Borgata Casino Hotel & Spa

QUARTERLY REPORT

March 31, 2008

SUBMITTED TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY

DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL

Borgata Casino Hotel & Spa
BALANCE SHEETS

AS OF MARCH 31, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$37,006	$42,172
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2008 $20,799, 2007, $17,086)	2	63,838	57,066
4	Inventories		4,079	4,186
5	Other Current Assets		7,428	5,477
6	Total Current Assets		112,351	108,901
7	Investments, Advances, and Receivables	5	20,546	12,760
8	Property and Equipment - Gross		1,695,459	1,442,798
9	Less: Accumulated Depreciation and Amortization		(277,168)	(209,170)
10	Property and Equipment - Net		1,418,291	1,233,628
11	Other Assets		7,769	10,382
12	Total Assets		$1,558,957	$1,365,671
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$38,018	$33,704
14	Notes Payable		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates		0	0
16	External		0	0
17	Income Taxes Payable and Accrued		4,360	3,120
18	Other Accrued Expenses	3	56,415	61,728
19	Other Current Liabilities	4	21,035	21,189
20	Total Current Liabilities		119,828	119,741
	Long-Term Debt:			
21	Due to Affiliates		0	0
22	External	7	751,800	555,400
23	Deferred Credits		8,179	5,568
24	Other Liabilities		14,039	12,426
25	Commitments and Contingencies		0	0
26	Total Liabilities		893,846	693,135
27	Stockholders', Partners', or Proprietor's Equity		665,111	672,536
28	Total Liabilities and Equity		$1,558,957	$1,365,671

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

Borgata Casino Hotel & Spa
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	Revenue:			
1	Casino		$178,636	$187,269
2	Rooms		24,015	23,893
3	Food and Beverage		34,170	33,110
4	Other		9,921	9,734
5	Total Revenue		246,742	254,006
6	Less: Promotional Allowances		44,718	50,276
7	Net Revenue		202,024	203,730
	Costs and Expenses:			
8	Cost of Goods and Services		117,647	114,934
9	Selling, General, and Administrative		26,220	25,679
10	Provision for Doubtful Accounts	2	1,763	1,557
11	Total Costs and Expenses		145,630	142,170
12	Gross Operating Profit		56,394	61,560
13	Depreciation and Amortization		17,455	16,827
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other		0	0
16	Income (Loss) from Operations		38,939	44,733
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External	7	(6,457)	(7,693)
19	CRDA Related Income (Expense) - Net		(1,399)	(1,489)
20	Nonoperating Income (Expense) - Net		(485)	(373)
21	Total Other Income (Expenses)		(8,341)	(9,555)
22	Income (Loss) Before Taxes and Extraordinary Items		30,598	35,178
23	Provision (Credit) for Income Taxes	1	2,754	(90)
24	Income (Loss) Before Extraordinary Items		27,844	35,268
	Extraordinary Items (Net of Income Taxes -			
25	2008, $0; 2007, $0)		0	0
26	Net Income (Loss)		$27,844	$35,268

The accompanying notes are an integral part of the financial statements.
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Borgata Casino Hotel & Spa
STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2008
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	Accumulated Other Comp Income (Loss) (e)	Total Equity (Deficit) (f)
1	**Balance, December 31, 2006..........**		$477,507	$189,226	$0	$666,733
2	Net Income (Loss) - 2007..........			141,332		141,332
3	Capital Contributions................					0
4	Capital Withdrawals..................					0
5	Partnership Distributions...........			(141,140)		(141,140)
6	Prior Period Adjustments..........					0
7	Change in Accounting Principle	8		(244)		(244)
8						0
9						0
10	**Balance, December 31, 2007..........**		477,507	189,174	0	666,681
11	Net Income (Loss) - 2008..........			27,844		27,844
12	Capital Contributions................					0
13	Capital Withdrawals..................					0
14	Partnership Distributions...........			(29,414)		(29,414)
15	Prior Period Adjustments..........					0
16						0
17						0
18						0
19	**Balance March 31, 2008................**		$477,507	$187,604	$0	$665,111

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

Borgata Casino Hotel & Spa
STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2008

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$44,594	$60,968
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments			
3	Proceeds from the Sale of Short-Term Investments			
4	Cash Outflows for Property and Equipment.....		(57,429)	(43,312)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations		(806)	(870)
7	Other Investments, Loans and Advances made.....		(1,905)	0
8	Proceeds from Other Investments, Loans, and Advances			
9	Cash Outflows to Acquire Business Entities.....		0	0
10	.....			
11	.....			
12	Net Cash Provided (Used) By Investing Activities.....		(60,140)	(44,182)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt		226,900	142,800
16	Costs of Issuing Debt.....		0	0
17	Payments to Settle Long-Term Debt.....		(197,800)	(142,000)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	Partnership Distributions		(29,414)	(29,221)
22	.....			
23	Net Cash Provided (Used) By Financing Activities.....		(314)	(28,421)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(15,860)	(11,635)
25	Cash and Cash Equivalents at Beginning of Period.....		52,866	53,807
26	Cash and Cash Equivalents at End of Period.....		$37,006	$42,172

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		$8,603	$8,445
28	Income Taxes.....		$0	($10,275)

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

Borgata Casino Hotel & Spa
STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2008

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)...		$27,844	$35,268
30	Depreciation and Amortization of Property and Equipment...		17,365	16,493
31	Amortization of Other Assets...		90	334
32	Amortization of Debt Discount or Premium..........................			
33	Deferred Income Taxes - Current			
34	Deferred Income Taxes - Noncurrent			
35	(Gain) Loss on Disposition of Property and Equipment.........		(3)	(69)
36	(Gain) Loss on CRDA-Related Obligations...........................		1,399	1,489
37	(Gain) Loss from Other Investment Activities.......................		(18)	
38	(Increase) Decrease in Receivables and Patrons' Checks		1,737	6,059
39	(Increase) Decrease in Inventories		307	(124)
40	(Increase) Decrease in Other Current Assets..........................		1,625	(25)
41	(Increase) Decrease in Other Assets......................................		328	549
42	Increase (Decrease) in Accounts Payable..............................		504	(679)
43	Increase (Decrease) in Other Current Liabilities		(7,821)	(327)
44	Increase (Decrease) in Other Liabilities		1,237	2,000
45	Net Loss (Gain) on Derivative Financial Instrum		0	0
46	....			
47	Net Cash Provided (Used) By Operating Activities....................		$44,594	$60,968

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment....................................		($57,429)	($43,312)
49	Less: Capital Lease Obligations Incurred...............................			
50	Cash Outflows for Property and Equipment...............................		($57,429)	($43,312)
	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..................			
58	Less: Issuances to Settle Long-Term Debt............................			
59	Consideration in Acquisition of Business Entities..................			
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 Casino Hotel & Spa
SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE THREE MONTHS ENDED MARCH 31, 2008

(UNAUDITED)
($ IN THOUSANDS)

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	150,449	$14,133		
2	Food	424,434	9,906	306,200	3,062
3	Beverage	1,690,900	5,495		
4	Travel			7,116	1,779
5	Bus Program Cash				
6	Other Cash Complimentaries	499,762	12,494		
7	Entertainment	22,106	884	600	60
8	Retail & Non-Cash Gifts	17,574	879	10,728	2,682
9	Parking				
10	Other	37,053	927	341,579	1,174
11	Total	2,842,278	$44,718	666,223	$8,757

* Promotional Allowances - Other includes $935K of Spa comps and ($14K) change in Comp and Slot dollars earned but not redeemed.
* Promotional Expenses - Other includes $671K of comp taxes.

FOR THE THREE MONTHS ENDED MARCH 31, 2008

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	150,449	$14,133		
2	Food	424,434	9,906	306,200	3,062
3	Beverage	1,690,900	5,495		
4	Travel			7,116	1,779
5	Bus Program Cash				
6	Other Cash Complimentaries	499,762	12,494		
7	Entertainment	22,106	884	600	60
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* Promotional Expenses - Other includes $671K of comp taxes.

Borgata Casino Hotel & Spa
STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

March 31, 2008

1. I have examined this Quarterly Report

2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission'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.A.C. 19:43-4.2(b)1-5 during the quarter.

5/15/2008
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

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of Marina District Development Company, LLC, d.b.a. Borgata, ("MDDC, LLC") and Marina District Finance Company, Inc. ("MDFC"), its wholly-owned subsidiary, collectively referred to herein as the "Company", "We", or "Us". The Company is a wholly-owned subsidiary of Marina District Development Holding Co., LLC ("Holding Company" or "Parent"). Holding Company is jointly owned by MAC, Corp. ("MAC"), a wholly-owned subsidiary of MGM MIRAGE, and Boyd Atlantic City, Inc. ("BAC"), a wholly-owned subsidiary of Boyd Gaming Corporation. Our purpose is to develop, own, and operate a hotel casino and spa facility at Renaissance Pointe in Atlantic City, New Jersey.

We are currently in the process of our second expansion ("Rooms Expansion"). The centerpiece of the Rooms Expansion is a new hotel, The Water Club at Borgata, containing approximately 800 rooms and suites, and is being built on a portion of the existing surface parking lot, near the existing porte cochere. In addition to the hotel, which will have access separate from our existing hotel, the Rooms Expansion will include a new spa, additional meeting room space, and a new parking structure. Construction of the Rooms Expansion, which is being built on land leased from MGM MIRAGE, began in January 2006 and is expected to open prior to summer 2008 at an estimated cost of approximately $400,000,000. BAC and MAC do not expect to make further capital contributions to us for the expansion project as we expect to finance the project from our cash flow and from our bank credit facility (see Note 7 and Note 10).

Pursuant to the Joint Venture Agreement (the "JV Agreement"), BAC, as the managing venturer of the Holding Company, has oversight responsibility for the management of Borgata which includes the design, development, and construction as well as the day-to-day operations. We do not record a management fee to BAC, as our management team directly performs these services or negotiates contracts to provide for these services. As a result, the costs of these services are directly borne by the Company and are reflected in our accompanying condensed consolidated financial statements.

Capitalized Interest

Interest costs associated with our expansion projects are capitalized as part of the cost of our constructed assets. Interest costs, which include commitment fees and the amortized portion of deferred loan 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. Capitalized interest was $4,725,000 and $1,667,000 for the three months ended March 31, 2008 and 2007 respectively.

Income Taxes

We are treated as a partnership for federal income tax purposes; therefore, federal income taxes are the responsibility of MAC and BAC. In New Jersey, casino partnerships are subject to state income taxes under the Casino Control Act; therefore, we are required to record New Jersey state income taxes. In 2004, we were granted permission by New Jersey, pursuant to a ruling request, to file a consolidated New Jersey corporation business tax return with MAC and BAC. The amounts reflected in our condensed consolidated financial statements are on a stand-alone basis; however, we file a state consolidated tax return with MAC and BAC. The amounts due to MAC and BAC are a result of the tax attributes MAC and BAC have contributed to the consolidated state tax return. A reconciliation of the components of our stand-alone state income taxes payable is presented below:

	March 31, 2008
Amounts payable (receivable) - state	$ 1,108,000
Amounts payable to MAC and BAC	3,252,000
Income taxes payable	$ 4,360,000

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes. Significant estimates incorporated into our accompanying condensed consolidated financial statements include the estimated useful lives for depreciable and amortizable assets, the estimated allowance for doubtful accounts receivable, the estimate for available tax credits, the estimated liabilities for our self-insured medical plan, slot club programs, contingencies and litigation, claims and assessments. Actual results could differ from those estimates and assumptions.

Preopening Expenses

We expense certain costs of start-up activities as incurred. Preopening expenses were $816,000 and $930,000 for the three months ended March 31, 2008 and 2007, respectively, consisting primarily of payroll expenses and ground lease expenses related to our expansion project.

Recently Issued Accounting Standards

In March 2008, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities - An Amendment of FASB Statement No. 133*, ("SFAS 161"). SFAS 161 requires enhanced qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We have not yet determined the effect, if any; the adoption of this statement will have on our financial condition or results of operations.

Note 2. Receivables and Patrons' Checks

Receivables and patrons' checks consist of the following:

	March 31	
	2008	2007
Casino receivables (net of an allowance for doubtful accounts – 2008 $20,719,000 and 2007 $16,886,000)	$ 23,925,000	$ 26,680,000
NJ tax refund receivable	26,380,000	15,703,000
Other (net of an allowance for doubtful accounts – 2008 $80,000 and 2007 $200,000)	7,667,000	8,842,000
ANP tax receivable	5,707,000	5,707,000
Due from related parties (Note 6)	159,000	134,000
Receivables and patrons' checks, net	**$ 63,838,000**	**$ 57,066,000**

Note 3. Other Accrued Expenses

Other accrued expenses consist of the following:

	March 31	
	2008	2007
Payroll and related	$ 19,868,000	$ 23,897,000
Other	36,547,000	37,831,000
Other accrued expenses	**$ 56,415,000**	**$ 61,728,000**

Note 4. Other Current Liabilities

Other current liabilities consist of the following:

	March 31	
	2008	2007
Due to related parties (Note 6)	$ 2,548,000	$ 6,471,000
Other	18,487,000	14,718,000
Other current liabilities	**$ 21,035,000**	**$ 21,189,000**

Note 5. Investment in ACES

In 2006, we entered into an agreement with two other Atlantic City casinos to form Atlantic City Express Service, LLC ("ACES"). With each member having a 33.3% interest, this New Jersey limited liability company was formed for the purpose of contracting with New Jersey Transit to operate express rail service between Manhattan and Atlantic City. The responsibilities of the managing member will rotate annually among the members. Our anticipated investment in ACES will be approximately $6,500,000. ACES is currently in the development stage and is expected to be operational by late 2008.

We account for our share of ACES under the equity method of accounting. As of March 31, 2008 and 2007, we have made capital contributions of $1,905,000 and $400,000 respectively, which is included on the accompanying condensed consolidated balance sheet. Our share of ACES' net loss for the three months ended March 31, 2008 and 2007 was $18,000 and $11,000 respectively, and is included in nonoperating expenses on the accompanying condensed consolidated statements of operations.

Note 6. Related Parties

Pursuant to the JV 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 MAC for these types of expenditures incurred by us were $105,000 and $48,000 at March 31, 2008 and 2007, respectively. Reimbursable expenditures incurred were $156,000 and $68,000 for the three months ended March, 31, 2008 and 2007, 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 $54,000 and $86,000 for the three months ended March 31, 2008 and 2007, respectively. Reimbursable expenditures incurred were $40,000 and $41,000 for the three months ended March 31, 2008 amd 2007, respectively.

In 2005, we entered into a series of ground lease agreements with MAC related to our expansion projects which increase our leased premises from a total of 15.5 acres to a total of 19.0 acres. These new ground lease agreements and the modified existing employee parking garage ground lease agreement provide the land on which our existing employee parking garage, the Public Space Expansion, the Rooms Expansion, and a modified surface parking lot will reside. The lease terms extend until December 31, 2070 with the exception of the surface parking lot lease which can be terminated by either party upon 18 months written notice. MAC has provided us with written notice to terminate this lease effective April 2009. The related amounts due to MAC for these types of expenditures were $0 at March 31, 2008 and 2007, respectively. Related rent incurred was $1,514,000 and $1,484,000 for the three months ended March 31, 2008 and 2007, respectively, portions of which were included in preopening expenses on the accompanying condensed consolidated statements of operations.

Pursuant to the ground lease agreements, we are responsible for reimbursing MAC for related property taxes paid on our behalf. The related amounts due to MAC for these types of expenditures were $0 and $1,952,000 at March 31, 2008 and 2007, respectively. Related property tax incurred was $1,560,000 and $1,336,000 for the three months ended March 31, 2008 and 2007, respectively, portions of which were capitalized on the accompanying condensed consolidated balance sheets and portions of which were included in the accompanying condensed consolidated statements of operations.

We reimburse BAC for compensation paid to employees performing services for us on a full-time basis 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 legal fees, investigative fees, and other. The related amounts due to BAC for these types of expenditures paid by BAC were $2,548,000 and $4,519,000 at March 31, 2008 and 2007, respectively. Reimbursable expenditures were $2,734,000 and $6,237,000 for the three months ended March 31, 2008 and 2007, respectively, which were included in the accompanying condensed consolidated statement of operations.

The related party balances are non-interest bearing.

Note 7. Debt

Amounts outstanding under each component of our bank credit agreement are as follows:

	March 31	
	2008	2007
Revolving line of credit	751,800,000	555,400,000
Less current maturities	-	-
Total long – term debt	**$ 751,800,000**	**$ 555,400,000**

Our bank credit agreement consists of an $850,000,000 revolving credit facility that matures on January 31, 2011. At March 31, 2008, $751,800,000 was outstanding under the revolving credit facility and $2,001,000 was allocated to support a letter of credit, leaving availability under the bank credit facility of $96,199,000.

The interest rate on the revolving credit facility is based upon either (i) the agent bank's quoted base rate or (ii) the Eurodollar rate, plus an applicable margin that is determined by the level of a predefined financial leverage ratio. In addition, we incur a commitment fee on the unused portion of the revolving credit facility that ranges from 0.2% to 0.375% per annum. The bank credit agreement is secured by substantially all of our real and personal property and is non-recourse to MAC and BAC.

The bank credit agreement contains certain financial and other covenants, including, without limitation, various covenants (i) establishing a maximum permitted total leverage ratio, (ii) establishing a minimum required interest coverage ratio, (iii) imposing limitations on the incurrence of additional secured indebtedness, and (iv) imposing restrictions on investments, dividends and certain other payments. We believe that we are in compliance with the covenants related to the bank credit agreement at March 31, 2008.

Note 8. Commitments and Contingencies

Grant and Donations Agreement

In June 2004, Borgata and the eleven other casinos in the Atlantic City gaming market (collectively, the "Casinos") entered into a Grant and Donations Agreement (the "Agreement") with the New Jersey Sports & Exposition Authority (the "NJSEA") and the CRDA in the interest of deferring or preventing the proliferation of competitive gaming at New Jersey racing tracks.

Under the terms of the Agreement, the Casinos shall pay to the NJSEA $34,000,000 to be used for certain authorized purposes (the "Authorized Uses") as defined by the Agreement. The $34,000,000 to be paid by the Casinos shall be payable over a four year period as follows: $7,000,000 was paid October 15, 2004; $8,000,000 was paid October 15, 2005; $9,000,000 was paid on October 15, 2006; and $10,000,000 was paid October 15, 2007. In the event any of the $34,000,000 is not used by NJSEA for the Authorized Uses by January 1, 2009, the unused funds shall be returned by NJSEA to the Casinos pro rata based upon the share each casino contributed. For each year, each casino's share of the $34,000,000 will equate to a percentage representing its gross gaming revenue for the twelve months ending June 30 prior to the October 15 payment date compared to the gross gaming revenues for that period for all Casinos. The Casinos, individually and collectively, shall be responsible for the payment of all amounts due. In the event that any casino shall fail to make its payment as required, the remaining Casinos shall pay a pro rata share of the defaulted payment based upon their share of the gross gaming revenue for the period as compared to the gross gaming revenues for the period for all Casinos calculated without the gross gaming revenue of the defaulting casino. As a result, we will expense our pro rata share of the $34,000,000, $4,683,000 in total based upon our actual market share of gross gaming revenue, on a straight line basis over the applicable term of the Agreement. Based upon the gross gaming revenues for all Casinos for the twelve months ended June 30, 2007, our share of the $10,000,000 paid on October 15, 2007 was 14.5%, or $1,482,000. Based upon the gross gaming revenues for all Casinos for the twelve months ended June 30, 2006, our share of the $9,000,000 paid on October 15, 2006 was 13.9%, or $1,251,000. Based upon the gross gaming revenues for all Casinos for the twelve months ended June 30, 2005, our share of the $8,000,000 paid on October 15, 2005 was approximately 13.9%, or $1,112,000. Based upon the gross gaming revenues for all Casinos for the twelve months ended June 30, 2004, our share of the $7,000,000 paid on October 15, 2004 was approximately 12.0%, or $838,000. We have recorded an expense of $260,000 and $258,000 for the three months ended March 31, 2008 and 2007, respectively.

Also under the terms of the Agreement, the CRDA approved donations in the aggregate amount of $62,000,000 from the Casino's North Jersey Obligations (pursuant to the New Jersey Casino Control Act) for certain uses as defined by the Agreement including casino projects approved pursuant to rules of the CRDA. The CRDA shall credit 100% of the donations received from each casino against that casino's obligation to purchase bonds. The donation shall provide that each casino's share of the $62,000,000 will equate to a percentage representing its gross gaming revenue for the twelve months ended June 30, 2004 compared to the gross gaming revenues for that period for all Casinos. Each casino's respective annual donation shall be made first from uncommitted current and future funds in the North Jersey Project Fund established in accordance with the CRDA Urban Revitalization Act of that Casino and shall be credited as fulfilling said obligation on behalf of the particular casino making the payment. To the extent such North Jersey Project funds of that casino are not adequate to pay a Casino's share of the required donations, then that casino's other uncommitted current and future North Jersey Obligations shall be utilized. As a result, we will expense our pro rata share of the $62,000,000 on a straight line basis over the applicable term of the Agreement; however, our Rooms Expansion project may qualify, pursuant to rules of the CRDA, for eligibility to receive future credits of approximately $6,800,000 under this Agreement. Based upon the gross gaming revenues for all Casinos for the twelve months ended June 30, 2004, our share of the $62,000,000 is approximately 12.0%, or $7,400,000. We have recorded an estimated expense of $412,000 and $412,000 for the three months ended March 31, 2008 and 2007, respectively. Based on current gross gaming revenue projections, we expect it will take approximately 7 to 8 years to fully fund this obligation as the third quarter of 2006 was the first quarter we were subject to fund North Jersey Obligations.

Note 9. Insurance Coverage Related to The Water Club Fire

On September 23, 2007, The Water Club, our 800-room boutique hotel expansion currently under construction, sustained a fire that caused damage to property with a carrying value of approximately $11,400,000. We carry insurance policies that we believe will cover most of the replacement costs related to property damage, with the exception of minor amounts principally related to insurance deductibles and certain other limitations. As of March 31, 2008, we have received insurance advances related to property damage totaling $13,000,000. We have recorded a deferred gain of $1,700,000 on our condensed consolidated balance sheet at March 31, 2008, representing the amount of insurance advances related to property damage in excess of the $11,300,000 million carrying value of assets damaged or destroyed by the fire (after our $100,000 deductible). The deferred gain, and any other deferred gain that may arise from further advances from insurance recoveries related to property damage, will not be recognized on our condensed consolidated statement of operations until final settlement with our insurance carrier. In addition, we have "delay-in-completion" insurance coverage for The Water Club for certain costs, subject to various limitations and deductibles, which may help to offset some of the costs related to the postponement of its opening. Recoveries, if any, from the insurance carrier will be recorded when earned and realized. We continue to work with our insurance carrier on the scope of the claims and can provide no assurance with respect to the ultimate resolution of these matters.