Borgata Casino Hotel & Spa

QUARTERLY REPORT

December 31, 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 DECEMBER 31, 2007 AND 2006

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents	1	$52,866	$53,807
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2007 $19,707 2006, $15,948)	2, 11	69,840	63,125
4	Inventories		4,386	4,062
5	Other Current Assets		9,053	5,452
6	Total Current Assets		136,145	126,446
7	Investments, Advances, and Receivables	6	17,817	11,890
8	Property and Equipment - Gross		1,639,735	1,399,219
9	Less: Accumulated Depreciation and Amortization		(259,803)	(197,612)
10	Property and Equipment - Net	3	1,379,932	1,201,607
11	Other Assets		8,187	11,265
12	Total Assets		$1,542,081	$1,351,208
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$45,222	$29,250
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		3,109	1,834
18	Other Accrued Expenses	4	66,187	67,113
19	Other Current Liabilities	5	17,201	15,928
20	Total Current Liabilities		131,719	114,125
	Long-Term Debt:			
21	Due to Affiliates		0	0
22	External	8	722,700	554,600
23	Deferred Credits		7,289	6,612
24	Other Liabilities		13,692	9,138
25	Commitments and Contingencies		0	0
26	Total Liabilities		875,400	684,475
27	Stockholders', Partners', or Proprietor's Equity		666,681	666,733
28	Total Liabilities and Equity		$1,542,081	$1,351,208

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 TWELVE MONTHS ENDED DECEMBER 31, 2007 AND 2006

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	Revenue:			
1	Casino		$748,649	$735,145
2	Rooms		100,898	97,646
3	Food and Beverage		141,061	133,700
4	Other		44,071	42,533
5	Total Revenue		1,034,679	1,009,024
6	Less: Promotional Allowances	1	196,036	195,759
7	Net Revenue		838,643	813,265
	Costs and Expenses:			
8	Cost of Goods and Services		480,803	444,626
9	Selling, General, and Administrative	10	106,992	111,299
10	Provision for Doubtful Accounts	2	5,866	7,287
11	Total Costs and Expenses		593,661	563,212
12	Gross Operating Profit		244,982	250,053
13	Depreciation and Amortization		68,576	63,088
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other		0	0
16	Income (Loss) from Operations		176,406	186,965
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External	8	(31,194)	(23,271)
19	CRDA Related Income (Expense) - Net		(5,312)	(4,336)
20	Nonoperating Income (Expense) - Net	6,11	(2,226)	(7,641)
21	Total Other Income (Expenses)		(38,732)	(35,248)
22	Income (Loss) Before Taxes and Extraordinary Items		137,674	151,717
23	Provision (Credit) for Income Taxes	1,9	(3,658)	(2,116)
24	Income (Loss) Before Extraordinary Items		141,332	153,833
25	Extraordinary Items (Net of Income Taxes - 2006, $0; 2005, $0)		0	0
26	Net Income (Loss)		$141,332	$153,833

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 DECEMBER 31, 2007 AND 2006

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	Revenue:			
1	Casino		$179,529	$172,554
2	Rooms		24,082	25,497
3	Food and Beverage		33,130	34,464
4	Other		11,019	12,191
5	Total Revenue		247,760	244,706
6	Less: Promotional Allowances		45,034	45,866
7	Net Revenue		202,726	198,840
	Costs and Expenses:			
8	Cost of Goods and Services		118,278	114,329
9	Selling, General, and Administrative		27,964	27,818
10	Provision for Doubtful Accounts	2	1,683	2,135
11	Total Costs and Expenses		147,925	144,282
12	Gross Operating Profit		54,801	54,558
13	Depreciation and Amortization		17,496	16,895
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other		0	0
16	Income (Loss) from Operations		37,305	37,663
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External	8	(7,770)	(7,599)
19	CRDA Related Income (Expense) - Net		(1,412)	(2,163)
20	Nonoperating Income (Expense) - Net	6,11	(499)	(76)
21	Total Other Income (Expenses)		(9,681)	(9,838)
22	Income (Loss) Before Taxes and Extraordinary Items		27,624	27,825
23	Provision (Credit) for Income Taxes	1,9	(1,788)	(1,397)
24	Income (Loss) Before Extraordinary Items		29,412	29,222
25	Extraordinary Items (Net of Income Taxes - 20__, $_____; 20__, $________)		0	0
26	Net Income (Loss)		$29,412	$29,222

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 TWELVE MONTHS ENDED DECEMBER 31, 2007 AND 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..........			141,332		141,332
12	Capital Contributions................					0
13	Capital Withdrawals..................					0
14	Partnership Distributions...........			(141,140)		(141,140)
15	Prior Period Adjustments..........					0
16	Cumulative effect of change in	8		(244)		(244)
17	accounting principle					0
18						0
19	**Balance December 31, 2007..........**		$477,507	$189,174	$0	$666,681

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 TWELVE MONTHS ENDED DECEMBER 31, 2007 AND 2006

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$208,719	$218,366
	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		(230,313)	(255,509)
5	Proceeds from Disposition of Property and Equipment			
6	CRDA Obligations		(4,076)	(4,908)
7	Other Investments, Loans and Advances made		(1,929)	(400)
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		(236,318)	(260,817)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt			
15	Proceeds from Long-Term Debt		843,000	778,500
16	Costs of Issuing Debt		(302)	(1,283)
17	Payments to Settle Long-Term Debt		(674,900)	(565,600)
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		(141,140)	(165,207)
22				
23	Net Cash Provided (Used) By Financing Activities		26,658	46,410
24	Net Increase (Decrease) in Cash and Cash Equivalents		(941)	3,959
25	Cash and Cash Equivalents at Beginning of Period		53,807	49,848
26	Cash and Cash Equivalents at End of Period		$52,866	$53,807

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)		$26,988	$18,454
28	Income Taxes		($7,146)	$5,952

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 TWELVE MONTHS ENDED DECEMBER 31, 2007 AND 2006

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)...		$141,332	$153,833
30	Depreciation and Amortization of Property and Equipment...		67,580	62,371
31	Amortization of Other Assets...		996	717
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.........		734	2,418
36	(Gain) Loss on CRDA-Related Obligations...........................		5,312	4,336
37	(Gain) Loss from Other Investment Activities.......................		78	
38	(Increase) Decrease in Receivables and Patrons' Checks		(2,450)	(11,432)
39	(Increase) Decrease in Inventories		(324)	(955)
40	(Increase) Decrease in Other Current Assets..........................		(3,601)	256
41	(Increase) Decrease in Other Assets......................................		2,384	(406)
42	Increase (Decrease) in Accounts Payable..............................		(4,619)	(179)
43	Increase (Decrease) in Other Current Liabilities		(3,690)	3,529
44	Increase (Decrease) in Other Liabilities		4,987	3,878
45	....		0	0
46	....			
47	Net Cash Provided (Used) By Operating Activities...................		$208,719	$218,366

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...................................		($230,313)	($255,509)
49	Less: Capital Lease Obligations Incurred..............................			
50	Cash Outflows for Property and Equipment..............................		($230,313)	($255,509)
	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 TWELVE MONTHS ENDED DECEMBER 31, 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	618,791	$59,204		
2	Food	1,782,494	41,340	1,325,100	13,251
3	Beverage	7,034,583	22,862		
4	Travel			29,328	7,332
5	Bus Program Cash				
6	Other Cash Complimentaries	2,446,682	61,167		
7	Entertainment	133,670	5,347	5,250	525
8	Retail & Non-Cash Gifts	62,319	3,116	50,572	12,643
9	Parking				
10	Other	180,092	3,000	1,980,024	5,068
11	Total	12,258,631	$196,036	3,390,274	$38,819

* Promotional Allowances - Other includes $3,734K of Spa comps and $(768K) change in Comp and Slot dollars earned but not redeemed.
* Promotional Expenses - Other includes $2,704K of comp taxes.

FOR THE THREE MONTHS ENDED DECEMBER 31, 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	152,775	$14,648		
2	Food	413,881	9,722	289,700	2,897
3	Beverage	1,683,918	5,472		
4	Travel			6,872	1,718
5	Bus Program Cash				
6	Other Cash Complimentaries	485,750	12,144		
7	Entertainment	31,523	1,261	1,340	134
8	Retail & Non-Cash Gifts	18,996	950	12,544	3,136
9	Parking				
10	Other	33,427	837	459,363	1,583
11	Total	2,820,270	$45,034	769,819	$9,468

* Promotional Allowances - Other includes $960K of Spa comps and $(151K) change in Comp and Slot dollars earned but not redeemed.
* Promotional Expenses - Other includes $662K of comp taxes.

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

December 31, 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.

3/31/2008
Date

Hugh Turner

Vice President of Finance
Title

007833-11
License Number

On Behalf of:

Borgata Hotel Casino & Spa
Casino Licensee

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited 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, The Water Club, a signature hotel by 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 in June 2008 at an estimated cost of approximately $400,000,000 (see Note 11). 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 8).

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 consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with maturities of three months or less at their date of purchase. The carrying value of these investments approximates their fair value due to their short maturities.

Accounts Receivable, Net

Accounts receivable consist primarily of casino, hotel and other receivables, net of an allowance for doubtful accounts of $19,618,000 and $15,948,000 at December 31, 2007 and 2006, respectively. The allowance for doubtful accounts is estimated based upon our collection experience and the age of the receivables.

Inventories

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

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets (see Note 3). Costs of major improvements are capitalized, while costs of normal repairs and maintenance are charged to expense as incurred. Losses on disposal of assets are recognized when such assets are impaired while gains are recognized as realized.

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 $12,632,000 and $6,500,000 for the years ended December 31, 2007 and 2006 respectively.

Deferred Financing Fees

Deferred financing fees incurred in connection with the issuance of long-term debt are amortized over the terms of the related debt agreement.

Revenue and Promotional Allowances

Gaming revenue represents the net win from gaming activities, which is the difference between gaming wins and losses. The majority of our gaming revenue is counted in the form of cash, chips and tokens and therefore is not subject to any significant or complex estimation procedures. Gross revenues include the estimated retail value of rooms, food and beverage, and other goods and services provided to customers on a complimentary basis. Such amounts are then deducted as promotional allowances.

The estimated costs and expenses of providing these promotional allowances are charged to the gaming department in the following amounts:

	Year Ended December 31,	
	2007	2006
Room	$ 17,801,000	$ 17,641,000
Food and beverage	49,728,000	51,381,000
Other	12,656,000	9,947,000
Total	**$ 80,185,000**	**$ 78,969,000**

Promotional allowances also include incentives such as cash, goods and services (such as complimentary rooms and food and beverages) earned in our slot club and other gaming programs. We reward customers, through the use of loyalty programs, with points based on amounts wagered that can be redeemed for a specified period of time, principally for restricted free play slot machine credits and complimentary goods or services. We record the estimated retail value of these incentives as revenue and then deduct them as a promotional allowance. For the years ended December 31, 2007 and 2006 these incentives were $60,400,000 and $62,840,000, 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 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:

	December 31	
	2007	2006
Amounts receivable – state	$ (718,000)	$ (8,000)
Amounts payable to MAC and BAC	3,827,000	1,842,000
Income taxes payable	**$ 3,109,000**	**$ 1,834,000**

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 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 $3,038,000 and $6,519,000 for the years ended December 31, 2007, and 2006 respectively, consisting primarily of payroll expenses and ground lease expenses related to our expansion projects.

Advertising Expenses

Advertising costs are expensed the first time such advertising appears. Total advertising costs included in selling, general and administrative expenses on the accompanying consolidated statements of operations were $10,575,000 and $14,178,000, respectively, for the years ended December 31, 2007 and 2006.

Employee Benefit Plans

We contribute to pension plans under various union agreements. Contributions, based on wages paid to covered employees, totaled approximately $4,569,000 and $4,578,000, respectively, for the years ended December 31, 2007 and 2006.

We have a retirement savings plan under Section 401(k) of the Internal Revenue Code covering our non-union employees. The plan allows employees to defer up to the lessor of the Internal Revenue Code prescribed maximum amount or 100% of their income on a pre-tax basis through contributions to the plan. We expensed our voluntary contributions to the 401(k) plan of $3,402,000 and $3,102,000 for the years ended December 31, 2007 and 2006 respectively.

Self Insurance

We are currently self insured up to $75,000,000, $1,000,000, $300,000, and $200,000 with respect to each catastrophe related property damage claim, non-catastrophe related property damage claim, general liability claim, and non-union employee medical case, respectively. We have accrued $3,950,000 and $3,245,000 for such claims at December 31, 2007 and 2006, respectively, and incurred expenses of approximately $14,900,000 and $11,248,000 for the years ended December 31, 2007 and 2006, respectively.

Recently Issued Accounting Standards

In December 2007, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51*. SFAS No. 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent’s equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. SFAS No. 160 clarifies that changes in a parent’s ownership in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the noncontrolling equity investment on the deconsolidation date. SFAS No. 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. We do not expect the adoption of SFAS No. 160 to have a material effect on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*. SFAS No. 141(R) retains the fundamental requirements in SFAS No. 141 that the acquisition method be used for all business combinations and for an acquirer to be identified for each business combination. SFAS No. 141(R) defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. By applying the acquisition method to all transaction and other events in which one entity obtains control over one or more other businesses, this Statement improves the comparability of the information about business combinations provided in financial reports. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We do not expect the adoption of SFAS No. 141(R) to have a material effect on our consolidated financial statements.

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, companies must 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* (see below). We are currently evaluating whether to adopt the fair value option under SFAS No. 159 and evaluating what impact such adoption would have on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently evaluating whether to adopt the fair value option under SFAS No. 159 and evaluating what impact such adoption would have on our consolidated financial statements.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108 ("SAB No. 108"), which adds Section N to Topic 1, "Financial Statements". Section N provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. To provide full disclosure, registrants electing not to restate prior periods should reflect the effects of initially applying the guidance in Topic 1N in their financial statements covering the first fiscal year ending after November 15, 2006. The adoption of SAB No. 108 did not have a material effect on our consolidated financial statements.

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 on a tax return. See Note 8 for disclosure regarding the effect of FIN 48 on our consolidated financial statements.

Note 2. Receivables and Patrons' Checks

Receivables and patrons' checks consist of the following:

	December 31	
	2007	2006
Casino receivables (net of an allowance for doubtful accounts – 2007 $19,618,000 and 2006 $15,730,000)	$ 27,143,000	$ 26,069,000
Insurance receivable	4,265,000	-
NJ tax refund receivable (Note 9)	26,380,000	22,806,000
Other (net of an allowance for doubtful accounts – 2007 $89,000 and 2006 $218,000)	11,989,000	14,042,000
Due from related parties (Note 7)	63,000	209,000
Receivables and patrons' checks, net	**$ 69,840,000**	**$ 63,125,000**

Note 3. Property and Equipment

Property and equipment consists of the following:

	Estimated Life (Years)	December 31, 2007	December 31, 2006
Land	-	$ 87,301,000	$ 87,301,000
Building and improvements	3-40	996,607,000	960,374,000
Furniture and equipment	3-7	228,841,000	216,995,000
Construction in progress	-	326,986,000	134,549,000
Total		1,639,735,000	1,399,219,000
Less accumulated depreciation		259,803,000	197,612,000
Property and equipment, net		**$1,379,932,000**	**$1,201,607,000**

Depreciation expense was $67,868,000 and $62,371,000 for the years ended December 31, 2007 and 2006, respectively. At December 31, 2007 our Rooms Expansion was in process (see Note 1). The majority of the total expenditures for this project as of December 31, 2007 are classified as construction in progress in the above table.

Note 4. Other Accrued Expenses

Other accrued expenses consist of the following:

	December 31	
	2007	2006
Payroll and related	$ 25,425,000	$ 26,928,000
Other	40,762,000	40,185,000
Other accrued expenses	**$ 66,187,000**	**$ 67,113,000**

Note 5. Other Current Liabilities

Other current liabilities consist of the following:

	December 31	
	2007	2006
Casino related liabilities	$ 9,421,000	$ 8,001,000
Due from related parties (see Note 7)	91,000	871,000
Other	7,689,000	7,056,000
Other current liabilities	**$ 17,201,000**	**$ 15,928,000**

Note 6. 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 December 31, 2007 and 2006, we have made capital contributions of $1,929,000 and $400,000, respectively, which is included on the accompanying consolidated balance sheet. Our share of ACES' net loss was $78,000 for the year ended December 31, 2007.

Note 7. 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 $50,000 and $163,000 at December 31, 2007 and 2006, respectively. Reimbursable expenditures incurred were $514,000 and $656,000 for the years ended December 31, 2007 and 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 $13,000 and $46,000 for the twelve months ended December 31, 2007 and 2006, respectively. Reimbursable expenditures incurred were $448,000 and $398,000 for the years ended December 31, 2007 and 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. 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 December 31, 2007 and 2006, respectively. Related rent incurred $6,004,000 and $5,479,000 for the years ended December 31, 2007 and 2006, respectively, portions of which were included in preopening expenses on the accompanying 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 December 31, 2007 and 2006, respectively. Related property tax incurred was $6,192,000 and $3,706,000 for the twelve months ended December 31, 2007 and 2006, respectively, portions of which were capitalized on the accompanying consolidated balance sheets and portions of which were included in the accompanying 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 $91,000 and $871,000 at December 31, 2007 and 2006, respectively. Reimbursable expenditures were $15,469,000 and $10,954,000 for the twelve months ended December 31, 2007 and 2006, respectively, which were included in the accompanying consolidated statement of operations.

The related party balances are non-interest bearing.

Note 8. Debt

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

	December 31	
	2007	2006
Revolving line of credit	722,700,000	554,600,000
Less current maturities	-	-
Total long – term debt	**$ 722,700,000**	**$ 554,600,000**

On February 15, 2006, the First Amendment was made to our First Amended and Restated Credit Agreement among MDFC, MDDC, Canadian Imperial Bank of Commerce and certain other financial institutions. The amended bank credit agreement modified our existing amended bank credit agreement and consists of a $750,000,000 revolving credit facility that matures on January 31, 2011. Availability under the revolving credit facility was used to repay in full the outstanding term loan component of the previous bank credit agreement. On February 27, 2007, we increased the revolving credit facility to $850,000,000. At December 31, 2007, $722,700,000 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 $123,699,000.

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 blended interest rates for outstanding borrowings under the bank credit agreements at December 31, 2007 and 2006 were 6.5% and 6.6%, respectively. 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 December 31, 2007.

The scheduled maturities of long-term debt for the years ending December 31 are as follows (in thousands):

2008	$ -
2009	-
2010	-
2011	722,700,000
Total	**$ 722,700,000**

Note 9. Income Taxes

A summary of the benefit from state income taxes is as follows:

	Year Ended December 31	
	2007	2006
State		
Current	$ (9,446,000)	$ (4,172,000)
Deferred	5,788,000	2,056,000
Benefit from State income taxes	**$ (3,658,000)**	**$ (2,116,000)**

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

	Year Ended December 31	
	2007	2006
Tax provision at state statutory rate	9.0%	9.0%
New jobs investment tax credit	(12.7)	(11.2)
Adjusted net profits tax	0.0	1.3
Adjusted net profits tax credit	0.0	(0.6)
Other, net	1.0	0.1
Total state income tax benefit	**(2.7)%**	**(1.4)%**

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

	December 31, 2007	December 31, 2006
Deferred state tax assets:		
Provision for doubtful accounts	$ 1,774,000	$ 1,435,000
State tax credit carryforwards	1,658,000	1,657,000
Gaming taxes	1,575,000	-
Preopening expense	543,000	1,629,000
Reserve for employee benefits	261,000	450,000
Reserve differential for gaming activities	-	76,000
Other	1,075,000	1,106,000
Gross deferred state tax asset	6,886,000	6,353,000
Deferred state tax liabilities:		
Difference between book and tax basis of property	12,253,000	11,115,000
Reserve differential for gaming activities	19,000	-
Other	652,000	406,000
Gross deferred state tax liability	12,924,000	11,521,000
Net deferred state tax liability	**$ (6,038,000)**	**$(5,168,000)**

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

	December 31, 2007	December 31, 2006
Current deferred income tax asset	$ 1,251,000	$ 1,444,000
Non-current deferred income tax liability	(7,289,000)	(6,612,000)
Net deferred state tax liability	**$ (6,038,000)**	**$ (5,168,000)**

Adjusted Net Profits Tax

Pursuant to an amendment to the Casino Control Act, effective July 1, 2003, we were subject to a 7.5% Adjusted Net Profits Tax which was imposed on a casino's adjusted net income as defined in the Casino Control Commission regulations. This tax of $3,800,000 per year was based on our adjusted net income for our first twelve months of operations ended on June 30, 2004 and was imposed for each of the three fiscal years ending June 30, 2004 through June 30, 2006. We were entitled to a 50% credit against our Adjusted Net Profits Tax if we made qualifying capital expenditures, as defined by statute. In connection with our Public Space Expansion project, we made qualifying expenditures that allowed us to recognize tax credits of $1,000,000 and $1,900,000, respectively, in arriving at our state tax benefit on the accompanying consolidated statements of operations for the years ended December 31, 2006 and 2005.

New Jersey New Jobs Investment Tax Credit

Based on New Jersey state income tax rules, we are eligible for a refundable state tax credit under the New Jersey New Jobs Investment Tax Credit ("New Jobs Tax Credit") because we made a qualified investment in a new business facility that created new jobs. The total net credit related to our original investment was approximately $75,000,000 over a five-year period that ended in 2007. An incremental net credit related to our Public Space Expansion is estimated to be approximately $2,700,000 over a five-year period ending in 2010. We have recorded $17,400,000, $16,900,000, respectively, of net New Jobs Tax Credits in arriving at our state income tax benefit on the accompanying consolidated statements of operations for the years ended December 31, 2007, and December 31, 2006. We expect to generate net New Jobs Tax Credits of approximately $600,000 per year for years 2008 through 2010. We may also be entitled to incremental New Jobs Tax Credits as a result of our Rooms Expansion as discussed in Note 1.

In connection with our formation in 2000, MAC contributed assets consisting of land and South Jersey Transportation Authority bonds with a tax basis of approximately $9,200,000 and $13,800,000, respectively. The recorded book value of those assets was $90,000,000. Pursuant to the Joint Venture and Tax Sharing Agreements between MAC and BAC, any subsequent gain or loss associated with the sale of the MAC contributed property would be allocated directly to MAC for both state and federal income tax purposes. As such, no state deferred tax liability has been recorded in connection with the book and tax basis differences related to the MAC contributed property.

Adoption of FIN 48

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 derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006 for public companies and applies to all tax positions accounted for in accordance with SFAS No. 109.

The total amount of unrecognized tax benefits upon our early 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:

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

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

Balance at January 1, 2007	$6,523,000
Additions based on tax positions related to the current year	1,684,000
Additions for tax positions for prior years	26,000
Reductions for tax positions of prior years	(13,000)
Balance at December 31, 2007	$8,220,000

Included in the $8,220,000 balance of unrecognized tax benefits at December 31, 2007 are $5,550,000 of tax benefits that, if recognized, would affect the effective tax rate and $2,670,000 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, 2007, and 2006, we recognized accrued interest and penalties of approximately $1,000,000, and $200,000, respectively. We had $1,700,000 and $500,000 for the payment of interest and penalties accrued at December 31, 2007 and 2006, 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 related to the tax returns filed for the years ended December 31, 2004 and December 31, 2003. 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 December 31, 2007.

Note 10. Commitments and Contingencies

Future Minimum Lease Payments

Future minimum lease payments required under noncancelable operating leases (principally for land, see Note 7) as of December 31, 2007 are as follows:

2008	$ 7,401,000
2009	5,925,000
2010	5,505,000
2011	5,154,000
2012	5,160,000
Thereafter	283,273,000
Total	**$ 312,418,000**

For the years ended December 31, 2007 and 2006, total rent expense was $13,504,000 and $11,896,000, respectively.

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.

Our CRDA obligations for the years ended December 2007 and 2006 were $9,387,000 and $9,241,000, respectively, of which valuation provisions of $5,311,000 and $4,336,000 respectively, are included in selling general and administrative expenses on the accompanying consolidated statements of operations due to the respective underlying agreement.

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 was paid by the Casinos 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 $1,041,000 for each of the years ended December 31, 2007 and December 31, 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

$1,644,000 for each of the years ended December 31, 2007 and December 31, 2006, 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.

Legal Matters

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

Note 11. Write-downs and Other Charges, net

A summary of total write-downs and other charges, net is as follows:

	Year Ended December 31	
	2007	2006
Loss on disposal of assets	$ 607,000	$ 2,418,000
Fire related write-downs and other charges, net	349,000	-
Total write-downs and other charges, net	**$ 956,000**	**$ 2,418,000**

On September 23, 2007, The Water Club, our 800-room boutique hotel expansion currently under construction, sustained a fire that caused approximately $11,392,000 in property damage, based on current estimates. 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. During the year ended December 31, 2007, we incurred $349,000 of expenses related to the fire. Although the fire damage will delay its opening, we believe The Water Club will be able to open in June of 2008; however, we can provide no assurance that it will open by that time, that insurance will cover the total replacement cost of the property damage, or that the costs related to the property damage will not increase above current estimates. In addition, we have "delay in-completion" insurance coverage for The Water Club for certain costs totaling up to $40,000,000, subject to various limitations and deductibles, which may help to offset some of the costs related to the postponement of its opening. We also maintain business interruption insurance that covers certain lost profits; however, we have not pursued a possible claim at this time. As such, our insurance carrier has yet to confirm or deny coverage at this time. Recoveries, if any, from the insurance carrier for our lost profits will be recorded when earned and realized.

The following table presents estimated expense and insurance receivable information related to The Water Club fire:

Net book value of damaged assets	$ 11,392,000
Repairs and maintenance	59,000
Legal and accounting fees	163,000
Total estimated property damage incurred	11,614,000
Insurance receivable	(4,265,000)
Insurance proceeds	(7,000,000)
Fire related write-downs and other charges, net	$ 349,000

Borgata Casino Hotel & Spa

ANNUAL FILINGS

December 31, 2007

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

DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL

Borgata Casino Hotel & Spa

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE YEAR ENDED DECEMBER 31, 2007

(UNAUDITED)
($ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
Line (a)	**Description (b)**	**Account Balance (c)**	**Allowance (d)**	**Accounts Receivable (Net of Allowance) (e)**
	Patrons' Checks:			
1	Undeposited Patrons' Checks...............................	$25,813		
2	Returned Patrons' Checks....................................	20,948		
3	Total Patrons' Checks..	46,761	$19,618	$27,143
4	Hotel Receivables...	1,579	89	$1,490
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates..........................	63		
7	Other Accounts and Notes Receivables................	41,144		
8	Total Other Receivables.....................................	41,207		$41,207
9	Totals (Form CCC-205)...	$89,547	$19,707	$69,840

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	**Description (g)**	**Amount (h)**
10	Beginning Balance (January 1)...	$23,740
11	Counter Checks Issued..	674,498
12	Checks Redeemed Prior to Deposit..	(476,056)
13	Checks Collected Through Deposits..	(162,504)
14	Checks Transferred to Returned Checks...	(33,865)
15	Other Adjustments..	0
16	Ending Balance..	$25,813
17	"Hold" Checks Included in Balance on Line 16..	0
18	Provision for Uncollectible Patrons' Checks...	$5,801
19	Provision as a Percent of Counter Checks Issued..	0.9%

Borgata Casino Hotel & Spa
EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2007

($ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages: Other Employees (d)	Salaries and Wages: Officers & Owners (e)	Salaries and Wages: Totals (f)
	CASINO:				
1	Table and Other Games	2,110			
2	Slot Machines	144			
3	Administration	8			
4	Casino Accounting	303			
5	Simulcasting	22			
6	Other	33			
7	Total - Casino	2,620	$55,357	$1,392	$56,749
8	ROOMS	539	12,253		12,253
9	FOOD AND BEVERAGE	2,081	35,664		35,664
10	GUEST ENTERTAINMENT	309	3,688		3,688
11	MARKETING	204	7,559	1,415	8,974
12	OPERATION AND MAINTENANCE	335	10,023		10,023
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	25	332	1,913	2,245
14	Accounting and Auditing	118	3,706		3,706
15	Security	286	7,636		7,636
16	Other Administrative and General	151	6,969		6,969
	OTHER OPERATED DEPARTMENTS:				
17	Spa, Fitness Center, and Pool	126	2,401		2,401
18	Transportation	114	1,903		1,903
19	Barber Shop/Salon	22	362		362
20	Retail	20	665		665
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	6,950	$148,518	$4,720	$153,238

BORGATA HOTEL CASINO AND SPA
ANNUAL GROSS REVENUE TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2007

Line		
	GROSS REVENUE:	
1.	Table and Other Games	$ 311,351,709
2.	Slot Machines	439,614,934
3.	Total Gross Revenue	750,966,643
4.	Adjustments	149
5.	Taxable Gross Revenue (line 3 plus line 4)	750,966,792
6.	Tax on Gross Revenue - Reporting Year (8% of line 5)	60,077,343
7.	Audit or Other Adjustments to Tax on Gross Revenues in Prior Years	822
	*$642 for 2005 tax assessment, $180 Dec 2006 correcting adjustment	
8.	Total Taxes on Gross Revenue (the sum of lines 6 and 7)	60,078,165
9.	Total Deposits Made for Tax on Reporting Year's Gross Revenue	(60,077,343)
10.	Settlement of Prior Years' Tax on Gross Revenue Resulting from Audit or Other Adjustments - (Deposits) Credits	(822)
11.	Gross Revenue Taxes Payable (the net of lines 8, 9 and 10)	$ 0

Under penalties of perjury, I declare that I have examined this Annual Gross Revenue Tax Return and t
the best of my knowledge and belief, the information contained in this return is accurate.

2/21/2008
Date

Betty J. Parker

Betty J. Parker

Casino Controller   Lic. #8038-11