Borgata Casino Hotel & Spa

QUARTERLY REPORT

June 30, 2007

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 JUNE 30, 2007 AND 2006

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$45,900	$51,255
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2007 $17,872 2006, $13,055)	2	60,185	67,919
4	Inventories		4,429	3,801
5	Other Current Assets		7,210	6,938
6	Total Current Assets		117,724	129,913
7	Investments, Advances, and Receivables	5	15,224	9,479
8	Property and Equipment - Gross		1,516,187	1,317,889
9	Less: Accumulated Depreciation and Amortization		(225,754)	(164,036)
10	Property and Equipment - Net		1,290,433	1,153,853
11	Other Assets		9,296	11,209
12	Total Assets		$1,432,677	$1,304,454
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$39,070	$60,924
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		1,062	10,035
18	Other Accrued Expenses	3	62,058	57,254
19	Other Current Liabilities	4	19,001	13,796
20	Total Current Liabilities		121,191	142,009
	Long-Term Debt:			
21	Due to Affiliates		0	0
22	External	7	626,100	475,200
23	Deferred Credits		6,899	6,595
24	Other Liabilities		12,292	8,340
25	Commitments and Contingencies		0	0
26	Total Liabilities		766,482	632,144
27	Stockholders', Partners', or Proprietor's Equity		666,195	672,310
28	Total Liabilities and Equity		$1,432,677	$1,304,454

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 SIX MONTHS ENDED JUNE 30, 2007 AND 2006

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	Revenue:			
1	Casino		$365,235	$347,111
2	Rooms		49,256	44,973
3	Food and Beverage		68,128	57,341
4	Other		21,039	18,069
5	Total Revenue		503,658	467,494
6	Less: Promotional Allowances		97,829	90,554
7	Net Revenue		405,829	376,940
	Costs and Expenses:			
8	Cost of Goods and Services		234,576	197,298
9	Selling, General, and Administrative		51,549	52,180
10	Provision for Doubtful Accounts	2	2,766	3,438
11	Total Costs and Expenses		288,891	252,916
12	Gross Operating Profit		116,938	124,024
13	Depreciation and Amortization		33,732	29,271
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other		0	0
16	Income (Loss) from Operations		83,206	94,753
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External	7	(15,516)	(8,353)
19	CRDA Related Income (Expense) - Net		(2,894)	(1,454)
20	Nonoperating Income (Expense) - Net		(1,366)	(5,201)
21	Total Other Income (Expenses)		(19,776)	(15,008)
22	Income (Loss) Before Taxes and Extraordinary Items		63,430	79,745
23	Provision (Credit) for Income Taxes	1,8	(766)	237
24	Income (Loss) Before Extraordinary Items		64,196	79,508
	Extraordinary Items (Net of Income Taxes -			
25	2006, $0; 2005, $0)		0	0
26	Net Income (Loss)		$64,196	$79,508

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 JUNE 30, 2007 AND 2006

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	Revenue:			
1	Casino		$177,966	$172,855
2	Rooms		25,363	23,742
3	Food and Beverage		35,018	29,461
4	Other		11,305	11,079
5	Total Revenue		249,652	237,137
6	Less: Promotional Allowances		47,553	47,765
7	Net Revenue		202,099	189,372
	Costs and Expenses:			
8	Cost of Goods and Services		119,642	101,889
9	Selling, General, and Administrative		25,870	27,518
10	Provision for Doubtful Accounts	2	1,209	1,802
11	Total Costs and Expenses		146,721	131,209
12	Gross Operating Profit		55,378	58,163
13	Depreciation and Amortization		16,905	14,773
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other		0	0
16	Income (Loss) from Operations		38,473	43,390
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External	7	(7,823)	(4,271)
19	CRDA Related Income (Expense) - Net		(1,405)	(724)
20	Nonoperating Income (Expense) - Net		(993)	(3,727)
21	Total Other Income (Expenses)		(10,221)	(8,722)
22	Income (Loss) Before Taxes and Extraordinary Items		28,252	34,668
23	Provision (Credit) for Income Taxes	1,8	(676)	(130)
24	Income (Loss) Before Extraordinary Items		28,928	34,798
	Extraordinary Items (Net of Income Taxes -			
25	20__, $_____; 20__, $________)		0	0
26	Net Income (Loss)		$28,928	$34,798

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 CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2007
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2006

(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, 2005..........**		$477,507	$200,600	$0	$678,107
2	Net Income (Loss) - 2006..........			153,833		153,833
3	Capital Contributions................					0
4	Capital Withdrawals..................					0
5	Partnership Distributions...........			(165,207)		(165,207)
6	Prior Period Adjustments..........					0
7						0
8						0
9						0
10	**Balance, December 31, 2006..........**		477,507	189,226	0	666,733
11	Net Income (Loss) - 2007..........			64,196		64,196
12	Capital Contributions................					0
13	Capital Withdrawals..................					0
14	Partnership Distributions...........			(64,490)		(64,490)
15	Prior Period Adjustments..........					0
16	Cumulative effect of change in	8		(244)		(244)
17	accounting principle					0
18						0
19	**Balance June 30, 2007...................**		$477,507	$188,688	$0	$666,195

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 SIX MONTHS ENDED JUNE 30, 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$97,038	$106,462
	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............................		(108,810)	(149,145)
5	Proceeds from Disposition of Property and Equipment..........			
6	CRDA Obligations		(1,691)	(2,897)
7	Other Investments, Loans and Advances made.......................		(1,681)	
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....................		(112,182)	(152,042)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....................................			
15	Proceeds from Long-Term Debt		331,700	658,100
16	Costs of Issuing Debt...		227	(1,208)
17	Payments to Settle Long-Term Debt......................................		(260,200)	(524,600)
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		(64,490)	(85,305)
22	....			
23	Net Cash Provided (Used) By Financing Activities...................		7,237	46,987
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		(7,907)	1,407
25	Cash and Cash Equivalents at Beginning of Period...................		53,807	49,848
26	Cash and Cash Equivalents at End of Period.............................		$45,900	$51,255

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).......................................		$13,549	$5,796
28	Income Taxes..		($7,146)	$4,902

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 SIX MONTHS ENDED JUNE 30, 2007

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)...		$64,196	$79,508
30	Depreciation and Amortization of Property and Equipment...		33,073	29,160
31	Amortization of Other Assets...		659	111
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.........		332	375
36	(Gain) Loss on CRDA-Related Obligations...........................		2,894	1,454
37	(Gain) Loss from Other Investment Activities.......................		38	
38	(Increase) Decrease in Receivables and Patrons' Checks		2,940	(16,226)
39	(Increase) Decrease in Inventories		(367)	(694)
40	(Increase) Decrease in Other Current Assets..........................		(1,758)	(1,231)
41	(Increase) Decrease in Other Assets......................................		1,083	182
42	Increase (Decrease) in Accounts Payable..............................		(3,601)	8,139
43	Increase (Decrease) in Other Current Liabilities		(5,648)	2,621
44	Increase (Decrease) in Other Liabilities		3,197	3,063
45	Net Loss (Gain) on Derivative Financial Instrum		0	0
46	....			
47	Net Cash Provided (Used) By Operating Activities..................		$97,038	$106,462

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment....................................		($108,810)	($149,145)
49	Less: Capital Lease Obligations Incurred..............................			
50	Cash Outflows for Property and Equipment.............................		($108,810)	($149,145)
	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 SIX MONTHS ENDED JUNE 30, 2007

(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	298,581	$28,569		
2	Food	859,420	19,886	692,400	6,924
3	Beverage	3,410,546	11,084		
4	Travel			15,612	3,903
5	Bus Program Cash				
6	Other Cash Complimentaries	1,327,306	33,183		
7	Entertainment	60,029	2,401	2,700	270
8	Retail & Non-Cash Gifts	27,981	1,399	25,616	6,404
9	Parking				
10	Other	112,372	1,307	1,082,308	2,004
11	Total	6,096,235	$97,829	1,818,636	$19,505

* Promotional Allowances - Other includes $1,736K of Spa comps and $(436K) change in Comp and Slot dollars earned but not redeemed.
* Promotional Expenses - Other includes $1,256K of comp taxes.

FOR THE THREE MONTHS ENDED JUNE 30, 2007

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	153,670	$14,486		
2	Food	432,910	9,931	347,900	3,479
3	Beverage	1,681,726	5,466		
4	Travel			7,584	1,896
5	Bus Program Cash				
6	Other Cash Complimentaries	648,118	16,203		
7	Entertainment	32,996	1,320	1,440	144
8	Retail & Non-Cash Gifts	14,888	744	12,392	3,098
9	Parking				
10	Other	36,218	(597)	732,348	1,253
11	Total	3,000,526	$47,553	1,101,664	$9,870

* Promotional Allowances - Other includes $903K of Spa comps and $(1,502K) change in Comp and Slot dollars earned but not redeemed.
* Promotional Expenses - Other includes $665K of comp taxes.

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

June 30, 2007

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.

8/15/2007
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 opened Borgata on July 3, 2003 with approximately 2,000 hotel rooms, a 125,000 square foot casino, and other amenities. On June 30, 2006, we opened our first expansion ("Public Space Expansion"), a project with a cost of approximately $200,000,000. The Public Space Expansion consists of approximately 35,000 square feet of additional casino space and substantial additions of non-gaming amenities including three additional fine dining restaurants, a second nightclub, and a multi-concept quick service dining facility.

We are currently in the process of our second expansion ("Rooms Expansion"). The centerpiece of the Rooms Expansion is a new hotel tower, 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 tower, 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 in early 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).

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 $2,656,000 and $4,323,000 for the three and six months ended June 30, 2007 respectively, and $2,565,000 and $4,116,000 for the three and six months ended June 30, 2006.

Income Taxes

Our Parent and 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. Pursuant to our tax sharing agreement with MAC and BAC, we owe them approximately $2,226,000 at June 30, 2007 which is included in income taxes payable.

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 $1,077,000 and $2,018,000 for the three and six months ended June 30, 2007, respectively, and $3,815,000 and $5,145,000 for the three and six months ended June 30, 2006, respectively, consisting primarily of payroll expenses and ground lease expenses related to our expansion projects.

Recently Issued Accounting Standards

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 permits companies to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The fair value option established by SFAS No. 159 permits all companies to choose to measure eligible items at fair value at specified election dates. At each subsequent reporting date, a company shall report in earnings any unrealized gains and losses on items for which the fair value option has been elected. SFAS No. 159 is effective as of the beginning of a company's first fiscal year that begins after November 15,

2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the company also elects to apply the provisions of SFAS No. 157, *Fair Value Measurements*.

Note 2. Receivables and Patrons' Checks

Receivables and patrons' checks consist of the following:

	June 30	
	2007	2006
Casino receivables (net of an allowance for doubtful accounts – 2007 $17,761,000 and 2006 $12,715,000)	$ 28,315,000	$ 27,506,000
NJ tax refund receivable	19,183,000	26,979,000
Other (net of an allowance for doubtful accounts – 2007 $111,000 and 2006 $340,000)	12,434,000	13,324,000
Due from related parties (Note 6)	253,000	110,000
Receivables and patrons' checks, net	**$ 60,185,000**	**$ 67,919,000**

Note 3. Other Accrued Expenses

Other accrued expenses consist of the following:

	June 30,	
	2007	2006
Payroll and related	$ 21,811,000	$ 23,831,000
Other	40,247,000	33,423,000
Other accrued expenses	**$ 62,058,000**	**$ 57,254,000**

Note 4. Other Current Liabilities

Other current liabilities consist of the following:

	June 30,	
	2007	2006
Due to related parties (Note 6)	$ 1,363,000	$ 936,000
Other	17,638,000	12,860,000
Other current liabilities	**$ 19,001,000**	**$ 13,796,000**

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 $5,500,000. ACES is currently in the development stage and is expected to be operational by the end of 2007.

We account for our share of ACES under the equity method of accounting. As of June 30, 2007, we have made capital contributions of $2,110,000 which is included on the accompanying condensed consolidated balance sheet. Our share of ACES' net loss for the six months ended June 30, 2007 was $38,000 and is included in preopening 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 $116,000 and $43,000 at June 30, 2007 and 2006, respectively. Reimbursable expenditures incurred were $134,000 and $202,000 for the three and six months ended June, 30, 2007, respectively and $192,000 and $283,000 for the three and six months ended June 30, 2006, 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 $137,000 and $67,000 for the six months ended June 30, 2007 and 2006, respectively. Reimbursable expenditures incurred were $50,000 and $91,000 for the three and six months ended June 30, 2007, respectively and $80,000 and $107,000 for the three and six months ended June 30, 2006, 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). The related amounts due to MAC for these types of expenditures were $0 at June 30, 2007 and 2006, respectively. Related rent incurred was $1,493,000 and $2,977,000 for the three and six months ended June 30, 2007, respectively, and $1,304,000 and $2,609,000 for the three and six months ended June 30, 2006, 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 at June 30, 2007 and 2006, respectively. Related property tax incurred was $1,336,000 and $2,672,000 for the three and six months ended June 30, 2007, respectively, and $490,000 and $980,000 for the three and six months ended June 30, 2006, 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 $1,363,000 and $936,000 at June 30, 2007 and 2006, respectively. Reimbursable expenditures were $ 3,023,000 and $9,256,000 for the three and six months ended June 30, 2007, respectively, and $929,000 and $1,533,000 for the three and six months ended June 30, 2006, 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:

	June 30	
	2007	2006
Revolving line of credit	626,100,000	475,200,000
Less current maturities	-	-
Total long – term debt	**$ 626,100,000**	**$ 475,200,000**

Our bank credit agreement consists of a $850,000,000 revolving credit facility that matures on January 31, 2011. At June 30, 2007, $626,100,000 was outstanding under the revolving credit facility and $3,601,000 was allocated to support a letter of credit, leaving availability under the bank credit facility of $220,299,000.

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 June 30, 2007.

Note 8. Income Taxes

In July 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Under FIN 48, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, FIN 48 provides guidance on derecognitiion, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006 and applies to all tax positions accounted for in accordance with SFAS No. 109.

The total amount of unrecognized tax benefits upon the adoption of FIN 48 on January 1, 2007 was $6,500,000. As a result of the implementation of FIN 48, we recognized a $1,980,000 increase in the liability for unrecognized tax benefits which was accounted for as follows (in thousands):

Reduction in retained earnings	$ 244,000
Additional deferred tax assets	1,736,000
Increase in other tax liabilities	$ 1,980,000

Included in the $6,500,000 balance of unrecognized tax benefits at January 1, 2007 are $4,100,000 of tax benefits that, if recognized, would affect the effective tax rate and $2,400,000 of tax benefits that, if recognized, would result in adjustments to other tax accounts, primarily deferred taxes.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the income tax provision. During the years ended December 31, 2006, 2005 and 2004, we recognized accrued interest and penalties of approximately $200,000, $200,000 and less than $100,000, respectively. We had $500,000 and $200,000 for the payment of interest and penalties accrued at December 31, 2006 and 2005, respectively. Upon adoption of FIN 48 on January 1, 2007, we increased our accrual for interest and penalties to $700,000.

We are subject to state taxation in New Jersey and our state tax returns are subject to examination for tax years ended on or after December 31, 2001. Our state tax return for the year ended December 31, 2001 is open to the extent of a net operating loss carryforward utilized in subsequent years. As we are a partnership for federal income tax purposes, we are not subject to federal income tax. The federal tax liabilities of MAC and BAC would be affected by any tax adjustments resulting from federal audits.

We are currently under examination for federal income tax purposes. As noted above, any adjustments related to the federal examination would affect MAC and BAC, as we are not subject to federal income tax. We are not under examination for New Jersey state income tax purposes and we do not anticipate any material changes, over the next 12 month period, to our recorded unrecognized tax benefits as of January 1, 2007.

Note 9. Commitments and Contingencies

Utility Contract

In 2005, we amended our executory contracts with a wholly-owned subsidiary of a local utility company extending the end of the terms to 20 years from the opening of our Rooms Expansion. The utility company provides us with electricity and thermal energy (hot water and chilled water). Obligations under the thermal energy executory contract contain both fixed fees and variable fees based upon usage rates. The fixed fee components under the thermal energy executory contract are currently estimated at approximately $6,500,000 per annum. We also committed to purchase a certain portion of our electricity demand at essentially a fixed rate which is estimated at approximately $4,800,000 per annum. Electricity demand in excess of the commitment is subject to market rates based on our tariff class.

Investment Alternative Tax

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

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 will be paid on or before 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, estimated to be approximately $4,652,000 in total using our actual and forecasted 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, 2006, our share of the $9,000,000 paid on October 15, 2006 was approximately 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 $837,000. We have recorded an estimated expense of $258,000 and $517,000 for the three and six months ended June 30, 2007 and 2006, 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 $411,000 and $822,000 for the three and six months ended June 30, 2007 and 2006, respectively. Based on current gross gaming revenue projections, we expect it will take approximately 10 to 12 years to fully fund this obligation as the third quarter of 2006 was the first quarter we were subject to fund North Jersey Obligations.