134.13 during 2011.

Other

Other revenues increased 7.2% in 2013 versus the prior year, primarily due to an increase in revenue generated from ATM fees, cash advances and check cashing services. Other revenues decreased 4.7% during the 2012 as compared to 2011 primarily due to decreased hotel occupancy resulting in fewer guests taking advantage of the differing amenities offered at our property, including entertainment, retail sales, theater tickets, spa, salon and other venues.

Other Operating Costs and Expenses

The following costs and expenses are further discussed below:

(In thousands)	Year Ended December 31, 2013	2012	2011
Selling, general and administrative	$ 148,780	$ 139,101	$ 126,941
Maintenance and utilities	59,514	59,633	61,834
Depreciation and amortization	60,908	63,956	61,745
Impairments of assets	5,032	2,811	1,051
Other operating items, net	3,318	(7,700)	524
Preopening expenses	4,056	240	229

Selling, General and Administrative

Selling, general and administrative expenses, as a percentage of gross revenues, were 16.3%, 15.4% and 13.3% during 2013, 2012 and 2011, respectively. The increases are primarily due to increased property tax expense and increases in guest claim insurance expense.

Maintenance and Utilities

Maintenance and utilities, as a percentage of gross revenues, were fairly consistent at 6.5%, 6.6% and 6.5% during 2013, 2012 and 2011, respectively.

Depreciation and Amortization

Depreciation and amortization expense decreased by approximately 4.8% during 2013 as compared to 2012 due to the full depreciation of certain assets since the prior period. Depreciation and amortization expense increased by approximately 3.6% during 2012 as compared to 2011 due to the rooms renovation that was completed by June 2012.

Impairments of Assets

During the year ended December 31, 2013, we recorded a non-cash impairment charge of $5.0 million related to our CRDA investments. 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 of $1.1 million related to our investment in a nonconsolidated subsidiary, representing the amount by which the carrying value of the investment exceeded its contractual liquidation value.

Other Operating Charges, Net

Other operating charges, net generally includes unusual, nonrecurring charges, losses on the impairment or disposal of assets and recoveries resulting from the receipt of insurance proceeds. The total for 2013 includes a $2.1 million charge to adjust self-insurance reserves related to prior periods. During 2012, we recorded gains of $3.9 million related to an insurance settlement for a fire that occurred at the Water Club in 2007 and $3.8 million for business interruption insurance proceeds related to Hurricane Irene. During 2011, other operating charges, net, included losses on asset disposals of $0.9 million, partially offset by $0.4 million of insurance recoveries.

Preopening Expenses

We expense certain costs of start-up activities as incurred. The increased level of these expenses in 2013 primarily reflects the costs incurred to develop our real money online gaming operation.

Other Expenses

Interest Expense

The following table summarizes information with respect to our interest expense on outstanding indebtedness:

(In thousands, except percentages)	Year Ended December 31, 2013	2012	2011
Interest expense, net of amounts capitalized	$ 81,335	$ 82,902	$ 84,772
Average outstanding long-term debt	795,908	815,308	822,589
Average interest rate	10.2%	10.2%	9.6%

Interest Expense
The decrease in interest expense in 2013 versus 2012 is primarily due to an overall decrease average outstanding debt. In addition to entering into the Second Amendment to the Prior Credit Facility at the end of 2012, which among other things, reduced the aggregate commitments from a maximum amount of $75 million to $60 million, we repurchased $39.8 million of our 2015 Notes in August 2013 and the remaining balance of $358.2 million in December 2013, and we entered into a $380.0 million Incremental Term Loan in December 2013 with a year end interest rate of 6.75%.

The decrease in interest expense in 2012 versus 2011 is primarily due to the reduction in average outstanding debt and entering into the Second Amendment to the Prior Credit Facility on December 27, 2012, which among other things, reduced the aggregate commitments from a maximum amount of $75 million to $60 million.

Loss on Early Extinguishment of Debt
We recognized charges of $25.9 million in 2013 due to the early retirement of our 2015 Notes and the refinancing of our bank credit facility.

Income Taxes
The following table presents our benefit from (provision for) state income taxes as a percentage of pre-tax income.

	Year Ended December 31,		
(In thousands, except percentages)	**2013**	**2012**	**2011**
Benefit from (provision for) state income taxes	$ 4,503	$ 1,253	$ (1,738)
Income (loss) before benefit from (provision for) state income taxes	(61,080)	(26,444)	10,143
Effective state income tax rate	7.4%	4.7%	17.2%

The increase in the state income tax benefit during the year ended December 31, 2013, as compared to the prior year, is primarily due to the increase in pretax loss. The effective tax rate for 2013, as compared to 2012, increased due to the impact of certain recurring permanent tax adjustments and accrued interest on uncertain tax benefits, relative to our pretax loss. Such adjustments reduced the statutory tax benefit on our pretax loss and are unaffected by the level of income from continuing operations.

LIQUIDITY AND CAPITAL RESOURCES

Financial Position
The following discussion highlights the material changes in our financial position as of December 31, 2013 and 2012.

Working Capital
Historically, we have operated with minimal levels of working capital in order to minimize borrowings and related interest costs under the New Credit Facility. As of December 31, 2013 and 2012, we had balances of cash and cash equivalents of $37.5 million and $34.1 million, respectively. In addition, we had a working capital deficit of $21.6 million as of December 31, 2013 and $16.9 million as of December 31, 2012.

The 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 the New Credit Facility, to the extent availability exists after we meet our working capital needs, and subject to restrictive covenants.

The indenture governing our 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 December 31, 2013, our coverage ratio (as defined in the indenture) is below 2.0 to 1.0. Accordingly, the indenture prohibits us from incurring new indebtedness; however, we may still borrow under the New Credit Facility. At December 31, 2013, the outstanding availability under our New Credit Facility was approximately $16.9 million.

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.

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 flow 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 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.

Indebtedness

Bank Credit Facility

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 replaced the Credit Agreement, dated as of August 6, 2010, among MDFC, MDDC, various lenders and Wells Fargo Bank, National Association, as administrative agent, letter of credit issuer and swing line lender, as amended (the “Prior Credit Facility”).

The New Credit Facility provides for a $60 million senior secured revolving credit facility including a $15 million swing loan sublimit (the “Revolving Credit Facility”) which matures in February 2018 (or earlier upon the occurrence or non-occurrence of certain events). A portion of the availability under the New Credit Facility was used to repay obligations outstanding under the Prior Credit Facility.

The New Credit Facility includes an accordion feature which permits: (a) an increase in the Revolving Credit Facility in an amount not to exceed $15 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 New Credit Facility will have priority in payment to the payment of the 2015 Notes and the 2018 Notes. Neither we nor our subsidiaries (other than MDDC) are a guarantor of the New Credit Facility.

Outstanding borrowings under the New 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 blended interest rate for outstanding borrowings under the New Credit Facility was 3.9% at December 31, 2013. At December 31, 2013, approximately $39.9 million was outstanding under the credit facility, with $3.2 million allocated to support letters of credit, leaving contractual availability of $16.9 million. The blended interest rate for the outstanding borrowings under the Prior Credit Facility was 4.1% at December 31, 2012.

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. MDFC believes that it was in compliance with these covenants at December 31, 2013.

Incremental Term Loan
On December 16, 2013, MDFC entered into a Lender Joinder Agreement (the “Lender Joinder Agreement”) among MDFC, MDDC, Wells Fargo Bank, National Association, as the Administrative Agent, and Deutsche Bank AG New York Branch, as Incremental Term Lender. The Lender Joinder Agreement increased the Term Commitments under the New Credit Facility by an aggregate amount of $380.0 million (the “Incremental Term Loan”).

The Incremental Term Loan was funded on December 16, 2013. The interest rate per annum applicable to the Incremental Term Loan will be (a) the Effective Eurodollar Rate (defined below) plus the Term Loan Applicable Rate (defined below) if and to the extent the Incremental Term Loan is a Eurodollar Rate Loan under the New Credit Facility and (b) the Base Rate plus the Term Loan Applicable Rate if and to the extent the Incremental Term Loan is a Base Rate Loan under the New Credit Facility. “Effective Eurodollar Rate” means, for any interest period, the greater of (x) the Eurodollar Rate in effect for such interest period and (y) 1.00%. “Term Loan Applicable Rate” means (x) in the case of a Eurodollar Rate Loan, (i) at any time that the Total Leverage Ratio is 5.00 to 1.00 or greater, 5.75%, and (ii) at any time that the Total Leverage Ratio is less than 5.00 to 1.00, 5.50%, and (y) in the case of Base Rate Loans, (i) at any time that the Total Leverage Ratio is 5.00 to 1.00 or greater, 4.75%, and (ii) at any time that the Total Leverage Ratio is less than 5.00 to 1.00, 4.50%. For purposes of calculating the Base Rate in connection with the Incremental Term Loan, clause (b) of the definition of Base Rate shall be deemed to refer to the Effective Eurodollar Rate instead of the Eurodollar Rate for one month interest period plus 1.00%. The Incremental Term Loan has yield protection in the event that the effective yield for any term facility under the New Credit Facility (other than the Incremental Term Loan) is higher than the effective yield for the Incremental Term Loan by more than 50 basis points, in which case the interest rates referred to above shall be increased to the extent necessary so that the effective yield for the Incremental Term Loan is equal to the effective yield for such other term facility minus 50 basis points. The Incremental Term Loan was issued with 1.00% of original issue discount.

The Incremental Term Lender has no rights with respect to the financial covenant in Section 7.11 of the New Credit Facility unless and until the lenders under any other term facility under the New Credit Facility have the benefit of such financial covenant or any other financial maintenance covenant. The Lender Joinder Agreement adds a covenant that limits the capital expenditures of MDDC, MDFC, and their subsidiaries to $40.0 million in any fiscal year (and up to $10.0 million of any such amount not utilized in any fiscal year may be carried over for expenditure in the following fiscal year (but not any fiscal years thereafter)).

MDFC is required to make repayments on the Incremental Term Loan on or before the last business day of each fiscal quarter commencing with the fiscal quarter ending March 31, 2014 in an amount equal to 0.25% of the original principal amount of the Incremental Term Loan (such percentage is subject to increase upon the occurrence of certain events). MDFC is required to repay the remaining outstanding principal amount of the Incremental Term Loan on August 15, 2018 (such date is subject to change based upon the occurrence of certain events).

In addition to the mandatory prepayments required pursuant to the New Credit Facility, MDFC is required to prepay the Incremental Term Loan (a) based on a certain percentage of Excess Cash Flow, as defined, and (b) with proceeds received in connection with any cash settlement of any disputed property tax assessment if the Total Leverage Ratio was greater than 4.50 to 1.00 as of the most recently ended fiscal quarter of MDDC prior to the date such proceeds were received.

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

Senior Secured Notes
9.875% Senior Secured Notes Due 2018
The 2018 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. MDFC believes that it was in compliance with these covenants at December 31, 2013.

9.5% Senior Secured Notes Due 2015
In August 2013, MDFC redeemed $39.8 million of the 2015 Notes at a premium of 103.00% and recognized a loss on early extinguishments of debt of approximately $2.0 million.

On December 16, 2013, MDFC redeemed all of the remaining, outstanding 2015 Notes at a redemption price of 104.75% of the principal amount thereof, plus accrued and unpaid interest to the redemption date. The principal and redemption premium were paid from the proceeds of the Incremental Term Loan. Accrued interest and other fees were funded in part by the Incremental Term Loan and the balance by borrowings under the Revolving Credit Facility. The redemption resulted in a loss on early extinguishment of debt of $23.3 million, comprised of the $17.0 million premium paid at redemption plus the write-off of approximately $6.3 million of unamortized deferred finance charges.

As a result of these redemptions, the 2015 Notes have been fully extinguished.

Cash Flows Summary
Years Ended December 31, 2013, 2012 and 2011

	Year ended December 31,		
(In thousands)	**2013**	**2012**	**2011**
Net cash provided by operating activities	$ 55,983	$ 36,542	$ 66,446
Cash flows from investing activities:			
Capital expenditures	(22,357)	(34,742)	(32,626)
Insurance proceeds for replacement assets	—	3,944	356
Other investing activities, net	—	2,800	—
Net cash used in investing activities	(22,357)	(27,998)	(32,270)
Cash flows from financing activities:			
Borrowings under credit facility	444,500	632,700	741,300
Payments under credit facility	(424,600)	(652,900)	(762,000)
Net proceeds from issuance of term loan	376,200	—	—
Payments to repurchase senior secured notes	(416,209)	—	(8,198)
Debt financing costs, net	(10,115)	(443)	(1,153)
Net cash used in financing activities	(30,224)	(20,643)	(30,051)
Increase (decrease) in cash and cash equivalents	$ 3,402	$ (12,099)	$ 4,125

We have significant uses for our cash flows, including capital expenditures, interest payments, the repayment of debt, and distributions to our members, although limited by the restrictive covenants related to our New Credit Facility.

Cash Flows from Operating Activities
During 2013, our operating cash flow increased $19.4 million over the prior year primarily due to our receipt of a 50% refund of our CRDA deposits. During 2012, we generated operating cash flow of $36.5 million, compared to $66.4 million in 2011. Operating cash flow decreased due to our net loss during the year ended December 31, 2012 as compared to 2011.

Cash Flows Used in Investing Activities
Investments in property and equipment during 2013, 2012 and 2011 were $22.4 million, $34.7 million, and $32.6 million, respectively. Cash provided by investing activities during 2012 and 2011 included $3.9 million and $0.4 million, respectively, in cash proceeds related to the subrogation of insurance claims related to the fire that occurred during the construction of The Water Club in 2007. Additionally, during the year ended December 31, 2012, we had $2.8 million in cash provided by other investing representing our share of the proceeds related to the liquidation of the primary assets held in a nonconsolidated subsidiary.

Cash Flows Used in Financing Activities
Depending on our cash flow needs, we borrow and repay amounts under our New Credit Facility to manage our overall cash position. During 2013, we also entered into the Incremental Term Loan and received $376.2 million in net proceeds. We also retired all of our outstanding 2015 Notes during 2013.

We are prohibited from making certain distributions to our members, pursuant to the terms of our New Credit Facility; and accordingly, we did not make any distributions during the years ended December 31, 2013, 2012 and 2011.

Other Items Affecting Liquidity

There have been significant disruptions in the global capital markets that have adversely impacted the ability of borrowers to access capital, with such disruptions expected to continue for the foreseeable future. Despite these disruptions, we anticipate the ability to fund our capital requirements using cash flows from operations and availability under our New 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.

Utility Contract

In 2005, we amended our executory contracts with a wholly-owned subsidiary of a local utility company, extending the end of the terms to 20 years from the opening of The Water Club. The utility company provides us with electricity and thermal energy (hot water and chilled water). Obligations under the thermal energy executory contract contain both fixed fees and variable fees based upon usage rates. The fixed fee components under the thermal energy executory contract are currently estimated at approximately $11.7 million per annum. We also committed to purchase a certain portion of our electricity demand at essentially a fixed rate, which is estimated at approximately $1.7 million per annum. Electricity demand in excess of the commitment is subject to market rates based on our tariff class.

Investment Alternative Tax

The New Jersey state law provides, among other things, for an assessment of licensees equal to 1.25% of their land-based gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of land-based gross gaming revenues and for an assessment of licensees equal to 2.5% of online gross gaming revenues in lieu of an investment alternative tax equal to 5.0% of online gross gaming revenues. Generally, we may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA. Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to fifty years and bear interest at below market rates.

Our CRDA obligations for the years ended December 31, 2013, 2012 and 2011 were $7.8 million, $7.7 million and $8.1 million, respectively, of which valuation provisions of $2.2 million, $4.4 million and $3.5 million, respectively, were recorded due to the respective underlying agreements.

Atlantic City Tourism District

As part of the State of New Jersey's plan to revitalize Atlantic City, a new law was enacted in February 2011 requiring that a tourism district (the “Tourism District”) be created and managed by the CRDA. The Tourism District has been established to include each of the Atlantic City casino properties along with certain other tourism related areas of Atlantic City. The law requires that a public-private partnership be created between the CRDA and a private entity that represents existing and future casino licensees. The private entity, known as The Atlantic City Alliance (the “ACA”), has been established in the form of a not-for-profit limited liability company, of which MDDC is a member. The public-private partnership between the ACA and CRDA shall be for an initial term of five years and its general purpose shall be to revitalize the Tourism District. The law requires that a $5 million contribution be made to this effort by all casinos prior to 2012, followed by an annual amount of $30 million to be contributed quarterly by the casinos commencing January 1, 2012 for a term of five years. Each casino's share of the quarterly contributions will equate to a percentage representing its gross gaming revenue for each corresponding period compared to the aggregate gross gaming revenues for that period for all casinos. As a result, we are expensing our pro rata share of the $155 million as incurred. During the years ended December 31, 2013, 2012 and 2011, we incurred expenses of $6.5 million, $6.1 million and $0.9 million, respectively, for our pro rata share of the contributions to the ACA.

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 presently have any future expansion projects, if any opportunities arise, such projects will require significant capital commitments. The commitment of capital and the related timing thereof are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate regulatory bodies. We must also comply with covenants and restrictions set forth in our debt agreements.

Our estimated total capital expenditures for 2014 are expected to be approximately $25.0 million and are primarily comprised of maintenance capital projects. We intend to fund such capital expenditures through the New Credit Facility and operating cash flows.

Contractual Obligations

The following summarizes our contractual obligations as of December 31, 2013:

		Year Ending December 31,					
(In thousands)	Total	2014	2015	2016	2017	2018	Thereafter
Contractual obligations:							
2018 Notes	$ 393,500	$ —	$ —	$ —	$ —	$ 393,500	$ —
New Credit Facility	39,900	—	—	—	—	39,900	—
Incremental Term Loan	380,000	3,800	3,800	3,800	3,800	364,800	—
Fixed interest obligations	179,900	38,900	38,900	38,900	38,900	24,300	—
Operating leases	351,385	7,586	6,881	6,606	6,382	6,382	317,548
Other commitments (a)	224,180	23,034	20,816	19,410	13,410	13,410	134,100
Total contractual obligations	$ 1,568,865	$ 73,320	$ 70,397	$ 68,716	$ 62,492	$ 842,292	$ 451,648

(a) Other commitments primarily include fixed utility commitments for energy, contributions related to the Atlantic City Alliance and entertainment retainers.

Off Balance Sheet Arrangements

Our off balance sheet arrangements mainly consist of the following:

Utility Contract

In 2005, we amended our executory contracts with a wholly-owned subsidiary of a local utility company, extending the end of the terms to 20 years from the opening of its 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 annum. We also committed to purchase a certain portion of our electricity demand at essentially a fixed rate, which is estimated at approximately $1.7 million per annum. Electricity demand in excess of the commitment is subject to market rates based on our tariff class.

Indemnification Obligations

We have entered into certain agreements that contain indemnification provisions. In addition, our Amended and Restated Certificate of Incorporation and Restated Bylaws (in the case of MDFC) and our Operating Agreement (in the case of MDDC) contain provisions that provide for indemnification of our directors, officers, employees and other agents to the maximum extent permitted by law.

Letter of Credit

We had an outstanding letter of credit of $3.2 million as of December 31, 2013.

Critical Accounting Policies

Our discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America, ("GAAP"). In accordance with GAAP, we are required to make estimates and assumptions that affect the reported amounts included in our 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 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.

We believe the following critical accounting policies require a higher degree of judgment and complexity, the sensitivity of which could result in a material impact on our consolidated financial statements.

Allowance for Doubtful Accounts

A substantial portion of our outstanding receivables relates to casino credit play. Credit play, through the issuance of markers, represents a significant portion of our table games volume. Our goal is to maintain strict controls over the issuance of credit and aggressively pursue collection from those customers who fail to pay their balances in a timely fashion. These collection efforts may include the mailing of statements and delinquency notices, personal contacts, the use of outside collection agencies and litigation. Markers are generally legally enforceable instruments and we pursue our rights to every extent permitted by law. In addition to our internal credit and collection departments, we have a network of legal, accounting and collection professionals to assist us in our determinations regarding enforceability and our overall collection efforts.

At each December 31, 2013 and 2012, approximately 99% of our casino accounts receivable were owed by customers from the United States, with a further concentration from customers in the Northeast.

We regularly evaluate our reserve for bad debts based on a specific review of customer accounts as well as management's prior experience with collection trends in the casino industry and current economic and business conditions. In determining our allowance for estimated doubtful accounts receivable, we apply industry standard reserve percentages to aged account balances and we specifically analyze the collectability of each account with a balance over a specified dollar amount, based upon the age, the customer's financial condition, compliance with payment plans, collection history and any other known information. The standard reserve percentages applied are based on our historical experience and take into consideration current industry and economic conditions.

The following table presents key statistics related to our casino accounts receivable:

	December 31,	
(In thousands)	**2013**	**2012**
Casino accounts receivable	$ 44,112	$ 48,895
Allowance for casino doubtful accounts receivable	20,968	22,302
Allowance as a percentage of casino accounts receivable	47.5%	45.6%
Percentage of casino accounts receivable aged over 365 days	46.1%	39.8%

At December 31, 2013, a 100 basis-point increase in the percentage of casino accounts receivable aged over 365 days would change the provision for doubtful accounts by approximately $0.4 million, based solely on applying our standard reserving methodology to these receivables.

The ultimate collectability of unpaid markers is affected by a number of factors, including changes in economic conditions in the geographical region where our customers reside, changes in collection laws and practices and changes in the economic environment generally. Because individual customer account balances can be significant, the allowance can change significantly between periods, as information about a certain customer becomes known. Our reserve for doubtful casino accounts receivable is based on estimates of amounts collectible and depends on the risk assessments and judgments by management regarding realization, the state of the economy and our credit policy. As our customer payment experience evolves, we will continue to refine our estimated reserve for bad debts.

Recoverability of Long-Lived Assets
We evaluate the carrying value of long-lived assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. If triggering events are identified, we then compare the estimated undiscounted future cash flows of the asset to the carrying value of the asset. The asset is not impaired if the undiscounted future cash flows exceed its carrying value. If the carrying value exceeds the undiscounted future cash flows, then an impairment charge is recorded, typically measured using a discounted cash flow model, which is based on the estimated future results of the relevant reporting unit discounted using our weighted-average cost of capital and market indicators of terminal year free cash flow multiples.

We reconsider changes in circumstances on a frequent basis, and if a triggering event related to potential impairment has occurred, we solicit third party valuation expertise to assist in the valuation of our investment. There are three generally accepted approaches available in developing an opinion of value: the cost, sales comparison and income approaches. We generally consider each of these approaches in developing a recommendation of the fair value of the asset; however the reliability of each approach is dependent upon the availability and comparability of the market data uncovered, as well as, the decision-making criteria used by market participants when evaluating a property. We will bifurcate our investment, and apply the most indicative approach to overall fair valuation, or in some cases, a weighted analysis of any or all of these methods.

Developing an opinion of land value is typically accomplished using a sales comparison approach by analyzing recent sales transactions of similar sites. Potential comparables are researched and the pertinent facts are confirmed with parties involved in the transaction. This process fosters a general understanding of the potential comparable sales and facilitates the selection of the most relevant comparables by the appraiser. Valuation is typically accomplished using a unit of comparison such as price per square foot of land or potential building area. Adjustments are applied to the unit of comparison from an analysis of comparable sales, and the adjusted unit of comparison is then used to derive a value for the property.

The cost approach is based on the premise that a prudent investor would pay no more for an asset of similar utility than its replacement or reproduction cost. The cost to replace the asset would include the cost of constructing a similar asset of equivalent utility at prices applicable at the time of the valuation date. To arrive at an estimate of the fair value using the cost approach, the replacement cost new is determined and reduced for depreciation of the asset. Replacement cost new is defined as the current cost of producing or constructing a similar new item having the nearest equivalent utility as the property being valued.

The income approach focuses on the income-producing capability of the asset. The underlying premise of this approach is that the value of an asset can be measured by the present worth of the net economic benefit (cash receipts less cash outlays) to be received over the life of the subject asset. The steps followed in applying this approach include estimating the expected before-tax cash flows attributable to the asset over its life and converting these before-tax cash flows to present value through capitalization or discounting. The process uses a rate of return that accounts for both the time value of money and risk factors. There are two common methods for converting net income into value, those methods are the direct capitalization and discounted cash flow methods ("DCF"). Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step by dividing the income estimate by an appropriate capitalization rate. Under the DCF method, anticipated future cash flows and a reversionary value are discounted to an opinion of net present value at a specific internal rate of return or a yield rate, because net operating income of the subject property is not fully stabilized.

Our long-lived assets were carried at $1.21 billion at December 31, 2013, or 91.8% of our consolidated total assets. A long-lived asset shall be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The following are examples of such events or changes in circumstances:

i. a significant decrease in the market price of a long-lived asset;

ii. a significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition;

iii. a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, including an adverse action or assessment by a regulator;

iv. an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset;

v. a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset; and/or

vi. a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

No impairments of our long-lived tangible assets were recorded in 2013. 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.

Determination of Self-Insured Reserves
We are currently self-insured up to $75 million, $1 million, $0.25 million, and $0.2 million with respect to each catastrophe related property damage claim, non-catastrophe related property damage claim, general liability claim, and non-union employee medical case, respectively. Self-insurance reserves include accruals of estimated settlements for known claims ("Case Reserves") as well as accruals of estimates for claims incurred but not yet reported ("IBNR"). Case Reserves represent estimated liability for unpaid losses, based on a claims administrator's estimates of future payments on individual reported claims, including Loss Adjustment Expenses ("LAE"). Generally, LAE includes claims settlement costs directly assigned to specific claims. We estimate case and LAE reserves on a combined basis, but do not include claim administration costs in our estimated ultimate loss reserves. IBNR reserves include the provision for unreported claims, changes in case reserves, and future payments on reopened claims.

We have relied upon an industry-based method to establish our self-insurance reserves, which projects the ultimate losses estimated by multiplying the exposures by a selected ultimate loss rate. The selected ultimate loss rates were determined based on a review of ultimate loss rates for prior years, adjusted for loss and exposure trend, and benefit level changes. We believe this method best provides an appropriate result, given the maturing experience and relative stabilization of our claims history. Loss rates are based on industry Loss Development Factors ("LDFs"). Industry LDFs are from various national sources for general liability claims, and we utilize the most recent information available, although there is some lag time between compilation and publishing of such reports, during which unfavorable trends or data could emerge, which would not be reflected in our reserves.

For general liability claims, we use gross revenues as weights, and apply to a weighted average industry LDF to yield an initial expectation of the ultimate loss amount. The paid LDFs are used to determine the percentage of the expected ultimate loss that is expected to be unpaid as of the reserving date. This future unpaid percentage is multiplied by the expected ultimate losses to derive the expected future paid losses. As a loss year matures, the expected future paid losses are replaced by actual paid losses.

In estimating our reserves for unpaid losses, it is also necessary to project future loss payments. Actual future losses will not develop exactly as projected and may, in fact, vary significantly from the projections. Further, the projections make no provision for future emergence of new classes of losses or types of losses not sufficiently represented in our historical database or that are not yet quantifiable. Additionally, our results are estimates based on long term averages. Actual loss experience in any given year may differ from what is suggested by these averages. The sensitivity of key variables and assumptions in the analysis was considered. Key variables and assumptions include (but are not limited to) LDFs, trend factors and the expected loss rates/ratios used. It is possible that reasonable alternative selections would produce materially different reserve estimates.

Management believes the estimates of future liability are reasonable based upon this methodology; however, changes in key variables and assumptions used above, or generally in health care costs, accident frequency and severity could materially affect the estimate for these reserves.

Recently Issued Accounting Pronouncements

A variety of proposed or otherwise potential accounting standards are currently under study by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, we have not yet determined the effect, if any, that the implementation of such proposed standards would have on our consolidated financial statements.

Accounting Standards Update 2013-02 Comprehensive Income (Topic 220) Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (“Update 2013-02”)

In February 2013, the Financial Accounting Standards Board ("FASB") issued Update 2013-02 which is an amendment to Topic 220-10 of the Accounting Standards Codification ("ASC"). The objective of Update 2013-02 is to amend ASC 220-10 to require entities to provide information about amounts reclassified out of other comprehensive income by component. The Company is required to present, either on the face of the financial statements or in the notes, the amounts reclassified from other comprehensive income to the respective line items in the condensed consolidated statements of comprehensive income (loss).

Update 2013-02 is effective for interim and annual periods beginning after December 15, 2012. In February 2013, the Company adopted Update 2013-02. Update 2013-02 did not have a material impact on our consolidated financial statements.

Accounting Standards Update 2013-11 Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit (“UTB”) When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (“Update 2013-11”)

In July 2013, the FASB issued ASU 2013-11. The objective of Update 2013-11 is to provide guidance on the financial statement presentation of an Unrecognized Tax Benefit (“UTB”) when a net operating loss ("NOL") carryforward, a similar tax loss, or a tax credit carryforward exists. The Company is required to present an UTB in the financial statements as a reduction to a deferred tax asset for a NOL carryforward, a similar tax loss, or a tax credit carryforward.

Update 2013-11 is effective for interim and annual periods beginning after December 15, 2013 although early adoption is permitted. We have applied a methodology consistent with Update 2013-11 in our consolidated financial statements since adoption of *FASB Interpretation No. 48* on January 1, 2007.

ITEM 7A. Quantitative and Qualitative Disclosure about Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk, specifically long-term U.S. treasury rates and the applicable spreads in the high-yield investment market and short-term and long-term LIBOR rates, and its potential impact on our long-term debt. We attempt to limit our exposure to interest rate risk by managing the mix of our long-term fixed-rate borrowings and short-term borrowings under our New Credit Facility. We do not enter into market risk sensitive instruments for trading purposes.

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

The following table provides information about our financial instruments that are sensitive to changes in interest rates, specifically our debt obligations, and presents principal cash flows and related weighted-average interest rates by expected maturity dates.

The scheduled maturities of our long-term debt outstanding as of December 31, 2013 during future years ending December 31 are as follows:

	Expected Maturity Date Year Ending December 31,							
(In thousands, except percentages)	**2014**	**2015**	**2016**	**2017**	**2018**	**Thereafter**	**Total**	**Fair Value**
Long-term debt:								
Fixed-rate	$ —	$ —	$ —	$ —	$ 393,500	$ —	$ 393,500	$ 425,472
Average interest rate	9.9%	9.9%	9.9%	9.9%	9.9%	—%	9.9%	
Variable-rate	$ 3,800	$ 3,800	$ 3,800	$ 3,800	$ 404,700	$ —	$ 419,900	$ 421,800
Average interest rate	6.5%	6.5%	6.5%	6.5%	6.5%	—%	6.5%	

As of December 31, 2013, our long-term variable rate borrowings represented approximately 51.6% of our total long-term debt. Our senior notes bear interest at a fixed rate. Based on December 31, 2013 debt levels, a 100 basis point change in LIBOR or the base rate would cause our annual interest costs to change by approximately $4.2 million. However, due to a floor imposed in the Lender Joinder Agreement and the Eurodollar Rate at December 31, 2013, our current exposure is limited to approximately $0.9 million. As a result, as of December 31, 2013, we do not expect fluctuations in interest rates to have a material adverse effect on our business, financial condition or results of operations. We do not utilize market risk sensitive instruments for trading purposes.

The following table provides other information about our long-term debt at December 31, 2013.

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

The estimated fair value of our New Credit Facility at December 31, 2013 approximates its carrying value due to the short-term maturities and variable pricing of the Eurodollar loans comprising our credit facility. The estimated fair values of our 2018 Notes are based on quoted market prices as of December 31, 2013.

ITEM 8. Financial Statements and Supplementary Data

The information required by this Item is contained in Item 15(a) of this Annual Report on Form 10-K under *Financial Statements*.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in or disagreements with accountants on accounting and financial disclosures during the three years in the period ended December 31, 2013.

ITEM 9A. Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, 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.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we include a report of management's assessment of the design and effectiveness of our internal controls as part of this Annual Report on Form 10-K for the fiscal year ended December 31, 2013. Our independent registered public accounting firm also reported on the effectiveness of our internal controls over financial reporting. Management's report is located below.

There has been no change in our internal control over financial reporting 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.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of our internal control over financial reporting as of the end of the most recent fiscal year, December 31, 2013, based on the framework set forth in *Internal Control - Integrated Framework* issued in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our evaluation under the framework set forth in *Internal Control - Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2013, the end of our most recent fiscal year. Deloitte & Touche LLP, an independent registered public accounting firm has issued an attestation report on our internal control over financial reporting as of December 31, 2013, which report follows.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Managers and Member of
Marina District Development Company, LLC and Subsidiary:

We have audited the internal control over financial reporting of 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") as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control - Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2013, of the Company and our report dated March 28, 2014 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, NV
March 28, 2014

ITEM 9B. **Other Information**

None.

PART III.

ITEM 10. **Directors, Executive Officers and Corporate Governance**

The names, ages and positions of each of the directors and executive officers of MDFC, as of December 31, 2013, are set forth below. Each of MDFC's directors also serves as a director or executive officer of Boyd. In addition, each of MDFC's executive officers also serves as an executive officer or director of Boyd. None of MDFC's directors or executive officers receives any additional compensation for their service to MDFC or MDDC.

Board of Directors

Name	Age	Position
William S. Boyd	82	Director
Marianne Boyd Johnson	55	Director
Keith E. Smith	53	Director and President

William S. Boyd

Mr. Boyd has served as a director of MDFC since November 2007 and as a director of MDDC since May 16, 2002. Mr. Boyd has served as a director of Boyd since its inception in June 1988 and as Chairman of the Board of Directors since August 1988. Mr. Boyd has served as the Executive Chairman of the Board of Directors of Boyd since January 2008, and he previously held the position of Chief Executive Officer of Boyd from August 1988 through December 2007. A co-founder of California Hotel and Casino, Mr. Boyd has been a director of that company since its inception in 1973, and he has held several offices with that company, including having served as its President. Prior to joining California Hotel and Casino, Mr. Boyd practiced law in Las Vegas for 15 years. Between 1970 and 1974, he also was Secretary, Treasurer and a member of the board of directors of the Union Plaza Hotel and Casino. Mr. Boyd has served as Vice Chairman of the board of directors of the American Gaming Association and for the past twelve years, has been on the board of directors and the President Emeritus of the National Center for Responsible Gaming. Mr. Boyd is also a member of the board of directors of Western Alliance Bancorporation. Mr. Boyd is the father of Marianne Boyd Johnson who is a director of MDFC, a manager and officer of MDDC, and a director and officer of Boyd. In concluding that Mr. Boyd should serve as a director of MDFC, Boyd's Corporate Governance and Nominating Committee considered his significant career long contributions and leadership with respect to Boyd and the gaming industry, which spans more than 40 years, in addition to his background in the legal profession.

Marianne Boyd Johnson

Ms. Johnson has served as a director of MDFC since April 2005 and as Vice President of MDFC from April 2005 to May 2010 and as a manager and Vice President of MDDC since April 1, 2005. Ms. Johnson has served as Vice Chairman of Boyd's Board of Directors since February 2001 and has been a director since September 1990. Ms. Johnson has served as Executive Vice President of Boyd since January 2008. She also serves as chief diversity officer of Boyd. Ms. Johnson previously held the position of Senior Vice President of Boyd from December 2001 through December 2007; and prior to being elected Senior Vice President, she had served as Vice President of Boyd since September 1997. From 1976 until September 1990, she held a variety of operations positions with Boyd. Ms. Johnson also serves on the board of directors of Western Alliance Bancorporation. Ms. Boyd Johnson is the daughter of William S. Boyd who is a director of MDFC, a manager of MDDC, and a director and officer of Boyd. In concluding that Ms. Boyd Johnson should serve as a director of MDFC, Boyd's Corporate Governance and Nominating Committee considered her significant "ground up" operations and management experience with Boyd, including 20 years as a member of Boyd's board of directors, which she contributes coupled with her service on other boards and community organizations.

Keith E. Smith

Mr. Smith has served as the President and a director of MDFC since May 2008 and as a manager of and Vice President of MDDC since May 12, 2005. Mr. Smith has been President and a director of Boyd since April 2005, and he has served as Chief Executive Officer since January 2008. Mr. Smith served as the Chief Operating Officer of Boyd from October 2001 through December 2007, and prior to being appointed President, Mr. Smith had served as Boyd's Executive Vice President since May 1998. Mr. Smith joined Boyd in September 1990, serving in various controllership positions, the last of which was Senior Vice President and Controller. In 2005, Mr. Smith was appointed to the Board of the Nevada Resort Association and served as Chairman from December 2008 until December 2012. Mr. Smith has been a member of the board of directors of the American Gaming Association since January 2008, including serving as it Chairman in 2010 and 2011. From 2005 to January 2011, he served as Vice Chairman of the Las Vegas Convention and Visitors Authority. In January 2012, Mr. Smith was appointed by the Federal Reserve Bank of San Francisco to serve as Chairman of the board of directors of its Los Angeles Branch, and he has served as a director on that board since January 2009. In concluding that Mr. Smith should serve as a director of MDFC, Boyd's Corporate Governance and Nominating Committee considered his in-depth and strategic operations, management and financial knowledge of the gaming industry, which he possesses from his over 25 years in the gaming industry, including over 20 years with Boyd.

Executive Officers
The executive officers of MDFC as of December 31, 2013, were as follows:

Name	Age	Title
Keith E. Smith	53	President of MDFC; President, Chief Executive Officer and Director of Boyd
Robert L. Boughner	61	Executive Vice President and Chief Operating Officer of MDFC; Executive Vice President, Chief Business Development Officer and Director of Boyd
Paul J. Chakmak	49	Vice President and Secretary of MDFC; Executive Vice President and Chief Operating Officer of Boyd
Josh Hirsberg	52	Vice President, Chief Financial Officer and Treasurer of MDFC; Senior Vice President, Treasurer and Chief Financial Officer of Boyd

Robert L. Boughner
Mr. Boughner has served as the Executive Vice President and Chief Operating Officer of MDFC since May 2010. He also served as the President and Chief Operating Officer of MDDC from January 2009 through November 2012, and previously served as its Chief Executive Officer from January 1999 through June 2006. Mr. Boughner has served as a director of Boyd since April 1996 and has more than 25 years of senior management experience with Boyd. In December 2009, Mr. Boughner was named Executive Vice President and Chief Business Development Officer for Boyd. He also served as President and Chief Executive Officer of Boyd's Echelon Place project, from July 2005 through the sale of the project in March 2013. Mr. Boughner had held the position of Chief Executive Officer of MDDC from January 1999 through June 2006. Prior to his initial service with MDDC, Mr. Boughner had served as Chief Operating Officer and Senior Executive Vice President of Boyd, from April 1990 and May 1998, respectively, through October 2001. He is active in civic and industry affairs and currently serves on the board of directors of Bank of Nevada and Southwest Gas Corporation.

Paul J. Chakmak
Mr. Chakmak has served as Vice President and Secretary of MDFC since May 2010 and was the Vice President and Treasurer from April 2004 to May 2010. He has also been Boyd's Executive Vice President and Chief Operating Officer since January 2008. Mr. Chakmak joined Boyd in February 2004 as its Senior Vice President-Finance and Treasurer, and was appointed Executive Vice President, Chief Financial Officer and Treasurer in June 2006.

Josh Hirsberg
Mr. Hirsberg was appointed Vice President, Chief Financial Officer and Treasurer of MDFC in May 2010. He has served as MDDC's Principal Accounting and Financial Officer since May 14, 2010. Mr. Hirsberg has also been Senior Vice President, Chief Financial Officer and Treasurer of Boyd since January 2008. Prior to his position with Boyd, Mr. Hirsberg served as the Chief Financial Officer for EdgeStar Partners, a Las Vegas-based resort development concern. He previously held several senior-level finance positions in the gaming industry, including Vice President and Treasurer for Caesars Entertainment and Vice President, Strategic Planning and Investor Relations for Harrah's Entertainment.

Corporate Governance
Section 16(a) Beneficial Ownership Reporting Compliance
Not applicable. MDFC does not have a class of equity securities registered pursuant to Section 12 of the Exchange Act.

Code of Ethics
As MDFC's directors and officers overlap with Boyd, MDFC does not have a separate code of ethics; however, Boyd has adopted a Code of Business Conduct and Ethics ("Code of Ethics") that applies to each of those directors and executive officers of MDFC who are directors or officers of Boyd. Boyd's Code of Ethics is posted on its website at www.boydgaming.com. Any waivers or amendments to Boyd's Code of Ethics will be posted on Boyd's website.

Director Independence and Committees
The MDFC board of directors consists of three directors, all of whom also serve on the board of directors of Boyd. One of our directors, Mr. Smith, is also an executive officer of MDFC and MDDC and an executive officer and director of Boyd. Our other two directors, Mr. Boyd and Ms. Boyd Johnson, are executive officers and directors of Boyd. Boyd's board of directors has determined that none of the members of the MDFC board of directors is "independent," as (i) defined in Section 303A of the New York Stock Exchange Listed Company Manual (applicable to Boyd because its common stock is listed on the New York Stock Exchange) and (ii) within the meaning of Boyd's internal director independence standards. Each of the directors and executive officers of MDFC were selected because of their affiliation with Boyd, who, through its wholly-owned subsidiary, BAC, and MDDHC, the parent company of MDDC, is responsible for the operations and management of MDDC and MDFC.

MDFC does not have a standing audit committee, compensation committee or nominating committee. In addition, MDFC does not have an audit committee financial expert, and is not required to as it is not a "listed issuer" under the Exchange Act.

ITEM 11. Executive Compensation

Compensation Discussion and Analysis

Overview

Each of MDFC's Named Executive Officers, as identified in the Summary Compensation Table below, also serves as an executive officer, and is a Named Executive Officer, of Boyd. None of the Named Executive Officers receives any additional compensation for their service to MDFC, and neither MDFC nor MDDC separately provides any compensation to any of the Named Executive Officers. For the purpose of this Compensation Discussion and Analysis section of this Annual Report on Form 10-K, the terms "we," "our," "us" and the "Company" refer collectively to Boyd, MDFC and MDDC, unless otherwise indicated.

Boyd compensates the Named Executive Officers (as identified in the Summary Compensation Table below) primarily through base salary and short and long-term incentive compensation. Boyd's executive compensation practices are designed to be competitive with comparable employers in its industry, to closely align compensation with its annual objectives and long-term goals, to reward above-average corporate performance, to recognize individual initiative and achievements, and to assist it in attracting and retaining qualified executives.

Executive Summary

In consideration of the continuing, but inconsistent, economic recovery from the national recession and the impacts that it has had on Boyd's industry and business, Boyd's Compensation Committee (the "Compensation Committee") generally continued with a conservative approach to Boyd's compensation programs in fiscal year 2013. Highlighted below are some of the key actions and decisions with respect to Boyd's executive compensation programs for fiscal year 2013, as approved by the Compensation Committee following input, analysis and recommendations from Boyd's management and Boyd's compensation consultant, Exequity.

- *2013 Compensation Review.* During late 2012, the Compensation Committee conducted a detailed analysis of Boyd's Named Executive Officers' compensation to evaluate the overall competitiveness and effectiveness of its executive compensation programs. This analysis found that even with the prior year adjustments in 2012 and 2011, Boyd's Named Executive Officers' executive compensation generally remained below average compared to peer core gaming companies.

- *Base Salary*. The base salaries of Boyd's Named Executive Officers remained unchanged in 2013, from base salaries in effect for 2012. For Messrs, Smith and Boughner, Boyd's Chief Executive Officer and Chief Business Development Officer, respectively, this represented a fifth straight year that their annual base salaries remained frozen.

- *Short-Term Bonus.* For 2013, the Compensation Committee approved potential short-term cash bonus awards payable based on specific, objective performance criteria measured relative to Boyd's operating budget, as approved by the board of directors. In fiscal year 2013, Boyd's actual corporate performance achieved approximately 91% of Boyd's target operating budget. Accordingly, the Compensation Committee approved the payment of short-term bonuses to the Named Executive Officers in accordance with the plan, resulting in short-term bonus payments to the Named Executive Officers of approximately 78% of each of their respective target award amounts.

- *Equity Compensation*. In 2013, the Compensation Committee approved long-term incentive equity compensation for the Named Executive Officers. The Compensation Committee granted the Named Executive Officers equity awards that allocated roughly one-third of the intended value of the equity compensation to each of stock options, restricted stock units (“RSUs”) and performance-based restricted stock units (“Performance Shares”). After considering market data and Exequity’s executive compensation review in 2013, the number of shares represented by these equity compensation awards to the Named Executive Officers in 2013 was the same number of shares as had been granted in 2012, except with respect to Mr. Hirsberg. For Mr. Hirsberg in 2013, the number of shares was increased based on a comparison of Mr. Hirsberg’s long-term incentive compensation relative to that of Boyd’s peer group.

- *2013 Special Bonus - Peninsula*. In February 2013, the Compensation Committee approved the grant of a special bonus to each member of Boyd’s Management Committee, including to each of the Named Executive Officers, in recognition of the successful negotiation, execution and completion of the acquisition of Peninsula Gaming, LLC (“Peninsula”) and its five operating casino properties. The Peninsula acquisition closed on November 20, 2012. The Peninsula transaction represents a critical and transformative long-term strategic transaction for Boyd that provides important growth and deleveraging opportunities for Boyd. The special bonuses were comprised of RSU awards that cliff vest at the end of three years. Boyd believes an award denominated in stock with a multi-year vesting period will best link compensation to the integration efforts associated with the Peninsula acquisition.

- *Risk Considerations*. As a part of its review in 2013 of Boyd’s compensation practices and policies, the Compensation Committee evaluated risks associated with Boyd’s compensation programs. As described above under the section *Risk Considerations in Boyd’s Compensation Programs*, the Compensation Committee undertook an annual evaluation of Boyd’s compensation risk. The Compensation Committee concluded that Boyd’s compensation policies and practices for fiscal year 2013 do not create risks that are reasonably likely to have a material adverse effect on Boyd.

- *2014 Compensation*. In late 2013, in consultation with Exequity, the Compensation Committee again undertook a detailed review of each of the elements of the Named Executive Officers’ compensation packages to evaluate, and as appropriate, update the overall competitiveness and effectiveness of Boyd’s executive compensation programs. The Compensation Committee carefully considered several factors, including the expanded scope of individual roles and responsibilities within Boyd of its senior executive team as Boyd works to run its business more efficiently, the significant and strategic achievements and accomplishments of Boyd in recent years, and the ongoing economic recovery. For 2014, in an effort to remain competitive in its compensation packages and recognize achievements and leadership, the Compensation Committee approved base salary increases for all of the Named Executive Officers as well as increases to the short-term bonus target awards and adjustments to the potential payout scales for the Named Executive Officers that better align Boyd’s short-term bonus plan with its bonus program in effect prior to the recession and with current competitive norms.

Process

The compensation process generally consists of establishing an overall compensation target for each senior executive and then allocating that compensation among base salary and short-term and long-term incentive compensation. At the senior-most corporate levels, Boyd designed the incentive compensation to primarily reward company-wide performance. In establishing compensation, the Compensation Committee, among other things:

- reviews with management Boyd’s cash and other compensation policies for all of its employees;
- reviews the performance of the Named Executive Officers and all components of their compensation;
- evaluates the effectiveness of the overall executive compensation program on a periodic basis; and
- administers Boyd’s stock and bonus plans and, within the terms of the respective plan, determines the terms and conditions of the issuances thereunder.

In addition, the Compensation Committee annually reviews and approves Boyd’s corporate goals and objectives relative to Boyd’s Chief Executive Officer’s compensation, evaluates his compensation in light of such goals and objectives, and has the sole authority to set the Chief Executive Officer's compensation based on this evaluation. For 2013, the Compensation Committee, independent of management, determined the compensation arrangements for Boyd’s Chief Executive Officer, Keith E. Smith. The Compensation Committee approved the compensation arrangements of the other Named Executive Officers after reviewing the recommendations of Boyd’s Chief Executive Officer. In addition to its annual review of Boyd’s compensation levels, the Compensation Committee may, from time to time, review Boyd’s compensation practices and programs and generally has the authority, subject to any existing contractual or other rights of participants, to modify or terminate those practices and programs.

Boyd has historically engaged compensation consultants to assist it in the evaluation of its compensation practices and programs. In 2013, Exequity was engaged to provide a compensation study, consistent with prior years, and to assist the Compensation Committee in its review and evaluation of Boyd’s executive compensation programs generally.

Objectives of Boyd's Compensation Program
Boyd's compensation program is designed to reward an executive officer's current contribution to Boyd, as well as the officer's impact and involvement in Boyd's future performance. The compensation of the Named Executive Officers is set at levels that are intended to be competitive with other leading companies in the gaming and hospitality industries, which generally fall into three categories: (i) core gaming companies; (ii) gaming technology/equipment companies; and (iii) resort hotel operator companies.

In late 2012, in connection with its approval of short-term bonus awards and maintenance of base salaries for 2013, the Compensation Committee generally compared the compensation paid to the Named Executive Officers with the compensation paid to executive officers at Ameristar Casinos, Inc.; Churchill Downs, Inc.; Isle of Capri Casinos, Inc.; Las Vegas Sands Corp.; MGM Resorts International; Penn National Gaming, Inc.; Pinnacle Entertainment, Inc.; Wynn Resorts, Ltd.; Bally Technologies, Inc.; International Game Technology; Scientific Games Corp.; WMS Industries, Inc.; Choice Hotels International, Inc.; Gaylord Entertainment, Co.; Hyatt Hotels Corp.; Life Time Fitness, Inc.; Vail Resorts, Inc.; and Wyndham Worldwide Corp.

Additionally, in subsequently reviewing long-term incentive equity compensation for 2013 and evaluating the overall competitiveness and effectiveness of Boyd's executive compensation programs, the Compensation Committee reviewed and modified this peer group pool to reflect changes both to Boyd and within its related industries. After considering General Industry Classification Standards, range of peer company revenues and "peer-of-peer" analysis for Boyd's core gaming peers, Boyd's modified peer group included: Ameristar Casinos, Inc.; Caesars Entertainment; Churchill Downs, Inc.; Isle of Capri Casinos, Inc.; Las Vegas Sands Corp.; MGM Resorts International; Penn National Gaming, Inc.; Pinnacle Entertainment, Inc.; Wynn Resorts, Ltd.; Bally Technologies, Inc.; Hyatt Hotels Corp.; International Game Technology; Scientific Games Corp.; Starwood Hotels & Resorts; Vail Resorts, Inc.; and Wyndham Worldwide Corp.

The Compensation Committee has generally sought to ensure that each of the Named Executive Officer's compensation is competitive with similarly situated executives at other companies within the applicable comparative group. The Compensation Committee also considers general market surveys and trends as part of the various factors it reviews in setting executive compensation. This practice allows for comparison both to direct gaming companies as well as to the broad leisure sector, and offers the Compensation Committee multiple vantage points from which to evaluate compensation. While the Compensation Committee reviews the compensation levels of executives at comparable companies and generally targets Boyd's executive management's compensation toward the 50th percentile of the Company's peer group, the Compensation Committee does not benchmark, and the compensation packages of the Named Executive Officers are not tied to a relative ranking of compensation against other companies or that peer group.

Boyd's compensation program is intended to recognize achievement and leadership when appropriate and further align the interests of the Named Executive Officers with those of Boyd's stockholders, including with respect to its future performance and achievement of strategic objectives. Accordingly, the compensation of the Named Executive Officers is based in large part on Boyd's recent success and achievements. For example, Boyd has recently through strategic acquisitions successfully expanded into six new gaming markets, expanding its total presence to twenty-two gaming entertainment properties. Additionally, Boyd has diligently pursued strengthening its balance sheet through divestures of non-core assets, such as the Echelon project (an 87-acre land parcel on the Las Vegas Strip) and its Dania Jai-Alai operation (a pari-mutuel jai-alai facility with approximately 47 acres of related land located in Dania Beach, Broward County, Florida), and through measured efforts to, where appropriate, reduce balances, refinance or extend maturity dates of Boyd's corporate indebtedness. This further alignment of interests with Boyd's stockholders is exemplified by its long term incentive awards that are entirely equity based, including through the use of Performance Shares as a meaningful component of the long-term incentive equity compensation for Boyd's Management Committee, which plays an active and critical role in the leadership and strategy for the development, operations and growth of Boyd. During 2013, Boyd's Management Committee included certain members of its senior management team, including each of the Named Executive Officers.

Primary Components of Boyd's Executive Compensation Program
There are three primary components of Boyd's executive compensation program:

- base salary;
- short-term bonus; and
- long-term incentive compensation (equity compensation).

Base Salary
Boyd provides the Named Executive Officers with a base salary that it believes is competitive and that corresponds and fairly relates to their status and accomplishments, both professionally and within its industry. Salaries are reviewed annually and in certain instances have been adjusted to recognize individual performance, promotions, competitive compensation levels and other subjective factors.

The Compensation Committee, independent of management, determined the compensation of Boyd's Chief Executive Officer, including his base salary. For the other Named Executive Officers, Boyd's Chief Executive Officer customarily makes recommendations regarding compensation to the Compensation Committee for their review and approval. Where appropriate, the Compensation Committee and Boyd's Chief Executive Officer have historically considered the following factors in establishing or recommending, as applicable, the compensation for the Named Executive Officers:

- the Named Executive Officer's qualifications, experience, scope of responsibilities, time in a particular role and anticipated future performance;
- the Named Executive Officer's role within Boyd, including, where applicable, the role on various corporate committees, such as the Management Committee, the Corporate Compliance Committee and the Diversity Committee;
- the overall performance of the Named Executive Officer;
- the overall performance of Boyd;
- competitive pay practices at other select companies within the gaming and hospitality industries, as identified above; and
- compensation analysis performed for Boyd by its compensation consultants.

With a challenging recessionary period continuing to face Boyd's industry at the conclusion of 2012, the Compensation Committee determined that the base salaries of all of the Named Executive Officers would remain unchanged in 2013 at their 2012 levels.

For 2014, the Compensation Committee determined, after consultation with Exequity, review of the objectives of Boyd's compensation program and in recognition that the base salaries of Messrs. Smith and Boughner had not changed for five consecutive years, that increases to the base salaries for each of the Named Executive Officers were appropriate and are as follows: for Mr. Smith, in the amount of $150,000, bringing his salary to $1,250,000; for Mr. Boughner, in the amount of $25,000, bringing his salary to $1,125,000; for Mr. Chakmak, in the amount of $15,000, bringing his salary to $765,000; and for Mr. Hirsberg, in the amount of $10,000, bringing his salary to $495,000.

Short-Term Bonus
The Named Executive Officers are eligible to receive short-term (or annual) bonuses under Boyd's 2000 Executive Management Incentive Plan ("2000 MIP"). Bonus awards under the 2000 MIP are generally set as a percentage of base salary, with the specific target percentage determined by the participant's position, level and scope of responsibility within Boyd so that highly compensated executives receive a relatively larger percentage of their total compensation in the form of bonuses and other incentive based vehicles.

For 2013, the Compensation Committee continued Boyd's compensation practice of awarding cash bonuses based upon achievement of specific, predetermined objective performance targets, as it had for fiscal year 2012 and 2011.

The performance target was performance against Boyd's 2013 operating budget, measured based on EBITDA (earnings before interest, taxes, depreciation and amortization)[1], as approved by Boyd's board of directors. For 2013, the approved operating budget was consolidated company EBITDA of $576 million, as adjusted.

For each of the Named Executive Officers, the short-term bonus potential awarded for 2013, as a percentage of base salary, was as follows:

	2013 Threshold	2013 Target	2013 Maximum
Keith E. Smith	82.50%	110.00%	165.00%
Robert L. Boughner	63.75%	85.00%	127.50%
Paul J. Chakmak	63.75%	85.00%	127.50%
Josh Hirsberg	45.00%	60.00%	90.00%

The minimum or threshold bonus represents approximately 75% of the target bonus award for each Named Executive Officer that could be earned at a performance level of 90% of the approved operating budget. The target bonus represents the target bonus award for each Named Executive Officer that could be earned at a performance level of 100% of the approved operating budget. The maximum bonus represents approximately 150% of the target bonus award for each Named Executive Officer that could be earned at a performance level of at least 120% of the approved operating budget. No short term bonus awards may be earned for a performance level of less than 90% of the approved operating budget.

Boyd's actual 2013 performance determined consistent with prior years, resulted in the achievement of approximately 91% of the approved operating budget, exceeding the threshold performance level. As a result, the Compensation Committee approved short-term bonus payments for 2013 representing approximately 78% of each Named Executive Officer's target bonus award amount. The precise amount of each Named Executive Officer's bonus is set forth below in the "Non-Equity Inventive Plan Compensation" column of the Summary Compensation Table.

For 2014, the Compensation Committee continued its practice of utilizing the achievement of predetermined, objective performance targets for short-term bonus awards and set the target as performance against Boyd's 2014 operating budget, as approved by Boyd's board of directors, measured based on EBITDA. Additionally, as modified in late 2013, the approved short-term bonus parameters for the Named Executive Offers for 2014, as a percentage of base salaries are as follows:

	2014 Threshold	2014 Target	2014 Maximum
Keith E. Smith	75.00%	150.00%	300.00%
Robert L. Boughner	47.50%	95.00%	190.00%
Paul J. Chakmak	47.50%	95.00%	190.00%
Josh Hirsberg	37.50%	75.00%	150.00%

The potential award payout levels will be proportionately increased or decreased based on the actual achievement relative to Boyd's 2014 approved operating budget. No short -term bonus awards would be earned for a performance level of less than 80% of the approved operating budget. A minimum award pay-out would be earned at a performance level of 80% of the approved budget and would result in a payout award potential of 50% of the Named Executive Officer's target bonus amount. A target award payout would be earned at a performance level between 95% and 105% of budget. A maximum pay-out would be earned at a performance level of at least 130% of budget and would result in a payout award potential of 200% of the Named Executive Officer 's target bonus amount.

Long-Term Compensation

Boyd believes that the long-term compensation component should serve as both an incentive for achieving longer term company performance goals and as a retention tool for its executives. In 2013, as Boyd has done each year since 2008, all of the long-term compensation awards granted to the Named Executive Officers were in the form of equity awards.

Equity Compensation

Boyd believes that a significant component of the compensation paid to its executives over the long -term should be equity-based compensation. Boyd also believes that stock price appreciation and stock ownership in Boyd are valuable incentives to its executives and that the grant of equity awards to them serves to further align their interests with the interests of its stockholders as a whole and to encourage them to manage Boyd in its best long-term interests.

The Compensation Committee determines the type of equity awards that are to be granted to the Named Executive Officers, which have over recent years consisted of grants under Boyd's stock incentive plans of stock options, RSUs and, beginning in 2011, Performance Shares.

In recent years, the Compensation Committee has approved equity awards to the Named Executive Officers comprised of stock options, RSUs and Performance Shares, with approximately one-third of the equity compensation award value split among each of the three types of awards for each Named Executive Officer. Stock options are intended to provide strong alignment with Boyd's stockholders and only provide value to the executives if the stock price appreciates over the grant price. RSUs provide additional linkage to Boyd's stock price and serve to promote the retention of its executives. Performance Shares provide reward opportunities for achieving sustained multi-year performance goals as set by the Compensation Committee. Further, Performance Shares are intended to enhance the equity award component of compensation, promote retention and incentivize long-term strategic performance by reducing some of the risks of stock price volatility and tying payout of the award to both time based vesting and measurable performance metrics. Each of these awards is ultimately denominated in shares of Boyd's common stock and is earned over three years, thus providing a strong incentive to grow Boyd's stockholder value.

In 2013, the Compensation Committee again approved equity awards to the Named Executive Officers comprised of stock options, RSUs and Performance Shares, with each award type representing approximately one-third of the equity compensation award value for each Named Executive Officer. The Compensation Committee remains committed to the belief that this mix of stock options, RSUs and Performance Shares in Boyd's equity compensation helps to further align the long-term interests of its senior management and stockholders, provides meaningful compensation value and serves as a valuable retention tool.

All equity awards granted as long-term compensation to the Named Executive Officers in 2013 were granted pursuant to Boyd's 2002 Stock Incentive Plan as amended and restated as the 2012 Stock Incentive Plan (the "Stock Incentive Plan"). The amendments to and restatement of the Stock Incentive Plan were approved by Boyd's stockholders at its 2012 Annual Meeting.

Stock Options, RSUs and Performance Shares

The Compensation Committee has the authority and determines, on a discretionary basis, whether to grant equity awards, as well as the amount and the terms of such awards, based on the Named Executive Officer's position within Boyd.

The stock options granted in 2013 feature a three -year vesting schedule, with one-third of each award vesting on each anniversary of the grant date. The RSUs granted in 2013, other than those granted under the Career Shares Program, feature three-year cliff vesting. The Performance Shares granted in 2013 provide for three-year cliff vesting and are subject to achievement of the three (3) performance metrics for each of the Named Executive Officers. Each performance metric works and is measured independently of the others and includes a minimum (or threshold) performance level, a target performance level and a maximum performance level opportunity. The scale to be applied to each metric is a sliding scale and generally works as follows:

Metric Performance Achievement	Performance Shares Payout (as % of target award)
Below Minimum	—%
Minimum	50%
Target	100%
Maximum (and above)	200%

The three performance metrics associated with the Performance Shares granted to the Named Executive Officers in 2013 are Boyd's: (i) net revenue growth; (ii) EBITDA growth; and (iii) customer service score. Each of the performance metrics is measured over the three full fiscal years following the date of grant and each performance metric represents one-third (1/3) of the shares potentially payable on settlement of the Performance Shares. These are the same performance metrics and value allocations as utilized with Boyd's initial grant of Performance Shares in 2011 and 2012. The measurement period for the Performance Shares granted in 2013 commences on January 1, 2014 and runs through December 31, 2016. The achievement level of each Performance Share metric will determine the final payout of shares under the award at the end of the measurement period. All three metrics must be satisfied at a maximum performance level for the maximum payment of 200% to be earned. If none of the three performance metrics achieves the minimum performance level, then no shares will be earned and awarded. Achievement between the payout points shown in the table above will be interpolated on a linear basis.

The Compensation Committee set specific targets for the three Performance Share metrics, as well as the minimum levels required to receive any share payout and the levels that would earn a maximum payout. The Compensation Committee determined the minimum, target and maximum levels of Boyd net revenue growth and EBITDA growth after considering comparable historical and budgeted revenue and operating income. In setting the customer service score metric, the Compensation Committee also considered historical performance as well as Boyd's goals and expectations with respect to the next three years. The Compensation Committee has determined that the performance metrics were all sufficiently challenging to incentivize performance. The minimum performance levels generally require average performance and are expected to be achieved. The target performance levels are intended to be reasonably achievable and require average or above average performance and the maximum performance levels require extraordinary performance.

In establishing the individual long-term equity compensation awards for 2013, the Compensation Committee analyzed, in consultation with Exequity, the equity compensation target award value for each of the Named Executive Officers, which first had been established in late 2011. Based on historical values of long-term equity compensation awards for the Named Executive Officers in prior years, and Boyd's efforts to remain competitive in its compensation practices, the Compensation Committee determined to grant the same number of stock options, RSUs and Performance Shares to the Named Executive Officers, other than Mr. Hirsberg, in 2013 as it awarded in 2012, notwithstanding that doing so continued to provide awards that trailed peer group competitive practices. For Mr. Hirsberg, in 2013, the Compensation Committee determined that long-term equity compensation for Mr. Hirsberg should be increased in order to generally make his long-term equity compensation more competitive with that of his peers at other companies, and as a result approved an increased equity incentive award for him, derived from an approximate long-term incentive target valuation of $650,000.

The number of stock options, RSUs and Performance Shares awarded to each Named Executive Officer is set forth below in the Grants of Plan-Based Awards Table. These figures represent a theoretical grant date value, but the actual value of these awards will fluctuate with Boyd's stock price and, in the case of Performance Shares, the extent Boyd achieves, if at all, its multi-year performance goals. The Compensation Committee believes that the current equity compensation target award values are appropriate to ensure that the Named Executive Officers are adequately compensated in light of current market practices, remain motivated and focused on providing strong management as the economy continues to stabilize, and remain committed to the long -term goals and success of Boyd and its stockholders.

The Compensation Committee grants equity awards pursuant to its policy of making such grants, if at all, on the fifth business day following Boyd's release of earnings for the third quarter of each year, except in the case of Boyd's non-employee directors, new hires or other special situations. As an example of special situations, as discussed below, in February 2013, the Compensation Committee approved special bonus RSU grants to the members of Boyd's Management Committee, including the Named Executive Officers, in connection with the successful acquisition of Peninsula. In addition, the Compensation Committee adopted a policy in 2006 regarding Boyd's Career Shares Program, which is discussed below, that provides for the annual grant of RSUs under the Stock Incentive Plan on January 2 of each year or, if January 2 is not a business day, then the next business day. During 2012, the equity compensation awards by the Compensation Committee were consistent with these policies.

The Compensation Committee continues to review Boyd's long-term compensation policy, in connection with the assessment of its overall compensation program, to determine whether other modifications to the policy are warranted. However, it is anticipated that the Compensation Committee will continue the practice of granting equity awards to the Named Executive Officers in 2014 as long-term compensation.

2013 Special Bonus - Peninsula
In February 2013, the Compensation Committee approved the grant of a separate, special bonus to each member of Boyd's Management Committee, including to each of the Named Executive Officers, in recognition of the successful negotiation, execution and completion of the acquisition of Peninsula and its five operating casino properties. The Peninsular transaction closed on November 20, 2012, and represents a critical and transformative long-term strategic transaction for Boyd that provides it important growth and deleveraging opportunities. This special bonus was comprised of an RSU award. The number of RSUs awarded to each of the Named Executive Officers is set forth in the following table:

	2013 Special Peninsula Bonus RSU (#)
Keith E. Smith	67,222
Robert L. Boughner	51,944
Paul J. Chakmak	35,417
Josh Hirsberg	16,250

Each RSU is subject to three year cliff vesting, consistent with Boyd's current RSU award practices. The Compensation Committee believes this award denominated in stock with multi-year vesting will best link Boyd's Management Committee's compensation to the integration efforts associated with the Peninsula acquisition.

Boyd's Career Shares Program
Boyd's Career Shares Program is a stock incentive award program for certain Boyd executive officers to provide for additional capital accumulation opportunities for retirement and to reward long-service executives. Boyd's Career Shares Program was

adopted by the Compensation Committee on December 7, 2006 and amended on October 25, 2010. The Career Shares Program provides for the grant of RSUs ("Career RSUs") under the Stock Incentive Plan to members of Boyd's senior management, including members of Boyd's Management Committee and each of the Named Executive Officers. Each Career RSU is analogous to one share of restricted common stock, except that Career RSUs do not have any voting rights and do not entitle the holder to receive dividends.

Under the Career Shares Program, a fixed percentage of each participant's base salary is credited to his or her career shares account annually. Each January 2, or, if January 2 is not a business day, then the next business day, Career RSUs are awarded to members of Boyd's Management Committee in an amount that equals 15% of such individual's base salary, and to certain other members of Boyd's senior management in an amount that equals 10% of their individual base salaries, in each case, subject to adjustment by the Compensation Committee. Career RSUs granted pursuant to Boyd's Career Shares Program are awarded for service provided for the immediately preceding calendar year. The basis for the value of the awards is the base salary of the participant in effect on December 31 of the immediately preceding year and the closing stock price of Boyd's common stock on January 2 or, if January 2 is not a business day, then the next business day. Consistent with this policy and the Career Shares Program, on January 2, 2014, Career RSUs were granted to all of the Named Executive Officers as well as to the other members of Boyd's Management Committee.

Upon becoming eligible to receive a grant of Career RSUs, participants generally will have their initial award prorated based on the number of full months served in a career shares eligible position during the preceding year. For example, if someone becomes eligible on July 15 they would receive 5/12 of the product of their year-end salary and their Career RSUs percentage on the next grant date, since they had served for five full months during the preceding year. If a participant becomes career shares eligible during the last quarter of the year, however, no Career RSUs will be awarded on the next grant date.

Payouts are made at retirement, at which time participants receive one share of Boyd's common stock for each vested Career RSU held in their respective career share account, less any applicable taxes. To receive any payout under the Career Shares Program, as amended, participants must be at least 55 years old and must have been continually employed by Boyd for a minimum of 10 years. Retirement after 10 years of service will entitle a participant to fifty percent (50%) of his or her career shares account. This increases to seventy-five percent (75%) after 15 years and one hundred percent (100%) following 20 years of employment. The Compensation Committee may credit participants with additional years of service in its discretion.

In the event of a participant's death or permanent disability, or following a change in control, the participant will be deemed to have attained age 55 and the Career RSUs will immediately vest and convert into shares of Boyd's common stock based on the participant's years of continuous service through the date of death, termination resulting from permanent disability or the change in control, as applicable.

In addition, awards in a participant's career share account can be applied towards satisfying Boyd's stock ownership guidelines discussed below.

Other Bonus Payments

In 2013, a special bonus in the amount of $250,000 was approved by the Compensation Committee and paid to Mr. Boyd in recognition of the loss of a benefit that Mr. Boyd previously received under certain split-dollar life insurance arrangements, which were terminated by Boyd in 2003. Mr. Boyd has received this special bonus payment each year since 2003 and Boyd expects that the Compensation Committee will continue to extend the $250,000 special bonus to Mr. Boyd in 2014.

State Income Tax Gross-Up Payments

Beginning in January 2009 and continuing through November 2012, Mr. Boughner served as the President and Chief Operating Officer of Marina District Development Company, LLC ("MDDC") Boyd's New Jersey joint venture, which owns and operates the Borgata Hotel Casino and Spa and the Water Club in Atlantic City, New Jersey and Executive Vice President and Chief Operating Officer of MDFC. Consistent with past years in which Mr. Boughner served as an executive officer of MDDC and MDFC, Boyd has agreed to provide Mr. Boughner with a state income tax gross-up payment to compensate him for his added state income tax liability resulting from his assignment. This payment was $137,813, relating to Mr. Boughner's 2012 tax year. Boyd does not anticipate making further state income tax gross-up payments to Mr. Boughner following his 2012 tax year.

Boyd's Policy on Perquisites

Boyd provides the Named Executive Officers with perquisites that it believes are reasonable, competitive and consistent with its overall executive compensation program. Boyd believes that its perquisites help it to hire and retain qualified executives.

Certain senior executive officers, as designated by Boyd's Chief Executive Officer and pursuant to its internal policies, may use Boyd's corporate aircraft for personal travel on a limited basis. Such executive officers are imputed with income in an amount equivalent to the Standard Industry Fare Level rate, as defined in the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), for such use and are required to advance Boyd an amount sufficient to cover certain out-of-pocket costs directly attributed to such use. These out-of-pocket costs include crew lodging expenses, on-board catering, landing fees, trip-related hangar/parking costs and other variable costs.

The aggregate incremental cost for use of Boyd's corporate aircraft during 2013 that is attributable to any Named Executive Officer, net of amounts advanced to Boyd by the applicable executive as discussed above, is reflected in the Summary Compensation Table. Boyd determines the aggregate incremental cost based on estimated fuel expenses and maintenance expenses per flight hour. Since Boyd's aircraft are used primarily for business travel, Boyd does not include the fixed costs that do not change based on usage, such as pilots' salaries and the purchase costs of the corporate aircraft.

Boyd's employee and non-employee directors, along with members of its Management Committee, are eligible to participate in the Medical Expense Reimbursement Plan, which covers medical expenses incurred by plan participants and their spouses that are not covered by other medical plans. Boyd also provides the Named Executive Officers with more life insurance coverage than is generally made available to Boyd's other employees. Please see the Summary Compensation Table for the amount of medical premiums or related reimbursements paid on behalf of the Named Executive Officers during 2013 and for the amount of the applicable premiums paid for such additional life insurance coverage during 2013.

Boyd's senior management members, including the Named Executive Officers, also participate in the other benefit plans and programs on the same terms as other employees. These plans include Boyd's 401(k) plan, medical, vision and dental insurance and paid time-off plan. In addition, Boyd's senior management members are eligible to participate in its deferred compensation plan on the same terms as other eligible management-level employees.

Boyd's Stock Ownership Guidelines

As we noted above, Boyd believes that ownership in Boyd by its executive management team, including the Named Executive Officers, is an important individual incentivizing tool that fosters the management of Boyd in its long-term best interests for the benefit of all of Boyd's stockholders. The Compensation Committee initially adopted stock ownership guidelines in 2006 for certain of Boyd's key executives, and in October 2010, the Compensation Committee undertook a periodic review of the guidelines and approved certain amendments to reflect the significant change in circumstances in the broader equities markets and the sharp volatility in Boyd's stock price over recent years. The Compensation Committee believes that the guidelines, as they may be updated and revised from time to time, will continue to further the alignment between Boyd's executive team and stockholders. Pursuant to the current stock ownership guidelines, certain key executive officers, including the Named Executive Officers, are required to pursue ownership of an amount of Boyd's common stock based on a multiple of the participant's base salary, as set forth in the following table:

Executive Tier	Multiple of Base Salary
Executive Chairman of the Board of Directors	5
Chief Executive Officer	5
Chief Operating Officer	4
All Other Members of Management Committee	3
Certain Other Members of Senior Management	1-2

A participant's stock ownership level can include shares of Boyd's common stock represented by RSUs, including Career RSUs and Performance Shares (which are included at an assumed target performance level). As a part of its review of the guidelines in 2010, the Compensation Committee also approved a mechanism to facilitate each participant's ongoing progress towards achievement of the established stock ownership levels. For any participant who does not then meet their established stock ownership level, the guidelines mandate that 50% of the net shares, after accounting for tax withholding and any option exercise payments, resulting from the sale of stock options or the vesting of RSUs or Performance Shares must be retained by the executive until that individual has met his or her stock ownership level established by the guidelines.

Stock ownership guidelines are also applicable to the independent members of Boyd's board of directors, pursuant to certain amendments adopted by Boyd's Corporate Governance and Nominating Committee in 2011. The director stock ownership guidelines provide that each independent member of Boyd's board of directors will be required to hold stock in Boyd at least equal to five (5) times the annual cash retainer received by such independent director. Each director shall have a three (3) year period, after the later of joining Boyd's board of directors or the adoption of the guidelines, in which to accumulate the required level of stock ownership. For purposes of the required stock ownership levels under the guidelines, any deferred shares or RSUs shall be included in such calculation; however, pursuant to the amendments to the guidelines adopted in 2011, Boyd's Corporate Governance and Nominating Committee also determined that at least twenty five percent (25%) of the ownership goal must be achieved through direct ownership of shares, with a three (3) year period to achieve such direct ownership beginning in January 2012, using a rolling average stock price. The director stock ownership guidelines, like those applicable to Boyd's senior executives, serve as an incentivizing tool for the independent members of Boyd's board of directors to strategically guide and manage Boyd in its long -term best interests for the benefit of all of Boyd's stockholders.

Post-Termination Compensation

In 2006, Boyd's Compensation Committee adopted Boyd's Change-in-Control Severance Plan (the "CIC Plan") to provide severance benefits for certain executive officers, including the Named Executive Officers, upon termination of employment in connection with a change in control. In addition, Boyd's CIC Plan provides for the acceleration of vesting of equity awards for the Named Executive Officers, and certain other executives, upon the occurrence of certain events. Boyd believes that it is important to protect key executives who helped build Boyd Company and who will be important in continuing Boyd's success through a change in control or similar event. Further, Boyd believes that the interests of its stockholders will be best served if the interests of its most senior management are aligned with them. Providing change in control benefits is intended to reduce the reluctance of Boyd's senior management to pursue potential change of control transactions that may be in the overall best interests of Boyd's stockholders. Boyd did not modify its CIC Plan in 2013. Also, Boyd currently does not have individual written severance agreements with its executive officers, including the Named Executive Officers; however, Boyd retains the discretion to negotiate individual arrangements as deemed appropriate.

2000 MIP

Boyd's 2000 MIP contains a continuous employment requirement. In addition, certain provisions of the 2000 MIP are triggered in the event of a change in control or if a "long service" employee retires. Generally, if a participant, other than a "long service" employee, terminates employment for any reason other than death or disability prior to the award payment date, he or she is not entitled to the payment of any award under the 2000 MIP for any outstanding plan period (regardless of whether it is a short-term or long-term incentive award). If the participant's termination is due to disability or death, he or she is entitled to the payment of an award for each plan period in which he or she is participating on the date of termination; provided, however, that the Compensation Committee may proportionately reduce or eliminate his or her actual award based on the date of termination and such other considerations as the Compensation Committee deems appropriate. For 2013, the only outstanding plan period under the 2000 MIP was for the short-term, annual incentive awards for 2013. There were no long-term cash incentive awards or award periods outstanding under the 2000 MIP during 2013.

If a "long service" participant terminates employment with Boyd for any reason (including death or disability) prior to the award payment date, he or she is entitled to (i) the payment of an award for the plan period (in which the participant is participating on the date of termination) with the earliest date of commencement and (ii) the payment of an award for any other plan period (in which the participant is participating on the date of termination) reduced proportionally based on the number of years of employment completed during the plan period with each partial year of employment counting as a full year. A "long service" participant generally means a participant who has reached age 55 and completed 15 or more years of service with Boyd or any of its subsidiaries (including acquired entities).

If a participant is terminated without cause within 24 months after a corporate transaction or a change in control of Boyd (as defined in the Stock Incentive Plan), the participant is entitled to the payment of an award for each plan period (in which the participant is participating on the date of termination). The Compensation Committee believes that this double-trigger feature provides appropriate incentives and job security for management while protecting stockholder value in the event of a change in control.

CIC Plan

The Named Executive Officers are eligible to participate in Boyd's CIC Plan, which provides severance benefits upon certain qualifying terminations. A "qualifying termination" includes involuntary termination without cause, voluntary termination due to a relocation in excess of 50 miles or certain reductions in compensation, among other events, within 24 months immediately following a change in control of Boyd. Generally, a "change in control" is deemed to occur upon (i) the direct or indirect acquisition by any person or related group of persons (other than an acquisition from or by Boyd, by a Boyd-sponsored employee benefit plan or by a person who directly or indirectly controls, or is controlled by, or is under common control with, Boyd or by members of the Boyd family) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than 50% of the total combined voting power of Boyd's outstanding securities, or (ii) a majority of Boyd's board of directors ceasing to be continuing directors at any time within a 36-month period due to contested elections.

CIC Plan benefits are determined based upon the relevant status of the participant as a Tier One Executive (Boyd's Chief Executive Officer and Executive Chairman of the Board of Directors), Tier Two Executive (members of Boyd's Management Committee, other than its Chief Executive Officer and Executive Chairman of the Board of Directors), or Tier Three Executive (certain other members of Boyd's senior management, other than Management Committee members). Following the execution of a general release in a form generally acceptable to Boyd that releases Boyd and its affiliates from any and all claims the participant may have against them, among other things, Boyd shall pay to the participant a lump-sum cash payment of:

- any unpaid amounts owed to the participant, such as any unpaid base salary, accrued vacation pay, or unreimbursed business expenses;
- a multiple of three, two and one for Tier One Executives, Tier Two Executives and Tier Three Executives, respectively, of the participant's:
    - annual salary in effect immediately prior to the occurrence of the change of control or, if greater, upon the occurrence of the qualifying termination; plus
    - then-current target short-term bonus opportunity in effect immediately prior to the change of control or, if greater, the average of the participant's actual short-term bonus for the three fiscal years immediately prior to the change in control or, if greater, the participant's target short-term bonus opportunity in effect upon the qualifying termination,
- an amount equal to the greater of:
    - the participant's then-current target short-term bonus opportunity established for the plan year in which the qualifying termination occurs; or
    - the participant's target bonus opportunity in effect prior to the occurrence of the change in control,
    - in each case, adjusted on a pro rata basis based on the number of days the participant was actually employed during such plan year; and
- the amount of monthly premiums that would have been paid by Boyd on behalf of the participant under Boyd's health insurance plan, or COBRA (for a period of 36 months, 24 months and 12 months for Tier One Executives, Tier Two Executives and Tier Three Executives, respectively), plus an additional amount such that the participant effectively receives such premiums on a tax-free basis.

In addition, under the CIC Plan, any outstanding equity-based long-term incentive awards granted, including but not limited to stock options, stock appreciation rights, restricted stock, RSUs and Performance Shares, will become immediately vested in full upon a qualifying termination.

If the sum of the amounts to be received by the participant under the CIC Plan, plus all other payments or benefits that the participant has received or has the right to receive from Boyd, would constitute a "parachute payment" under Section 280G of the Internal Revenue Code, that combined amount will be decreased by the smallest amount that will eliminate any such parachute payment. However, for Tier One Executives and Tier Two Executives only, if the decrease referred to in the preceding sentence is 10% or more of the combined amount, the combined amount will not be decreased, but rather will be increased by an amount sufficient to provide the participant, after taking into account all applicable federal, state and local taxes, a net amount equal to the excise tax imposed on the combined amount (as increased by any applicable tax gross-up) by Section 4999 of the Internal Revenue Code.

Deferred Compensation Plan

Under the Boyd Gaming Corporation Deferred Compensation Plan effective as of January 1, 2005 (the "Deferred Compensation Plan"), in which the Named Executive Officers are eligible to participate, Named Executive Officers may defer up to 25% of base salary and up to 75% of incentive compensation paid. Boyd may make discretionary contributions to a participant's account; however, during 2013, it did not exercise such discretion. Upon a change in control (as defined in the Deferred Compensation Plan), the benefits under the Deferred Compensation Plan are immediately payable in a lump sum, subject to certain conditions and limitations set forth in Internal Revenue Code section 409A and its related Treasury regulations. In addition, upon termination of employment prior to the age of 55 or death, benefits under the Deferred Compensation Plan are payable in a lump sum. Otherwise, upon termination of employment (including upon retirement), the participant may elect to have benefits paid in a lump sum or in periodic payments over a period of 5, 10 or 15 years; however, with respect to "specified employees" as defined in Internal Revenue Code section 409A, any payment that is triggered by termination of employment must be delayed for at least six months following the date of termination. Prior to the Deferred Compensation Plan, Boyd maintained a separate, prior deferred compensation plan, but that plan has been closed to new contributions from participants since the effective date of the current plan.

Equity Incentive Plans

During 2013, the only equity incentive plan in which the Named Executive Officers participated was the Stock Incentive Plan. Generally, except as the Compensation Committee may otherwise determine or in connection with a "long service" employee as discussed below, equity awards granted under each of Boyd's equity incentive plans provide that, in the event of termination, the grantee may exercise the portion of the option award that was vested at the date of termination for a period of three months following termination; provided that if the termination is due to disability or death, the exercise period is twelve months.

Pursuant to the terms of the Stock Incentive Plan, the Compensation Committee has the authority, in connection with an actual or anticipated change in control or corporate transaction with respect to Boyd, to provide for the full or partial accelerated vesting and exercisability of outstanding unvested awards.

Under the Stock Incentive Plan, a "change in control" means a change in ownership or control of Boyd effected through:

- the direct or indirect acquisition of more than 50% of the total combined voting power of Boyd's outstanding securities pursuant to a tender or exchange offer which the majority of the board of directors of Boyd does not recommend; or

- a change in the composition of the board of directors of Boyd over a period of up to 36 months such that a majority of the board members cease, by reason of one or more contested elections, to be comprised of continuing directors.

Pursuant to the terms of the Stock Incentive Plan, a "corporate transaction" means any of the following transactions:

- a merger or consolidation in which Boyd is not the surviving entity;

- the sale, transfer or other disposition of all or substantially all of the assets of Boyd;

- the complete liquidation or dissolution of Boyd;

- any reverse merger in which Boyd is the surviving entity but in which securities possessing more than 50% of the total combined voting power of Boyd's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such merger; or

- an acquisition in a single or series of related transactions by any person or related group of persons of beneficial ownership of securities possessing more than 50% of the total combined voting power of Boyd's outstanding securities, but excluding an acquisition by Boyd, by a Boyd-sponsored employee benefit plan or by members of the Boyd family or any transaction that the Compensation Committee deems is not a corporate transaction.

Pursuant to Boyd's form of restricted stock unit agreement ("RSU Agreement") for the Stock Incentive Plan, vesting ceases upon termination of continuous service (defined as employment) for any reason, including death or disability, except as described below. Any unvested RSUs held by the grantee following such termination will be deemed reconveyed to Boyd. Also under Boyd's RSU Agreement, in the event of a change in control or corporate transaction with respect to Boyd (each as defined in the RSU Agreement), any outstanding award will automatically become fully vested. Notwithstanding the foregoing, in the event of a grantee's Retirement (defined below), the grantee may be entitled to additional vesting with respect to RSUs. "Retirement" means separation from service (including as a result of death or disability), other than for Cause (as defined in the RSU Agreement), after reaching age 55 and having at least 10 years of service to Boyd. In the event of a Retirement, the grantee will be entitled to accelerated vesting as follows:

Age of Employee and Length of Service at Time of Retirement	Acceleration of Vesting for Unvested RSUs
55 years of age and 10-14 years of service	RSUs otherwise scheduled to vest within the 12 months following the date of Retirement shall fully accelerate
55 years of age and 15-19 years of service	RSUs otherwise scheduled to vest within the 24 months following the date of Retirement shall fully accelerate
55 years of age and 20 or more years of service	RSUs otherwise scheduled to vest within the 36 months following the date of Retirement shall fully accelerate

Pursuant to Boyd's form of performance share unit agreement ("Performance Share Agreement") for the Stock Incentive Plan, vesting ceases upon termination of continuous service (defined as employment) for any reason, except as described below. Any unvested units held by the grantee following such termination will be deemed reconveyed to Boyd. Also under Boyd's Performance Share Agreement, in the event of a change in control or corporate transaction with respect to Boyd (as defined in the Performance Share Agreement), any outstanding award will automatically become fully vested assuming achievement of the applicable performance metrics at target, provided that such change in control or corporate transaction effective date occurs prior to the applicable award determination date. Notwithstanding the foregoing, in the event of a grantee's Retirement, a portion or all of the shares may be issuable following the performance period (as shortened for a change in control or corporate transaction), based on deemed length of service during the performance period. In the event of a Retirement, the grantee shall be deemed to have provided service for the number of days within the performance period for which the grantee actually provided service, plus a credited number of days equal to 365 (after 10 years of service), 730 (after 15 years of service), and 1095 (after 20 years of service). The resulting number of days will be divided by the number of days in the performance period (with the resulting ratio never exceeding one), and the ratio will be multiplied by the number of shares that would be issued based on actual performance or target performance upon a change in control or corporate transaction with respect to Boyd.

In 2006, the Compensation Committee adopted the provisions in the table below to provide certain "long service" employees with automatic vesting acceleration and an extended exercise period with respect to stock options upon termination (other than for cause). Of the Named Executive Officers, only Robert L. Boughner currently qualifies as a "long service" employee. These enhanced stock option provisions do not apply to stock options that are granted within six months of such employee's termination.

Age of Employee and Length of Service at Time of Termination	Acceleration of Vesting for Unvested Stock Options	Extended Exercise Period
55 years of age and 15-19 years of service	Options otherwise scheduled to vest within the 12 months following the date of termination shall fully accelerate	Up to 12 months following termination
55 years of age and 20-24 years of service	Options otherwise scheduled to vest within the 24 months following the date of termination shall fully accelerate	Up to 24 months following termination
55 years of age and 25 or more years of service	All unvested stock options shall fully accelerate	Up to 36 months following termination

In February 2013, the Compensation Committee approved an update to Boyd's "long service" employee vesting acceleration and extended exercise period schedule for stock option grants, the effect of which will be to update the length of service thresholds for accelerated vesting of stock options to match the schedule currently utilized with Boyd's RSU grants. Therefore, options granted after February 2013 will be subject to the "long service" employee vesting acceleration and extended exercise period schedule set forth below, while previously granted stock options will remain subject to the schedule above.

Age of Employee and Length of Service at Time of Termination	Acceleration of Vesting for Unvested Stock Options	Extended Exercise Period
55 years of age and 10-14 years of service	Options otherwise scheduled to vest within the 12 months following the date of termination shall fully accelerate	Up to 12 months following termination
55 years of age and 15-19 years of service	Options otherwise scheduled to vest within the 24 months following the date of termination shall fully accelerate	Up to 24 months following termination
55 years of age and 20 or more years of service	Options otherwise scheduled to vest within the 36 months following the date of termination shall fully accelerate	Up to 36 months following termination

Other Benefits

From time to time, in recognition of the contribution of services provided to Boyd, it may in its discretion offer additional compensation and benefits to its executive officers in connection with their retirement from Boyd. During 2013, no such discretion was exercised with respect to Boyd's senior executive officers.

Boyd's Succession Planning

Pursuant to Boyd's Corporate Governance Guidelines, all of the independent members of its board of directors are involved in the succession planning for Boyd. Boyd's independent directors participate annually in a review of its current succession plan. Additionally, Boyd has engaged in the past, and continues to engage, the nationally recognized consulting firm Lee Hecht Harrison to assist and advise during this annual review as well as on other matters related to succession planning.

Accounting and Tax Treatment

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation over $1 million paid to the chief executive officer or any of the other three most highly compensated executive officers other than the chief financial officer. Boyd has structured certain performance-based portions of its executive officers' compensation in a manner that is designed to comply with the exceptions to the deductibility limitations of Section 162(m); however, Boyd can provide no assurances that such compensation arrangements would ultimately satisfy such requirements if they were examined by the Internal Revenue Service.

The Compensation Committee believes, however, that in certain circumstances, factors other than tax deductibility take precedence when determining the forms and levels of executive compensation most appropriate and in the best interests of Boyd and its stockholders. Given Boyd's changing industry and business, as well as the competitive market for outstanding executives, the Compensation Committee believes that it is important to retain the flexibility to design compensation programs consistent with Boyd's overall executive compensation program, even if some executive compensation is not fully deductible. Accordingly, the Compensation Committee has from time to time approved elements of compensation for certain officers that are not fully deductible and reserves the right to do so in the future, when appropriate.

The performance factors for compensation intended to qualify as performance-based compensation pursuant to Section 162(m) must be approved by stockholders every five years.

Summary Compensation Table (2013)

The following table sets forth the compensation earned for services performed for Boyd, or its subsidiaries, including MDFC, during the fiscal years ended December 31, 2011, 2012 and 2013, by:

- its Chief Executive Officer;
- its Chief Financial Officer; and
- each of its other three most highly compensated executive officers, employed by it as of the end of fiscal year 2013, whom we refer to collectively as the "Named Executive Officers."

As discussed above and in our Compensation Discussion and Analysis, each of the Named Executive Officers is compensated by Boyd, and does not receive separate compensation from MDFC or MDDC, for service provided to MDFC or MDDC. Therefore, the following compensation information reflects the compensation reported by Boyd for each of MDFC's Named Executive Officers.

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)(1)	Stock Awards ($)(3)(4)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(1)(2)	All Other Compensation ($)(5)	Total ($)
Keith E. Smith	2013	1,100,000	—	2,527,090	1,011,718	940,775	16,813	5,596,396
President and	2012	1,100,000	—	1,159,281	517,228	242,000	29,905	3,048,414
Chief Executive Officer	2011	1,100,000	—	1,441,194	584,218	742,500	39,634	3,907,546
Robert L. Boughner(6)	2013	1,100,000	—	1,384,135	455,275	726,963	147,687	3,814,060
Executive Vice President and	2012	1,100,000	—	612,425	232,754	187,000	161,366	2,293,545
Chief Business Development Officer	2011	1,100,000	—	739,288	262,899	556,875	148,684	2,807,746
Paul J. Chakmak	2013	750,000	—	1,212,643	455,275	495,656	19,321	2,932,895
Executive Vice President and	2012	750,000	—	548,674	232,754	127,500	17,326	1,676,254
Chief Operating Officer	2011	675,000	—	675,530	262,899	341,719	16,948	1,972,096
Josh Hirsberg	2013	485,000	—	544,709	190,385	226,253	12,328	1,458,675
Senior Vice President, Treasurer	2012	485,000	—	192,648	77,584	58,200	11,367	824,799
and Chief Financial Officer	2011	435,000	—	234,931	87,632	117,450	441	875,454

(1) Includes amounts deferred, to the extent of such individual's participation, pursuant to Boyd's 401(k) Profit Sharing Plan and Trust and Boyd's Deferred Compensation Plan.

(2) For the year ended December 31, 2013, the Compensation Committee approved the payment of a short-term bonus under the 2000 MIP. For a discussion regarding the 2013 bonus payments, see "Compensation Discussion and Analysis-Primary Components of Boyd's Compensation Program-Short-Term Bonus."

(3) Reflects the grant date fair value as determined in accordance with Accounting Standards Codification 718 ("ASC 718") for the fiscal years ended December 31, 2011, 2012, and 2013, respectively, of awards to each of the Named Executive Officers granted in such years pursuant to the Stock Incentive Plan. Assumptions used in the calculation of these amounts are included in the notes to Boyd's audited financial statements under the caption *"Stockholders' Equity and Stock Incentive Plans,"* for the fiscal years ended December 31, 2011, 2012, and 2013, included in Boyd's Annual Reports on Form 10-K filed with the SEC on March 7, 2012, March 18, 2013 and March 14, 2014, respectively. However, as required, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.

(4) Includes RSUs and Performance Shares. Each Performance Share represents a contingent right to receive up to a maximum of two (2) shares of Boyd's common stock, subject to three year cliff vesting and satisfaction of certain performance metrics. With respect to the Performances Shares, the amounts reported in the table assume that the performance metrics were all achieved at the target performance level. As required pursuant to Instruction 3 of Item 402(c)(2)(v) of Regulation S-K, if the performance metrics were all achieved at maximum performance the Grant Date Fair Value of the Performance Shares awarded to each of the Named Executive Officers would be: to Mr. Smith, $1,878,094, to each of Messrs. Boughner and Chakmak, $845,140, and to Mr. Hirsberg, $354,960. Notwithstanding the foregoing, the RSUs and the Performance Shares are subject to forfeiture and other terms and conditions contained in the award agreement and the Stock Incentive Plan. See "Compensation Discussion and Analysis-Equity Compensation."

(5) The amounts shown as "all other compensation" include the following perquisites and personal benefits:

Name	401(k) Contributions (A)	Life Insurance Premiums	Medical Reimbursements (B)	Use of Corporate Aircraft and Corporate Car (C)	Other Benefits (D)
Keith E. Smith	$ 3,825	$ 442	$ 12,546	$ —	$ —
Robert L. Boughner	3,825	442	5,607	—	137,813
Paul J. Chakmak	3,825	442	15,054	—	—
Josh Hirsberg	—	442	11,886	—	—

(A) Represents amounts Boyd contributed pursuant to the 401(k) Profit Sharing Plan and Trust.

(B) Represents Boyd's Medical Expense Reimbursement Plan, which includes plan premiums, company sponsored health care plan premiums and amounts received as reimbursements under this plan.

(C) Represents the aggregate incremental cost to Boyd for use of its corporate aircraft.

(D) Includes reimbursed state income tax gross up payment for Mr. Boughner for his 2012 New Jersey income tax liability.

(6) In December 2009, Mr. Boughner was named Boyd's Executive Vice President and Chief Business Development Officer. Beginning in January 2009 until November 30, 2012, he also served as President and Chief Operating Officer of MDCC. Mr. Boughner continues to serve as Executive Vice President and Chief Operating Officer of MDFC. The full amount of Mr. Boughner's compensation reflected for 2013 was paid by Boyd, with approximately $250,000 being reimbursed by MDDC. For more information see "Transactions with Related Persons."

Grants of Plan-Based Awards Table (2013)

The following table sets forth information regarding each grant of an award made under Boyd's incentive plans to the Named Executive Officers during the fiscal year ended December 31, 2013:

				Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards-Number of Shares or Units			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Equity Awards
Name	Award Type	Grant Date	Date of Compen-sation Committee Action(7)	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	(#)	($/Sh)(8)	($)(9)
Keith E. Smith	Short-term bonus (1)	—	—	907,500	1,210,000	1,815,000	—	—	—	—	—	—	—
	Career RSUs (2)	01/02/13	12/07/06	—	—	—	—	24,336	—	—	—	—	164,998
	RSU (3)	02/13/13	—	—	—	—	—	—	—	67,222	—	—	483,998
	Stock Options (4)	11/07/13	—	—	—	—	—	—	—		170,068	9.86	1,011,718
	RSU (5)	11/07/13	—	—	—	—	—	—	—	95,238	—	—	939,047
	Performance Shares (6)	11/07/13	—	—	—	—	47,619	95,238	190,476	—	—	—	939,047
Robert L. Boughner	Short-term bonus (1)	—	—	701,250	935,000	1,402,500	—	—	—	—	—	—	—
	Career RSUs (2)	01/02/13	12/07/06	—	—	—	—	—	—	24,336	—	—	164,998
	RSU (3)	02/13/13	—	—	—	—				51,944	—	—	373,997
	Stock Options (4)	11/07/13	—	—	—	—	—	—	—	—	76,531	9.86	455,275
	RSU (5)	11/07/13	—	—	—	—	—	—	—	42,857	—	—	422,570
	Performance Shares (6)	11/07/13	—	—	—	—	21,428	42,857	85,714	—	—	—	422,570
Paul J. Chakmak	Short-term bonus (1)	—	—	478,125	637,500	956,250	—	—	—	—	—	—	—
	Career RSUs (2)	01/02/13	12/07/06	—	—	—	—	16,593	—	—	—	—	112,501
	RSU (3)	02/13/13	—	—	—	—		—	—	35,417	—	—	255,002
	Stock Options (4)	11/07/13	—	—	—	—	—	—	—	—	76,531	9.86	455,275
	RSU (5)	11/07/13	—	—	—	—	—	—	—	42,857	—	—	422,570
	Performance Shares (6)	11/07/13	—	—	—	—	21,428	42,857	85,714	—	—	—	422,570
Josh Hirsberg	Short-term bonus (1)	—	—	218,250	291,000	436,500	—	—	—	—	—	—	—
	Career RSUs (2)	01/02/13	12/07/06	—	—	—	—	10,730	—	—	—	—	72,749
	RSU (3)	02/13/13	—	—	—	—	—	—	—	16,250	—	—	117,000
	Stock Options (4)	11/07/13	—	—	—	—	—	—	—	—	32,000	9.86	190,385
	RSU (5)	11/07/13	—	—	—	—	—	—	—	18,000	—	—	177,480
	Performance Shares (6)	11/07/13	—	—	—	—	9,000	18,000	36,000	—	—	—	177,480

(1) Represents short-term (or annual) bonus for the 2013 fiscal year under the 2000 MIP. The award amount is based upon Boyd's performance relative to the operating budget measured by its EBITDA, as approved by Boyd's board of directors. "Threshold" represents achieving a performance level that is 90% of the target operating budget amount; "Target" represents achieving 100% of the target operating budget amount; and "Maximum" represents achieving 120%

or more of the of the target operating budget amount. See "-Compensation Discussion and Analysis-Primary Components of Boyd's Compensation Program-Short-Term Bonus."

(2) Represents Career RSUs granted to the Named Executive Officers for no consideration pursuant to Boyd's Career Shares Program under the Stock Incentive Plan. Each Career RSU represents a contingent right to receive one share of Boyd's common stock. The vested Career RSUs will be paid out in shares of Boyd's common stock at the time of retirement based upon the grantee's attained age and years of continuous service at the time of retirement. To receive any payout under the Career Shares Program, grantees must be at least 55 years old and must have been continually employed by Boyd for a minimum of 10 years. Retirement after 10 years of service will entitle a grantee to fifty percent (50%) of his or her Career RSUs. This increases to seventy-five percent (75%) after 15 years and one hundred percent (100%) following 20 years of employment. In the event of a grantee's death or permanent disability, or following a change in control of Boyd, the grantee will be deemed to have attained age 55 and the Career RSUs will immediately vest and convert into shares of Boyd's common stock based on the grantee's years of continuous service through the date of death, termination resulting from permanent disability or the change in control, as applicable. See "-Compensation Discussion and Analysis-Career Shares Program."

(3) Represents RSUs granted in 2013 under the Stock Incentive Plan as a special bonus in recognition of the successful negotiation, execution and completion of the acquisition of Peninsula Gaming, LLC. Each RSU represents a contingent right to receive one share of Boyd's common stock. The RSUs vest in full upon the third anniversary of the grant date. The RSUs are subject to forfeiture and other terms and conditions contained in the award agreement and the Stock Incentive Plan. See "-Compensation Discussion and Analysis-Equity Incentive Plans."

(4) Represents stock options granted under the Stock Incentive Plan. The stock options granted to the Named Executive Officers in 2013 have a 10-year term and vest as to 33 $^{1}/_{3}$% of the shares of Boyd's common stock underlying the option grant per year on the first day of each successive 12-month period, commencing one year from the date of grant. Notwithstanding the foregoing, these stock options are subject to enhanced vesting and exercise period provisions for certain "long service" employees as discussed above in "-Compensation Discussion and Analysis-Post-Termination Compensation-Equity Incentive Plans."

(5) Represents RSUs granted under the Stock Incentive Plan. Each RSU represents a contingent right to receive one share of Boyd's common stock. The RSUs granted to the Named Executive Officers in 2013 vest in full upon the third anniversary of the grant date. The RSUs are subject to forfeiture and other terms and conditions contained in the award agreement and the Stock Incentive Plan. See "-Compensation Discussion and Analysis-Equity Incentive Plans."

(6) Represents Performance Shares granted under the Stock Incentive Plan. Each Performance Share represents a contingent right to receive up to a maximum of two (2) shares of Boyd's common stock, subject to three year cliff vesting and satisfaction of certain performance metrics. Notwithstanding the foregoing, these Performance Shares are subject to forfeiture and other terms and conditions contained in the award agreement and the Stock Incentive Plan. See "-Compensation Discussion and Analysis-Equity Compensation."

(7) The Compensation Committee has adopted a policy of providing for the automatic grant of Career RSUs on January 2 of each calendar year (or, if January 2 is not a business day, then the next business day) based on the base salary of the participant in effect on December 31 of the immediately preceding year and the closing stock price of Boyd's common stock on January 2 or, if January 2 is not a business day, then the next business day. For more information see "-Compensation Discussion and Analysis-Career Shares Program."

(8) The exercise price of option awards is based on the fair market value of Boyd's common stock on the date of grant, calculated as the closing sales price for Boyd's common stock on the date of determination.

(9) Represents the aggregate ASC 718 value of awards made in 2013. With respect to the Performances Shares, the amounts reported in the table assume that the performance metrics were all achieved at the target performance level.

Outstanding Equity Awards at Fiscal Year-End Table (2013)

The following table sets forth information regarding unexercised stock options and unvested Restricted Stock Units for each of the Named Executive Officers outstanding as of December 31, 2013.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares, Units or Other Rights That Have Not Vested (#)	Market or Payout Value of Shares, Units or Other Rights That Have Not Vested ($)(4)
Keith E. Smith	150,000	—	36.76	12/08/2014	119,293(5)	1,343,239
	115,000	—	39.96	10/19/2015	95,238(6)	1,072,380
	115,000	—	39.00	11/02/2016	47,619(7)	536,190
	185,000	—	38.11	12/06/2017	95,238(8)	1,072,380
	231,265	—	7.55	11/03/2019	47,619(9)	536,190
	231,265	—	8.34	11/01/2020	67,222(10)	756,920
	113,379	56,689(1)	6.70	12/07/2021	95,238(11)	1,072,380
	56,690	113,378(2)	5.22	11/08/2022	47,619(12)	536,190
	—	170,068(3)	9.86	11/07/2023		
Robert L. Boughner	150,000	—	36.76	12/08/2014	42,857(6)	482,570
	115,000	—	39.96	10/19/2015	21,428(7)	241,279
	115,000	—	39.00	11/02/2016	42,857(8)	482,570
	130,000	—	39.78	11/07/2017	21,428(9)	241,279
	135,800	—	8.34	11/01/2020	51,944(10)	584,889
	25,511	25,511(1)	6.70	12/07/2021	42,857(11)	482,570
	25,511	51,020(2)	5.22	11/08/2022	21,428(12)	241,279
	—	76,531(3)	9.86	11/07/2023		
Paul J. Chakmak	40,000	—	16.37	02/02/2014	75,063(5)	845,209
	40,000	—	36.76	12/08/2014	42,857(6)	482,570
	35,000	—	39.96	10/19/2015	21,428(7)	241,279
	75,000	—	39.00	11/02/2016	42,857(8)	482,570
	111,000	—	38.11	12/06/2017	21,428(9)	241,279
	138,752	—	8.34	11/01/2020	35,417(10)	398,795
	51,021	25,510(1)	6.70	12/07/2021	42,857(11)	482,570
	25,511	51,020(2)	5.22	11/08/2022	21,428(12)	241,279
	—	76,531(3)	9.86	11/07/2023		
Josh Hirsberg	25,000	—	33.31	01/02/2018	34,169(5)	384,743
	20,000	—	6.60	11/04/2018	14,286(6)	160,860
	20,000	—	7.55	11/03/2019	7,143(7)	80,430
	10,000	—	8.34	11/01/2020	14,286(8)	160,860
	17,007	8,503(1)	6.70	12/07/2021	7,143(9)	80,430
	8,504	17,006(2)	5.22	11/08/2022	16,250(10)	182,975
	—	32,000(3)	9.86	11/07/2023	18,000(11)	202,680
					9,000(12)	101,340

(1) These stock options were granted on December 7, 2011 and will vest and become exercisable as to 33 1/3% of the shares of Boyd's common stock underlying the option grant on the first day of each successive 12-month period, with the first installment vesting on December 7, 2012. Notwithstanding the foregoing, these stock options are subject to enhanced vesting and exercise period provisions for certain "long service" employees as discussed above in "-Compensation Discussion and Analysis-Post-Termination Compensation-Equity Incentive Plans."

(2) These stock options were granted on November 8, 2012 and will vest and become exercisable as to 33 1/3% of the shares of Boyd's common stock underlying the option grant on the first day of each successive 12-month period, with the first installment vesting on November 8, 2013. Notwithstanding the foregoing, these stock options are subject to enhanced vesting and exercise period provisions for certain "long service" employees as discussed above in "-Compensation Discussion and Analysis-Post-Termination Compensation-Equity Incentive Plans."

(3) These stock options were granted on November 7, 2013 and will vest and become exercisable as to 33 1/3% of the shares of Boyd's common stock underlying the option grant on the first day of each successive 12-month period, with the first installment vesting on November 7, 2014. Notwithstanding the foregoing, these stock options are subject to enhanced vesting and exercise period provisions for certain "long service" employees as discussed above in "-Compensation Discussion and Analysis-Post-Termination Compensation-Equity Incentive Plans."

(4) Pursuant to applicable SEC rules, represents the closing market price of Boyd's common stock on December 31, 2013 ($11.26), multiplied by the aggregate number of Career RSUs, Restricted Stock Units or Performance Shares, as applicable, held by the Named Executive Officer on such date.

(5) Represents unvested Career RSUs granted to the Named Executive Officers for no consideration pursuant to Boyd's Career Shares Program under the Stock Incentive Plan. Each Career RSU represents a contingent right to receive one share of Boyd's common stock. The vested Career RSUs will be paid in shares of Boyd's common stock at the time of retirement based upon the grantee's attained age and years of continuous service at the time of retirement. The only Named Executive Officer whose Career RSUs were fully vested as of December 31, 2013 was Mr. Boughner. The actual market value of Boyd's common stock, if any, ultimately received upon the grantee's termination of service in connection with such Career RSUs can only be determined upon the occurrence of such termination. See "-Compensation Discussion and Analysis-Career Shares Program."

(6) Represents Restricted Stock Units granted under the Stock Incentive Plan on December 7, 2011. Each Restricted Stock Unit represents a contingent right to receive one share of Boyd's common stock. The Restricted Stock Units granted to the Named Executive Officers vest in full upon the third anniversary of the grant date. Notwithstanding the foregoing, these Restricted Stock Units are subject to forfeiture and other terms and conditions contained in the award agreement and the Stock Incentive Plan. See "-Compensation Discussion and Analysis-Equity Incentive Plans."

(7) Represents Performance Shares granted under the Stock Incentive Plan on December 7, 2011. Each Performance Share represents a contingent right to receive up to a maximum of two (2) shares of Boyd's common stock, subject to three year cliff vesting and satisfaction of certain performance metrics. In accordance with Instruction 3 to Item 402(f)(2) of Regulation S-K, the amount reported is the threshold number of shares that may be issued pursuant to the award. Notwithstanding the foregoing, these Performance Shares are subject to forfeiture and other terms and conditions contained in the award agreement and the Stock Incentive Plan. See "-Compensation Discussion and Analysis-Equity Compensation."

(8) Represents Restricted Stock Units granted under the Stock Incentive Plan on November 8, 2012. Each Restricted Stock Unit represents a contingent right to receive one share of Boyd's common stock. The Restricted Stock Units granted to the Named Executive Officers vest in full upon the third anniversary of the grant date. Notwithstanding the foregoing, these Restricted Stock Units are subject to forfeiture and other terms and conditions contained in the award agreement and the Stock Incentive Plan. See "-Compensation Discussion and Analysis-Equity Incentive Plans."

(9) Represents Performance Shares granted under the Stock Incentive Plan on November 8, 2012. Each Performance Share represents a contingent right to receive up to a maximum of two (2) shares of Boyd's common stock, subject to three year cliff vesting and satisfaction of certain performance metrics. In accordance with Instruction 3 to Item 402(f)(2) of Regulation S-K, the amount reported is the threshold number of shares that may be issued pursuant to the award. Notwithstanding the foregoing, these Performance Shares are subject to forfeiture and other terms and conditions contained in the award agreement and the Stock Incentive Plan. See "-Compensation Discussion and Analysis-Equity Compensation."

(10) Represents Restricted Stock Units granted under the Stock Incentive Plan on February 13, 2013. Each Restricted Stock Unit represents a contingent right to receive one share of Boyd's common stock. The Restricted Stock Units granted to the Named Executive Officers vest in full upon the third anniversary of the grant date. Notwithstanding the foregoing, these Restricted Stock Units are subject to forfeiture and other terms and conditions contained in the award agreement and the Stock Incentive Plan. See "-Compensation Discussion and Analysis-Equity Incentive Plans."

(11) Represents Restricted Stock Units granted under the Stock Incentive Plan on November 7, 2013. Each Restricted Stock Unit represents a contingent right to receive one share of Boyd's common stock. The Restricted Stock Units granted to the Named Executive Officers vest in full upon the third anniversary of the grant date. Notwithstanding the foregoing, these Restricted Stock Units are subject to forfeiture and other terms and conditions contained in the award agreement and the Stock Incentive Plan. See "-Compensation Discussion and Analysis-Equity Incentive Plans."

(12) Represents Performance Shares granted under the Stock Incentive Plan on November 7, 2013. Each Performance Share represents a contingent right to receive up to a maximum of two (2) shares of Boyd's common stock, subject to three year cliff vesting and satisfaction of certain performance metrics. In accordance with Instruction 3 to Item 402(f)(2) of Regulation S-K, the amount reported is the threshold number of shares that may be issued pursuant to the award. Notwithstanding the foregoing, these Performance Shares are subject to forfeiture and other terms and conditions contained in the award agreement and the Stock Incentive Plan. See "-Compensation Discussion and Analysis-Equity Compensation."

Option Exercises and Stock Vested Table (2013)

The following table sets forth information regarding the exercise of stock options and the vesting of Restricted Stock Units for each of the Named Executive Officers during the fiscal year ended December 31, 2013.

	OPTION AWARDS		STOCK AWARDS(1)	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(2)
Keith E. Smith	213,916	1,216,901	92,378	873,896(4)
Robert L. Boughner	297,111	1,676,021	89,688	779,846(3)(4)
Paul J. Chakmak	249,752	1,505,104	57,737	556,122(4)
Josh Hirsberg	-	-	12,720	131,270

(1) On November 1, 2013, RSUs granted to the Named Executive Officers, under the Stock Incentive Plan on November 1, 2010, vested in full in accordance with the terms of their award agreement. Each RSU represents a contingent right to receive one share of Boyd's common stock. The value realized is calculated by multiplying the closing market price on November 1, 2013, $10.32, the vesting date, by the total number of shares that vested.

(2) Consistent with applicable SEC rules, represents the number of Career RSUs and/or RSUs that vested during 2013 for the applicable Named Executive Officer, multiplied by the market price of the underlying shares of Boyd's common stock on the vesting date.

(3) Includes Career RSUs that were granted to the Named Executive Officers on January 2, 2013 for no consideration pursuant to Boyd's Career Shares Program under the Stock Incentive Plan. Each Career RSU represents a contingent right to receive one share of Boyd's common stock. The vested Career RSUs will be paid out in shares of Boyd's common stock at the time of retirement based upon the grantee's attained age and years of continuous service at the time of retirement. Since Mr. Boughner was at least 55 years old and had been employed by Boyd for at least 20 years as of the January 2, 2013 grant date, he was immediately 100% vested in the Career RSUs granted. As a result, the value realized becomes the closing market price on January 2, 2013, $6.78, the grant date, multiplied by the number of units. However, consistent with the terms of the Career Shares Program as described above, the Career RSUs of Mr. Boughner will not convert into Boyd's common stock until the termination of his service with Boyd. The value Mr. Boughner receives, if any, upon such conversion can only be determined at the time that his service with Boyd terminates.

(4) On April 16, 2013, RSUs granted to Messrs. Smith, Boughner and Chakmak, under the Stock Incentive Plan, vested in full in accordance with the terms of their award agreement. Each RSU represents a contingent right to receive one share of Boyd's common stock. The value realized is calculated by multiplying the closing market price on April 16, 2013, $8.60, the vesting date, by the total number of shares that vested.

Non-Qualified Deferred Compensation Table (2013)

Boyd's Deferred Compensation Plan provides for the deferral of compensation on a basis that is not tax-qualified. Under Boyd's Deferred Compensation Plan, the Named Executive Officers may defer up to 25% of their base salary and up to 75% of their incentive compensation. Boyd may make discretionary matching or additions to a participant's account; however, during 2013, Boyd did not exercise such discretion. For an explanation on a participant's potential distributions, see "-Compensation Discussion and Analysis-Deferred Compensation Plan." Boyd's Deferred Compensation Plan is a self-directed investment program containing investment features and funds that are substantially similar to the Company's 401(k) program. The following table sets forth amounts deferred under Boyd's Deferred Compensation Plan, including its predecessor plan, for the year ended December 31, 2013:

Name	Executive Contributions in Last FY ($)	Aggregate Earnings (Losses) in Last FY ($)	Aggregate Balance at Last FYE ($)
Keith E. Smith	458(1)	98,943	439,409(2)
Robert L. Boughner	—	56,707	664,445
Paul J. Chakmak	—	44,666	202,616
Josh Hirsberg	—	—	—

(1) This amount is disclosed in the Summary Compensation Table under the heading "Salary" for 2012, which posted into Mr. Smith's account in January 2013.

(2) Includes $12,834 and $55,002 that was previously disclosed in the Summary Compensation Table under the heading "Salary" for 2012 and 2011, respectively.

Potential Payments upon Termination or Change in Control (2013)

Under the terms of the 2000 MIP, CIC Plan and Boyd's equity incentive plans, including the individual award agreements under Boyd's equity incentive plans, payments may be made to the Named Executive Officers upon their termination of employment or a change in control of Boyd. See "-Compensation Discussion and Analysis-Post-Termination Compensation" for an explanation of the specific circumstances that would trigger payments under each plan. The description of the plans is qualified by reference to the complete text of the plans, which have been filed with the SEC. Boyd has not entered into any severance agreements with the Named Executive Officers.

The following table sets forth the estimated payments that would be made to each of the Named Executive Officers upon voluntary termination, involuntary termination-not for cause, -for cause, and-as a qualifying termination in connection with a change in control, and death or permanent disability. The payments would be made pursuant to the plans identified in the preceding paragraph. The information set forth in the table assumes:

- The termination event occurred on December 31, 2013 (the last business day of Boyd's last completed fiscal year);
- The price per share of Boyd's common stock on the date of termination is $11.26 per share (the closing market price of Boyd's common stock on December 31, 2013 the last trading day in 2013);
- For purposes of the short-term/annual awards under the 2000 MIP, (i) the Named Executive Officers have earned their target awards and the plan administrator does not elect to eliminate or reduce the awards pursuant to authority to do so granted under the plan, and (ii) except as otherwise stated herein each Named Executive Officer has earned and is paid their target bonus, as applicable, under the 2000 MIP;
- All payments are made in a lump sum on the date of termination;
- The vesting of all unvested stock options, Restricted Stock Units, Performance Shares and Career RSUs held by the executives is immediately accelerated in full upon a change of control pursuant to discretionary authority of the plan administrator granted pursuant to the particular plan (if not otherwise accelerated pursuant to the terms of the applicable award agreements, terms of the CIC Plan or pursuant to "long service" benefits);
- The portion of in-the-money stock options and other equity awards that are subject to accelerated vesting in connection with the termination are immediately exercised and the shares received upon exercise (or upon settlement in the case of

Restricted Stock Units, Performance Shares and Career RSUs) are immediately resold at the assumed price per share of Boyd's common stock on the date of termination; and

- Any vested Career RSUs held by the executives are immediately resold at the assumed price per share of Boyd's common stock on the date of termination.

The actual amounts to be paid out can only be determined at the time of such executive's separation from Boyd and may differ materially from the amounts set forth in the table below. The amounts set forth in the table below do not reflect the withholding of applicable state and federal taxes.

Name	Voluntary Termination ($)	Involuntary Termination Not For Cause ($)	Involuntary Termination For Cause ($)	Involuntary Termination Change in Control ($)	Death or Permanent Disability ($)
Keith E. Smith					
CIC Plan	—	—	—	14,428,239	—
Short-term/Annual Bonus (2000 MIP)	—	—	—	1,210,000(2)	1,210,000
Unvested and Accelerated Awards Under Equity Incentive Plans	—	—	—	9,715,838	1,343,239
Total	—	—	—	25,354,077	2,553,239
Robert L. Boughner					
CIC Plan	—	—	—	7,542,022	—
Short-term/Annual Bonus (2000 MIP)	935,000	935,000	935,000	935,000(1)	935,000
Unvested and Accelerated Awards Under Equity Incentive Plans	5,269,894	5,269,894	1,365,095	5,377,038	5,269,894
Total	6,204,894	6,204,894	2,300,095	13,854,060	6,204,894
Paul J. Chakmak					
CIC Plan	—	—	—	6,295,414	—
Short-term/Annual Bonus (2000 MIP)	—	—	—	637,500(2)	637,500
Unvested and Accelerated Awards Under Equity Incentive Plans	—	—	—	4,385,814	—
Total	—	—	—	11,318,728	637,500
Josh Hirsberg					
CIC Plan	—	—	—	3,204,728	—
Short-term/Annual Bonus (2000 MIP)	—	—	—	291,000(2)	291,000
Unvested and Accelerated Awards Under Equity Incentive Plans	—	—	—	1,672,967	—
Total	—	—	—	5,168,695	291,000

(1) Represents the amount payable under the 2000 MIP in the event of a change of control followed by the executive's termination with or without cause.

(2) Represents the amount payable under the 2000 MIP in the event of a change of control followed by the executive's termination without cause. In the event of the executive's termination with cause following a change of control, the amount payable would be $0.

Director Compensation

Boyd provides compensation to its non-employee directors for services provided in such capacity. As discussed above, the MDFC board of directors consists of three directors, all of whom also serve on the board of directors of Boyd. One of our directors, Mr. Smith, is also an executive officer of MDFC and Boyd and does not receive any compensation for serving on the MDFC board of directors or the board of directors of Boyd. The other two members of the MDFC board of directors, Mr. Boyd and Ms. Boyd Johnson, are also executive officers and directors of Boyd. Neither Mr. Boyd nor Ms. Boyd Johnson receives any compensation for serving as a member of the MDFC board of directors or the board of directors of Boyd.

Compensation Committee Interlocks and Insider Participation
During 2013, members of Boyd's Compensation Committee included three directors, none of whom serve as directors or executive officers of MDFC. None of MDFC's executive officers serves as a director or member of the compensation committee (or other board committee performing equivalent functions) of another entity that has one or more executive officers serving as a director of MDFC or on Boyd's Compensation Committee.

Risk Consideration in Boyd's Compensation Programs
Boyd's Compensation Committee, together with Boyd management, periodically reviews the compensation policies and practices for employees across Boyd, including the Named Executive Officers and members of Boyd's Management Committee, and considers how they relate to material risks facing Boyd. In this review, the Compensation Committee and Boyd's management, together with input and recommendations from Boyd's compensation consultants, consider the different types of incentive compensation arrangements used across Boyd in light of such risks. Boyd also considers whether the design of these arrangements, together with other policies and practices of Boyd, operate to mitigate the potential for excessive risk-taking.

Based upon this review, Boyd's management concluded, and Boyd's Compensation Committee concurred, that based on a combination of factors, Boyd's compensation policies and practices do not incentivize excessive risk-taking that could have a material adverse effect on Boyd. The following are among the factors considered in reaching this conclusion:

- Boyd's compensation plans and programs generally provide potential rewards based on a balanced combination of both the short-term and long-term goals of Boyd, thereby mitigating the potential for rewarding short-term results that appear in isolation to be favorable;

- none of Boyd's units carry a disproportionate portion of Boyd's risk profile or vary significantly from Boyd's overall risk and reward structure;

- the manner in which Boyd structures its compensation, including its belief that the mix of compensation that Boyd provides helps Boyd to mitigate risk by providing compensation that depends in part on the long-term success of Boyd;

- Boyd has Stock Ownership Guidelines for its directors and senior officers, which Boyd believes focuses its leadership on long-term stock price appreciation and sustainability; and

- all of the equity awards granted to employees under Boyd's equity-based plans are subject to multi-year time vesting, which requires an employee to commit to a longer period of employment for such awards to be valuable, and certain of Boyd's equity awards are contingent upon Boyd's performance measured over multiple years.

Board of Directors Report
MDFC's board of directors has reviewed and discussed with management the Compensation Discussion and Analysis. Based on such review and discussions, the board of directors has recommended the inclusion of the Compensation Discussion and Analysis in this Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

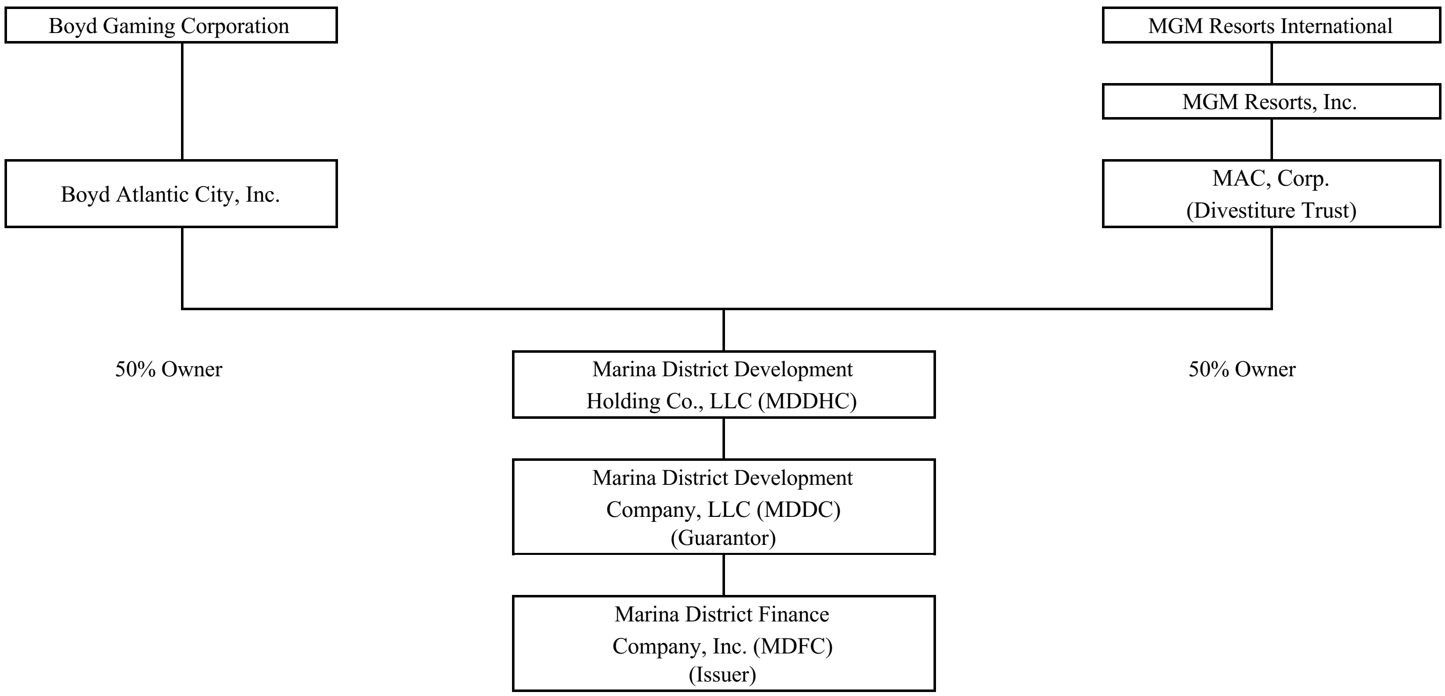
William S. Boyd
Marianne Boyd Johnson
Keith E. Smith

Notwithstanding anything to the contrary set forth in any of our filings under the Securities Act of 1933 or the Exchange Act that might incorporate future filings, including this Annual Report on Form 10-K, in whole or in part, the foregoing board of directors report shall not be deemed to be incorporated by reference into any such filings, except to the extent that MDFC specifically incorporates such report by reference, and such incorporated report shall not otherwise be deemed filed.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
As reflected in the organizational chart below, MDFC is a wholly-owned subsidiary of MDDC. As a wholly-owned subsidiary, our only outstanding securities are those owned by MDDC. MDDC is the developer, owner and operator of Borgata, including The Water Club. MDDC is owned by a holding company, MDDHC, which is one-half owned by BAC, a first tier subsidiary of Boyd, and one-half owned by the Divestiture Trust, of which MGM is the primary beneficiary. The Operating Agreement between

BAC and MAC designates BAC as the managing member. As managing member of MDDHC, BAC, through MDDHC, has responsibility for the oversight and management of our day-to-day operations.

Boyd, the parent company of BAC, is a diversified operator of 21 wholly owned gaming entertainment properties. Headquartered in Las Vegas, Boyd has gaming operations in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana and Mississippi.



ITEM 13. Certain Relationships and Related Transactions, and Director Independence

Compensation

As discussed above, each of the directors and executive officers of MDFC is currently employed by Boyd and does not receive any additional compensation for their service to MDFC.

MDDC reimburses Boyd for a portion of the compensation of Robert L. Boughner. Mr. Boughner is MDFC's Executive Vice President and Chief Operating Officer and was MDDC's President and Chief Operating Officer from January 2009 through November 2012. Mr. Boughner also serves as a member of Boyd's board of directors and is Boyd's Executive Vice President and Chief Business Development Officer. In the years ended December, 31, 2013 and 2012, MDDC reimbursed Boyd for Mr. Boughner's compensation in an aggregate amount of approximately $0.3 million and $1.4 million, respectively.

We reimburse BAC for compensation paid to employees performing services for us and for out-of-pocket costs and expenses incurred related to travel. BAC is also reimbursed for various payments made on our behalf, primarily related to third party insurance premiums and certain financing fees. The related amounts due to BAC for these types of expenditures paid by BAC were $0.4 million at December 31, 2013. Reimbursable expenditures were $7.7 million at December 31, 2013. Reimbursable expenses are included in selling, general and administrative on the consolidated statements of operations.

Policies and Procedures Regarding Transactions with Related Persons

We do not have a formal policy regarding the review and approval of related party transactions separate from the policies and procedures employed by Boyd, which apply to MDFC's executive officers and directors, as executive officers of Boyd. Boyd analyzes all transactions in which Boyd or its subsidiaries participates and in which a related person may have a direct or indirect material interest. Related persons include any directors or executive officers of Boyd or its subsidiaries, certain of Boyd's stockholders and their respective immediate family members. As it relates to employees, officers and directors, pursuant to Boyd's Code of Business Conduct and Ethics, which is available on Boyd's website at *www*.boydgaming.*com*, a conflict of interest arises when personal interests interfere with the ability to act in the best interests of Boyd or its subsidiaries. Boyd's employees are to disclose any potential conflicts of interest to Boyd's Chief Executive Officer or his designees, who will advise the employee as to whether or not Boyd believes a conflict of interest exists. Employees are also to disclose potential conflicts of interest involving their respective spouses, siblings, parents, in-laws, children, and members of their households. Non-employee directors are also to discuss any concerns with the Chairman of Boyd's Corporate Governance and Nominating Committee or the General Counsel.

Directors and executive officers of MDFC are required to complete a questionnaire that is intended to, among other things, identify any transactions or potential transactions with MDFC or Boyd (or its subsidiaries) in which a director or an executive officer or one of their family members or associated entities has an interest, and which exceeds $120,000. Directors and executive officers are required to promptly notify Boyd of any changes during the course of the year to the information provided in the annual questionnaire.

Boyd's Audit Committee has responsibility for reviewing and approving certain related person transactions, as provided in its committee charter.

We believe that the policies and procedures discussed above collectively ensure that all related person transactions requiring disclosure under SEC rules are appropriately reviewed and approved or ratified.

Director Independence

For a discussion of MDFC director independence, see “Item 10. Directors, Executive Officers and Corporate Governance - Director Independence and Committees,” set forth above, which discussion is incorporated herein by reference.

ITEM 14. Principal Accounting Fees and Services

Deloitte & Touche LLP (“Deloitte”) has served as the independent registered public accounting firm for the Company since 2003, and is appointed by the audit committee of Boyd Gaming Corporation (the "Audit Committee"). The Audit Committee considered whether Deloitte's provision of any professional services, other than its audits of our annual financial statements and the effectiveness of our internal controls over financial reporting, reviews of quarterly financial statements and other audit-related services, is compatible with maintaining the auditor's independence.

Audit and Non-Audit Fees

The following table sets forth the aggregate fees billed by Deloitte for the audits and other services provided to the Company for fiscal years 2013 and 2012.

	Fiscal Year Ended December 31,	
	2013	**2012**
Audit Fees(1)	$ 310,000	$ 275,000
Audit-Related Fees(2)	13,000	—
Tax Fees(3)	34,000	59,000
Total	$ 357,000	$ 334,000

(1) Audit fees represent fees for professional services provided in connection with the audit of our consolidated financial statements, the review of our quarterly financial statements and the audit of the effectiveness of our internal controls over financial reporting.

(2) Audit-related fees consist primarily of services provided in connection with our regulatory audits, consulting on technical accounting matters, review of valuation services and certain other audit-related consultation services.

(3) Tax fees consist primarily of tax consultation and planning fees and tax compliance services, including services provided in connection with certain federal and state tax matters, cost segregation services, transaction support and Internal Revenue Service examination support services.

Audit Committee Pre-Approval of Audit and Non-Audit Services

Boyd's Audit Committee pre-approves all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Boyd's Audit Committee has adopted a policy for the pre-approval of services provided by our independent registered public accounting firm. Under the policy, pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is subject to a specific budget. In addition, the Audit Committee may also pre-approve particular services on a case-by-case basis. Boyd's Audit Committee has delegated its pre-approval authority to the Chairman of the Audit Committee. The Chairman is required to report any decisions to the Audit Committee at the next scheduled committee meeting. All services provided by Deloitte in fiscal years 2013 and 2012 were in compliance with Boyd's policy relating to the pre-approval of services.

PART IV.

ITEM 15. Exhibits, Financial Statement Schedules

1. Financial Statements.

The following consolidated financial statements for the three years in the period ended December 31, 2013 are filed as part of this Report:

Unless otherwise indicated, all historical financial information in this Annual Report on Form 10-K 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"). Unless otherwise indicated or required by the context, the terms "we," "our," "us" and the "Company" refer to MDDC and MDFC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Managers and Member of
Marina District Development Company, LLC and Subsidiary:

We have audited the accompanying consolidated balance sheets of 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” or "Subsidiary") as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in members equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Marina District Development Company, LLC and Subsidiary as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control - Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 28, 2014, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada
March 28, 2014

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

	December 31,	
(In thousands)	**2013**	**2012**
ASSETS		
Current assets		
Cash and cash equivalents	$ 37,527	$ 34,125
Accounts receivable, net	33,328	37,199
Inventories	4,184	3,864
Prepaid expenses and other current assets	7,613	6,742
Income taxes receivable, net	1,037	—
Deferred income taxes	2,488	2,196
Total current assets	86,177	84,126
Property and equipment, net	1,212,934	1,250,783
Debt financing costs, net	11,347	4,298
Other assets, net	10,361	39,362
Total assets	$ 1,320,819	$ 1,378,569
LIABILITIES AND MEMBER EQUITY		
Current liabilities		
Current maturities of long-term debt	$ 3,800	$ —
Accounts payable	5,924	3,642
Accrued liabilities	98,095	96,683
Income taxes payable, net	—	656
Total current liabilities	107,819	100,981
Long-term debt, net of current maturities	797,460	793,324
Deferred income taxes	7,049	12,280
Other long-term tax liabilities	12,470	11,452
Other liabilities	7,853	15,787
Commitments and contingencies (Note 6)		
Member equity	388,168	444,745
Total liabilities and member equity	$ 1,320,819	$ 1,378,569

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

MARINA DISTRICT DEVELOPMENT COMPANY, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
for the years ended December 31, 2013, 2012 and 2011

	Year Ended December 31,		
(In thousands)	2013	2012	2011
REVENUES			
Operating revenues:			
Gaming	$ 615,734	$ 609,128	$ 648,442
Food and beverage	140,292	140,391	148,083
Room	115,113	114,505	116,537
Other	42,377	39,515	41,458
Gross revenues	913,516	903,539	954,520
Less promotional allowances	217,816	217,317	224,246
Net revenues	695,700	686,222	730,274
COSTS AND EXPENSES			
Operating costs and expenses:			
Gaming	249,357	254,935	263,871
Food and beverage	71,048	71,584	71,358
Room	12,934	13,492	14,535
Other	34,642	31,712	33,277
Selling, general and administrative	148,780	139,101	126,941
Maintenance and utilities	59,514	59,633	61,834
Depreciation and amortization	60,908	63,956	61,745
Impairments of assets	5,032	2,811	1,051
Other operating items, net	3,318	(7,700)	524
Preopening expenses	4,056	240	229
Total operating costs and expenses	649,589	629,764	635,365
Operating income	46,111	56,458	94,909
Other expense			
Interest expense, net	81,335	82,902	84,772
Loss (gain) on early extinguishments of debt	25,856	—	(6)
Total other expense	107,191	82,902	84,766
Income (loss) before state income taxes	(61,080)	(26,444)	10,143
State income tax benefit (provision)	4,503	1,253	(1,738)
Net income (loss)	$ (56,577)	$ (25,191)	$ 8,405

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

MARINA DISTRICT DEVELOPMENT COMPANY, LLC
CONSOLIDATED STATEMENT OF CHANGES IN MEMBER EQUITY
for the years ended December 31, 2013, 2012 and 2011

(In thousands)	Capital Contributions	Retained Earnings/ (Accumulated Deficit)	Total Member Equity
Balances, January 1, 2011	$ 446,700	$ 14,831	$ 461,531
Net income	—	8,405	8,405
Balances, December 31, 2011	446,700	23,236	469,936
Net loss	—	(25,191)	(25,191)
Balances, December 31, 2012	446,700	(1,955)	444,745
Net loss	—	(56,577)	(56,577)
Balances, December 31, 2013	$ 446,700	$ (58,532)	$ 388,168

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

MARINA DISTRICT DEVELOPMENT COMPANY, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended December 31, 2013, 2012 and 2011

	Year Ended December 31,		
(In thousands)	2013	2012	2011
Cash Flows from Operating Activities			
Net income (loss)	$ (56,577)	$ (25,191)	$ 8,405
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	60,908	63,956	61,745
Gain from insurance recoveries	—	(7,694)	(356)
Amortization of debt financing costs	1,472	1,349	1,462
Amortization of discounts on senior secured notes	3,782	3,716	3,390
Deferred income taxes	(5,523)	(1,636)	(981)
Provision for doubtful accounts	2,824	1,954	3,304
Noncash asset write-downs	5,212	2,805	1,930
Loss (gain) on early extinguishments of debt	25,857	—	(6)
Write-down of debt financing costs	—	146	1,029
Other operating activities	4	30	1,290
Changes in operating assets and liabilities:			
Accounts receivable, net	749	(1,391)	(7,092)
Inventories	(320)	439	84
Prepaid expenses and other current assets	(871)	(57)	3,860
Income taxes receivable/payable	(1,693)	57	(5,905)
Other long-term tax assets	—	521	254
Other assets, net	16,560	(1,437)	(5,362)
Accounts payable and accrued liabilities	3,694	(390)	(1,817)
Other long-term tax liabilities	1,018	(195)	855
Other liabilities	(1,113)	(440)	357
Net cash provided by operating activities	55,983	36,542	66,446
Cash Flows from Investing Activities			
Capital expenditures	(22,357)	(34,742)	(32,626)
Insurance proceeds for replacement assets	—	3,944	356
Other investing activities, net	—	2,800	—
Net cash used in investing activities	(22,357)	(27,998)	(32,270)
Cash Flows from Financing Activities			
Borrowings under bank credit facility	444,500	632,700	741,300
Payments under bank credit facility	(424,600)	(652,900)	(762,000)
Net proceeds from issuance of term loan	376,200	—	—
Payments to repurchase senior secured notes	(416,209)	—	(8,198)
Debt financing costs	(10,115)	(443)	(1,153)
Net cash used in financing activities	(30,224)	(20,643)	(30,051)
Increase (decrease) in cash and cash equivalents	3,402	(12,099)	4,125
Cash and cash equivalents, beginning of period	34,125	46,224	42,099
Cash and cash equivalents, end of period	$ 37,527	$ 34,125	$ 46,224
Supplemental Disclosure of Cash Flow Information			
Cash paid for interest, net of amounts capitalized	$ 82,914	$ 77,693	$ 87,872
Cash paid for income taxes, net	1,695	—	7,514
Supplemental Disclosure of Non-Cash Investing Activities			
Payables for capital expenditures	$ —	$ —	$ 187

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

MDDC was incorporated in July 1998 and has been operating since July 2003. MDFC was incorporated in 2000 and has been a wholly-owned subsidiary of MDDC since its inception. We developed, own and operate Borgata Hotel Casino and Spa, including The Water Club at Borgata (collectively, "Borgata"). Borgata is located on a 45.6-acre site at Renaissance Pointe in Atlantic City, New Jersey. Borgata is an upscale destination resort and gaming entertainment property.

Borgata was developed as a joint venture between Boyd Atlantic City, Inc. ("BAC"), a wholly owned subsidiary of Boyd Gaming Corporation ("Boyd"), and MAC, Corp. ("MAC"), a second tier, wholly owned subsidiary of MGM Resorts International (the successor-in-interest to MGM MIRAGE) ("MGM"). The joint venture operates pursuant to an operating agreement between BAC and MAC (the "Operating Agreement"), in which each originally held a 50% interest in Marina District Development Holding Company, LLC, MDDC's parent holding company ("MDDHC").

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

On March 24, 2010, MAC transferred its 50% ownership interest (the "MGM Interest") in MDDHC, and certain land leased to MDDC, into a divestiture trust, of which MGM and its subsidiaries are the economic beneficiaries (the "Divestiture Trust"), for sale to a third-party in connection with MGM's settlement agreement with the Division of Gaming Enforcement of the State of New Jersey (the "NJDGE"). MGM has subsequently announced that it had entered into an amended settlement agreement with the NJDGE, as approved by the New Jersey Casino Control Commission ("NJCCC"). The amended agreement provided that until March 24, 2013, MGM had the right to direct the Divestiture Trust to sell the MGM Interest. If a sale was not concluded by that time, the Divestiture Trust was to be responsible for selling the MGM Interest during the following 12-month period, or not later than March 24, 2014. Subsequent to a Joint Petition of MGM, Boyd and MDDC, the NJCCC, on February 13, 2013, approved amendments to the Stipulation of Settlement and Trust Agreement which permits MGM to file an application for a statement of compliance, which, if approved, could permit MGM to reacquire its interest in MDDC. The deadline requiring MGM and the Divestiture Trust to sell the MGM Interest has been tolled to allow the NJCCC to complete a review of the application. BAC has a right of first refusal on any sale of the MGM Interest. We continue to operate under normal business conditions throughout MGM's sales efforts, and do not believe that it has had or will have a material impact on our operations.

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

Principles of Consolidation

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

All material intercompany accounts and transactions have been eliminated in consolidation.

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

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

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

	Year Ended December 31,		
(In thousands)	**2013**	**2012**	**2011**
Beginning balance, January 1	$ 22,356	$ 23,555	$ 23,313
Additions	2,824	1,954	3,304
Deductions	(4,184)	(3,153)	(3,062)
Ending balance, December 31	$ 20,996	$ 22,356	$ 23,555

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

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

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

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

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

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

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

Capitalized Interest
Interest costs, primarily associated with our expansion projects, are capitalized as part of the cost of our constructed assets. Interest costs, which include commitment fees, letter of credit fees and the amortized portion of deferred financing fees, discounts and origination fees, are capitalized on amounts expended for the respective projects using our weighted-average cost of borrowing. Capitalization of interest will cease when the respective project, or discernible portions of the projects, are substantially complete. We amortize capitalized interest over the estimated useful life of the related asset. No interest was capitalized during the year ended December 31, 2013. Capitalized interest for the years ended December 31, 2012 and 2011 was $0.5 million and $0.4 million respectively.

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

Gaming Taxes
In New Jersey we are subject to an annual tax assessment based on gross gaming revenues of 8% on our land-based gross gaming revenues, and 15% on our online gross gaming revenues. These gaming taxes are recorded as a gaming expense in the consolidated statements of operations. These taxes were $45.4 million, $44.3 million and $47.3 million during the years ended December 31, 2013, 2012 and 2011, respectively.

CRDA Investments
Pursuant to the New Jersey Casino Control Act ("Casino Control Act"), as a casino licensee, we are assessed an amount equal to 1.25% of our land-based gross gaming revenues in order to fund qualified investments. This assessment is made in lieu of an investment alternative tax equal to 2.5% of land-based gross gaming revenues. The Casino Control Act also provides for an assessment of licensees equal to 2.5% of online gross gaming revenues, which is made in lieu of an investment alternative tax equal to 5.0% of online gross gaming revenues. Once our funds are deposited with the New Jersey Casino Reinvestment Development Authority ("CRDA"), qualified investments may be satisfied by: (i) the purchase of bonds issued by the CRDA at below market rates of interest; (ii) direct investment in CRDA-approved projects; or (iii) a donation of funds to projects as determined by the CRDA. According to the Casino Control Act, funds on deposit with the CRDA are invested by the CRDA and the resulting income is shared two-thirds to the casino licensee and one-third to the CRDA. Further, the Casino Control Act requires that CRDA bonds be issued at statutory rates established at two-thirds of market value.

We are required to make quarterly deposits with the CRDA to satisfy our investment obligations. At the date the obligation arises, we record charges to expense (i) pursuant to the respective underlying agreements for obligations with identified qualified investments and (ii) by applying a one-third valuation reserve to our obligations that are available to fund qualified investment to reflect the anticipated below market return on investment. The one-third valuation reserve is adjusted accordingly when a qualified investment is identified. Our deposits with the CRDA, net of valuation reserves held by us, were $4.6 million and $28.5 million as of December 31, 2013 and 2012, respectively, and are included in other assets, net, on our consolidated balance sheets.

On May 8, 2013, we entered into an agreement with the CRDA that included a 50% donation and a 50% refund of $45.1 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 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. We used these funds to redeem a portion of our 9.5% Senior Secured Notes (the "2015 Notes").

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

Long-Term Debt, Net of Current Maturities

Long-term debt, net of current maturities is reported at amortized cost. The discount granted to the initial purchasers upon issuance is recorded as an adjustment to the face amount of the debt. The discount is accreted to interest expense using the effective interest method over the term of the underlying debt.

Self-Insurance Reserves

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

	Year Ended December 31,		
(In thousands)	2013	2012	2011
Beginning balance, January 1	$ 9,083	$ 8,095	$ 6,807
Charged to costs and expenses	19,780	18,455	18,611
Payments made	(17,297)	(17,467)	(17,323)
Ending balance, December 31	$ 11,566	$ 9,083	$ 8,095

Income Taxes

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

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

	December 31,	
(In thousands)	2013	2012
Amounts payable to members of MDDHC	$ —	$ 1,695
Amounts receivable from State	(1,037)	(1,039)
Income taxes payable (receivable), net	$ (1,037)	$ 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:

	Year Ended December 31,		
(In thousands)	**2013**	**2012**	**2011**
Rooms	$ 71,632	$ 71,979	$ 70,869
Food and beverage	51,542	52,859	56,581
Other	94,642	92,479	96,796
Total promotional allowances	$ 217,816	$ 217,317	$ 224,246

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

	Year Ended December 31,		
(In thousands)	**2013**	**2012**	**2011**
Rooms	$ 21,440	$ 23,066	$ 22,647
Food and beverage	39,774	42,067	42,471
Other	10,972	11,584	11,908
Total cost of promotional allowances	$ 72,186	$ 76,717	$ 77,026

Advertising Expense

Direct advertising costs are expensed the first time such advertising appears. Advertising costs are included in selling, general and administrative expenses on the consolidated statements of operations and totaled $14.1 million, $15.1 million and $14.1 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Other Operating Items, net

Other operating items, net, for the year ended December 31, 2013, totaled $3.3 million, including $2.1 million for self-insurance reserve adjustments related to prior periods. Other operating items, net, for the year ended December 31, 2012, reflected a net gain of $7.7 million, which was comprised of a gain of $3.8 million related to the subrogated insurance settlement related to the fire that occurred during the construction of The Water Club in 2007, and a gain of $3.8 million from business interruption proceeds due to the mandated closure of the property in August 2011 related to Hurricane Irene. For the year ended December 31, 2011, other operating items, net, were $0.5 million, which included a loss on asset disposals of $0.9 million.

Preopening Expenses

Certain costs of start-up activities were expensed as incurred. During the years ended December 31, 2013, 2012 and 2011, we expensed $4.1 million, $0.2 million and $0.2 million, respectively. The preopening expenses incurred during 2013 were related primarily to our internet gaming initiative.

Concentrations of Credit Risk

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

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

Certain Risks and Uncertainties

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates incorporated into our consolidated financial statements include the estimated allowance for doubtful accounts receivable, the estimated useful lives for depreciable and amortizable assets, value of certain funds deposited with the CRDA, estimated cash flows in assessing the recoverability of long-lived assets, certain tax liabilities, self-insured liability reserves, various loyalty point programs, fair values of assets and liabilities measured at fair value, fair values of assets and liabilities disclosed at fair value, contingencies and litigation, claims and assessments. Actual results could differ from these estimates.

Reclassifications

Certain prior period amounts presented on our consolidated statements of operations have been reclassified to conform to the current year presentation. These reclassifications relate to impairments of assets and a loss on early extinguishments of debt that were previously accumulated in other operating charges and were disaggregated in our consolidated statements of operations for the years ended December 31, 2012 and 2011. These reclassifications had no effect on our retained earnings or net income (loss) as previously reported.

NOTE 2. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

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

Depreciation expense was $60.0 million, $63.4 million and $61.7 million during the years ended December 31, 2013, 2012 and 2011, respectively. Construction in progress presented in the table above primarily relates to costs capitalized in conjunction with major improvements that have not yet been placed into service, and accordingly, such costs are not currently being depreciated.

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

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

NOTE 3. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

(In thousands)	December 31, 2013	December 31, 2012
Accrued expenses and other liabilities	$ 36,485	$ 32,343
Payroll and related expenses	20,736	16,972
Gaming liabilities	25,034	24,694
Accrued interest	15,840	22,674
Total accrued liabilities	$ 98,095	$ 96,683

NOTE 4. LONG-TERM DEBT

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

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

	December 31, 2012			
(In thousands)	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
Prior 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
Less current maturities	—	—	—	—
Long-term debt, net	$ 811,500	$ (4,628)	$ (13,548)	$ 793,324

Bank Credit Facility

Significant Terms

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

The New Credit Facility provides for a $60 million senior secured revolving credit facility including a $15.0 million swing loan sublimit (the "Revolving Credit Facility") which matures in February 2018 (or earlier upon the occurrence or non-occurrence of certain events). A portion of the availability under the New Credit Facility was used to repay obligations outstanding under the Prior Credit Facility.

The New Credit Facility includes an accordion feature which permits: (a) an increase in the Revolving Credit Facility in an amount not to exceed $15 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.

Amounts Outstanding

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

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

After consideration of $3.2 million allocated to support a letter of credit, approximately $16.9 million of availability remained under the New Credit Facility at December 31, 2013.

Interest and Fees

Outstanding borrowings under the New Credit Facility including those borrowings under the swing loan accrue interest, at the option of MDFC, at a rate based upon either: (i) the highest of (a) the agent bank's quoted prime rate, (b) the one-month Eurodollar rate plus 1.00%, and (c) the daily federal funds rate plus 0.50%, or (ii) the Eurodollar rate, plus with respect to each of clause (i) and (ii), an applicable margin as specified in the New Credit Facility. In addition, a commitment fee is incurred on the unused portion of the Revolving Credit Facility ranging from 0.50% per annum to 0.75% per annum.

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

Guarantees and Collateral

The New Credit Facility is guaranteed on a senior secured basis by MDDC and any future subsidiaries of MDDC and is secured by a first priority lien on substantially all of the assets of MDFC, MDDC and any future subsidiaries of MDDC, subject to certain exceptions. The obligations under the New Credit Facility will have priority in payment to the payment of the 2015 Notes and the 2018 Notes. Neither BAC, its parent, its affiliates, nor the Divestiture Trust are guarantors of the credit facility.

Financial and Other Covenants

The New Credit Facility contains customary affirmative and negative covenants, including but not limited to, (i) establishing a minimum Consolidated EBITDA (as defined in the New Credit Facility) of $110 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.

Debt Financing Costs

In conjunction with the bank credit facility and the amendment thereto, during the years ended December 31, 2013, 2012 and 2011, we incurred incremental debt financing costs of $10.1 million, $0.4 million and $1.2 million, respectively, related to the bank credit facility in incremental debt financing costs, which have been deferred and are being amortized over the remaining term of the bank credit facility.

During the year ended December 31, 2013, we recognized a $0.5 million loss on early extinguishments of debt to write-off the remaining, unamortized deferred finance charges related to the Prior Credit Facility.

During the year ended December 31, 2012, we accelerated the amortization of approximately $0.1 million of the outstanding deferred loan fees, which adjusted the fees by an amount representing the pro rata reduction in borrowing capacity under our Prior Credit Facility. During the year ended December 31, 2011, we accelerated the amortization of approximately $1.0 million of the outstanding deferred loan fees, which adjusted the fees by an amount representing the pro rata reduction in borrowing capacity under our Prior Credit Facility.

Senior Secured Notes
9.5% Senior Secured Notes Due 2015
Repurchase of Senior Secured Notes
During August 2013, MDFC repurchased and retired $39.8 million, principal amount, in total, of our 2015 Notes at a premium of 103.00% and recognized a loss on early extinguishments of debt of approximately $2.0 million.

On November 15, 2013, MDFC issued a notice that we would redeem all of the outstanding 2015 Notes at a redemption price of 104.750% plus accrued and unpaid interest to the redemption date. The redemption was completed on December 16, 2013, and resulted in a loss on early extinguishment of debt of approximately $23.3 million.

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

9.875% Senior Secured Notes Due 2018
Significant Terms
In August 2010, MDFC issued, through a private placement, $400 million principal amount of 2018 Notes, at an issue price of 99.315%, resulting in an original issue discount of $2.7 million. The 2018 Notes require semi-annual interest payments on February 15 and August 15, which commenced on February 15, 2011. The 2018 Notes are guaranteed on a senior secured basis by MDDC and any future restricted subsidiaries of MDDC. The 2018 Notes contain covenants that, among other things, limit MDFC's ability and the ability of MDDC to (i) incur additional indebtedness or liens; (ii) pay dividends or make distributions; (iii) make certain investments; (iv) sell or merge with other companies; and (v) enter into certain types of transactions.

At any time prior to August 15, 2014, the 2018 Notes may be redeemed at 100% of the principal amount thereof, plus a “make-whole premium” and accrued and unpaid interest. In addition, MDFC shall have the option to redeem the 2018 Notes, in whole or in part, at redemption prices (expressed as percentages of the principal amount) ranging from 104.938% beginning on August 15, 2014, to 102.469% beginning on August 15, 2015, to 100% beginning on August 15, 2016 and thereafter, plus accrued and unpaid interest, to the applicable redemption date.

Original Issue Discount
The original issue discount has been recorded as an offset to the principal amount of these notes and is being accreted to interest expense over the term of the notes using the effective interest method. At December 31, 2013, the effective interest rate on the 2018 Notes was 10.3%.

Incremental Term Loan
On December 16, 2013, MDFC entered into a Lender Joint Agreement (the "Incremental Term Loan"), among MDDC, Wells Fargo Bank, National Association, as administrative agent, and Deutsche Bank AG New York Branch, as incremental term lender. The Incremental Term Loan increases the term commitments under the New Credit Facility by an aggregate amount of $380.0 million. The Incremental Term Loan was fully funded on December 16, 2013, and proceeds were used to repay MDFC’s outstanding 2015 Notes.

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

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

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

Original Issue Discount
The original issue discount has been recorded as an offset to the principal amount of the Incremental Term Loan and is being accreted to interest expense over the term of the loan using the effective interest method. At December 31, 2013, the effective interest rate on the Incremental Term Loan was 6.8%.

Indenture
The indenture governing the 2018 Notes allows for the incurrence of additional indebtedness, if after giving effect to such incurrence, our coverage ratio (as defined in the indenture, essentially a ratio of Consolidated EBITDA to fixed charges, including interest) for a trailing four quarter period on a pro forma basis would be at least 2.0 to 1.0. Such pro forma coverage ratio was above 2.0 to 1.0 at the date~~s~~ the 2018 Notes were issued; however, at December 31, 2013, our coverage ratio (as defined in the indenture) was below 2.0 to 1.0. Accordingly, the indenture prohibits us from incurring new indebtedness; however, we may still borrow under the $60 million Revolving Credit Facility. At December 31, 2013, the contractual availability under the Revolving Credit Facility was approximately $16.9 million.

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

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

For the Year Ending December 31,	***(In thousands)***
2014	$ 3,800
2015	3,800
2016	3,800
2017	3,800
2018	798,200
Thereafter	—
	$ 813,400

NOTE 5. INCOME TAXES
Provision for (Benefit from) State Income Taxes
A summary of the provision for (benefit from) state income taxes is as follows:

	December 31,		
(In thousands)	**2013**	**2012**	**2011**
State			
Current	$ 2	$ 57	$ 1,610
Deferred	(4,505)	(1,310)	128
Provision for (benefit from) state income taxes	$ (4,503)	$ (1,253)	$ 1,738

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

	December 31,		
	2013	**2012**	**2011**
Tax provision at state statutory rate	9.0 %	9.0 %	9.0%
Accrued interest on uncertain tax benefits	(1.5)	(2.1)	7.7
New jobs investment tax credit	—	(1.9)	—
Other, net	(0.1)	(0.3)	0.5
Total state income tax provision	7.4 %	4.7 %	17.2%

Deferred Tax Assets and Liabilities

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

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

	December 31,	
(In thousands)	2013	2012
Deferred state tax assets		
Net operating loss carryforward	$ 9,257	$ 2,451
Provision for doubtful accounts	1,466	1,715
Reserve for employee benefits	1,150	772
Accrued expenses	921	736
Gaming taxes	480	1,949
Other	777	649
Gross deferred state tax assets	14,051	8,272
Deferred state tax liabilities		
Difference between book and tax basis of property	17,728	17,482
Reserve differential for gaming activities	187	229
Other	697	645
Gross deferred state tax liabilities	18,612	18,356
Net deferred state tax liabilities	$ 4,561	$ 10,084

At December 31, 2013, we have a state income tax net operating loss of approximately $102.9 million which may be carried forward or used until expiration beginning in 2032.

The items comprising our deferred state income taxes as presented on our consolidated balance sheets are as follows:

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

In connection with our formation in 2000, MAC contributed assets consisting of land and South Jersey Transportation Authority bonds with a tax basis of approximately $9.2 million and $13.8 million, respectively. The recorded book value of those assets was $90 million. Pursuant to the Joint Venture and Tax Sharing Agreements between BAC and MAC, any subsequent gain or loss associated with the sale of the MAC contributed property would be allocated directly to MAC for both state and federal income tax purposes. As such, no state deferred tax liability has been recorded in connection with the book and tax basis differences related to the MAC contributed property.

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

Accounting for Uncertain Tax Positions

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

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

	Year Ended December 31,		
(In thousands)	2013	2012	2011
Unrecognized tax benefit, January 1	$ 6,225	$ 9,068	$ 8,836
Additions based on tax positions related to current year	1	10	212
Additions based on tax positions related to prior years	—	—	196
Reductions based on tax positions settled with taxing authorities	—	(1,078)	—
Reductions based on tax positions related to prior years	(5)	(1,775)	(176)
Unrecognized tax benefit, December 31	$ 6,221	$ 6,225	$ 9,068

Included in the $6.2 million balance of unrecognized tax benefits at December 31, 2013 are $6.0 million of tax benefits that, if recognized, would affect the effective tax rate and $0.2 million of tax benefits that, if recognized, would result in adjustments to other tax accounts, primarily deferred taxes.

We recognize accrued interest and penalties related to unrecognized tax benefits in the income tax provision. During the years ended December 31, 2013, 2012 and 2011, we recognized accrued interest and penalties of approximately $0.5 million, $(0.5) million and $0.6 million, respectively. We have $3.0 million and $2.4 million for the payment of interest and penalties accrued at December 31, 2013 and 2012, respectively.

Status of Examinations

We are subject to state taxation in New Jersey and our state tax returns are subject to examination for tax years ended on or after December 31, 2001. Statute expirations, related to state income tax returns filed for years prior to December 31, 2009 have been extended to November 30, 2014. The statute of limitations for all remaining state income tax returns will expire over the period October 2015 through October 2018. As we are a partnership for federal income tax purposes, we are not subject to federal income tax.

During 2013 we settled our federal income tax audit related to tax returns filed for the years ended December 31, 2003 and December 31, 2004; and effectively settled a portion of our federal income tax audit for returns filed in 2005 through 2009. Adjustments related to our federal examination affect the members of MDDHC, as we are not subject to federal income tax. We have recorded the expected state tax impact to our unrecognized tax benefits of certain federal income tax adjustments that have been settled with the IRS, for which the state and federal tax treatment should be consistent. The adjustments primarily relate to the appropriate class lives of certain depreciable assets. The state tax impact of the 2003-2004 federal exam settlements resulted in a reduction to our unrecognized tax benefit in 2012 of $2.9 million. Additionally, our New Jersey state income tax returns for the years ended December 31, 2003 through December 31, 2009 are under audit by the New Jersey Division of Taxation. It is difficult to determine when these examinations will be closed; however it is reasonably possible over the next twelve-month period, that we may experience a decrease in our unrecognized tax benefits, as of December 31, 2013, in a range of $2.5 million to $6.2 million, substantially all of which would impact our effective tax rate.

NOTE 6. COMMITMENTS AND CONTINGENCIES

Commitments

Capital Spending and Development

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

Property Taxes

We have filed tax appeal complaints, in connection with our property tax assessments for tax years 2009 through 2013, in New Jersey Tax Court ("Court"). The trial for tax years 2009 and 2010 was held during the second quarter of 2013 and a decision was issued on October 18, 2013. The assessor valued our real property at approximately $2.3 billion. The Court found in favor of us and reduced our real property valuation to $880 million and $870 million for tax years 2009 and 2010, respectively. The City of Atlantic City filed an appeal in the New Jersey Superior Court - Appellate Division in November 2013. We have paid our property tax obligations consistent with the assessor's valuation and based on the Court's decision, we estimate the 2009 and 2010 property tax refunds and related statutory interest will be approximately $48.0 million and $9.0 million, respectively. The trial for tax years 2011 through 2013 is scheduled to be held in June 2014 and we continue to pay our property tax obligations in accordance with the assessor's valuation. We can provide no assurances that the Court's decision will be upheld at the appellate level, nor can we be certain that we will receive a favorable decision in the 2011 through 2013 appeal. Due to the uncertainty surrounding the ultimate resolution of the City's appeal, we will not record any gain until a final, non-appealable decision has been rendered. The final resolution of our appeals for the period January 1, 2009 through December 31, 2013 could result in adjustment to our estimated property tax liability.

Utility Contract
In 2005, we amended our executory contracts with a wholly-owned subsidiary of a local utility company, extending the end of the terms to 20 years from the opening of The Water Club. The utility company provides us with electricity and thermal energy (hot water and chilled water). Obligations under the thermal energy executory contract contain both fixed fees and variable fees based upon usage rates. The fixed fee components under the thermal energy executory contract are currently estimated at approximately $11.7 million per annum. We also committed to purchase a certain portion of our electricity demand at essentially a fixed rate, which is estimated at approximately $1.7 million per annum. Electricity demand in excess of the commitment is subject to market rates based on our tariff class.

Investment Alternative Tax
The New Jersey state law provides, among other things, for an assessment of licensees equal to 1.25% of land-based gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of land-based gross gaming revenues and for an assessment of licensees equal to 2.5% of online gross gaming revenues in lieu of an investment alternative tax equal to 5.0% of online gross gaming revenues. Generally, we may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA. Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to fifty years and bear interest at below market rates.

Our CRDA obligations for the years ended December 31, 2013, 2012 and 2011 were $7.8 million, $7.7 million and $8.1 million, respectively, of which valuation provisions of $2.2 million, $4.4 million and $3.5 million, respectively, were recorded due to the respective underlying agreements.

Atlantic City Tourism District
As part of the State of New Jersey's plan to revitalize Atlantic City, a new law was enacted in February 2011 requiring that a tourism district (the "Tourism District") be created and managed by the CRDA. The Tourism District has been established to include each of the Atlantic City casino properties along with certain other tourism related areas of Atlantic City. The law requires that a public-private partnership be created between the CRDA and a private entity that represents existing and future casino licensees. The private entity, known as The Atlantic City Alliance (the "ACA"), has been established in the form of a not-for-profit limited liability company, of which MDDC is a member. The public-private partnership between the ACA and CRDA shall be for an initial term of five years and its general purpose shall be to revitalize the Tourism District. The law requires that a $5 million contribution be made to this effort by all casinos prior to 2012 followed by an annual amount of $30 million to be contributed quarterly by the casinos commencing January 1, 2012 for a term of five years. Each casino's share of the quarterly contributions will equate to a percentage representing its gross gaming revenue for each corresponding period compared to the aggregate gross gaming revenues for that period for all casinos. As a result, we will expense our pro rata share of the $155 million as incurred. During the years ended December 31, 2013, 2012 and 2011 we incurred expenses of $6.5 million, $6.1 million and $0.9 million, respectively, for our pro rata share of the contributions to the ACA.

Leases
As of December 31, 2013, MDDC owns approximately 26 acres of land and all improvements thereon with respect to that portion of the property consisting of the Borgata hotel. In addition, MDDC, as lessee, entered into a series of ground leases for a total of approximately 20 acres of land on which our existing employee parking garage, public space expansion, rooms expansion, and modified surface parking lot reside, as well as, an undeveloped parcel. All of these parcels were originally leased from MAC. Following the 2010 sale of several of the leased parcels by MAC to a third party, now only the surface parking lease is with MAC.

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

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

MDDC owns all improvements made on the leased lands during the term of each ground lease. Upon expiration of such term, ownership of such improvements reverts back to the landlord. Total rent incurred under the ground leases was $6.1 million, $5.8 million and $5.1 million for the years ended December 31, 2013, 2012 and 2011, respectively. In addition, MDDC is responsible for all property taxes assessed on the leased properties. Total property taxes incurred for ground lease agreements were $18.3 million, $15.6 million and $14.0 million for the years ended December 31, 2013, 2012 and 2011, respectively.

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

In addition, MDDC has an option to purchase the land leased under the Parking Structure Ground Lease at any time during the term of that lease so long as it is not in default thereunder, at fair market value as determined in accordance with the terms of the Parking Structure Ground Lease. In the event that the land underlying the Surface Parking Lot Ground Lease is sold to a third party, MDDC has the option to build a parking garage, if necessary, to replace the lost parking spaces on the land underlying the Ground Lease Agreement.

Pursuant to the Operating Agreement, MAC is responsible for its allocable share of expenses related to master plan and government improvements at Renaissance Pointe. The related amounts due from MAC for these types of expenditures incurred by us were $0.3 million and $0.4 million at December 31, 2013 and 2012, respectively. Reimbursable expenditures incurred were $0.7 million for the year ended December 31, 2013, and $0.6 million for each of the years ended December 31, 2012 and 2011.

Future Minimum Lease Payments and Rental Income
Future minimum lease payments required under noncancelable operating leases (principally for land, see above and Note 10, *Related Party Transactions*) as of December 31, 2013 are as follows:

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

For the years ended December 31, 2013, 2012 and 2011, total rent expense was $14.7 million, $13.8 million and $12.6 million, respectively, which were included in Sales, General and Administrative accounts in the consolidated statements of operations.

Future minimum rental income, which is primarily related to retail and restaurant facilities located within our property, as of December 31, 2013 is as follows:

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

For the years ended December 31, 2013, 2012 and 2011, total rent income was $3.1 million, $3.3 million and $3.1 million, respectively, which is recorded as other income in the consolidated statements of operations.

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

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

	December 31, 2013			
(In thousands)	Balance	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 37,527	$ 37,527	$ —	$ —
CRDA investments, net	4,613	—	—	4,613

	December 31, 2012			
(In thousands)	Balance	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 34,125	$ 34,125	$ —	$ —
CRDA investments, net	28,464	—	—	28,464

The fair value of our cash and cash equivalents, classified in the fair value hierarchy as Level 1, is based on statements received from our banks at December 31, 2013 and 2012.

The fair value of our CRDA investments, classified in the fair value hierarchy as Level 3, is based on the estimates of realizable value applied to the balances on statements received from the CRDA at December 31, 2013 and 2012. The change in fair value resulted in a $7.8 million loss during the year ended December 31, 2013, and a $4.4 million loss during the year ended December 31, 2012.

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

	December 31, 2012			
(In thousands)	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Prior 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 carrying value of our bank credit facility at December 31, 2013 and 2012 approximates its estimated fair value due to the short-term nature and variable repricing of the underlying Eurodollar loans comprising our amended credit facility. The estimated fair values of our senior secured notes are based on quoted market prices as of December 31, 2013 and 2012.

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

NOTE 8. EMPLOYEE BENEFIT PLANS

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

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

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

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

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

Contributions, based on wages paid to covered employees, totaled $7.3 million, $6.7 million and $6.0 million during the years ended December 31, 2013, 2012 and 2011, respectively. These aggregate contributions were not individually significant to any of the respective plans. There were no significant changes that would affect the comparability of our employer contributions during the years ended December 31, 2013, 2012 and 2011. Our share of unfunded vested liabilities related to certain multi-employer pension plans is $65.5 million as of January 1, 2013.

We have a retirement savings plan under Section 401(k) of the Internal Revenue Code covering our non-union employees. The plan allows employees to defer up to the lesser of the Internal Revenue Code prescribed maximum amount or 100% of their income on a pre-tax basis through contributions to the plan. We expensed our voluntary contributions to the 401(k) plan of $1.4 million during each of the years ended December 31, 2013, 2012 and 2011, respectively.

NOTE 9. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table presents selected quarterly financial information for the years ended December 31, 2013 and 2012.

	Year Ended December 31, 2013				
(In thousands)	**First**	**Second**	**Third**	**Fourth**	**Year**
Summary Operating Results:					
Net revenues	$ 165,644	$ 172,877	$ 200,051	$ 157,128	$ 695,700
Operating income	12,204	6,944	28,712	(1,749)	46,111
Net income (loss)	(8,035)	(12,957)	5,180	(40,765)	(56,577)

	Year Ended December 31, 2012				
(In thousands)	**First**	**Second**	**Third**	**Fourth**	**Year**
Summary Operating Results:					
Net revenues	$ 176,151	$ 175,415	$ 187,091	$ 147,565	$ 686,222
Operating income	23,630	16,916	18,928	(3,016)	56,458
Net income (loss)	2,572	(3,341)	(1,812)	(22,610)	(25,191)

NOTE 10. RELATED PARTY TRANSACTIONS

We engage in transactions with BAC and MAC in the ordinary course of business. Related party balances are non-interest bearing and are included in accounts receivable or accrued liabilities, as applicable, on the consolidated balance sheets.

Surface Lot Ground Lease

We entered into a ground lease agreement with MAC for approximately 8 acres that provides the land on which our surface parking lot resides. The lease is on a month-to-month term and may be terminated by either party effective on the last day of the month that is three months after notice is given. Pursuant to the surface lot ground lease agreement, our lease payment is comprised of a de minimus monthly payment to the Divestiture Trust and the property taxes, which are paid directly to the taxing authority. Property taxes incurred for the surface lot ground lease agreement were $3.2 million, $2.8 million, and $2.5 million for the years ended December 31, 2013, 2012 and 2011, respectively, which was included in selling, general and administrative on the consolidated statements of operations.

Compensation of Certain Employees

We reimburse BAC for compensation paid to employees performing services for us and for out-of-pocket costs and expenses incurred related to travel. BAC is also reimbursed for various payments made on our behalf, primarily related to third-party insurance premiums, certain advertising and certain financing fees. The related amounts due to BAC for these types of expenditures paid by BAC were $0.4 million and $0.5 million at December 31, 2013 and 2012, respectively. Reimbursable expenditures were $7.7 million, $10.9 million, and $10.0 million for the years ended December 31, 2013, 2012 and 2011, respectively. Reimbursable expenses, with the exception of deferred financing fees, are included in selling, general and administrative on the consolidated statements of operations.

NOTE 11. SUBSEQUENT EVENTS

We have evaluated all events or transactions that occurred after December 31, 2013. During this period, we did not identify any subsequent events, the effects of which would require adjustment to our financial position or results of operations as of and for the year ended December 31, 2013.

2. Financial Statement Schedules. Schedules are omitted since they are not applicable, not required or the information required to be set forth therein is included in Consolidated Financial Statements or Notes thereto included in this Annual Report on Form 10-K.

3. Exhibits.

Exhibit Number	Document	
3.1	Amended and Restated Certificate of Incorporation of Marina District Finance Company, Inc.	Incorporated by reference to Exhibit 3.1 to MDFC's registration statement on Form S-4 filed on April 1, 2011.
3.2	Restated Bylaws of Marina District Finance Company, Inc.	Incorporated by reference to Exhibit 3.2 to MDFC's registration statement on Form S-4 filed on April 1, 2011.
3.3	Operating Agreement of Marina District Development Company, LLC.	Incorporated by reference to Exhibit 3.3 to MDFC's registration statement on Form S-4 filed on April 1, 2011.
4.1	Indenture, dated as of August 6, 2010, by and among the Company, MDDC and U.S. Bank National Association, as trustee.	Incorporated by reference to Exhibit 4.1 to MDFC's registration statement on Form S-4 filed on April 1, 2011.
4.2	Form of 9.500% Senior Secured Note due 2015.	Included in Exhibit 4.1.
4.3	Form of 9.875% Senior Secured Note due 2018.	Included in Exhibit 4.1.
4.4	Registration Rights Agreement, dated as of August 6, 2010.	Incorporated by reference to Exhibit 4.4 to MDFC's registration statement on Form S-4 filed on April 1, 2011.
4.5	Credit Agreement, entered into as of August 6, 2010.	Incorporated by reference to Exhibit 4.5 to MDFC's registration statement on Form S-4 filed on April 1, 2011.
4.6	First Lien Intercreditor and Collateral Agency Agreement dated August 6, 2010.	Incorporated by reference to Exhibit 4.6 to MDFC's registration statement on Form S-4 filed on April 1, 2011.
4.7	Fee and Leasehold Mortgage, Assignments of Rents and Leases.	Incorporated by reference to Exhibit 4.7 to MDFC's registration statement on Form S-4 filed on April 1, 2011.
4.8	Security Agreement dated August 6, 2010.	Incorporated by reference to Exhibit 4.8 to MDFC's registration statement on Form S-4 filed on April 1, 2011.
4.9	Intercompany Note due 2015 dated August 6, 2010.	Incorporated by reference to Exhibit 4.9 to MDFC's registration statement on Form S-4 filed on April 1, 2011.
4.10	Intercompany Note due 2018 dated August 6, 2010.	Incorporated by reference to Exhibit 4.10 to MDFC's registration statement on Form S-4 filed on April 1, 2011.
4.11	Intercompany Note dated August 6, 2010.	Incorporated by reference to Exhibit 4.11 to MDFC's registration statement on Form S-4 filed on April 1, 2011.

4.12	First Amendment to Credit Agreement, dated November 11, 2011.	Incorporated by reference on the Annual Report on Form 10-K filed on March 30, 2012.
4.13	Second Amendment to Credit Agreement, dated December 27, 2012.	Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed with the SEC on December 28, 2012.
4.14	Amended and Restated Credit Agreement, dated July 24, 2013.	Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed with the SEC on July 26, 2013.
4.15	Lender Joinder Agreement, dated as of December 16, 2013, among Marina District Finance Company, Inc., Marina District Development Company, LLC, Wells Fargo Bank, National Association, as the Administrative Agent, and Deutsche Bank AG New York Branch, as Incremental Term Lender.	Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed with the SEC on December 20, 2013.
10.1	Lease and Option Agreement dated January 16, 2002, as amended.	Incorporated by reference to Exhibit 10.1 on MDFC's registration statement on Form S-4 filed on April 1, 2011.
10.2	Expansion Ground Lease, dated January 1, 2005, as amended.	Incorporated by reference to Exhibit 10.2 on MDFC's registration statement on Form S-4 filed on April 1, 2011.
10.3	Tower Expansion & Additional Structured Parking Ground Lease Agreement, dated January 1, 2005, as amended.	Incorporated by reference to Exhibit 10.3 on MDFC's registration statement on Form S-4 filed on April 1, 2011.
10.4	Surface Lot Ground Lease, dated August 20, 2004, as amended.	Incorporated by reference to Exhibit 10.4 on MDFC's registration statement on Form S-4 filed on April 1, 2011.
10.5	Ground Lease Agreement, dated as of March 23, 2010.	Incorporated by reference to Exhibit 10.5 on MDFC's registration statement on Form S-4 filed on April 1, 2011.
12.0	Computation of Ratio of Earnings to Fixed Charges	Filed electronically herewith.
23.1	Consent of Deloitte & Touche LLP	Filed electronically herewith.
24.1	Power of Attorney (included in Part IV to this Annual Report on Form 10-K).	Filed electronically herewith.
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 and Principal Accounting 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 U.S.C. § 1350	Filed electronically herewith.
32.2	Certification of the Principal Financial Officer and Principal Accounting Officer of the Registrant pursuant to Exchange Act Rule 13a-14(b) and U.S.C. § 1350	Filed electronically herewith.

101	The following materials from Marina District Finance Company, Inc.'s on Form 10-K for the year ended December 31, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2013 and December 31, 2012, (ii) Consolidated Statements of Operations for the three years ended December 31, 2013, 2012 and 2011 (iii) Consolidated Statement of Changes in Stockholders' Equity for the three years ended December 31, 2013, 2012 and 2011, (iv) Consolidated Statements of Cash Flows for the three years ended December 31, 2013, 2012 and 2011, and (vi) Notes to Consolidated Financial Statements. *	Filed electronically herewith.

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* 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

The Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 28, 2014.

MARINA DISTRICT FINANCE COMPANY, INC.

By: /s/ JOSH HIRSBERG

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

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Keith E. Smith and Josh Hirsberg and each of them, his attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ William S. Boyd **William S. Boyd**	Director	March 28, 2014
/s/ Marianne Boyd Johnson **Marianne Boyd Johnson**	Director	March 28, 2014
/s/ Keith E. Smith **Keith E. Smith**	President, Chief Executive Officer and Director (Principal Executive Officer)	March 28, 2014
/s/ Robert L. Boughner **Robert L. Boughner**	Executive Vice President, Chief Business Development Officer and Director	March 28, 2014
/s/ Josh Hirsberg **Josh Hirsberg**	Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)	March 28, 2014
/s/ Paul J. Chakmak **Paul J. Chakmak**	Vice President and Secretary	March 28, 2014

Marina District Finance Company **Exhibit 12.0**

Computation of Ratio of Earnings to Fixed Charges

	Year Ended December 31,				
(in thousands, except ratio amounts)	2013	2012	2011	2010	2009
Income/(loss) from continuing operations before income taxes	$ (61,080)	$ (26,444)	$ 10,143	$ 49,494	$ 119,179
Add:					
Fixed Charges	86,235	88,002	89,372	53,994	30,348
Subtract:					
Interest capitalized	—	(500)	(400)	—	—
Earnings available for fixed charges	$ 25,155	$ 61,058	$ 99,115	$ 103,488	$ 149,527
Fixed Charges					
Interest expensed, net of interest capitalized	$ 81,335	$ 82,902	$ 84,775	$ 50,199	$ 27,668
Interest capitalized	—	500	400	—	—
Interest component of rental expense	4,900	4,600	4,200	3,795	2,680
Fixed Charges (1)	$ 86,235	$ 88,002	$ 89,375	$ 53,994	$ 30,348
Ratio of earnings to fixed charges	—	—	1.1	1.9	4.9
Deficiency of earnings to fixed charges	(61,080)	(26,944)			

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(1) For purposes of computing this ratio, "fixed charges" include interest expense whether expensed or capitalized, amortization of debt expenses, discount, or premium related to the indebtedness, and such portion of rental expense that we deem to be a reasonable representation of the interest factor.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-173275 on Form S-4 of our reports dated March 28, 2014, relating to the consolidated financial statements of Marina District Development Company, LLC and Subsidiary, and the effectiveness of Marina District Development Company, LLC and Subsidiary's internal control over financial reporting, appearing in the Annual Report on Form 10-K of Marina District Finance Company, Inc. for the year ended December 31, 2013.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada
March 28, 2014

Exhibit 31.1

MARINA DISTRICT FINANCE COMPANY, INC.
Rule 13a-14(a)/15d-14(a) Certifications

CERTIFICATIONS

I, Keith E. Smith, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 28, 2014

/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

CERTIFICATIONS

I, Josh Hirsberg, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 28, 2014

/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

In connection with the periodic report of Marina District Finance Company, Inc. (the "Company") on Form 10-K for the period ended December 31, 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: March 28, 2014

/s/ Keith E. Smith

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

Exhibit 32.2

MARINA DISTRICT FINANCE COMPANY, INC.
Section 1350 Certifications

In connection with the periodic report of Marina District Finance Company, Inc. (the "Company") on Form 10-K for the period ended December 31, 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: March 28, 2014

/s/ Josh Hirsberg

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