

**BORGATA HOTEL CASINO & SPA
QUARTERLY REPORT**

FOR THE QUARTER ENDED JUNE 30, 2014

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

BORGATA HOTEL CASINO & SPA BALANCE SHEETS

AS OF JUNE 30, 2014 AND 2013

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2, 9	\$37,625	\$33,828
2	Short-Term Investments.....	---	0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2014, \$20,094; 2013, \$22,781).....	3, 11	33,231	31,237
4	Inventories	---	4,676	4,265
5	Other Current Assets.....	2	23,227	10,518
6	Total Current Assets.....	---	98,759	79,848
7	Investments, Advances, and Receivables.....	2, 9	7,082	25,219
8	Property and Equipment - Gross.....	4	1,831,359	1,824,674
9	Less: Accumulated Depreciation and Amortization.....	4	(639,049)	(594,463)
10	Property and Equipment - Net.....	4	1,192,310	1,230,211
11	Other Assets.....	---	15,133	8,154
12	Total Assets.....	---	\$1,313,284	\$1,343,432
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....	---	\$4,294	\$5,885
14	Notes Payable.....	---	0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....	---	0	0
16	External.....	7	3,800	0
17	Income Taxes Payable and Accrued.....	2	0	0
18	Other Accrued Expenses.....	5	75,952	83,403
19	Other Current Liabilities.....	6, 11	29,845	19,966
20	Total Current Liabilities.....	---	113,891	109,254
	Long-Term Debt:			
21	Due to Affiliates.....	---	0	0
22	External.....	7, 9	789,895	779,727
23	Deferred Credits	2	6,725	10,216
24	Other Liabilities.....	---	16,507	20,482
25	Commitments and Contingencies.....	8	0	0
26	Total Liabilities.....	---	927,018	919,679
27	Stockholders', Partners', or Proprietor's Equity.....	---	386,266	423,753
28	Total Liabilities and Equity.....	---	\$1,313,284	\$1,343,432

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

BORGATA HOTEL CASINO & SPA STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	Revenue:			
1	Casino.....		\$320,285	\$295,060
2	Rooms.....		54,173	54,270
3	Food and Beverage.....		65,118	69,058
4	Other.....		19,877	20,922
5	Total Revenue.....		459,453	439,310
6	Less: Promotional Allowances.....	2	110,335	100,789
7	Net Revenue.....		349,118	338,521
	Costs and Expenses:			
8	Casino.....		128,464	122,632
9	Rooms, Food and Beverage.....		40,915	41,656
10	General, Administrative and Other.....	10	115,457	116,764
11	Total Costs and Expenses.....		284,836	281,052
12	Gross Operating Profit.....		64,282	57,469
13	Depreciation and Amortization.....	4	29,354	31,708
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		0	0
16	Income (Loss) from Operations.....		34,928	25,761
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....	5, 7	(35,518)	(41,618)
19	CRDA Related Income (Expense) - Net.....	2, 9	(1,144)	(1,134)
20	Nonoperating Income (Expense) - Net.....		134	(5,479)
21	Total Other Income (Expenses).....		(36,528)	(48,231)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(1,600)	(22,470)
23	Provision (Credit) for Income Taxes.....	2	302	(1,478)
24	Income (Loss) Before Extraordinary Items.....		(1,902)	(20,992)
25	Extraordinary Items (Net of Income Taxes - 2014 \$0; 2013, \$0).....		0	0
26	Net Income (Loss).....		(\$1,902)	(\$20,992)

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

BORGATA HOTEL CASINO & SPA STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2014 AND 2013

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	Revenue:			
1	Casino.....		\$166,599	\$149,381
2	Rooms.....		29,127	28,063
3	Food and Beverage.....		34,064	35,123
4	Other.....		10,783	11,263
5	Total Revenue.....		240,573	223,830
6	Less: Promotional Allowances.....	2	58,719	50,953
7	Net Revenue.....		181,854	172,877
	Costs and Expenses:			
8	Casino.....		65,000	61,487
9	Rooms, Food and Beverage.....		22,590	21,565
10	General, Administrative and Other.....	10	51,023	61,681
11	Total Costs and Expenses.....		138,613	144,733
12	Gross Operating Profit.....		43,241	28,144
13	Depreciation and Amortization.....	4	14,812	15,794
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		0	0
16	Income (Loss) from Operations.....		28,429	12,350
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....	5,7	(17,828)	(20,844)
19	CRDA Related Income (Expense) - Net.....	2,9	(590)	(93)
20	Nonoperating Income (Expense) - Net.....		(243)	(5,313)
21	Total Other Income (Expenses).....		(18,661)	(26,250)
22	Income (Loss) Before Taxes and Extraordinary Items.....		9,768	(13,900)
23	Provision (Credit) for Income Taxes.....	2	1,006	(943)
24	Income (Loss) Before Extraordinary Items.....		8,762	(12,957)
25	Extraordinary Items (Net of Income Taxes - 2014, \$0; 2013, \$0).....		0	0
26	Net Income (Loss).....		\$8,762	(\$12,957)

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

BORGATA HOTEL CASINO & SPA STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013
AND THE SIX MONTHS ENDED JUNE 30, 2014

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2012.....		\$446,700	(\$1,955)		\$444,745
2	Net Income (Loss) - 2013.....			(56,577)		(56,577)
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	_____					0
8	_____					0
9	_____					0
10	Balance, December 31, 2013.....		446,700	(58,532)	0	388,168
11	Net Income (Loss) - 2014.....			(1,902)		(1,902)
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	_____					0
17	_____					0
18	_____					0
19	Balance, June 30, 2014.....		\$446,700	(\$60,434)	\$0	\$386,266

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

BORGATA HOTEL CASINO & SPA
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$20,881	\$29,491
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments		0	0
3	Proceeds from the Sale of Short-Term Investments		0	0
4	Cash Outflows for Property and Equipment.....	3	(8,533)	(10,639)
5	Proceeds from Disposition of Property and Equipment.....	3	5	11
6	CRDA Obligations	2, 9	(4,006)	(3,560)
7	Other Investments, Loans and Advances made.....		0	0
8	Proceeds from Other Investments, Loans, and Advances		0	0
9	Cash Outflows to Acquire Business Entities.....		0	0
10	Gain from Insurance Recoveries		451	0
11			
12	Net Cash Provided (Used) By Investing Activities.....		(12,083)	(14,188)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		0	0
14	Payments to Settle Short-Term Debt.....		0	0
15	Proceeds from Long-Term Debt	7	248,700	200,000
16	Costs of Issuing Debt.....		0	0
17	Payments to Settle Long-Term Debt.....	7	(257,400)	(215,600)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....		0	0
20	Payments of Dividends or Capital Withdrawals.....		0	0
21		0	0
22			
23	Net Cash Provided (Used) By Financing Activities.....		(8,700)	(15,600)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		98	(297)
25	Cash and Cash Equivalents at Beginning of Period.....		37,527	34,125
26	Cash and Cash Equivalents at End of Period.....	2	\$37,625	\$33,828
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....	7	\$34,159	\$38,664
28	Income Taxes.....		\$0	\$0

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

BORGATA HOTEL CASINO & SPA STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$1,902)	(\$20,992)
30	Depreciation and Amortization of Property and Equipment.....	3	29,170	31,284
31	Amortization of Other Assets.....		184	424
32	Amortization of Debt Discount or Premium.....	7	1,135	2,003
33	Deferred Income Taxes - Current	2	115	111
34	Deferred Income Taxes - Noncurrent	2	(324)	(2,064)
35	(Gain) Loss on Disposition of Property and Equipment.....		(1)	57
36	(Gain) Loss on CRDA-Related Obligations.....		1,144	1,134
37	(Gain) Loss from Other Investment Activities.....		0	1
38	(Increase) Decrease in Receivables and Patrons' Checks	3	97	5,654
39	(Increase) Decrease in Inventories		(492)	(401)
40	(Increase) Decrease in Other Current Assets.....		(13,241)	(652)
41	(Increase) Decrease in Other Assets.....		1,595	585
42	Increase (Decrease) in Accounts Payable.....		(1,646)	2,102
43	Increase (Decrease) in Other Current Liabilities	6	8,346	4,853
44	Increase (Decrease) in Other Liabilities		(2,848)	360
45	Gain from Subrogation Settlement		(451)	0
46	Non Cash Asset Write-Downs		0	5,032
47	Net Cash Provided (Used) By Operating Activities.....		\$20,881	\$29,491

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....	4	(\$8,533)	(\$10,639)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$8,533)	(\$10,639)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

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

BORGATA HOTEL CASINO & SPA SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE THREE MONTHS ENDED JUNE 30, 2014
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	150,036	\$17,459	0	\$0
2	Food	325,789	7,646	301,200	3,012
3	Beverage	1,384,890	4,501	0	0
4	Travel	0	0	5,192	1,298
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	793,764	19,845	0	0
7	Complimentary Cash Gifts	170,849	4,271	0	0
8	Entertainment	30,373	1,215	140	14
9	Retail & Non-Cash Gifts	12,650	633	6,772	1,693
10	Parking	0	0	0	0
11	Other	20,809	3,149	355,309	1,673
12	Total	2,889,160	\$58,719	668,613	\$7,690

*Promotional Allowances - Other includes \$624K of Spa comps, \$208K of Comp room incidentals, \$(71K) change in Comp and Slot dollars earned but not redeemed and \$2,388M in other promotional allowances.

FOR THE SIX MONTHS ENDED JUNE 30, 2014

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	289,608	\$33,912	0	\$0
2	Food	651,069	15,251	574,500	5,745
3	Beverage	2,802,947	9,110	0	0
4	Travel	0	0	10,156	2,539
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	1,414,982	35,375	0	0
7	Complimentary Cash Gifts	316,815	7,920	0	0
8	Entertainment	54,073	2,163	240	24
9	Retail & Non-Cash Gifts	25,873	1,294	12,984	3,246
10	Parking	0	0	0	0
11	Other	41,448	5,310	678,133	1,832
12	Total	5,596,815	\$110,335	1,276,013	\$13,386

*Promotional Allowances - Other includes \$1,243K of Spa comps, \$423K of Comp room incidentals, \$(202K) change in Comp and Slot dollars earned but not redeemed and \$3,846M in other promotional allowances.

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

FOR THE QUARTER ENDED JUNE 30, 2014

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Division's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.S.A. 5:12-84a(1)-(5) during the quarter.

8/15/2014

Date



Hugh Turner

Vice President of Finance

Title

007833-11

License Number

On Behalf of:

BORGATA HOTEL CASINO & SPA

Casino Licensee

Marina District Development Company, LLC and Subsidiary



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

Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

MDDC was incorporated in July 1998 and has been operating since July 3, 2003. MDFC was incorporated in 2000 and has been a wholly owned subsidiary of MDDC since its inception. We developed, own and operate Borgata Hotel Casino and Spa, including The Water Club at Borgata (collectively, "Borgata"). Borgata is located on a 45.6-acre site at 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 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, Nevada, 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 New Jersey Division of Gaming Enforcement ("NJDE"). MGM has subsequently announced that it had entered into an amended settlement agreement with the NJDE, 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 MGM's Interest during the following 12-month period, or not later than March 24, 2014. Subsequent to a Joint Petition of MGM, Boyd and MDDC, the NJCCC, on February 13, 2013, approved amendments to the Stipulation of Settlement and Trust Agreement which permits MGM to file an application for a statement of compliance, which, if approved, could permit MGM to reacquire its interest in MDDC. The deadline requiring MGM and the Divestiture Trust to sell the MGM Interest has been tolled to allow the NJCCC to complete a review of the application. BAC has a right of first refusal on any sale of the MGM Interest. We continue to operate under normal business conditions throughout MGM's sales efforts, and do not believe that it has had or will have a material impact on our operations.

Upon the transfer of the MGM Interest into the Divestiture Trust, MGM relinquished all of its specific participating rights under the Operating Agreement, and Boyd effectively obtained control of Borgata. As a result, beginning on March 24, 2010, our financial position and results of operations have been included in the 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.

Basis of Presentation

Interim Condensed Consolidated Financial Statements

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

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

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the U.S. Securities and Exchange Commission ("SEC") on March 28, 2014.

Principles of Consolidation

The accompanying condensed consolidated financial statements have been prepared in accordance with GAAP and include the accounts of MDDC and MDFC.

All intercompany accounts and transactions have been eliminated.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

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

Cash and cash equivalents consist of the following:

	June 30,	
	2014	2013
Unrestricted cash and cash equivalents	\$ 32,832,000	\$ 33,828,000
Restricted cash	4,793,000	-
Total cash and cash equivalents	\$ 37,625,000	\$ 33,828,000

Cash and cash equivalents at June 30, 2014 included restricted cash of \$4,793,000 primarily related to the balances of patrons' internet gaming accounts as of the previous day. Pursuant to N.J.A.C. 13:69O-1.3(j), we maintain separate New Jersey bank accounts to ensure the security of funds held in patrons' internet gaming accounts. Restricted cash balances are invested in highly liquid instruments with a maturity of 90 days or less.

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 investments to reflect the anticipated below market return on investment. The one-third valuation reserve is adjusted accordingly, if necessary, when a qualified investment is identified. Our deposits with the CRDA, net of valuation reserves held by us, were \$6,728,000 and \$25,114,000 as of June 30, 2014 and 2013, respectively, and are included in investments, advances, and receivables, on our condensed consolidated balance sheets.

Promotional Allowances

The retail value of accommodations, food and beverage, and other services furnished to guests on a complimentary basis is included in gross revenues and then deducted as promotional allowances. Promotional allowances also include incentives such as cash, goods and services (such as complimentary rooms and food and beverages) earned in our loyalty programs. We reward customers, through the use of loyalty programs, with points based on amounts wagered that can be redeemed for a specified period of time, principally for restricted free play slot machine credits and complimentary goods and services. We record the estimated retail value of these goods and services as revenue and then record a corresponding deduction as promotional allowances.

The amounts included in promotional allowances are as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Rooms	\$ 17,352,000	\$ 17,207,000	\$ 33,912,000	\$ 34,194,000
Food and Beverage	12,086,000	12,322,000	24,238,000	24,733,000
Other	29,281,000	21,424,000	52,185,000	41,862,000
Total promotional allowances	\$ 58,719,000	\$ 50,953,000	\$ 110,335,000	\$ 100,789,000

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Rooms	\$ 5,593,000	\$ 5,453,000	\$ 10,699,000	\$ 10,919,000
Food and Beverage	9,599,000	9,364,000	19,271,000	18,935,000
Other	2,706,000	2,507,000	5,180,000	4,726,000
Total cost of promotional allowances	\$ 17,898,000	\$ 17,324,000	\$ 35,150,000	\$ 34,580,000

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 condensed consolidated statements of operations. These taxes were \$12,771,000 and \$10,981,000 during the three months ended June 30, 2014 and 2013, respectively, and \$24,863,000 and \$21,802,000 during the six months ended June 30, 2014 and 2013, respectively.

Income Taxes

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

The amounts due to these members are a result of 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 (receivable) is presented below:

	June 30,	
	2014	2013
Amounts payable to members of MDDHC	\$ -	\$ -
Amounts receivable - State	(9,000)	(1,039,000)
Income taxes payable (receivable), net	\$ (9,000)	\$ (1,039,000)

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

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. Actual results could differ from these estimates.

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 2014-09 Revenue from Contracts with Customers (Topic 606) ("Update 2014-09")

In May 2014, the FASB issued ASU 2014-09. Update 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The pronouncement is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is not permitted. The impact of the adoption of Update 2014-09 to the Company's consolidated financial position or results of operations is currently under evaluation.

NOTE 3. RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks consist of the following:

	June 30,	
	2014	2013
Casino receivables (net of an allowance for doubtful accounts – 2014 \$20,064,000 and 2013 \$22,753,000)	\$ 25,866,000	\$ 24,245,000
Other (net of an allowance for doubtful accounts – 2014 \$30,000 and 2013 \$28,000)	7,289,000	6,776,000
Due from related parties (Note 10)	77,000	216,000
Receivables and patrons' checks, net	\$ 33,231,000	\$ 31,237,000

NOTE 4. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	June 30,	
	2014	2013
Land	\$ 87,301,000	\$ 87,301,000
Building and improvements	1,420,020,000	1,411,927,000
Furniture and equipment	320,500,000	315,139,000
Construction in progress	3,539,000	10,307,000
Total property and equipment	1,831,359,000	1,824,674,000
Less accumulated depreciation	639,049,000	594,463,000
Property and equipment, net	\$ 1,192,310,000	\$ 1,230,211,000

Depreciation expense was \$14,699,000 and \$15,589,000 during the three months ended June 30, 2014 and 2013, respectively, and \$29,170,000 and \$31,284,000 during the six months ended June 30, 2014 and 2013, 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.

NOTE 5. OTHER ACCRUED EXPENSES

Other accrued expenses consist of the following:

	June 30,	
	2014	2013
Accrued payroll and related expenses	\$ 18,843,000	\$ 20,540,000
Accrued interest	14,765,000	22,911,000
Accrued expenses and other liabilities	42,344,000	39,952,000
Other accrued expenses	\$ 75,952,000	\$ 83,403,000

NOTE 6. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	June 30,	
	2014	2013
Casino related liabilities	\$ 14,482,000	\$ 10,317,000
Due to related parties (see Note 10)	53,000	316,000
Other	15,310,000	9,333,000
Other current liabilities	\$ 29,845,000	\$ 19,966,000

NOTE 7. LONG-TERM DEBT, NET

Long-term debt, net consists of the following:

	June 30, 2014				
	Interest Rates at June 30, 2014	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long- Term Debt, Net
Credit Facility	4.12 %	\$ 33,100,000	\$ -	\$ -	\$ 33,100,000
Incremental Term Loan	6.75 %	378,100,000	(3,359,000)	-	374,741,000
9.875% Senior Secured Notes due 2018	9.88 %	393,500,000	(1,654,000)	(5,992,000)	385,854,000
		804,700,000	(5,013,000)	(5,992,000)	793,695,000
Less current maturities		3,800,000	-	-	3,800,000
Long-term debt, net		\$ 800,900,000	\$ (5,013,000)	\$ (5,992,000)	\$ 789,895,000

	June 30, 2013				
	Interest Rates at June 30, 2013	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long- Term Debt, Net
Credit Facility	4.90 %	\$ 4,400,000	\$ -	\$ -	\$ 4,400,000
9.50% Senior Secured Notes due 2015	9.50 %	398,000,000	(2,123,000)	(4,984,000)	390,893,000
9.875% Senior Secured Notes due 2018	9.88 %	393,500,000	(1,961,000)	(7,105,000)	384,434,000
		\$ 795,900,000	\$ (4,084,000)	\$ (12,089,000)	\$ 779,727,000

At June 30, 2014, \$33,100,000 was outstanding under the MDFC Amended and Restated Credit Agreement (the "Credit Facility"), with \$3,200,000 allocated to support a letter of credit, leaving remaining contractual availability of \$23,700,000.

Covenant Compliance

As of June 30, 2014, we believe that we were in compliance with the financial and other covenants of our debt instruments.

NOTE 8. COMMITMENTS AND CONTINGENCIES***Commitments***

There have been no material changes to our commitments described under Note 6, Commitments and Contingencies, in our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on March 28, 2014.

Contingencies***Borgata Property Taxes***

We have filed tax appeal complaints, in connection with our property tax assessments for tax years 2009 through 2014, in New Jersey Tax Court ("Tax 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 Tax Court found in our favor and reduced our real property valuation to \$880,000,000 and \$870,000,000 for tax years 2009 and 2010, respectively. The City of Atlantic City (the "City") filed an appeal in the New Jersey Superior Court - Appellate Division ("Appellate Court") in November 2013. No trial date has been set for the Appellate Court hearing. We have paid our property tax obligations consistent with the assessor's valuation and based on the Tax Court's decision, we estimate the 2009 and 2010 property tax refunds and related statutory interest will be approximately \$48,000,000 and \$9,000,000, respectively. We can provide no assurances that the Tax Court's decision in the 2009-2010 appeal will be upheld at the appellate level. Due to the uncertainty surrounding the ultimate resolution of the City's appeal, we will not recognize any gain until a final, non-appealable decision has been rendered.

On June 5, 2014, we entered into a settlement agreement with the City. The agreement resolved the tax appeal complaints we filed in connection with property tax assessments for tax years 2011 through 2014. Under the terms of the agreement, we are entitled to receive a tax refund of \$88,250,000 for tax years 2011 through 2013, as well as an estimated tax credit of \$17,850,000 for tax year 2014. Additionally, the City has agreed to a defined property tax valuation for tax year 2015. Although the tax rate for 2015 is unknown, we believe that the revised valuation will result in significantly lower real estate

taxes as compared to 2013. In exchange, we have agreed to relinquish our right to further contest the property tax assessments for tax years 2011 through 2015, contingent upon the City fulfilling its obligations under the agreement. The agreement does not affect the pending appeals of the property tax assessments for tax years 2009 and 2010. Per the terms of the agreement, the City intends to fulfill its obligation to pay the refund to us through a bond issuance; however, such bond issuance is subject to additional state and local agency approvals and general market conditions at the time of the proposed issuance. In the event that the City does not issue bonds, or otherwise fails to pay the refund, we retain our right to compel a trial on the filed appeals. We cannot be certain that the City will issue bonds or fund their obligations under the agreement through other sources. Due to this uncertainty, we will not record the recovery of the \$88,250,000 in previously paid property taxes until the City has successfully issued bonds or obtained other dedicated sources of funding in an amount sufficient to pay the refund for tax years 2011-2013 per the terms of the agreement.

Legal Matters

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

NOTE 9. FAIR VALUE MEASUREMENTS

We have adopted the authoritative accounting guidance for fair value measurements, which does not determine or affect the circumstances under which fair value measurements are used, but defines fair value, expands disclosure requirements around fair value and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions

These inputs create the following fair value hierarchy:

- *Level 1:* Quoted prices for identical instruments in active markets.
- *Level 2:* Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- *Level 3:* Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

As required by the guidance for fair value measurements, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Thus, assets and liabilities categorized as Level 3 may be measured at fair value using inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Management's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Balances Measured at Fair Value

The fair value of our cash and cash equivalents was \$32,832,000 and \$37,527,000 as of June 30, 2014 and 2013, respectively. The fair value of our restricted cash was \$4,793,000 as of June 30, 2014. The fair value of our cash and cash equivalents and restricted cash, classified in the fair value hierarchy as Level 1, is based on statements received from our banks at June 30, 2014 and 2013. The fair value of our CRDA deposits was \$6,728,000 and \$25,114,000 as of June 30, 2014 and 2013, respectively. The fair value of our CRDA deposits, classified in the fair value hierarchy as Level 3, is based on estimates of the realizable value applied to the balances on statements received from the CRDA at June 30, 2014 and 2013.

The following table summarizes the fair value of the Company's Level 3 assets for six months ended June 30, 2014.

	Three Months Ended	
	June 30,	
	2014	2013
Balance at April 1,	\$ 5,547,000	\$ 29,101,000
Deposits	1,771,000	1,874,000
Included in earnings	(590,000)	(5,861)
Ending balance at June 30,	\$ 6,728,000	\$ 25,114,000

	Six Months Ended	
	June 30,	
	2014	2013
Balance at January 1,	\$ 4,613,000	\$ 28,464,000
Deposits	3,518,000	3,698,000
Included in earnings	(1,144,000)	(6,883,000)
Settlements	(259,000)	(165,000)
Ending balance at June 30,	\$ 6,728,000	\$ 25,114,000

Balances Disclosed at Fair Value

The following tables present the fair value of our long-term debt at June 30, 2014 and June 30, 2013:

	June 30, 2014			
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Credit Facility	\$ 33,100,000	\$ 33,100,000	\$ 33,100,000	Level 2
Incremental Term Loan	378,100,000	374,741,000	382,233,000	Level 2
9.875% Senior Secured Notes due 2018	393,500,000	385,854,000	412,939,000	Level 1
Total long-term debt	\$ 804,700,000	\$ 793,695,000	\$ 828,272,000	

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

The estimated fair value of our Credit Facility at June 30, 2014 and 2013 approximates its carrying value due to the short-term nature and variable repricing of the underlying Eurodollar loans comprising our Credit Facility. The estimated fair value of our incremental term loan is based on a relative value analysis performed on or about June 30, 2014 and 2013. The estimated fair value of our senior secured notes is based on quoted market prices as of June 30, 2014 and 2013.

There were no transfers between Level 1, Level 2 or Level 3 measurements during the six months ended June 30, 2014.

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 condensed consolidated balance sheets.

Pursuant to the Operating Agreement, MAC is solely responsible for any investigation, analyses, clean-up, detoxification, testing, monitoring, or remediation related to Renaissance Pointe. MAC is also responsible for their allocable share of expenses related to master plan and government improvements at Renaissance Pointe. The related amounts due from the Divestiture Trust for these types of expenditures incurred by us were \$71,000 and \$160,000 at June 30, 2014 and 2013, respectively. Reimbursable expenditures incurred were \$165,000 and \$362,000 for the three and six months ended June 30, 2014 respectively and \$149,000 and \$381,000 for the three and six months ended June 30, 2013, respectively.

Boyd Gaming Corporation reimburses us for expenses relating to investigative services for our casino license and other expenses. The related amounts due from Boyd Gaming Corporation for these types of expenditures were \$6,000 and \$56,000 at June 30, 2014 and 2013, respectively. Reimbursable expenditures incurred were \$54,000 and \$107,000 for the three and six months ended June 30, 2014, respectively and \$58,000 and \$233,000 for the three and six months ended June 30, 2013, respectively.

Compensation of Certain Employees

We reimburse BAC for compensation paid to employees performing services for us and for out-of-pocket costs and expenses incurred related to travel. BAC is also reimbursed for various payments made on our behalf, primarily related to third party insurance premiums and certain financing fees. The related amounts due to BAC for these types of expenditures paid by BAC were \$53,000 and \$316,000 at June 30, 2014 and 2013, respectively. Reimbursable expenditures were \$97,000 and \$1,659,000 for the three months ended June 30, 2014 and 2013, respectively, and \$2,322,000 and \$5,041,000 during the six months ended June 30, 2014 and 2013, respectively. Reimbursable expenses, with the exception of deferred financing fees, are included in selling, general and administrative on the condensed consolidated statements of operations.

NOTE 11. SUBSEQUENT EVENTS

We have evaluated all events or transactions that occurred after June 30, 2014. During this period, up to the filing date, we did not identify any subsequent events, the effects of which would require disclosure or adjustment to our financial position or results of operations.