TRUMP TAJ MAHAL ASSOCIATES, LLC
QUARTERLY REPORT

FOR THE QUARTER ENDED SEPTEMBER 30, 2008

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

DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL

TRUMP TAJ MAHAL ASSOCIATES, LLC
BALANCE SHEETS

AS OF SEPTEMBER 30, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)	
	ASSETS:				
	Current Assets:				
1	Cash and Cash Equivalents		$30,681	$37,006	
2	Short-Term Investments				
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2008, $10,274; 2007, $8,064)		37,242	31,840	
4	Inventories		5,873	4,743	
5	Other Current Assets	8	9,151	10,921	*
6	Total Current Assets		82,947	84,510	*
7	Investments, Advances, and Receivables	9	30,587	25,150	
8	Property and Equipment - Gross		1,202,007	996,401	
9	Less: Accumulated Depreciation and Amortization		(106,017)	(73,759)	
10	Property and Equipment - Net		1,095,990	922,642	
11	Other Assets	4	56,716	186,614	
12	Total Assets		$1,266,240	$1,218,916	*
	LIABILITIES AND EQUITY:				
	Current Liabilities:				
13	Accounts Payable		$41,643	$25,413	
14	Notes Payable				
	Current Portion of Long-Term Debt:				
15	Due to Affiliates				
16	External	5	256	1,922	
17	Income Taxes Payable and Accrued	6	3,470	3,470	
18	Other Accrued Expenses		21,889	22,945	
19	Other Current Liabilities	5 & 8	28,174	24,571	*
20	Total Current Liabilities		95,432	78,321	*
	Long-Term Debt:				
21	Due to Affiliates	5	798,791	654,633	
22	External	5	5,972	31	
23	Deferred Credits	6	13,607	16,817	
24	Other Liabilities	6	6,252	6,252	
25	Commitments and Contingencies	9			
26	Total Liabilities		920,054	756,054	*
27	Stockholders', Partners', or Proprietor's Equity		346,186	462,862	
28	Total Liabilities and Equity		$1,266,240	$1,218,916	*

* Reclassifications to conform to present year presentation

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

TRUMP TAJ MAHAL ASSOCIATES, LLC
STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)	
	Revenue:				
1	Casino		$360,045	$389,715	
2	Rooms		30,494	28,626	
3	Food and Beverage		44,558	43,367	
4	Other		18,054	15,164	
5	Total Revenue		453,151	476,872	
6	Less: Promotional Allowances	2	100,242	99,543	
7	Net Revenue		352,909	377,329	
	Costs and Expenses:				
8	Cost of Goods and Services		211,483	215,714	*
9	Selling, General, and Administrative	2	51,043	61,077	*
10	Provision for Doubtful Accounts		3,408	3,059	
11	Total Costs and Expenses		265,934	279,850	
12	Gross Operating Profit		86,975	97,479	
13	Depreciation and Amortization		26,551	22,320	
	Charges from Affiliates Other than Interest:				
14	Management Fees				
15	Other	8	11,069	7,780	
16	Income (Loss) from Operations		49,355	67,379	
	Other Income (Expenses):				
17	Interest Expense - Affiliates	5	(38,627)	(35,426)	
18	Interest Expense - External	5	(2,046)	(1,560)	
19	CRDA Related Income (Expense) - Net	9	(1,531)	(1,393)	
20	Nonoperating Income (Expense) - Net	4	(82,905)	1,345	
21	Total Other Income (Expenses)		(125,109)	(37,034)	
22	Income (Loss) Before Taxes and Extraordinary Items		(75,754)	30,345	
23	Provision (Credit) for Income Taxes	6	(460)	200	
24	Income (Loss) Before Extraordinary Items		(75,294)	30,145	
25	Extraordinary Items (Net of Income Taxes - 2008, $0; 2007, $0)				
26	Net Income (Loss)		($75,294)	$30,145	

* Reclassifications to conform to present year presentation.

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

TRUMP TAJ MAHAL ASSOCIATES, LLC
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)	
	Revenue:				
1	Casino		$130,116	$145,776	
2	Rooms		11,235	10,794	
3	Food and Beverage		15,583	16,514	
4	Other		6,491	7,377	
5	Total Revenue		163,425	180,461	
6	Less: Promotional Allowances	2	37,577	40,741	
7	Net Revenue		125,848	139,720	
	Costs and Expenses:				
8	Cost of Goods and Services		71,891	77,643	*
9	Selling, General, and Administrative	2	17,266	19,905	*
10	Provision for Doubtful Accounts		1,244	1,149	
11	Total Costs and Expenses		90,401	98,697	
12	Gross Operating Profit		35,447	41,023	
13	Depreciation and Amortization		9,175	8,184	
	Charges from Affiliates Other than Interest:				
14	Management Fees				
15	Other	8	3,853	3,455	
16	Income (Loss) from Operations		22,419	29,384	
	Other Income (Expenses):				
17	Interest Expense - Affiliates	5	(13,504)	(12,285)	
18	Interest Expense - External	5	(750)	(467)	
19	CRDA Related Income (Expense) - Net	9	(549)	(612)	
20	Nonoperating Income (Expense) - Net	4	(83,471)	554	
21	Total Other Income (Expenses)		(98,274)	(12,810)	
22	Income (Loss) Before Taxes and Extraordinary Items		(75,855)	16,574	
23	Provision (Credit) for Income Taxes	6	(460)		
24	Income (Loss) Before Extraordinary Items		(75,395)	16,574	
25	Extraordinary Items (Net of Income Taxes - 2008, $0; 2007, $0)				
26	Net Income (Loss)		($75,395)	$16,574	

* Reclassifications to conform to present year presentation.

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

TRUMP TAJ MAHAL ASSOCIATES, LLC
STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2008

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	**Balance, December 31, 2006**		$387,353	$45,255		$432,608
2	Net Income (Loss) - 2007			4,874		4,874
3	Capital Contributions					0
4	Capital Withdrawals					0
5	Partnership Distributions					0
6	Prior Period Adjustments					0
7	Restricted Stock Awards	8	167			167
8	Non-cash transactions with					0
9	TER Holdings		(16,419)			(16,419)
10	**Balance, December 31, 2007**		371,101	50,129	0	421,230
11	Net Income (Loss) - 2008			(75,294)		(75,294)
12	Capital Contributions					0
13	Capital Withdrawals					0
14	Partnership Distributions					0
15	Prior Period Adjustments					0
16	Restricted Stock Awards	8	250			250
17						0
18						0
19	**Balance, September 30, 2008**		$371,351	($25,165)	$0	$346,186

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

TRUMP TAJ MAHAL ASSOCIATES, LLC
STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$27,467	$47,445
	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............................		(139,704)	(125,838)
5	Proceeds from Disposition of Property and Equipment..........			15
6	CRDA Obligations	9	(4,355)	(4,639)
7	Other Investments, Loans and Advances made......................			
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....................		(144,059)	(130,462)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....................................			
15	Proceeds from Long-Term Debt			
16	Costs of Issuing Debt...			
17	Payments to Settle Long-Term Debt......................................	5	(1,292)	(4,312)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock..			
20	Payments of Dividends or Capital Withdrawals......................			
21	Borrowings under Revolving Grid Note Payable	5	100,873	90,306
22	....			
23	Net Cash Provided (Used) By Financing Activities...................		99,581	85,994
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		(17,011)	2,977
25	Cash and Cash Equivalents at Beginning of Period...................		47,692	34,029
26	Cash and Cash Equivalents at End of Period.............................		$30,681	$37,006

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).......................................		$45,726	$49,660 *
28	Income Taxes..		$0	$0

* Reclassifications to conform to present year presentation

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

TRUMP TAJ MAHAL ASSOCIATES, LLC
STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)...		($75,294)	$30,145
30	Depreciation and Amortization of Property and Equipment...		26,551	22,320
31	Amortization of Other Assets..	4	551	750
32	Amortization of Debt Discount or Premium..........................			
33	Deferred Income Taxes - Current			
34	Deferred Income Taxes - Noncurrent	6	(678)	
35	(Gain) Loss on Disposition of Property and Equipment.........			
36	(Gain) Loss on CRDA-Related Obligations...........................	9	1,531	1,393
37	(Gain) Loss from Other Investment Activities.......................			
38	(Increase) Decrease in Receivables and Patrons' Checks		(8,690)	(2,286)
39	(Increase) Decrease in Inventories		(660)	745
40	(Increase) Decrease in Other Current Assets..........................		(219)	(3,965)
41	(Increase) Decrease in Other Assets......................................		(384)	2,408
42	Increase (Decrease) in Accounts Payable..............................		2,088	3,003
43	Increase (Decrease) in Other Current Liabilities	5	(1,468)	(7,178)
44	Increase (Decrease) in Other Liabilities			
45	Restricted Stock Awards	8	250	110
46	Asset Impairment Charge	4	83,889	
47	Net Cash Provided (Used) By Operating Activities...................		$27,467	$47,445

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....................................		($145,820)	($125,838)
49	Less: Capital Lease Obligations Incurred..............................	5	6,116	
50	Cash Outflows for Property and Equipment..............................		($139,704)	($125,838)
	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............................			
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.

TRUMP TAJ MAHAL ASSOCIATES, LLC
SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	224,983	$17,556			
2	Food	900,107	17,405			
3	Beverage	1,803,158	8,483			
4	Travel			47,335	9,003	
5	Bus Program Cash	304,947	6,649			
6	Promotional Gaming Credits	33,740	1,023			
7	Complimentary Cash Gifts	958,183	42,747			
8	Entertainment	11,534	629	14,007	1,172	
9	Retail & Non-Cash Gifts	92,896	5,223	79,686	6,064	
10	Parking			383,187	1,150	
11	Other	12,679	527	81,121	106	*
12	Total	4,342,227	$100,242	605,336	$17,495	

* Other includes the change in the outstanding comp dollar liability from 12/31/07 to 9/30/08

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 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	83,407	$6,350			
2	Food	301,211	5,997			
3	Beverage	622,586	3,021			
4	Travel			14,230	3,177	
5	Bus Program Cash	109,560	2,399			
6	Promotional Gaming Credits	33,740	1,023			
7	Complimentary Cash Gifts	331,131	16,817			
8	Entertainment	5,179	232	2,555	319	
9	Retail & Non-Cash Gifts	39,067	1,586	24,199	1,845	
10	Parking			137,436	413	
11	Other	3,330	152	31,231	351	*
12	Total	1,529,211	$37,577	209,651	$6,105	

* Other includes the change in the outstanding comp dollar liability from 06/30/08 to 9/30/08

TRUMP TAJ MAHAL ASSOCIATES, LLC
STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED SEPTEMBER 30, 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.

11/14/2008
Date

James L. Wright

Director of Finance
Title

003507-11
License Number

On Behalf of:

TRUMP TAJ MAHAL ASSOCIATES, LLC
Casino Licensee

TRUMP TAJ MAHAL ASSOCIATES, LLC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(Unaudited)
(in thousands)

NOTE 1 - GENERAL

Organization and Operations

Trump Taj Mahal Associates LLC (“Taj Associates” or the “Company”), a New Jersey Limited Liability Corporation, is 100% beneficially owned by Trump Entertainment Resorts Holdings, LP (“TER Holdings”), a Delaware Limited Partnership. Trump Entertainment Resorts, Inc. (“TER”), a Delaware corporation, currently beneficially owns an approximate 76.5% profits interest in TER Holdings, as both general and limited partner, and Donald J. Trump ("Mr. Trump") owns directly and indirectly an approximate 23.5% profits interest in TER Holdings, as a limited partner.

Taj Associates owns and operates the Trump Taj Mahal Casino Resort (the "Taj Mahal"), an Atlantic City, New Jersey hotel, casino and convention center complex. Taj Associates derives its revenue primarily from casino operations, room rental, food and beverage sales, and entertainment revenue. The casino industry in Atlantic City is seasonal in nature with the peak season being the spring and summer months.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the rules and regulations of the Casino Control Commission of the State of New Jersey (the “CCC”). Accordingly, certain information and note disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in Taj Associates’ December 31, 2007 Quarterly Report as filed with the CCC.

Subject to the foregoing, the accompanying financial statements have been prepared without audit. In the opinion of management, all adjustments, consisting of only normal recurring adjustments necessary to present fairly the financial position, the results of operations, and cash flows for the periods presented, have been made.

Certain reclassifications and disclosures have been made to prior year financial statements in order to conform to the current year presentation.

NOTE 2 – TRUMP ONE UNIFIED PLAYER’S PROGRAM

In June 2007, TER implemented the Trump ONE unified player’s program (“Trump ONE”), our company-wide customer loyalty program. Under Trump ONE, customers are able to accumulate complimentary dollars (“comp dollars”) based upon their slot machine and table games play which may be redeemed at their discretion for complimentary food, beverage and retail items. Unredeemed comp dollars are subject to the terms of the Trump ONE program, including forfeiture based upon the lapsing of time. The Company records the cost of comp dollars as a selling, general and administrative expense when earned by our customers. The retail value of the complimentary food, beverage and other retail items is recorded as revenue with an offset to promotional allowances at the time customers redeem comp dollars. During June 2007, we accrued $2,094 of selling, general and administrative expense to record the initial comp dollar liability, including consideration of estimated forfeitures. As of September 30, 2008, we had $1,376 accrued for the estimated cost of the outstanding comp dollar liability.

In addition to comp dollars, our customers have the ability to earn points based on slot machine play that are redeemable in cash (“cash-back points”). The Company has historically accrued the cost of cash-back points, after consideration of estimated forfeitures, as they are earned. The cost is recorded in promotional allowances. Customers may also receive discretionary complimentary rooms, food and beverage and other services which are expensed as incurred.

NOTE 3 – THE CHAIRMAN TOWER

On August 30, 2008 we debuted a portion of our new 782 room hotel tower, The Chairman Tower. Approximately 300 rooms were initially available for occupancy through September 30, 2008. In early October approximately an additional 100 rooms became available. The Company expects to have the entire Chairman Tower available for occupancy by December 31, 2008.

(in thousands)

NOTE 4 – INTANGIBLE ASSETS AND GOODWILL

In accordance with SFAS No. 142, “Goodwill and Other Intangible Assets” (“SFAS 142”), goodwill and other indefinite-lived intangible assets are not amortized, but are subject to impairment tests at least annually. SFAS 142 requires that impairment tests be performed more frequently than annually if events or circumstances indicate that the value of goodwill or indefinite-lived intangible assets might be impaired. Due to the current market conditions in which we operate and other factors, we performed an annual and interim goodwill and other intangible asset impairment test as of October 1, 2007 and September 30, 2008, respectively. With the assistance of an independent valuation firm, we used a discounted cash flow methodology in our determination of the estimated fair value of our goodwill and other intangible assets. Our estimated future cash flows assumed under the discounted cash flow approach were negatively impacted by the effects of regional competition, a general weakening of the economy, rising fuel costs and the partial smoking ban in Atlantic City.

Based upon the results of our impairment testing, we determined that goodwill and trademarks were impaired. As a result of our October 1, 2007 impairment test we recognized an other intangible asset impairment charge of $30,447 related to trademarks. As a result of our September 30, 2008 impairment test we recognized goodwill impairment charges totaling $76,362 and other intangible asset impairment charges of $7,527 related to trademarks.

The impairment test procedures performed in accordance with SFAS 142 require management to make comprehensive estimates of our future cash flows. Due to uncertainties associated with such estimates, actual results could differ from such estimates. A continuation of the previously mentioned conditions may result in the determination that some or all of our remaining intangible assets have become impaired, which could result in additional impairment charges.

A rollforward of trademarks and goodwill for the period from December 31, 2006 to September 30, 2008 is as follows:

	Trademarks	Goodwill
Balance, December 31, 2006	$ 81,000	$ 92,981
Non-cash charge in lieu of income taxes	—	(200)
Non-cash transactions with TER Holdings	—	(16,419)
Trademarks impairment charge	(30,447)	—
Balance December 31, 2007	50,553	76,362
Trademarks and goodwill impairment charges	(7,527)	(76,362)
Balance, September 30, 2008	$ 43,026	$ -

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of:

	September 30, 2008	September 30, 2007
8.5% Note Payable - TER and TER Funding, due June 1, 2015, interest payable semi-annually due June and December	$ 564,327	$ 564,327
8.5% Revolving Grid Note Payable - TER Holdings, due January 1, 2013, interest due and payable monthly	234,464	90,306
Capitalized lease obligations - interest rates at 4.43% to 12.00%, secured by equipment financed	6,228	1,953
Total long-term debt	805,019	656,586
Less: current maturities	(256)	(1,922)
Long-term debt, net of current maturities	$ 804,763	$ 654,664

8.5% Note Payable – TER and TER Funding

In May 2005, TER Holdings and Trump Entertainment Resorts Funding, Inc., a wholly owned subsidiary of TER Holdings, (collectively, "the Issuers"), issued $1,250,000 principal amount of 8.5% Senior Secured Notes due June 1, 2015 (the "TER Notes"). From the proceeds of the issuance of the TER Notes, TER Holdings loaned $575,000 to Taj Associates.

8.5% Revolving Grid Note Payable – TER Holdings

In July 2007, Taj Associates entered into a Revolving Grid Note ("Grid Note") with TER Holdings. Pursuant to the Grid Note, Taj Associates agreed to repay up to $250,000 of advances made by TER Holdings, including any accrued unpaid interest on outstanding advances thereon. Upon execution of the Grid Note, outstanding amounts due to TER Holdings relating to intercompany borrowings and unpaid interest due on the 8.5% Note Payable were refinanced through the Grid Note.

Guarantees

The Company, along with Trump Plaza Associates, LLC ("Plaza Associates") and Trump Marina Associates, LLC ("Marina Associates"), guarantees TER Holdings' and TER Funding's $493,250 Credit Facility and TER Notes on a joint and several basis. The Credit Facility is secured by substantially all of the assets of the Issuers and Taj Associates on a priority basis. Therefore, the TER Notes and the guarantee thereof are effectively subordinated to amounts borrowed by TER under the Credit Facility. At September 30, 2008, TER had outstanding borrowings of $464,989 and $1,248,969 under the Credit Facility and the TER Notes, respectively.

Capitalized Lease Obligations

During January 2008, in connection with the construction of the new hotel tower at the Trump Taj Mahal, we entered into an amendment to our thermal energy service agreement with a subsidiary of a local utility company which provides thermal energy services (steam heating and chilled water cooling services) to the Trump Taj Mahal. The Amendment (i) requires the supplier to design, install and construct certain additions which will enable the Trump Taj Mahal's existing thermal energy production facilities to provide the heating and cooling requirements of the new hotel tower, (ii) extends the term of the original thermal energy service agreement to December 31, 2027 and (iii) changes the fixed monthly thermal energy fees. The estimated cost of the additions was $6,000 and has been recorded as a capital lease obligation.

NOTE 6 - INCOME TAXES

Federal Income Taxes

The accompanying financial statements do not include a provision for federal income taxes since the Company is a division of TER Holdings, which is taxed as a partnership for federal income tax purposes. Therefore, the Company's income and losses are allocated and reported for federal income tax purposes by TER Holdings' partners.

State Income Taxes

Under the New Jersey Casino Control Act, the Company is required to file New Jersey corporation business tax returns.

The Predecessor Company's net operating losses utilized to offset taxable income of the Reorganized Company will be recorded in the provision for income taxes as a non-cash charge in lieu of taxes and as a reduction to goodwill, if available, and certain intangible assets related to the reorganization to the extent goodwill would be reduced to zero. The term "Predecessor Company" refers to the Company for periods prior to and including May 19, 2005, and the term "Reorganized Company" refers to the Company for periods on and subsequent to May 20, 2005.

(in thousands)

The state income tax provision is as follows:

	Nine Months Ended September 30	
	2008	2007
Current	$ —	$ —
Deferred	(460)	—
Non-cash charge in lieu of taxes	—	200
	$ (460)	$ 200

The non-cash charge in lieu of income taxes represents the utilization of pre-reorganization tax benefits that are reflected as a reduction to goodwill.

At September 30, 2008, the Company had unrecognized tax benefits of approximately $13,861 (including interest) of which $3,205 would affect its effective tax rate, if recognized. The application of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") did not have an impact on partners' capital on the date of adoption. It is reasonably possible that certain unrecognized tax benefits related to income tax examinations totaling $3,470 could be settled during the next twelve months.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties as a component of income tax expense. During the nine months ended September 30, 2008 and 2007, the Company recognized approximately $888 and $663, respectively, in potential interest associated with uncertain tax positions. At September 30, 2008, the Company had approximately $3,742 accrued for the payment of interest on uncertain tax positions. To the extent interest is not assessed with respect to uncertain tax positions of the Reorganized Company, amounts accrued will be reduced and reflected as a reduction of interest expense. To the extent interest is not assessed with respect to uncertain tax positions of the Predecessor Company, amounts accrued prior to the reorganization date will be reduced and the impact will reduce certain intangible assets related to the reorganization in accordance with Emerging Issues Task Force Issue 93-7, "Uncertainties Related to Income Taxes in a Purchase Business Combination" ("EITF 93-7").

Federal and State Income Tax Audits

Tax years 2005 through 2007 remain subject to examination by the federal tax authority. Tax years 1997 through 2007 remain subject to examination by state tax jurisdictions.

From 2002 through 2006, state income taxes for the Company's New Jersey operations were computed under the alternative minimum assessment method. The Company has asserted its position that New Jersey partnerships were exempt from these taxes and, as such, have not remitted payments of the amounts provided. The New Jersey Division of Taxation has issued an assessment to collect the unpaid taxes for the tax years 2002 through 2003. At September 30, 2008, the Company has accrued $13,028 for taxes and interest relating to this alternative minimum tax assessment for 2002 and 2003, as well as the open years 2004 through 2006. The Company is currently in discussions with the New Jersey Division of Taxation regarding settlement of these assessments.

NOTE 7 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In April 2008, FASB issued FASB Staff Position FAS 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP 142-3"). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). The intent of FSP 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R and other GAAP. FSP 142-3 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. Early adoption of the standard is prohibited. FAS 142-3 is effective for our fiscal year beginning January 1, 2009. We are currently evaluating the impact of FAS 142-3, but do not believe that the adoption of the standard will have a material impact on our financial statements.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), "Business Combinations" ("SFAS 141(R)"). This Statement retained the fundamental requirements in SFAS 141 that the acquisition method of accounting (which SFAS 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. SFAS 141(R), which is broader in scope than that of SFAS 141, which applied only to business combinations in which control was obtained by transferring consideration, applies the same method of accounting (the purchase method) to all transactions and other events in which one entity obtains control over one or more other businesses. SFAS 141(R) also makes certain other modifications to SFAS 141. The Company is required to apply the provisions of SFAS 141(R) to business combinations for which the acquisition date is on or after January 1, 2009. Earlier application is prohibited. The Company does not expect the adoption of SFAS 141(R) to have a material effect on our financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value. The fair value option established by SFAS 159 permits all companies to choose to measure eligible items at fair value at specified election dates. At each subsequent reporting date, companies shall report in earnings any unrealized gains and losses on items for which the fair value option has been elected. The Company adopted SFAS 159 effective January 1, 2008 and did not elect the fair value measurement option for any financial assets or liabilities.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157") which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and, accordingly, does not require any new fair value measurements. On February 12, 2008, the FASB issued FASB Staff Position No. FAS 157-2, Effective Date of FASB Statement No. 157 ("FSP 157-2"), delaying the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Non-financial assets and non-financial liabilities for which the Company is not yet required to apply the provisions of SFAS 157 include our goodwill and intangible assets and long-lived assets measured at fair value under the provisions of SFAS 142, "Goodwill and Other Intangible Assets" and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," respectively. The Company adopted SFAS 157 effective January 1, 2008 for financial assets and liabilities. The adoption of SFAS 157 did not impact our financial statements. The Company does not expect that the adoption of the deferment provisions of FSP 157-2 will have a material effect on our financial statements.

(in thousands)

NOTE 8 - TRANSACTIONS WITH AFFILIATES

The Company has engaged in certain transactions with TER, Plaza Associates and Marina Associates, all of which are affiliates of Trump. Amounts receivable/(payable) are as follows:

	September 30, 2008	September 30, 2007
Marina Associates	$ (839)	$ 1,427
Plaza Associates	(539)	567
TER	157	49
	$ (1,221)	$ 2,043

Taj Associates engages in various transactions with the other Atlantic City hotel/casinos and related casino entities that are affiliates of Mr. Trump. These transactions are charged at cost or normal selling price in the case of retail items and include certain shared professional fees, insurance, advertising and payroll costs as well as complimentary services offered to customers.

Trump Taj Mahal Associates Administration, a separate division of Taj Associates ("Trump Administration") provides certain shared services for Taj Associates, Plaza Associates and Marina Associates. Trump Administration incurred expenses associated with such services totaling $24,218 and $18,197 for the nine months ended September 30, 2008 and 2007, respectively. These costs were allocated to Taj Associates, Plaza Associates and Marina Associates.

During September 2006, TER amended the Right of First Offer Agreement ("ROFO Agreement") with Trump Organization LLC. The amended ROFO agreement pertains to construction projects greater than $35 million. Payments under the terms of the amended ROFO Agreement were as follows:

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Minimum Monthly Fees	$ 250	$ 450
Cost Savings Commissions	129	1,217
	$ 379	$ 1,667

These amounts were capitalized as part of the construction costs of the Taj Mahal's hotel tower.

Since 2005, TER has awarded 116,366 restricted shares of TER common stock to employees of Taj Associates. At September 30, 2008, the remaining unrecognized compensation expense for nonvested restricted stock to be recognized over the remaining contractual life was $261. The weighted-average remaining contractual life of outstanding restricted stock grants at September 30, 2008 was approximately 1.2 years.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Legal Proceedings

Taj Associates and certain of its employees are involved from time to time in various legal proceedings incidental to the Company's business. While any proceeding or litigation contains an element of uncertainty, management believes that the final outcomes of these matters are not likely to have a material adverse effect on the Company's results of operations or financial condition. In general, the Company has agreed to indemnify such persons, and its directors, against any and all losses, claims, damages, expenses (including reasonable costs, disbursements and counsel fees) and liabilities (including amounts paid or incurred in satisfaction of settlements, judgments, fines and penalties) incurred by them in said legal proceedings absent a showing of such persons' gross negligence or malfeasance.

Construction Commitments

At September 30, 2008, the Company had outstanding construction commitments of approximately $39,800 relating primarily to the construction of its new 782-room hotel tower.

Casino License Renewal

The Company is subject to regulation and licensing by the CCC. The Company's casino license must be renewed periodically, is not transferable, is dependent upon the financial stability of the Company and can be revoked at any time. Due to the uncertainty of any license renewal application, there can be no assurance that the license will be renewed.

In June 2007, the CCC renewed the Company's license to operate the Taj Mahal for the next five year period through June 2012. Upon revocation, suspension for more than 120 days, or failure to renew the casino license, the Casino Control Act provides for the mandatory appointment of a conservator to take possession of the hotel and casino's business and property, subject to all valid liens, claims and encumbrances.

Coastal Area Facilities Review Act Agreement

Taj Associates received a permit under the Coastal Area Facilities Review Act ("CAFRA"), which included a condition of Taj Associates' casino license that initially required Taj Associates to begin construction of certain improvements on the Steel Pier by October 1992. Such improvements were to be completed within 18 months of commencement. In March 1993, Taj Associates obtained a modification of its CAFRA permit providing for the extension of the required commencement and completion dates of the improvements to the Steel Pier for one year, which has been renewed annually based upon an interim use of the Steel Pier as an amusement park. The pier sublease, pursuant to which Taj Associates leases the Steel Pier to an amusement park operator, terminates on December 31, 2008. The conditions of the CAFRA permit renewal thereafter are under discussion with the New Jersey Department of Environmental Protection.

Casino Reinvestment Development Authority Obligations

Pursuant to the provisions of the Casino Control Act, the Company must either obtain investment tax credits, as defined in the Casino Control Act, in an amount equivalent to 1.25% of its gross casino revenues, as defined in the Casino Control Act, or pay an alternative tax of 2.5% of its gross casino revenues. Investment tax credits may be obtained by making qualified investments, as defined, or by depositing funds which may be converted to bonds by the Casino Reinvestment Development Authority (the "CRDA"), both of which bear interest at two-thirds of market rates resulting in a fair value lower than cost. The Company is required to make quarterly deposits with the CRDA to satisfy its investment obligations.

During the three and nine months ended September 30, 2008 and 2007, we recognized expense within our operations of $549 and $612 and $1,531 and $1,393, respectively, to give effect to the below market interest rates associated with CRDA deposits and bonds.

NJSEA Subsidy Agreement

In April 2004, the casinos located in Atlantic City ("Casinos"), including Trump's Atlantic City Casinos, executed an agreement ("2004 NJSEA Subsidy Agreement") with the New Jersey Sports and Exposition Authority ("NJSEA") and the CRDA. The 2004 NJSEA Subsidy Agreement provides that the Casinos, on a pro rata basis according to their gross revenues, shall pay in cash and donate from the regular payment of their CRDA obligations a total of $86,000 in four annual installments in October of each of 2004 through 2007 to the NJSEA. It required that the funds be used by the NJSEA through December 31, 2008 to enhance purses, fund breeders awards and establish account wagering at New Jersey horse racing tracks. During this four year period, Taj Associate's portion of this industry obligation was approximately 10.4%.

The 2004 NJSEA Subsidy Agreement further provided for a moratorium until January 2009 on the conduct of casino gaming at any New Jersey racetrack and conditioned the donation of the CRDA funds upon the enactment and funding of the Casino Expansion Fund Act which made funds available, on a pro rata basis, to each of the Casinos for investment in eligible projects in Atlantic City approved by the CRDA. In September 2006, the CRDA approved the new hotel tower presently under construction at the Trump Taj Mahal as an eligible project and, pursuant to October 2006 agreements, authorized grants to Trump Atlantic City casinos in aggregate amounts of approximately $13,800 from the Atlantic City Expansion Fund and $1,575 from a separate Casino Capital Construction Fund, both administered by the CRDA. During 2008, the Trump Atlantic City Casinos received a combined total of $4,233 of grant proceeds from the Atlantic City Expansion Fund and $677 of grant proceeds from the Casino Capital Construction Fund.

The New Jersey Legislature amended the Casino Control Act, effective April 18, 2008, to permit the Casinos to deduct the amount of certain promotional gaming credits wagered at their slot machines in calculating the tax on gross gaming revenue. The amendment became operative upon the August 14, 2008 certification by the Chair of the CCC to the State Treasurer that the Casinos and Casino Association of New Jersey ("CANJ") had executed a new subsidy agreement with NJSEA for the benefit of the horse racing industry for $30,000 annually for a three year period (“2008 NJSEA Subsidy Agreement”). In addition, the CCC adopted regulations effective September 22, 2008 which establish procedures by which the Casinos may implement the promotional gaming credit tax deduction.

The 2008 NJSEA Subsidy Agreement provides that the Casinos will pay the NJSEA $90,000 to be used solely for purse enhancements, breeder’s purses and expenses to establish off-track wagering facilities which it incurs through 2011. The payments will be made in eleven installments from September 29, 2008 through November 15, 2011 and will total $22,500 in 2008, $30,000 in each of 2009 and 2010 and $7,500 in 2011. Each Casino will pay a share equal to a percentage representing the gross gaming revenue it reported for the prior calendar year compared to that reported by all Casinos for that year. The Company’s portion of this industry obligation for 2008 is approximately 10.3%.

The 2008 NJSEA Subsidy Agreement also provides that the NJSEA, all other entities which receive any portion of the payments and affiliates of either shall not operate, conduct, maintain or permit any casino gaming, including video lottery gaming, in any New Jersey location other than Atlantic City prior to 2012 and that the Casinos may bring an action in New Jersey Superior Court against any such entity to enforce this prohibition by specific performance.

The 2008 NJSEA Subsidy Agreement further provides that if, prior to 2011, a statewide public question to authorize casino gaming at any New Jersey location other than Atlantic City is approved by the New Jersey Legislature or if, prior to 2012, any such statewide public question is approved by New Jersey voters or any New Jersey legislation is enacted or other New Jersey governmental action is taken authorizing such gaming or any such gaming is actually operated, conducted or maintained, then the Casinos shall make no further payments to NJSEA and, in certain circumstances, NJSEA shall return some or all of the payments it previously received from the Casinos.

The 2008 NJSEA Subsidy Agreement acknowledges the publicly announced intention of the Governor to, by executive order, create a commission to study and report its recommendations for the long term stability of the horse racing industry to the Governor and the Legislature on or about July 1, 2010 and provides that the Casinos, CANJ and NJSEA will work and cooperate in good faith with any such commission and that the NJSEA shall not support legislation for casino gaming in any New Jersey location other than Atlantic City prior to the commission’s delivery of its report to the Governor and the Legislature.