

BOYD GAMING CORP
Form 10-Q
August 09, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended June 30, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____

Commission file number: : 1-12882

Boyd Gaming Corporation

(Exact name of Registrant as Specified in its Charter)

Nevada

(State or Other Jurisdiction of Incorporation or Organization)

88-0242733

(I.R.S. Employer Identification Number)

3883 Howard Hughes Parkway, Ninth Floor
Las Vegas, Nevada 89169

(Address of Principal Executive Offices including Zip Code)

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(702) 792-7200

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Shares outstanding of each of the Registrant's classes of common stock as of July 31, 2007:

Class

Outstanding

Common stock, \$.01 par value

87,706,940

Note: PDF provided as a courtesy

BOYD GAMING CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED JUNE 30, 2007

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Part I. Financial Information

Item 1. *Unaudited Condensed Consolidated Financial Statements*

BOYD GAMING CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(In thousands, except share data)

	June 30, 2007

ASSETS	
Current assets	
Cash and cash equivalents	\$ 159,382
Restricted cash	42,597
Accounts receivable, net	21,566
Inventories	10,848
Prepaid expenses and other current assets	46,393
Assets held for sale, net of cash	23,188
Income taxes receivable	10,697
Deferred income taxes	1,684

Total current assets	316,355
Property and equipment, net	2,572,332
Investments in and advances to unconsolidated subsidiaries, net	387,839
Other assets, net	98,532
Intangible assets, net	541,385
Goodwill, net	404,206

Total assets	\$ 4,320,649
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities	
Current maturities of long-term debt	\$ 565
Accounts payable	58,452
Construction payables	25,723
Accrued liabilities	
Payroll and related	64,713
Interest	17,715
Gaming	60,871
Accrued expenses and other	98,837
Liabilities related to assets held for sale	--

Total current liabilities	326,876
Long-term debt, net of current maturities	2,214,124
Deferred income taxes	364,712
Other long-term tax liabilities	35,994
Other liabilities	26,670
Commitments and contingencies (Note 15)	
Stockholders' equity	
Preferred stock, \$.01 par value, 5,000,000 shares authorized	--
Common stock, \$.01 par value, 200,000,000 shares authorized, 87,646,558 and 87,105,106 shares outstanding	876

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Additional paid-in capital	588,136
Retained earnings	758,954
Accumulated other comprehensive income, net	4,307
Total stockholders' equity	1,352,273
Total liabilities and stockholders' equity	\$ 4,320,649

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BOYD GAMING CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In thousands, except per share data)

	Three Months Ended June 30,	
	2007	2006
Revenues		
Gaming	\$ 425,671	\$ 452,264
Food and beverage	68,955	76,560
Room	39,156	44,630
Other	33,083	37,568
Gross revenues	566,865	611,022
Less promotional allowances	55,474	59,532
Net revenues	511,391	551,490
Costs and expenses		
Gaming	195,624	216,052
Food and beverage	41,260	47,986
Room	11,990	14,246
Other	25,092	28,830
Selling, general and administrative	80,705	80,140
Maintenance and utilities	23,750	25,363
Depreciation and amortization	41,937	48,462
Corporate expense	13,544	13,581
Preopening expenses	6,062	7,249
Write-downs and other charges, net	1,972	31,249
Total costs and expenses	441,936	513,158
Operating income from Borgata	17,713	19,144
Operating income	87,168	57,476
Other income (expense)		
Interest income	110	36
Interest expense, net of amounts capitalized	(33,797)	(36,274)
Loss on early retirements of debt	(16,945)	--
Increase in value of derivative instruments	2,601	--
Other non-operating expenses from Borgata, net	(3,574)	(2,070)

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Total	(51,605)	(38,308)
Income from continuing operations before provision for income taxes	35,563	19,168
Provision for income taxes	(12,622)	(6,802)
Income from continuing operations	22,941	12,366
Discontinued operations:		
Income (loss) from discontinued operations (including a gain on disposition of \$285,033 during the six months ended June 30, 2007)	(1,284)	(3,355)
(Provision for) benefit from income taxes	455	1,149
Net income (loss) from discontinued operations	(829)	(2,206)
Net income	\$ 22,112	\$ 10,160

BOYD GAMING CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited) - (continued)

(In thousands, except per share data)

	Three Months Ended June 30,	
	2007	2006
Basic net income (loss) per common share:		
Income from continuing operations	\$ 0.26	\$ 0.14
Net income (loss) from discontinued operations	(0.01)	(0.03)
Net income	\$ 0.25	\$ 0.11
Weighted average basic shares outstanding	87,497	89,635
Diluted net income (loss) per common share:		
Income from continuing operations	\$ 0.26	\$ 0.14
Net income (loss) from discontinued operations	(0.01)	(0.03)
Net income	\$ 0.25	\$ 0.11
Weighted average diluted shares outstanding	88,714	91,103
Dividends declared per common share	\$ 0.15	\$ 0.135

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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BOYD GAMING CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)

For the six months ended June 30, 2007

(In thousands, except share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings
	Shares	Amount		
Balances, January 1, 2007	87,105,106	\$ 871	\$ 561,298	\$ 544,080
Cumulative effect of a change in accounting for uncertainty in income taxes	--	--	--	(105)
Our share of Borgata's cumulative effect of a change in accounting for uncertainty in income taxes	--	--	--	(122)
Net income	--	--	--	239,978
Derivative instruments market adjustment, net of taxes of (\$289)	--	--	--	--
Restricted available for sale securities market adjustment, net of taxes of \$52	--	--	--	--
Stock options and awards exercised	541,452	5	12,857	--
Tax benefit from share-based compensation arrangements	--	--	4,397	--
Share-based compensation costs	--	--	9,584	--
Dividends paid on common stock	--	--	--	(24,877)
Balances, June 30, 2007	87,646,558	\$ 876	\$ 588,136	\$ 758,954

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BOYD GAMING CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(In thousands)

	Three Months Ended June 30,	
	2007	2006
Net income	\$ 22,112	\$ 10,160
Derivative instruments market adjustment, net of tax	1,902	1,846
Restricted available for sale securities market adjustment, net of tax	60	(16)
Comprehensive income	\$ 24,074	\$ 11,990

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BOYD GAMING CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

Net income

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization

Amortization of debt issuance costs

Deferred income taxes

Operating and non-operating income from Borgata

Distributions of earnings received from Borgata

Share-based compensation expense

Excess tax benefit from share-based compensation arrangements

Gain on disposition of Barbary Coast

Loss on early retirements of debt

Increase in value of derivative instruments

Non-cash asset write-downs

Other

Changes in operating assets and liabilities:

Restricted cash

Accounts receivable, net

Insurance receivable

Inventories

Prepaid expenses and other

Income taxes receivable

Other assets

Other current liabilities

Other liabilities

Other long-term tax liabilities

Net cash provided by operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures

Net cash paid for Dania Jai-Alai

Investments in and advances to unconsolidated subsidiaries

Net proceeds from sale of assets

Insurance recoveries for replacement assets

Net cash used in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on long-term debt

Payments under bank credit facilities

Borrowings under bank credit facilities

Retirement of long-term debt

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Proceeds from termination of derivative instruments
Net proceeds from issuance of long-term debt
Proceeds from exercise of stock options
Excess tax benefit from share-based compensation arrangements
Dividends paid on common stock

Net cash provided by financing activities

Net decrease in cash and cash equivalents
Cash and cash equivalents, beginning of period

Cash and cash equivalents, end of period

BOYD GAMING CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) - (continued)

(In thousands)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest, net of amounts capitalized
Cash paid for income taxes, net of refunds

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

Payables for capital expenditures
Restricted cash received as a deposit for Morgans joint venture
Restricted cash proceeds from maturities of restricted investments
Restricted cash used to purchase restricted investments
Restricted cash proceeds from sales of restricted investments
Land acquired in exchange for Barbary Coast

Acquisition of Dania Jai-Alai
Fair value of non-cash assets acquired
Net cash paid

Liabilities assumed

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. Summary of Significant Accounting Policies

Principles of Consolidation

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The accompanying consolidated financial statements include the accounts of Boyd Gaming Corporation and its subsidiaries. Investments in unconsolidated affiliates which are 50% or less owned and do not meet the consolidation criteria of Financial Accounting Standards Board ("FASB") Interpretation No. 46 (R) (as amended), "*Consolidation of Variable Interest Entities - An Interpretation of ARB No. 51*" ("FIN 46(R)"), are accounted for under the equity method. All material intercompany accounts and transactions have been eliminated.

As of June 30, 2007, we wholly-owned and operated 16 gaming entertainment facilities located in Nevada, Mississippi, Illinois, Louisiana, Indiana and Florida. In addition, we own and operate two travel agencies, an insurance company that underwrites travel-related insurance, and an offsite sports book located in Las Vegas. We are also a 50% partner in a joint venture that owns a limited liability company that operates Borgata Hotel Casino and Spa in Atlantic City, New Jersey, which we account for using the equity method.

We are developing Echelon on land we own on the Las Vegas Strip and have entered into two joint ventures associated with Echelon:

Morgans Las Vegas, LLC - This entity is a 50/50 joint venture with Morgans Hotel Group LLC, or Morgans, which will develop, construct and operate the Delano Las Vegas and the Mondrian Las Vegas hotels (see Notes 5, "*Investments in and Advances to Unconsolidated Subsidiaries, Net*" and 15, "*Commitments and Contingencies*"). We currently account for this joint venture under the equity method as we are not the primary beneficiary of this entity under FIN 46(R). We will continue to evaluate our accounting treatment for this joint venture under FIN 46(R) as the entity is developed.

Echelon Place Retail Promenade, LLC

- This entity is a 50/50 joint venture with General Growth Properties, or GGP, which will develop, construct and operate the Echelon Retail Promenade (see Note 15). We currently consolidate this joint venture as we are the primary beneficiary of this entity under FIN 46(R). We will continue to evaluate our accounting treatment for this joint venture under FIN 46(R) as the entity is developed.

Basis of Presentation

In our opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the results of our operations for the three and six months ended June 30, 2007 and 2006, our cash flows for the six months ended June 30, 2007 and 2006 and our balance sheets as of June 30, 2007 and December 31, 2006. We suggest reading this report in conjunction with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2006. As permitted by the rules and regulations of the Securities and Exchange Commission, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles, or GAAP, have been condensed or omitted. Our operating results for the three and six months ended June 30, 2007 and 2006 and our cash flows for the six months ended June 30, 2007 and 2006 are not necessarily indicative of the results that will be achieved for the full year or future periods.

Reclassifications

Certain prior period amounts in the condensed consolidated financial statements, including the discontinued operations presentation on the condensed consolidated statements of operations, have been reclassified to conform to the June 30, 2007 presentation due to the sale of our South Coast Hotel and Casino on October 25, 2006, and the exchange of our Barbary Coast Hotel and Casino for certain real property on February 27, 2007. These reclassifications had no effect on our net income as previously reported. For further information, see Note 11, "*Discontinued Operations*".

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates incorporated into our condensed consolidated financial statements include the estimated useful lives for depreciable and amortizable assets, the estimated allowance for doubtful accounts receivable, the estimated valuation allowance for deferred tax assets, other long-term tax liabilities, estimated cash flows in assessing the recoverability of long-lived assets, asset impairments, goodwill and related intangible assets, share-based payment values, fair value of derivative instruments, fair value of acquired assets and liabilities, property closure costs, our self-insured liability reserves, slot bonus point programs, contingencies, and litigation, claims and assessments. Actual results could differ from those estimates.

Capitalized Interest

Interest costs associated with major construction projects are capitalized as part of the cost of the constructed assets. When no debt is incurred specifically for a project, interest is capitalized on amounts expended for the project using our weighted average cost of borrowing. Capitalization of interest ceases when the project (or discernible portions of the project) is substantially complete. We amortize capitalized interest over the estimated useful life of the related asset. Capitalized interest for the three and six months ended June 30, 2007 was \$4.6 million and \$6.3 million, respectively. Capitalized interest for the three and six months ended June 30, 2006 was \$2.0 million and \$4.2 million, respectively.

Preopening Expenses

We expense certain costs of start-up activities as incurred. During the three and six months ended June 30, 2007, we expensed \$6.1 million and \$10.5 million, respectively, in preopening costs that primarily related to our Echelon development project on the Las Vegas Strip. During the three and six months ended June 30, 2006, we expensed \$7.2 million and \$13.1 million, respectively, in preopening costs that primarily related to Echelon, the opening of our new gaming vessel at Blue Chip in January 2006 and casino development opportunities in other jurisdictions.

Recently Issued Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board ("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 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"* (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 condensed 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 the impact that the adoption of SFAS No. 157 will have on our condensed consolidated financial statements.

Note 2. Restricted Investments

Pursuant to our investment policy related to customer payments for advanced bookings with our Hawaii travel agency, we invest in certain financial instruments. Hawaii regulations require us to maintain a separate charter tour client trust account solely for the purpose of the travel agency's charter tour business. Our investment policy generally allowed us to invest these restricted funds in investments with a maximum maturity of three years and with certain credit ratings as determined by specified rating agencies; however, in April 2007, we amended our investment policy to allow these restricted funds to be in investments that have a maximum maturity of 90 days. As of June 30, 2007, the maturity dates of the investments extend as far as November 2008; however, in July 2007, we sold those investments and replaced them with investments with maturities of 90 days or less. We will record a loss on the sale of those investments of less than \$0.1 million on our condensed consolidated statements of operations during the three months ending September 30, 2007.

At June 30, 2007 and December 31, 2006, our restricted investments consisted primarily of fixed income bonds. We have classified these investments as available for sale. The table below sets forth certain information about our restricted investments (in thousands):

	Cost	Gross Unrealized		Market Value
		Gains	Losses	
December 31, 2006	\$ 10,029	\$ 5	\$ (174)	\$ 9,860
June 30, 2007	\$ 9,375	\$ 27	\$ (50)	\$ 9,352

We have classified the fair market value of these restricted investments on our accompanying condensed consolidated balance sheets based upon the maturities of the investments. Investments maturing in less than one year totaling \$8.7 million have been presented in prepaid expenses and other current assets, while all other long-term investments totaling \$0.7 million have been presented in other assets. Net unrealized holding losses have been recorded in accumulated other comprehensive income, net of taxes, on the accompanying condensed consolidated balance sheets. For the three and six months ended June 30, 2007, we recorded the increase in fair values of these restricted investments of less than \$0.1 million, net of taxes, in accumulated other comprehensive income. For the three and six months ended June 30, 2006, we recorded the decrease in fair values of these restricted investments of less than \$0.1 million, net of taxes, in accumulated other comprehensive income.

During the six months ended June 30, 2007, we sold certain of our restricted investments and recorded proceeds of approximately \$0.6 million, which approximated our cost basis in these investments as determined by specific identification. There were no sales of our restricted investments during the three months ended June 30, 2007 and the three and six months ended June 30, 2006.

Note 3. Intangible Assets

The balance of intangible assets as of June 30, 2007 and December 31, 2006 is presented below:

June 30, 2007	December 31, 2006
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	(In thousands)	
License rights	\$ 524,465	\$ 486,064
Trademarks	50,700	54,400
Customer lists	400	450
	-----	-----
Total intangible assets	575,565	540,914
Less accumulated amortization:		
License rights	33,939	33,939
Customer lists	241	225
	-----	-----
Intangible assets, net	\$ 541,385	\$ 506,750
	=====	=====

The following table sets forth the change in our intangible assets, net during the six months ended June 30, 2007 (in thousands):

Balance as of January 1, 2007	\$ 506,750
Intangible license right from	
Dania Jai-Alai acquisition (see Note 13)	38,403
Write-off of Barbary Coast trademark (see Note 11)	(3,700)
Write-off of Barbary Coast customer list, net	(28)
Amortization expense	(40)

Balance as of June 30, 2007	\$ 541,385
	=====

License rights are intangible assets acquired from the purchase of gaming entities that operate in gaming jurisdictions where competition is limited to a specified number of licensed gaming operators. License rights and trademarks are not subject to amortization as we have determined that they have an indefinite useful life.

Customer lists are being ratably amortized over a five-year period. For the three and six months ended June 30, 2007 and 2006, amortization expense for the customer lists was less than \$0.1 million. For each year in the period ending December 31, 2009, amortization expense related to the customer lists is expected to be approximately \$0.1 million.

Note 4. Property and Equipment

Property and equipment consists of the following:

	Estimated Life (Years)	June 30, 2007	December 31, 2006
	-----	-----	-----
		(In thousands)	
Land	--	\$ 639,054	\$ 261,428
Buildings and improvements	10-40	1,790,998	1,939,611
Furniture and equipment	3-10	742,110	718,647
Riverboats and barges	10-40	166,190	165,362
Construction in progress	--	155,595	95,556
		-----	-----
Total		3,493,947	3,180,604
Less accumulated depreciation		921,615	1,051,159
		-----	-----
Property and equipment, net		\$ 2,572,332	\$ 2,129,445
		=====	=====

Note 5. Investments in and Advances to Unconsolidated Subsidiaries, Net

Investments in and advances to unconsolidated subsidiaries, net consist of the following (in thousands):

	June 30, 2007	December 31, 2006
Net investment in and advances to Borgata (50%)	\$ 381,696	\$ 382,192
Investment in and advances to Morgans Las Vegas, LLC (50%)	5,649	2,966
Investment in and advances to Tunica Golf Course, L.L.C. (33.3%)	494	593
Total investments in and advance to unconsolidated subsidiaries, net	\$ 387,839	\$ 385,751

Borgata Hotel Casino and Spa

We are a 50% partner in Borgata Hotel Casino and Spa located at Renaissance Pointe in Atlantic City, New Jersey. We use the equity method to account for our investment in Borgata. Included in our investment in Borgata is our share of Borgata's cumulative effect of a change in accounting for uncertainty in income taxes resulting from its January 1, 2007 adoption of FASB Interpretation No. 48.

Summarized financial information of Borgata is as follows (in thousands):

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS INFORMATION (Unaudited)

	Three Months Ended June 30,	
	2007	2006
Gaming revenue	\$ 177,966	\$ 172,855
Non-gaming revenue	71,686	64,282
Gross revenues	249,652	237,137
Less promotional allowances	47,553	47,765
Net revenues	202,099	189,372
Expenses	147,636	131,762
Depreciation and amortization	16,906	14,773
Preopening expenses	1,077	3,815
Loss on asset disposals	403	83
Operating income	36,077	38,939
Interest expense, net	(7,823)	(4,271)
Benefit from (provision for) income taxes	676	130
Total non-operating expenses	(7,147)	(4,141)
Net income	\$ 28,930	\$ 34,798

Our share of Borgata's results is included in our accompanying condensed consolidated statements of operations for the following periods on the following lines (in thousands):

	Three Months Ended June 30,	
	2007	2006
Our share of Borgata's operating income	\$ 18,038	\$ 19,469
Net amortization expense related to our investment in Borgata	(325)	(325)
Our share of Borgata's operating income, as reported	\$ 17,713	\$ 19,144
Our share of Borgata's non-operating expenses, net	\$ (3,574)	\$ (2,070)

Note 6. Long-term Debt

Long-term debt consists of the following:

	June 30, 2007	December 31, 2006
	(In thousands)	
Bank credit facilities	\$ 1,300,800	\$ 973,300
8.75% Senior Subordinated Notes due 2012	--	250,000
7.75% Senior Subordinated Notes due 2012	300,000	300,000
6.75% Senior Subordinated Notes due 2014	350,000	350,000
7.125% Senior Subordinated Notes due 2016	250,000	250,000
Other	13,889	14,160
Total long-term debt	2,214,689	2,137,460
Less current maturities	(565)	(5,550)
Market value adjustment related to interest rate swap	--	1,106
Total	\$ 2,214,124	\$ 2,133,016

On May 24, 2007, we entered into a new \$4.0 billion revolving bank credit facility that matures on May 24, 2012. The new bank credit facility may be increased at our request by up to an aggregate of \$1.0 billion. The interest rate on the new bank credit facility is based upon, at our option, the LIBOR rate or the "base rate", plus an applicable margin in either case. The applicable margin is a percentage per annum (which ranges from 0.625% to 1.625% if we elect to use the LIBOR rate, and 0.0% to 0.375% if we elect to use the base rate) determined in accordance with a specified pricing grid based upon our predefined total leverage ratio. In addition, we incur commitment fees on the unused portion of the new bank credit facility that range from 0.200% to 0.350% per annum. The new bank credit facility is guaranteed by our material subsidiaries and is secured by the capital stock of those subsidiaries.

The new bank credit facility contains certain financial and other covenants, including various covenants (i) requiring the maintenance of a minimum consolidated interest coverage ratio, (ii) establishing a maximum permitted consolidated total leverage ratio, (iii) imposing limitations on the incurrence of indebtedness, (iv) imposing limitations

on transfers, sales and other dispositions and (v) imposing restrictions on investments, dividends and certain other payments.

The new bank credit facility replaces our former \$1.85 billion bank credit facility. We recorded a \$4.4 million non-cash loss on early retirement of debt for the three and six months ended June 30, 2007 for the write-off of unamortized debt fees associated with our former bank credit facility.

On April 16, 2007, we redeemed our \$250 million principal amount of 8.75% senior subordinated notes that were originally due to mature in April 2012 at a redemption price of \$1,043.75 per \$1,000.00 principal amount of notes. The redemption was funded by availability under our former bank credit facility. In connection with the redemption of these notes, we terminated our \$50 million notional amount fixed-to-floating interest rate swap. During the three and six months ended June 30, 2007, we recorded a loss on the early retirement of these notes and related interest rate swap of \$12.5 million.

Note 7. Derivative Instruments and Other Comprehensive Income

GAAP requires all derivative instruments to be recognized on the balance sheet at fair value. Derivatives that are not designated as hedges for accounting purposes must be adjusted to fair value through income. If the derivative qualifies and is designated as a hedge, depending on the nature of the hedge, changes in its fair value will either be offset against the change in fair value of the hedged item through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

During the three and six months ended June 30, 2007 and 2006, we utilized derivative instruments to manage interest rate risk. The net effect of our interest rate swaps resulted in a reduction of interest expense of \$0.6 million and \$1.4 million for the three and six months ended June 30, 2007, respectively, and \$0.5 million and \$0.8 million for the three and six months ended June 30, 2006, respectively, as compared to the contractual rate of the underlying debt for the three and six months ended June 30, 2007 and 2006.

In connection with the termination of certain LIBOR contracts upon entering into our new bank credit facility on May 24, 2007 (see Note 6, "*Long-term Debt*"), we elected to remove the cash flow hedge designation and discontinue hedge accounting on \$500 million notional amount of interest rate derivatives that hedge the variability in the cash flows of our floating rate borrowings. As a result, the \$2.6 million increase in value of these interest rate derivatives from May 24, 2007 through June 30, 2007 is recorded as a gain on our condensed consolidated statement of operations for the three months ended June 30, 2007. In addition, \$4.3 million of existing net gains related to these interest rate derivatives is included in accumulated other comprehensive income on our condensed consolidated balance sheet at June 30, 2007. These net gains will be accreted as a reduction of interest expense over the original remaining terms of these interest rate derivatives which extend into 2011; therefore, we recorded \$0.2 million as a reduction of interest expense and accumulated other comprehensive income during the three months ended June 30, 2007, and we will record \$1.3 million as a reduction of interest expense and other comprehensive income during the remainder of 2007.

In July 2007, we terminated our positions in these \$500 million notional amount of interest rate derivatives. In connection with these transactions, we received an aggregate of \$4.9 million in cash and incurred a loss of approximately \$3.5 million representing the change in value of these interest rate derivatives from June 30, 2007. In addition, we entered into new forward starting swaps with an aggregate notional amount of \$500 million to hedge the variability in the cash flows of our floating rate borrowings through June 30, 2011. We have designated and qualified these new forward starting swaps as cash flow hedges and expect to account for them accordingly.

Note 8. Other Long-term Tax Liabilities

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On July 13, 2006, the FASB issued Interpretation No. 48 "*Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement 109*" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement 109, "*Accounting for Income Taxes*" and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on 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 derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006.

The total amount of unrecognized tax benefits upon the adoption of FIN 48 on January 1, 2007 was \$32.7 million. As a result of the implementation of FIN 48, we recognized a \$31.7 million increase in the liability for unrecognized tax benefits which was accounted for as follows (in thousands):

Reduction in retained earnings (cumulative effect)	\$ 105
Additional deferred tax assets	31,639

Increase in income tax liabilities	\$ 31,744
	=====

Included in the \$32.7 million balance of unrecognized tax benefits at January 1, 2007 are \$8.8 million of tax benefits that, if recognized, would impact the effective tax rate. Also included in the balance of unrecognized tax benefits at January 1, 2007 are \$6.3 million of tax benefits that, if recognized, would result in a decrease to goodwill recorded in purchase business combinations, and \$17.7 million of tax benefits that, if recognized, would result in adjustments to other tax accounts, primarily deferred taxes.

We recognize accrued interest and penalties related to unrecognized tax benefits in our income tax provision. During the year ended December 31, 2006, we recognized a reduction in accrued interest and penalties of approximately \$1.0 million. During the years ended 2005 and 2004, we recognized approximately \$1.1 million and \$1.8 million, respectively, in penalties and interest. We had \$2.8 million and \$3.8 million accrued for interest and penalties at December 31, 2006 and 2005, respectively. Upon our adoption of FIN 48 on January 1, 2007, we decreased our accrual for interest and penalties to \$2.4 million due primarily to interest netting.

We are subject to federal income taxes and taxation in various states. Our federal tax returns are subject to examination for tax years ended on or after December 31, 2001. Our federal tax returns for the periods 2001 through 2003, which would normally be closed due to statute limitations, are open to the extent of net operating loss carryback claims attributable to the 2003 tax year. Our material state income tax returns are subject to examination for years ended on or after December 31, 2001.

We are currently under examination in both federal and state jurisdictions. As we are in various stages of the appeal process in connection with many of our audits, it is difficult to determine when these examinations will be closed. In the event that we are able to close these audits over the next 12 month period, we expect a decrease in our recorded unrecognized tax benefits, as of January 1, 2007, of approximately \$1.8 million. Such reduction is due primarily to depreciation adjustments resulting from changes made to assigned asset class lives. Other than the resolution of the audits discussed above, while we can provide no assurances, we do not anticipate any material changes to our recorded unrecognized tax benefits over the next 12 month period.

Note 9. Share-Based Employee Compensation Plans

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Share-based compensation costs related to stock option awards are calculated based on the fair value of each option grant on the date of the grant using the Black-Scholes option pricing model. The following table discloses the assumptions used in estimating the fair value of our most recent major stock option grant on November 2, 2006. There were no major grants during the six months ended June 30, 2007.

Expected stock price volatility	38 %
Annual dividend rate	1.4 %
Risk-free interest rate	4.6 %
Expected option life (years)	4.4
Estimated fair value per share of options granted	\$13.16

The following provides detail of compensation costs related to our share-based employee compensation plans in our condensed consolidated financial statements in the following categories for the three and six months ended June 30, 2007 and 2006 (in thousands):

	Three Months Ended June 30,	
	2007	2006
Gaming	\$ 122	\$ 187
Food and beverage	20	26
Room	12	13
Selling, general and administrative	663	1,044
Corporate expense	3,549	4,498
Preopening expenses	279	459
Total share-based compensation expense from continuing operations	4,645	6,227
Discontinued operations	--	58
Total share-based compensation expense	4,645	6,285
Capitalized share-based compensation	307	--
Total share-based compensation costs	\$ 4,952	\$ 6,285

The total income tax benefit recognized in income resulting from share-based compensation expense was \$1.7 million and \$3.2 million, respectively, for the three and six months ended June 30, 2007. The total income tax benefit recognized in income resulting from share-based compensation expense was \$2.4 million and \$4.6 million, respectively, for the three and six months ended June 30, 2006.

Stock Options

Summarized stock option plan activity for the six months ended June 30, 2007 is as follows:

	Options	Weighted Average Option Price
Options outstanding at January 1, 2007	6,551,787	\$ 33.40

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Options granted	63,200	47.99
Options canceled	(77,330)	38.24
Options exercised	(540,554)	23.72

Options outstanding at June 30, 2007	5,997,103	\$ 34.36
	=====	=====
Options exercisable at June 30, 2007	2,646,658	\$ 28.53
	=====	=====
Shares available for grant at June 30, 2007	3,847,345	
	=====	

Restricted Stock Units

On May 18, 2006, our board of directors amended and restated our 2002 Stock Incentive Plan to provide for the grant of Restricted Stock Units ("RSUs"). An RSU is an award which may be earned in whole or in part upon the passage of time or the attainment of performance criteria and which may be settled for cash, shares or other securities or a combination of cash, shares or other securities. The RSUs do not contain voting rights and are not entitled to dividends. We annually award RSUs to certain members of our board of directors. Each RSU is fully vested upon grant and is to be paid in shares of common stock upon cessation of service on the board of directors.

We issued a total of 19,600 RSUs with a grant date fair value of \$43.27 per unit during the six months ended June 30, 2007 and 17,500 RSUs with a grant date fair value of \$43.17 per unit during the six months ended June 30, 2006, representing \$0.8 million of share-based compensation expense for each respective grant.

Career Shares

In January 2007, we issued 26,000 Career Shares to certain of our executive management employees. The Career Shares reward eligible executives with annual grants of Boyd Gaming stock units, to be paid out at retirement. The payout at retirement is dependent upon the respective executive's age at retirement and the number of years of service with the Company. Executives must be at least 60 years old and have at least 15 years of service to receive a payout at retirement. We recorded \$0.3 million of share-based compensation expense related to the issuance of these Career Shares during the six months ended June 30, 2007.

Note 10. Earnings per Share

Income from continuing operations and the weighted average number of common shares and common share equivalents used in the calculation of basic and diluted earnings per share consisted of the following:

	Three Months Ended June 30,	
	2007	2006
	(in thousands)	
Income from continuing operations	\$ 22,941	\$ 12,366
	=====	=====
Weighted average common shares outstanding	87,497	89,635
Dilutive effect of stock options	1,217	1,468
	-----	-----
Weighted average common and potential shares outstanding	88,714	91,103
	=====	=====

Anti-dilutive options not included in the computation of diluted earnings per share amounted to 1.8 million and less than 0.1 million for the three months ended June 30, 2007 and 2006, respectively, and 1.8 million for each of the respective six months ended June 30, 2007 and 2006.

Note 11. Discontinued Operations

South Coast

On October 25, 2006, we completed the sale of South Coast for total consideration of approximately \$513 million. The total loss on the disposition of South Coast was \$69 million.

Barbary Coast

On February 27, 2007, we completed our exchange of the Barbary Coast and its related 4.2 acres of land for a total of approximately 24 acres located north of and contiguous to our Echelon development project on the Las Vegas Strip in a nonmonetary, tax-free transaction. Upon the closing of the transaction, we recorded a non-cash, pre-tax gain of approximately \$285 million and wrote-off the \$3.7 million carrying value of the Barbary Coast trademark as we will retain the trademark but no longer have underlying cash flows to support its value.

Summary Financial Information for Discontinued Operations

The operating results of South Coast and Barbary Coast for the three and six months ended June 30, 2007 and 2006 are presented as net income (loss) from discontinued operations on our condensed consolidated statements of operations. The assets held for sale and liabilities related to assets held for sale for South Coast and Barbary Coast are separately presented on our condensed consolidated balance sheet as of December 31, 2006. Included in the income (loss) from discontinued operations is an allocation of interest expense related to the \$401 million of debt repaid as a result of the South Coast disposal transaction, as well as other consolidated interest based on the ratio of: (i) the net assets of our discontinued operations less the debt repaid as a result of the South Coast disposal transaction, to (ii) the sum of total consolidated net assets and consolidated debt of the Company, other than the debt repaid as a result of the disposal transaction. The amount of interest expense allocated to discontinued operations was \$0.6 million for the six months ended June 30, 2007. The amount of interest expense allocated to discontinued operations was \$8.0 million and \$15.0 million for the three and six months ended June 30, 2006, respectively.

Summary operating results for the discontinued operations are as follows:

	Three Months Ended June 30,	
	2007	2006
		(in thou
Net revenues	\$ --	\$ 59,376
Operating income (loss)	(1,128)	4,691
Gain on disposition of Barbary Coast	(156)	--
Income (loss) from discontinued operations	(1,284)	(3,355)
(Provision for) benefit from income taxes	455	1,149
Net income (loss) from discontinued operations	(829)	(2,206)

Note 12. Write-downs and Other Charges, Net

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Write-downs and other charges, net include the following for the three and six months ended June 30, 2007 and 2006 (in thousands):

	Three Months Ended June 30,	
	2007	2006
Property closure costs	\$ 1,972	\$ 1,
Acquisition related expenses	--	
Asset write-downs	--	29,
Hurricane and related expenses	--	
Total write-downs and other charges, net	\$ 1,972	\$ 31,

Property Closure Costs

In connection with our Las Vegas Strip development project, we closed the Stardust Hotel and Casino on November 1, 2006. During the three and six months ended June 30, 2007, property closure costs consisted principally of costs incurred to demolish the Stardust. Property closure costs incurred during the three and six months ended June 30, 2006 consisted mainly of Stardust employee termination costs.

Acquisition Related Expenses

Acquisition related expenses represent indirect and general costs incurred in connection with our acquisition of Dania Jai-Alai (see Note 13, "Acquisition of Dania Jai-Alai").

Asset Write-Downs

Asset write-downs during the three and six months ended June 30, 2006 include \$28 million related to the write-off of the net book value of the original Blue Chip gaming vessel, which was replaced with a new gaming vessel in conjunction with our expansion project. After analysis of alternative uses for the original vessel, management decided in June 2006 to permanently retire the asset from further operations, resulting in the write-off.

Note 13. Acquisition of Dania Jai-Alai

On March 1, 2007, we acquired Dania Jai-Alai and approximately 47 acres of related land located in Dania Beach, Florida. Dania Jai-Alai is one of four pari-mutuel facilities approved under Florida law to operate 2,000 Class III slot machines (see Note 15, "Commitments and Contingencies", for information related to the Broward County slot initiative). We paid approximately \$81 million to close this transaction, and we will be required to pay an additional \$75 million, plus interest accrued at the prime rate, in March 2010 or earlier, if certain conditions are satisfied. We can provide no assurances as to when, or whether, such conditions will be satisfied. We will not record a liability for the additional \$75 million obligation unless or until the contingency has been resolved and the additional consideration is distributable. If the contingency is resolved and the \$75 million payment, plus interest accrued at the prime rate, is made, it will be added to the cost of the acquisition. We continue to work on our plans for the addition of a casino and other amenities at Dania Jai-Alai; however, we can provide no assurances as to when, if at all, our plans will result in the construction or opening of a new addition or amenities to the existing facility.

We are in the process of finalizing our valuation of significant identifiable intangible assets, as well as other assets acquired and liabilities assumed based upon the estimated fair value at the date of acquisition. Our initial allocation is preliminary and may be adjusted up to one year after the acquisition date, and we can provide no assurances that our

preliminary allocations will approximate the final allocations or that the estimated fair value will approximate the actual fair value. The following table sets forth the preliminary allocation of the purchase price (in thousands):

	March 1, 2007

Current assets, including cash of \$780	\$ 1,101
Property and equipment	46,000
Intangible license right	38,403

Total assets acquired	85,504
Current liabilities assumed	(3,820)

Net assets acquired	\$ 81,684
	=====

The amount allocated to an intangible gaming license right is not subject to amortization as it has an indefinite useful life.

We also reported \$0.9 million of indirect and general expenses related to this acquisition, which we included in write-downs and other charges, net on our condensed consolidated statement of operations for the six months ended June 30, 2007 (see Note 12, "*Write-downs and Other Charges, Net*"). In addition, pro forma financial information is not provided herein as Dania Jai-Alai is not a significant subsidiary of the Company and its primary gaming operations have not yet commenced.

Note 14. Related Party Transactions

Percentage Ownership

William S. Boyd, our Chairman and Chief Executive Officer, together with his immediate family, beneficially owned approximately 36% of our outstanding shares of common stock as of June 30, 2007. As a result, the Boyd family has the ability to significantly influence our affairs, including the electing of our directors and, except as otherwise provided by law, approving or disapproving other matters submitted to a vote of our stockholders, including a merger, consolidation or sale of assets. For the three and six months ended June 30, 2007 and 2006, there were no material related party transactions between us and the Boyd family.

Note 15. Commitments and Contingencies

Commitments

Echelon

In January 2006, we formed a joint venture with Morgans, whereby we will contribute approximately 6.1 acres of land and Morgans will contribute approximately \$91.5 million to the venture, and the venture will arrange non-recourse project financing to develop two hotel properties, the Delano Las Vegas and the Mondrian Las Vegas. Pursuant to an amendment on May 15, 2006 to our joint venture agreement, Morgans deposited \$30 million with us as an advance toward their \$91.5 million capital contribution to be made to the venture. This deposit, plus accrued interest, is included in restricted cash and accrued expenses and other on our accompanying condensed consolidated balance sheet as of June 30, 2007. The expected cost of the project, including the land, is estimated to be approximately \$950 million; however, we can provide no assurances that the estimated cost will approximate the actual cost.

In May 2007, we formed a joint venture with GGP whereby we will contribute above ground real estate (air rights) and GGP will contribute \$100 million to develop the Echelon Retail Promenade. Both members may contribute the necessary funds to the venture to complete the project or the venture may arrange non-recourse financing. The expected cost of the project, including air rights, is estimated to be approximately \$500 million; however, we can provide no assurances that the estimated cost will approximate the actual cost.

Contingencies

Dania Jai-Alai Slot Initiative

On August 8, 2006, a three-judge panel of the First District Court of Appeals in Broward County, Florida overturned a lower court decision which in turn could lead to the invalidation of a November 2004 initiative approved by Florida voters to operate slot machines at certain pari-mutuel gaming facilities in Broward County. This decision was essentially reaffirmed by the First District Court of Appeals on November 30, 2006, with two questions being certified to the Florida Supreme Court. On March 27, 2007, the Florida Supreme Court accepted jurisdiction to hear the certified questions. If the initiative is invalidated, we may not be able to operate slot machines at the Dania Jai-Alai facility, which would materially affect any potential revenue and cash flow expected from the Dania Jai-Alai facility (see Note 13, "*Acquisition of Dania Jai-Alai*").

Copeland

Alvin C. Copeland, the sole shareholder of an unsuccessful applicant for a riverboat license at the location of our Treasure Chest Casino, has made several attempts to have the Treasure Chest license revoked and awarded to his company. In 1999 and 2000, Copeland unsuccessfully opposed the renewal of the Treasure Chest license and has brought two separate legal actions against us. In November 1993, Copeland objected to the relocation of Treasure Chest Casino from the Mississippi River to its current site on Lake Pontchartrain. The predecessor to the Louisiana Gaming Control Board allowed the relocation over Copeland's objection. Copeland then filed an appeal of the agency's decision with the Nineteenth Judicial District Court. Through a number of amendments to the appeal, Copeland unsuccessfully attempted to transform the appeal into a direct action suit and sought the revocation of the Treasure Chest license. Treasure Chest intervened in the matter in order to protect its interests. The appeal/suit, as it related to Treasure Chest Casino, was dismissed by the District Court and that dismissal was upheld on appeal by the First Circuit Court of Appeal. Additionally, in 1999, Copeland filed a direct action against Treasure Chest and certain other parties seeking the revocation of Treasure Chest's license, an award of the license to him and monetary damages. The suit was dismissed by the trial court citing that Copeland failed to state a claim on which relief could be granted. The dismissal was appealed by Copeland to the Louisiana First Circuit Court of Appeal. On June 21, 2002, the First Circuit Court of Appeal reversed the trial court's decision and remanded the matter to the trial court. On January 14, 2003, we filed a motion to dismiss the matter and that motion was partially denied. The Court of Appeals refused to reverse the denial of the motion to dismiss. In May 2004, we filed additional motions to dismiss on other grounds. There was no activity regarding this matter during 2005 and 2006, but the plaintiff recently filed a motion to set a hearing date related to the motions to dismiss, which hearing has been scheduled for August 27, 2007. We currently are vigorously defending the law suit. If this matter ultimately results in the Treasure Chest license being revoked, it could have a significant adverse effect on our business, financial condition and results of operations.

Blue Chip Property Taxes

In May 2007, Blue Chip received a notice indicating an unanticipated increase of nearly 400% to its assessed property value as of January 1, 2006. We estimate that this increase in assessed property value could result in a property tax assessment ranging between \$4 million and \$11 million for the eighteen-month period ended June 30, 2007. We recorded an additional charge of \$3.2 million during the three months ended June 30, 2007 to increase our property tax liability to \$5.8 million at June 30, 2007 as we estimate that is the most likely amount to be assessed within the range; however, we can provide no assurances that the estimated amount will approximate the actual amount. The

actual assessment is expected to be received later this year and could result in further adjustment to our estimated property tax liability at Blue Chip.

We are also parties to various legal proceedings arising in the ordinary course of business. We believe that, except for the matters discussed above, all pending claims, if adversely decided, would not have a material adverse effect on our business, financial position or results of operations.

Note 16. Segment Information

We have aggregated certain of our properties in order to present five reportable segments: Las Vegas Locals, Downtown Las Vegas, Midwest and South, Stardust and Borgata, our 50% joint venture in Atlantic City. The table below lists the classification of each of our properties. Beginning in 2007, with our acquisition of Dania Jai-Alai, we have renamed what we previously referred to as the Central Region, as the Midwest and South. On March 1, 2007, we acquired Dania Jai-Alai, which currently does not have any slot operations (see Note 13, "Acquisition of Dania Jai-Alai"). Due to the disposition of Barbary Coast and South Coast, the operating results from these two properties are classified as discontinued operations in our condensed consolidated statements of operations for all periods presented and are excluded from our presentation in the Las Vegas Locals segment. In addition, we ceased operations at the Stardust on November 1, 2006. Results for the Las Vegas Locals segment also include the results of an offsite sports book. Results for Downtown Las Vegas include the results of our two travel agencies and our insurance company.

Las Vegas Locals		Downtown Las Vegas	
	Las Vegas, NV		Las Vegas, NV
Gold Coast Hotel and Casino	Las Vegas, NV	California Hotel and Casino	Las Vegas, NV
The Orleans Hotel and Casino	Las Vegas, NV	Fremont Hotel and Casino	
Sam's Town Hotel and Gambling Hall	Las Vegas, NV	Main Street Station Casino, Brewery	Las Vegas, NV
Suncoast Hotel and Casino	Henderson, NV	and Hotel	
Eldorado Casino	Henderson, NV	Midwest and South	Tunica, MS
Jokers Wild Casino		Sam's Town Hotel and Gambling Hall	East Peoria, IL
	Las Vegas, NV	Par-A-Dice Hotel Casino	Kenner, LA
Stardust Resort and Casino		Treasure Chest Casino	Michigan City, IN
	Atlantic City, NJ	Blue Chip Hotel and Casino	Vinton, LA
Borgata Hotel Casino and Spa		Delta Downs Racetrack Casino & Hotel	Shreveport, LA
		Sam's Town Hotel and Casino	

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Dania Jai-Alai
Dania Beach,
FL

The following table sets forth, for the periods indicated, certain operating data for our reportable segments.

	Three Months Ended June 30,	
	2007	2006
	(In thousands)	
Gross Revenues		
Las Vegas Locals	\$ 233,558	\$ 228,207
Downtown Las Vegas	70,526	70,522
Midwest and South	262,781	271,266
Stardust	--	41,027
Total gross revenues	\$ 566,865	\$ 611,022
Adjusted EBITDA (1)		
Las Vegas Locals	\$ 66,844	\$ 65,193
Downtown Las Vegas	13,156	12,906
Midwest and South	54,917	58,587
Stardust	--	4,620
Wholly-owned property Adjusted EBITDA	134,917	141,306
Corporate expense (2)	(9,995)	(9,085)
Wholly-owned Adjusted EBITDA	124,922	132,221
Our share of Borgata's operating income before net amortization, preopening and other items (3)	18,778	21,419
Adjusted EBITDA	143,700	153,640
Other operating costs and expenses		
Deferred rent	1,130	1,158
Depreciation and amortization (4)	42,262	48,787
Preopening expenses	6,062	7,249
Our share of Borgata's preopening expenses	539	1,908
Our share of Borgata's loss on asset disposals	201	42
Share-based compensation expense	4,366	5,771
Write-downs and other charges, net	1,972	31,249
Total other operating costs and expenses	56,532	96,164
Operating income	87,168	57,476
Other non-operating costs and expenses		
Interest expense, net (5)	33,687	36,238
Loss on early retirements of debt	16,945	--
Increase in value of derivative instruments	(2,601)	--
Our share of Borgata's non-operating expenses, net	3,574	2,070
Total other non-operating costs and expenses	51,605	38,308
Income from continuing operations before provision for income taxes	35,563	19,168
Provision for income taxes	(12,622)	(6,802)
Income from continuing operations	\$ 22,941	\$ 12,366

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(1) Earnings before interest, taxes, depreciation and amortization, or EBITDA, is a commonly used measure of performance in our industry which we believe, when considered with measures calculated in accordance with United States Generally Accepted Accounting Principles, or GAAP, gives investors a more complete understanding of operating results before the impact of investing and financing transactions and income taxes and facilitates comparisons between us and our competitors. Management has historically adjusted EBITDA when evaluating operating performance because we believe that the inclusion or exclusion of certain recurring and non-recurring items is necessary to provide the most accurate measure of our core operating results and as a means to evaluate period-to-period results. We have chosen to provide this information to investors to enable them to perform more meaningful comparisons of past, present and future operating results and as a means to evaluate the results of core on-going operations. We do not reflect such items when calculating EBITDA; however, we adjust for these items and refer to this measure as Adjusted EBITDA. We have historically reported this measure to our investors and believe that the continued inclusion of Adjusted EBITDA provides consistency in our financial reporting. We use Adjusted EBITDA because we believe it is useful to investors in allowing greater transparency related to a significant measure used by management in its financial and operational decision-making. Adjusted EBITDA is among the more significant factors in management's internal evaluation of total company and individual property performance and in the evaluation of incentive compensation related to property management. Management also uses Adjusted EBITDA as a measure in determining the value of acquisitions and dispositions. Adjusted EBITDA is also widely used by management in the annual budget process. Externally, we believe these measures continue to be used by investors in their assessment of our operating performance and the valuation of our company. Adjusted EBITDA reflects EBITDA adjusted for deferred rent, preopening expenses, share-based compensation expense, change in value of derivative instruments, write-downs and other charges, net, loss on early retirements of debt and our share of Borgata's non-operating expenses, preopening expenses and gain or loss on asset disposals.

(2) The following table reconciles the presentation of corporate expense on our condensed consolidated statements of operations to the presentation on the accompanying table:

	Three Months Ended June 30,	
	2007	2006
	(In thousands)	
Corporate expense as reported on our condensed consolidated statements of operations	\$ 13,544	\$ 13,581
Corporate share-based compensation expense	(3,549)	(4,496)
Corporate expense as reported on accompanying table	\$ 9,995	\$ 9,085

(3) The following table reconciles the presentation of our share of Borgata's operating income on our condensed consolidated statements of operations to the presentation of our share of Borgata's results on the accompanying table:

	Three Months Ended June 30,	
	2007	2006
	(In thousands)	
Operating income from Borgata, as reported on our condensed consolidated statements of operations	\$ 17,713	\$ 19,144
Add back:		
Net amortization expense related to our investment in Borgata	325	325
Our share of Borgata's preopening expenses	539	1,908
Our share of Borgata's loss on asset disposals	201	42

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Our share of Borgata's operating income before net amortization, preopening and other items

\$	18,778	\$	21,419	\$
	=====		=====	

(4) The following table reconciles the presentation of depreciation and amortization on our condensed consolidated statements of operations to the presentation on the accompanying table:

	Three Months Ended June 30,	
	2007	2006
		(In th
Depreciation and amortization as reported on our condensed consolidated statements of operations	\$ 41,937	\$ 48,462
Net amortization expense related to our investment in Borgata	325	325
Depreciation and amortization as reported on accompanying table	\$ 42,262	\$ 48,787

(5) Net of interest income and amounts capitalized.

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

We are a diversified operator of 16 wholly-owned gaming entertainment properties and one joint-venture property. Headquartered in Las Vegas, we have gaming operations in Nevada, Illinois, Louisiana, Mississippi, Indiana, Florida and New Jersey. We aggregate certain of our properties in order to present five reportable segments: Las Vegas Locals, Downtown Las Vegas, Midwest and South, Stardust (closed November 1, 2006) and Borgata, our 50% joint venture in Atlantic City. We own 87 acres on the Las Vegas Strip where our Echelon project is currently under development.

Beginning in 2007, with our acquisition of Dania Jai-Alai, we have renamed what we previously referred to as the Central Region, as the Midwest and South segment. Due to the disposition of Barbary Coast on February 27, 2007 and the South Coast on October 25, 2006, the operating results from these two properties are classified as discontinued operations in our condensed consolidated statements of operations. We have reclassified their results for the three and six months ended June 30, 2006 to conform to the current presentation. For further information related to our segment information, including the property compositions of each segment, the definition of Adjusted EBITDA and reconciliations of certain financial information, see Note 16, "Segment Information", to our Condensed Consolidated Financial Statements.

Our main business emphasis is on slot revenues, which are highly dependent on the volume of customers at our properties. Gross revenues are one of the main performance indicators of our properties. Most of our revenue is cash-based, and our properties have historically generated significant operating cash flow. Our industry is capital intensive, and we rely heavily on the ability of our properties to generate operating cash flow to repay debt financing, pay income taxes, fund maintenance capital expenditures and provide excess cash for future development and the payment of dividends.

Overall Outlook

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Over the past few years, we have been working to strategically position our Company for greater success by strengthening our operating foundation and effecting strategic growth in order to attempt to increase shareholder value. The following is a listing of our most recently completed areas of growth:

- Opening of Borgata's public space expansion in June 2006, which includes three new signature restaurants and nine additional casual dining outlets, additional casino games, an 85-table poker room and an ultra lounge.
- Expansion of Blue Chip Casino Hotel in January 2006 through the construction of a single-level boat that allowed us to expand our gaming space and increase the number of slot machines and table games. In connection with this expansion project, we also added a new parking structure and enhanced the land-based pavilion.

We are currently focused on future expansion projects at several of our properties, such as Echelon, our Las Vegas Strip development, which we expect to open in the third quarter of 2010. See *"Other Items Affecting Liquidity"* and *"Other Opportunities"* below for a more comprehensive description of our expansion projects.

In October 2006, we completed the sale of South Coast, which provided us with additional capital for future growth opportunities and reduced our issued and outstanding common stock by approximately 3.4 million shares. On February 27, 2007, we completed our transaction to exchange the Barbary Coast for approximately 24 acres of land on the Las Vegas Strip adjacent to our Echelon development project, which will allow us to strengthen our future growth pipeline.

In addition to our expansion projects mentioned above, we regularly evaluate opportunities for growth through the development of gaming operations in existing or new markets and through acquiring other gaming entertainment facilities. For example, on March 1, 2007, we completed our acquisition of Dania Jai-Alai and approximately 47 acres of related land located in Dania Beach, Florida. This transaction is described in more detail at *"Other Items Affecting Liquidity"* below.

Summary Financial Results

	Three Months Ended June 30,	
	2007	2006
	(In thou	
Gross revenues		
Las Vegas Locals	\$ 233,558	\$ 228,207
Downtown Las Vegas	70,526	70,522
Midwest and South	262,781	271,266
Stardust	--	41,027
Total gross revenues	\$ 566,865	\$ 611,022
Operating income	\$ 87,168	\$ 57,476
Income from continuing operations	\$ 22,941	\$ 12,366

Significant events that affected our results for the three and six months ended June 30, 2007 as compared to the same periods in 2006 are described below:

- A decline in 2007 operating results at Treasure Chest, reflecting normalization of its results as the Gulf Coast continued to rebuild and other forms of entertainment have reopened after the impact of Hurricane Katrina.
- The addition of a new property by a major competitor in the Las Vegas Locals market in April 2006.
- The closing of the Stardust on November 1, 2006 to make way for the development of Echelon on the Las Vegas Strip.

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- A \$28 million charge during the three months ended June 30, 2006 to write-off the net book value of the original Blue Chip gaming vessel, which was replaced with a new gaming vessel in connection with our 2006 expansion project.
- A \$16.9 million loss on early retirements of our \$250 million principal amount 8.75% senior subordinated notes and our former bank credit facility during the three months ended June 30, 2007.

Adjusted EBITDA

We have aggregated certain of our properties in order to present the five reportable segments listed in the table below. See Note 16, "Segment Information", to our Condensed Consolidated Financial Statements for a definition of Adjusted EBITDA and a reconciliation of this financial information to operating income and income from continuing operations presented in accordance with GAAP.

	Three Months Ended June 30,	
	2007	2006
Adjusted EBITDA		
Las Vegas Locals	\$ 66,844	\$ 65,193
Downtown Las Vegas	13,156	12,906
Midwest and South	54,917	58,587
Stardust	--	4,620
Our share of Borgata's operating income before net amortization, preopening and other items	18,778	21,419

(In thou

The significant factors that affected Adjusted EBITDA for the three and six months ended June 30, 2007 as compared to the same periods in 2006 are listed below:

- Las Vegas Locals Adjusted EBITDA decreased during the six months ended June 30, 2007 as compared to the same period in 2006 due primarily to the addition of increased competition and promotional spending in the market, which had a negative impact on this segment's results; however, this segment's results have begun to show improvement during the three months ended June 30, 2007 as compared to the same period in 2006 as the Las Vegas population continues to grow and absorb the increased capacity in the market.
- Midwest and South Adjusted EBITDA decreased primarily due to the following items:
 - ◆ The normalization of Adjusted EBITDA at Treasure Chest during the three and six months ended June 30, 2007 as compared to the same periods in 2006 as the Gulf Coast continued to rebuild and other forms of entertainment that have reopened after the impact of Hurricane Katrina. Results at Treasure Chest appear to have stabilized as this is the third consecutive quarter at similar Adjusted EBITDA levels for the property;
 - ◆ Adjusted EBITDA at Blue Chip declined during the three and six months ended June 30, 2007 as compared to the same periods in the prior year due to the January 2006 grand opening of our new gaming vessel, which resulted in a significant increase in customer volume and operating results during the prior year. In addition, results at Blue Chip for the three months ended June 30, 2007 were impacted by a \$3.2 million estimated property tax charge retroactive to January 1, 2006. This charge was the result of a notice indicating an unanticipated increase of nearly 400% to Blue Chip's assessed property value.
- We closed the Stardust on November 1, 2006 to make way for the development of Echelon on the Las Vegas Strip.

Operating Data for Borgata - our 50% joint venture in Atlantic City

The following table sets forth, for the periods indicated, certain operating data for Borgata, our 50% joint venture in Atlantic City. We use the equity method to account for our investment in Borgata.

	Three Months Ended June 30,	
	2007	2006
(In thou		

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Gross revenues	\$	249,652	\$	237,137	\$
Operating income		36,077		38,939	
Total non-operating expenses		(7,147)		(4,141)	
Net income		28,930		34,798	

The following table reconciles the presentation of our share of Borgata's operating income.

	Three Months Ended June 30,	
	2007	2006
	(In thou	
Operating income from Borgata, as reported on our condensed consolidated statements of operations	\$ 17,713	\$ 19,144
Net amortization expense related to our investment in Borgata	325	325
Our share of Borgata's operating income	18,038	19,469
Our share of Borgata's preopening expenses	539	1,908
Our share of Borgata's loss on asset disposals	201	42
Our share of Borgata's operating income before net amortization, preopening and other items	\$ 18,778	\$ 21,419

Our share of Borgata's operating income before net amortization, preopening and other items decreased \$2.6 million and \$6.2 million during the three and six months ended June 30, 2007, respectively, as compared to the same periods in 2006. This decline is mainly attributable to the heightened competitive environment in Atlantic City as a result of new competition from surrounding jurisdictions, as well as higher fixed costs associated with Borgata's public space expansion that opened in June 2006.

Operating Results-Discussion of Certain Charges

Significant charges during the three and six months ended June 30, 2007 and 2006 are discussed below:

	Three Months Ended June 30,	
	2007	2006
	(In thou	
Depreciation and amortization	\$ 42,262	\$ 48,787
Preopening expenses	6,062	7,249
Write-downs and other charges, net	1,972	31,249

Depreciation and Amortization.

The decline in depreciation and amortization expense during the three and six months ended June 30, 2007 as compared to the same periods in 2006 is principally due to the closure of the Stardust on November 1, 2006. Additionally, in connection with the planned closure of the Stardust, the useful lives of the depreciable assets residing on the land associated with our Las Vegas Strip development project, including our corporate office building, were re-evaluated. During the three and six months ended June 30, 2006, we recorded \$2.7 million and \$5.3 million, respectively, in accelerated depreciation related to those assets.

Preopening Expenses.

For the respective three and six months ended June 30, 2007, preopening expenses related to the following items:

- \$5.0 million and \$8.0 million for our Echelon development project;
- \$0.8 million and \$1.7 million for our Dania Jai-Alai development project; and
- \$0.3 million and \$0.8 million for other projects.

For the respective three and six months ended June 30, 2006, preopening expenses related to the following items:

- \$5.3 million and \$7.6 million for our Echelon development project;
- \$0.0 million and \$2.6 million for our Blue Chip expansion project, which opened on January 31, 2006; and
- \$1.9 million and \$2.9 million for other projects.

Write-downs and Other Charges, Net

For the three and six months ended June 30, 2007, write-downs and other charges, net primarily consist of the following:

- In connection with our Echelon development project on the Las Vegas Strip, we closed the Stardust on November 1, 2006 and demolished the property in 2007. During the three and six months ended June 30, 2007, we recorded \$2.0 million and \$10.0 million, respectively, in property closure costs, the majority of which represents demolition costs. During the three and six months ended June 30, 2006, we incurred \$2.0 million and \$3.4 million, respectively, in property closure costs related to one-time termination benefits to our Stardust employees.
- During the three months ended June 30, 2006, we recorded a \$28 million non-cash charge to write off the net book value of the original Blue Chip gaming vessel, which was replaced with a new gaming vessel in conjunction with our expansion project. After analysis of alternative uses for the original vessel, management decided in June 2006 to permanently retire the asset from further operations.

Other Operating Items

Asset Impairment

Due to a history of operating losses at Sam's Town Tunica, we continue to test the assets of Sam's Town Tunica for recoverability pursuant to SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*". The asset recoverability test requires estimating Sam's Town Tunica's undiscounted future cash flows and comparing that aggregate total to the property's carrying value. As the property's estimated undiscounted future cash flows exceed its carrying value, we do not believe Sam's Town Tunica's assets to be impaired at this time; however, we will continue to monitor the performance of Sam's Town Tunica and, if necessary, continue to update our asset recoverability test under SFAS No. 144. If future asset recoverability tests indicate that the assets of Sam's Town Tunica are impaired, we will be subject to a non-cash write-down of its assets, which could have a material impact on our condensed consolidated statements of operations.

We have significant amounts of goodwill and indefinite-life intangible assets on our condensed consolidated balance sheet as of June 30, 2007. In accordance with SFAS No. 142, "*Goodwill and Other Intangible Assets*", we perform an annual impairment test of these assets during the second quarter of each year, which resulted in no impairment charge for 2007; however, if our ongoing estimates of projected cash flows related to these assets are not met, we may be subject to a non-cash write-down of these assets in the future, which could have a material impact on our condensed

consolidated statements of operations.

Blue Chip

The Pokagon Band of Potawatomi Indians, a federally recognized Native American tribe, commenced operations of its Four Winds Casino in New Buffalo, Michigan (which is located approximately fifteen miles from Blue Chip) in August 2007. Although we have expanded our facility at Blue Chip in an effort to be more competitive in this market, the Four Winds Casino could have a material adverse impact on the operations of Blue Chip.

Other Non-Operating Costs and Expenses

Interest Costs

	Three Months Ended June 30,	
	2007	2006
		(In thou
Interest costs	\$ 38,361	\$ 46,305
Less capitalized interest	(4,564)	(1,985)
Less interest costs related to discontinued operations	--	(8,046)
Less interest income	(110)	(36)
Interest expense, net	\$ 33,687	\$ 36,238
Weighted average debt balance	\$ 2,197,885	\$ 2,596,168
Weighted average interest rate	7.0 %	7.1 %

Interest costs decreased for the three and six months ended June 30, 2007 as compared to the same periods in the prior year principally due to a decrease in the average levels of debt outstanding as a result of the \$401 million of cash proceeds we received from the sale of South Coast in October 2006. Capitalized interest increased during the three and six months ended June, 30, 2007 as compared to the same periods in the prior year due primarily to an increase in capital spending on our Echelon development project. We expect interest costs and capitalized interest to increase in 2007 due primarily to expected increases in capital spending on our Echelon and Dania Jai-Alai development projects and our new hotel tower at Blue Chip.

Included in the loss from discontinued operations for the three and six months ended June 30, 2006 is an allocation of interest expense related to the \$401 million of debt that was repaid as a result of the South Coast disposal transaction, as well as other consolidated interest based on the ratio of: (i) the net assets of our discontinued operations less the debt repaid as a result of the South Coast disposal transaction, to (ii) the sum of total consolidated net assets and consolidated debt of the Company, other than the debt repaid as a result of the disposal transaction. With the February 2007 completion of the Barbary Coast exchange transaction, we do not expect further allocation of interest to discontinued operations from these transactions.

Loss on Early Retirements of Debt

On May 24, 2007, we entered into a new \$4.0 billion revolving bank credit facility that matures on May 24, 2012. The new bank credit facility replaces our former \$1.85 billion bank credit facility. We recorded a \$4.4 million non-cash loss on early retirement of debt for the three and six months ended June 30, 2007 for the write-off of unamortized debt

fees associated with our former bank credit facility.

On April 16, 2007, we redeemed our \$250 million principal amount of 8.75% senior subordinated notes that were originally due to mature in April 2012. In connection with the redemption of these notes, we terminated our \$50 million notional amount fixed-to-floating interest rate swap. During the three and six months ended June 30, 2007, we recorded a loss on the early retirement of these notes and related interest rate swap of \$12.5 million.

Increase in Value of Derivative Instruments

In connection with the termination of certain LIBOR contracts upon entering into our new bank credit facility on May 24, 2007, we elected to remove the cash flow hedge designation and discontinue hedge accounting on \$500 million notional amount of interest rate derivatives that hedge the variability in the cash flows of our floating rate borrowings. As a result, the \$2.6 million increase in value of these interest rate derivatives from May 24, 2007 through June 30, 2007 is recorded as a gain on our condensed consolidated statement of operations for the three months ended June 30, 2007. In addition, \$4.3 million of existing net gains related to these interest rate derivatives is included in accumulated other comprehensive income on our condensed consolidated balance sheet at June 30, 2007. These net gains will reduce interest expense over the original remaining terms of these interest rate derivatives which extend into 2011; therefore, we recorded \$0.2 million as a reduction of interest expense and accumulated other comprehensive income during the three months ended June 30, 2007, and we will record \$1.3 million as a reduction of interest expense and other comprehensive income during the remainder of 2007.

In July 2007, we terminated our positions in these \$500 million notional amount of interest rate derivatives. In connection with these transactions, we received an aggregate of \$4.9 million in cash and incurred a loss of approximately \$3.5 million representing the change in value of these interest rate derivatives from June 30, 2007. In addition, we entered into new forward starting swaps with an aggregate notional amount of \$500 million to hedge the variability in the cash flows of our floating rate borrowings through June 30, 2011. We have designated and qualified these new forward starting swaps as cash flow hedges and expect to account for them accordingly.

Provision for Income Taxes

The effective tax rate for continuing operations was 35.5% for the three months ended June 30, 2007 and 2006, respectively. The effective tax rate for continuing operations for the six months ended June 30, 2007 was 35.8% compared to 35.6% for the six months ended June 30, 2006.

Income from Continuing Operations

As a result of the factors discussed above, we reported income from continuing operations of \$22.9 million and \$12.4 million, respectively, for the three months ended June 30, 2007 and 2006, and \$58.0 million and \$77.6 million, respectively, for the six months ended June 30, 2007 and 2006.

Liquidity and Capital Resources

Cash Flows Summary

Net cash provided by operating activities

\$

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Cash flows from investing activities:

- Net cash paid for Dania Jai-Alai
- Capital expenditures
- Insurance recoveries for replacement assets
- Other

Net cash used in investing activities

Cash flows from financing activities:

- Net (payments) borrowings under bank credit facilities
- Retirement of long-term debt
- Net proceeds from issuance of long-term debt
- Dividends paid on common stock
- Proceeds from exercise of stock options
- Other

Net cash provided by financing activities

Net decrease in cash and cash equivalents

Cash Flows from Operating Activities and Working Capital

For the six months ended June 30, 2007, we generated operating cash flow of \$129 million compared to \$205 million for the six months ended June 30, 2006. The primary reason for the decrease in operating cash flows was due to a decline in operating results in our Midwest and South segment, for the reasons cited above, as well as increased competition in our Las Vegas Locals segment and the closure of the Stardust on November 1, 2006. In addition, our distributions from Borgata declined from \$42.7 million during the six months ended June 30, 2006 to \$32.2 million during the six months ended June 30, 2007 due to the decline in Borgata's operating results discussed above. Borgata has significant uses for its cash flows, including maintenance and expansion capital expenditures, interest payments, state income taxes and the repayment of debt. Borgata's cash flows are primarily used for its business needs and are not generally available (except to the extent distributions are paid to us) to service our indebtedness.

Due to the sale of South Coast on October 25, 2006, the closure of the Stardust on November 1, 2006 and the exchange of the Barbary Coast on February 27, 2007, we anticipate that our 2007 cash flows from operating activities will decline from comparative 2006 levels without the future operating results from these properties.

As of June 30, 2007 and 2006, we had balances of cash and cash equivalents of \$159 million and \$169 million, respectively. We had working capital deficits of \$10.5 million and \$97 million, respectively, as of June 30, 2007 and 2006.

Historically, we have operated with minimal or negative levels of working capital in order to minimize borrowings and related interest costs under our revolving bank credit facility. The revolver portion of our bank credit facility generally provides any necessary funds for our day-to-day operations, interest and tax payments as well as capital expenditures. On a daily basis, we evaluate our cash position and adjust our revolver balance as necessary by either paying it down with excess cash or borrowing under the revolver. We also plan the timing and the amounts of our capital expenditures. We believe that our revolving bank credit facility and cash flows from operating activities will be sufficient to meet our projected operating and maintenance capital expenditures for the next twelve months. The source of funds for our development projects, such as Blue Chip's new hotel tower, Echelon and Dania Jai-Alai, is expected to come primarily from cash flows from operations, availability under our revolving bank credit facility, to the extent availability exists after we meet our working capital needs, as well as additional funds that are expected to be generated from incremental bank financing or other additional debt. We could also fund these projects with equity offerings. Additional financing may not be available to us, or, if available, may not be on terms favorable to us.

Cash Flows from Investing Activities

Cash paid for capital expenditures on major projects for the six months ended June 30, 2007 included the following:

- Echelon development project;
- New corporate offices; and
- New hotel tower expansion project at Blue Chip.

Spending on these and other expansion projects totaled \$71 million. We also paid \$45 million for maintenance capital expenditures during the six months ended June 30, 2007. In addition, we paid approximately \$81 million for our acquisition of Dania Jai-Alai.

Cash paid for capital expenditures on major projects and land acquisitions for the six months ended June 30, 2006, included the following:

- Blue Chip expansion project that opened in January 2006;
- South Coast expansion project;
- Acquisition of North Las Vegas land;
- Acquisition of land and building for our new corporate office; and
- Hurricane restoration costs at Delta Downs.

Spending on these and other expansion projects totaled \$243 million for the six months ended June 30, 2006. We also paid \$43 million for maintenance capital expenditures and received \$23 million of property insurance recoveries as a reimbursement of our capital spending related to our hurricane restoration project at Delta Downs.

Cash Flows from Financing Activities

Substantially all of the funding for our acquisitions and renovation and expansion projects comes from cash flows from existing operations and debt financing.

On January 30, 2006, we issued \$250 million principal amount of 7.125% senior subordinated notes due February 2016. The \$246 million of net proceeds from this debt issuance was used to repay a portion of the outstanding borrowings under our bank credit facility.

On April 16, 2007, we redeemed our \$250 million principal amount of 8.75% senior subordinated notes that were due to mature in April 2012 for \$261 million. This redemption was funded by availability under our bank credit facility.

During 2007, we have paid a quarterly cash dividend of \$0.15 per share on March 1, 2007 and June 1, 2007. During the six months ended June 30, 2007, the total amount paid for dividends was \$24.9 million. In July 2007, our Board of Directors declared a dividend of \$0.15 per share, payable on September 4, 2007 to shareholders of record on August 17, 2007. During the six months ended June 30, 2006, we paid a quarterly cash dividend of \$0.125 on March 1, 2006 and \$0.135 on June 1, 2006. The total amount paid for dividends during the six months ended June 30, 2006 was \$23.3 million. Dividends are declared at the discretion of our Board of Directors. We are subject to certain limitations regarding the payment of dividends, such as restricted payment limitations related to our outstanding notes and our bank credit facility.

As a result of the items discussed above, we incurred \$328 million in net borrowings on our bank credit facility during the six months ended June 30, 2007. We made net payments on our bank credit facility of \$197 million during the six months ended June 30, 2006.

Other Items Affecting Liquidity

Echelon. In January 2006, we announced plans to develop Echelon on the Las Vegas Strip and commenced construction in June 2007, with a planned third quarter 2010 opening. We estimate that the wholly-owned components of Echelon will cost \$3.3 billion. In addition, we have recently completed our design and development work on the two joint-venture elements of Echelon, which include our hotel joint venture with Morgans Hotel Group LLC, or Morgans, and our retail promenade joint venture with General Growth Properties, or GGP.

Echelon will include a total of approximately 5,000 rooms in five unique hotels, including the following amenities:

- Casino space: 140,000 square feet
- Entertainment venues: 4,000-seat and 1,500-seat theaters, operated by AEG Live
- Retail promenade: 300,000 square feet
- Meeting and Convention space: 750,000 square feet
- Parking: approximately 9,000 spaces

Echelon will also include approximately 30 dining, nightlife and beverage venues in addition to an approximately 4.5 acre multi-level pool and recreation deck.

On February 27, 2007, we exchanged the Barbary Coast for 24 acres on the Las Vegas Strip, which will bring our total land holdings to 87 contiguous acres on the Echelon site. The additional land allowed us to modify the site layout of Echelon, increases the overall size of the project to 65 acres, and will provide us with two additional parcels of six and 16 acres that could allow for the addition of another distinct hotel, a residential component, and additional retail, dining, meeting and casino space.

In connection with our joint venture with Morgans to develop, construct and operate the Delano Las Vegas and the Mondrian Las Vegas hotels, we will contribute approximately 6.1 acres of land and Morgans will contribute \$91.5 million to the venture, and the venture will arrange non-recourse project financing. The expected cost of the project, including the land, is estimated to be approximately \$950 million; however, we can provide no assurances that the estimated cost will approximate the actual cost. Morgans is expected to begin construction in the first quarter 2008.

In connection with our joint venture with GGP to develop, construct and operate the Echelon Retail Promenade, we will contribute the above ground real estate (air rights) and GGP will contribute \$100 million to the venture. Both members may contribute the necessary funds to the venture to complete the project or the venture may arrange non-recourse project financing. The expected cost of this project, including the air rights, is estimated to be approximately \$500 million; however, we can provide no assurances that the estimated cost will approximate the actual cost.

Blue Chip.

In October 2006, we announced a \$130 million expansion project at Blue Chip that will add a second hotel with approximately 300 guest rooms to our existing 184-room hotel, a spa and fitness center, additional meeting and event space as well as more dining and nightlife experiences. We began construction on the project in March 2007 and it is expected to open in late 2008.

Dania Jai-Alai.

On March 1, 2007, we acquired Dania Jai-Alai and approximately 47 acres of related land located in Dania Beach, Florida. Dania Jai-Alai is one of four pari-mutuel facilities approved under Florida law to operate 2,000 Class III slot machines (see Note 15, "*Commitments and Contingencies*", for information related to the Broward County slot initiative). We paid approximately \$81 million to close this transaction, and we will be required to pay an additional \$75 million, plus interest accrued at the prime rate, in March 2010 or earlier, if certain conditions are satisfied. We can provide no assurances as to when, or whether, such conditions will be satisfied. We will not record a liability for the

additional \$75 million obligation unless or until the contingency has been resolved and the additional consideration is distributable. If the contingency is resolved and the \$75 million payment, plus interest accrued at the prime rate, is made, it will be added to the cost of the acquisition. We continue to develop our plans for the addition of a casino and other amenities at Dania Jai-Alai; however, we can provide no assurances as to when, if at all, our plans will result in the construction or opening of a new addition or amenities to the existing facility.

Other Opportunities

We regularly investigate and pursue additional expansion opportunities in markets where casino gaming is currently permitted. We also pursue expansion opportunities in jurisdictions where casino gaming is not currently permitted in order to be prepared to develop projects upon approval of casino gaming. Such expansions will be affected and determined by several key factors, including:

- outcome of license selection processes;
- approval of gaming in jurisdictions where we have been active but where casino gaming is not currently permitted;
- identification of additional suitable investment opportunities in current gaming jurisdictions; and
- availability of acceptable financing.

Additional projects may require us to make substantial investments or may cause us to incur substantial costs related to the investigation and pursuit of such opportunities, which investments and costs we may fund through cash flow from operations or availability under our bank credit facility. To the extent such sources of funds are not sufficient, we may also seek to raise such additional funds through public or private equity or debt financings or from other sources. No assurance can be given that additional financing will be available or that, if available, such financing will be obtainable on terms favorable to us.

We can provide no assurances that our expansion and development projects will be completed within our current estimates, commence operations as expected, include all of the anticipated amenities, features or facilities or achieve market acceptance. Our expansion and development projects are subject to those risks inherent in the development and operation of a new or expanded business enterprise, including potential unanticipated operating problems, as well as risks, including the risk of non-performance, posed by our joint venture partners or other third parties whom we rely on in certain of our expansion and development projects. If our expansion or development projects do not become operational within the time frame and project costs currently contemplated or do not successfully compete in their markets, it could have a material adverse effect on our business, financial condition and results of operations. Once our projects become operational, they will face many of the same risks that our current properties face including, but not limited to, increases in taxes due to changes in legislation.

The source of funds for these projects is expected to come from cash flows from operations and availability under our bank credit facility, to the extent availability exists after we meet our working capital needs. We could also fund these projects with incremental bank financing, additional debt or equity offerings. Additional financing may not be available to us, or, if available, may not be on terms favorable to us.

Indebtedness

Our long-term debt primarily consists of a bank credit facility and senior subordinated notes. We pay variable rate interest based on LIBOR on our bank credit facility, which matures in May 2012. At June 30, 2007, we had availability under our bank credit facility of \$2.7 billion. We pay fixed rates of interest ranging from 6.75% to 7.75% on our senior subordinated notes.

On May 24, 2007, we entered into a new \$4.0 billion revolving bank credit facility that matures on May 24, 2012. The bank credit facility may be increased at our request by up to an aggregate of \$1.0 billion. The interest rate on the bank

credit facility is based upon, at our option, the LIBOR rate or the "base rate", plus an applicable margin in either case. The applicable margin is a percentage per annum (which ranges from 0.625% to 1.625% if we elect to use the LIBOR rate, and 0.0% to 0.375% if we elect to use the base rate) determined in accordance with a specified pricing grid based upon our predefined total leverage ratio. In addition, we incur commitment fees on the unused portion of the bank credit facility that range from 0.200% to 0.350% per annum. The bank credit facility is guaranteed by our material subsidiaries and is secured by the capital stock of those subsidiaries.

The new bank credit facility replaces our former \$1.85 billion bank credit facility. We recorded a \$4.4 million non-cash loss on early retirement of debt for the three and six months ended June 30, 2007 for the write-off of unamortized debt fees associated with our former bank credit facility.

On April 16, 2007, we redeemed our \$250 million principal amount of 8.75% senior subordinated notes that were originally due to mature in April 2012 at a redemption price of \$1,043.75 per \$1,000.00 principal amount of notes. The redemption was funded by availability under our former bank credit facility. In connection with the redemption of these notes, we terminated our \$50 million notional amount fixed-to-floating interest rate swap. During the three and six months ended June 30, 2007, we recorded a loss on the early retirement of these notes and related interest rate swap of \$12.5 million.

Bank Credit Facility Covenants.

The bank credit facility contains certain financial and other covenants, including various covenants (i) requiring the maintenance of a minimum consolidated interest coverage ratio, (ii) establishing a maximum permitted consolidated total leverage ratio, (iii) imposing limitations on the incurrence of indebtedness, (iv) imposing limitations on transfers, sales and other dispositions and (v) imposing restrictions on investments, dividends and certain other payments. We believe we are in compliance with the bank credit facility covenants at June 30, 2007.

Notes.

Our \$300 million, \$350 million and \$250 million principal amounts of senior subordinated notes due 2012, 2014, and 2016, respectively, contain limitations on, among other things, (i) our ability and our restricted subsidiaries' (as defined in the indentures governing the notes) ability to incur additional indebtedness, (ii) the payment of dividends and other distributions with respect to our capital stock and of our restricted subsidiaries and the purchase, redemption or retirement of our capital stock and of our restricted subsidiaries, (iii) the making of certain investments, (iv) asset sales, (v) the incurrence of liens, (vi) transactions with affiliates, (vii) payment restrictions affecting restricted subsidiaries, and (viii) certain consolidations, mergers and transfers of assets. We believe we are in compliance with the covenants related to notes outstanding at June 30, 2007.

Our ability to service our debt will be dependent on future performance, which will be affected by, among other things, prevailing economic conditions and financial, business and other factors, certain of which are beyond our control. It is unlikely that our business will generate sufficient cash flow from operations to enable us to pay our indebtedness as it matures and to fund our other liquidity needs. We believe that we will need to refinance all or a portion of our indebtedness at each maturity.

Recently Issued Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board ("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 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*" (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 condensed 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 the impact that the adoption of SFAS No. 157 will have on our condensed 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 in a tax return. FIN 48 also 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, and applies to all tax positions accounted for in accordance with SFAS No. 109. We adopted FIN 48 on January 1, 2007. The total amount of unrecognized tax benefits upon the adoption of FIN 48 was \$32.7 million. As a result of the implementation of FIN 48, we recognized a \$31.7 million increase in the liability for unrecognized tax benefits. See Note 8, "*Other Long-Term Tax Liabilities*" for more information related to our adoption of FIN 48.

Critical Accounting Policies

A description of our critical accounting policies can be found in our Annual Report on Form 10-K for the year ended December 31, 2006.

Important Information Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements contain words such as "may," "will," "might," "expect," "believe," "anticipate," "could," "would," "estimate," "continue," "pursue," or the negative thereof or comparable terminology, and may include (without limitation) information regarding our expectations, hopes or intentions regarding the future, including but not limited to statements regarding our operating foundation and growth strategies, our current focus on expansion and development projects, including our Echelon, Blue Chip, and Dania Jai-Alai projects, and the timing and source of funds for such projects and any additional expansion projects, our regular evaluations of growth opportunities through operations development and acquisitions, our competition, including the impact of increased competition in the Las Vegas Locals segment, our expectation that cash flows from operating activities will decline from current levels due to the sale of the South Coast, the closure of the Stardust and the exchange of the Barbary Coast, our belief that the Barbary Coast exchange will allow us to strengthen our future growth pipeline, our ability to effect strategic growth, indebtedness, financing, revenue, adjusted EBITDA, amortization expense, tax benefits, estimated share-based compensation expenses and other effects of our adoption of SFAS 123R, including the effect of additional share-based payment awards in 2007, depreciation recorded in connection with our Echelon development plan, our estimates regarding the expected amenities, timing and cost of our Echelon development plan and the related Morgans and GGP joint ventures, the effects on Dania Jai-Alai if the slot initiative is overturned, our valuation estimate of Dania Jai-Alai

assets and liabilities, our continued monitoring of the performance of Sam's Town Tunica, our beliefs regarding the sufficiency of our bank credit facility and cash flows from operating activities to meet our projected expenditures (including operating and maintenance capital expenditures) and costs associated with certain of our projects over the next twelve months, estimated asset and liability values, our beliefs relating to our credit facility and notes covenant compliance, the estimated rates relating to our derivative instruments, our need and ability to refinance all or a portion of our indebtedness at each maturity, risk of counterparty nonperformance, our legal strategies and the potential effect of pending legal claims on our business and financial condition, declaration of future dividends, and the effects of the adoption of various accounting pronouncements.

Forward-looking statements involve certain risks and uncertainties, and actual results may differ materially from those discussed in each such statement. In particular, we can provide no assurances regarding the various expansion projects, including the development plans for the Echelon, Blue Chip, Dania Jai-Alai and the Borgata project, and whether such projects will be completed within the estimated time frame and budget, or at all. Among the factors that could cause actual results to differ materially are the following:

- The effects of intense competition that exists in the gaming industry.
- The fact that our expansion, development and renovation projects (including enhancements to improve property performance) are subject to the many risks inherent in the expansion, development or construction of a new or existing project, including:
 - ◆ unanticipated design, construction, regulatory, environmental and operating problems and lack of demand for our projects;
 - ◆ unanticipated delays and significant cost increases, shortages of materials, shortages of skilled labor or work stoppages;
 - ◆ poor performance or non-performance of any of our joint venture partners or other third parties on whom we are relying in connection with any of our projects;
 - ◆ unforeseen construction scheduling, engineering, environmental, permitting, construction or geological problems, weather interference, floods, fires or other casualty losses; and
 - ◆ failure to obtain necessary government or other approvals on time, or at all.
- The risk that any of our projects may not be completed, if at all, on time or within established budgets, or that any project will result in increased earnings to us.
- The risk that significant delays, cost overruns, or failures of any of our projects to achieve market acceptance could have a material adverse effect on our business, financial condition and results of operations.
- The risk that our projects may not help us compete with new or increased competition in our markets.
- The risk that the actual fair value for assets acquired and liabilities assumed from any of our acquisitions materially differ from our preliminary estimates.
- The risks associated with growth and acquisitions, including our ability to identify, acquire, develop or profitably manage additional companies or operations or successfully integrate such companies or operations into our existing operations without substantial costs, delays or other problems.
- The risk that we may not receive gaming or other necessary licenses for new projects or that gaming will not be approved in jurisdictions where it is currently prohibited.
- The risk that we may be unable to finance our expansion, development and renovation projects, including cost overruns on any particular project, as well as other capital expenditures through cash flow, borrowings under our bank credit facility and additional financings, which could jeopardize our expansion, development and renovation efforts.
- The risk that we may not be ultimately successful in dismissing the action filed against our Treasure Chest Casino property and may lose our ability to operate the property, which result could materially, adversely affect our business, financial condition and results of operations.
- The effects of the extensive governmental gaming regulation and taxation policies that we are subject to, as well as any changes in laws and regulations, including increased taxes, which could harm our business.
- The effects of extreme weather conditions on our facilities and the geographic areas where we draw our customers, and our ability to recover insurance proceeds (if any).

- The risks relating to mechanical failure and regulatory compliance at any of our facilities.
- The effects of events adversely impacting the economy or the regions where we draw a significant percentage of our customers, including the effects of war, terrorist or similar activity or disasters in, at, or around our properties.
- The effects of energy price increases on our cost of operations and our revenues.
- Financial community and rating agency perceptions of our Company, and the effect of economic, credit and capital market conditions on the economy and the gaming and hotel industry.

Additional factors that could cause actual results to differ are discussed in Part II, Item 1A. under the heading "*Risk Factors*" and in our other current and periodic reports filed from time to time with the SEC. All forward-looking statements in this document are made as of the date hereof, based on information available to us as of the date hereof, and we assume no obligation to update any forward-looking statement.

Item 3. *Quantitative and Qualitative Disclosure about Market Risk*

As of June 30, 2007, except for the changes to our long-term debt described below, there were no material changes to the information previously reported under Item 7A in our Annual Report on Form 10-K for the year ended December 31, 2006.

On April 16, 2007, we redeemed our \$250 million principal amount of 8.75% senior subordinated notes that were originally due to mature in April 2012. The redemption was funded by availability under our former bank credit facility. In connection with the redemption of these notes, we terminated our \$50 million notional amount fixed-to-floating interest rate swap.

On May 24, 2007, we entered into a new \$4.0 billion revolving bank credit facility that matures on May 24, 2012. The bank credit facility may be increased at our request by up to an aggregate of \$1.0 billion. The interest rate on the bank credit facility is based upon, at our option, the LIBOR rate or the "base rate", plus an applicable margin in either case. The applicable margin is a percentage per annum (which ranges from 0.625% to 1.625% if we elect to use the LIBOR rate, and 0.0% to 0.375% if we elect to use the base rate) determined in accordance with a specified pricing grid based upon our predefined total leverage ratio. In addition, we incur commitment fees on the unused portion of the bank credit facility that range from 0.200% to 0.350% per annum. The bank credit facility is guaranteed by our material subsidiaries and is secured by the capital stock of those subsidiaries. The new bank credit facility replaces our former \$1.85 billion bank credit facility.

Item 4. *Controls and Procedures*

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Based on the evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

There has been no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II. Other Information

Item 1. *Legal Proceedings*

Copeland

Alvin C. Copeland, the sole shareholder of an unsuccessful applicant for a riverboat license at the location of our Treasure Chest Casino, has made several attempts to have the Treasure Chest license revoked and awarded to his company. In 1999 and 2000, Copeland unsuccessfully opposed the renewal of the Treasure Chest license and has brought two separate legal actions against us. In November 1993, Copeland objected to the relocation of Treasure Chest Casino from the Mississippi River to its current site on Lake Pontchartrain. The predecessor to the Louisiana Gaming Control Board allowed the relocation over Copeland's objection. Copeland then filed an appeal of the agency's decision with the Nineteenth Judicial District Court. Through a number of amendments to the appeal, Copeland unsuccessfully attempted to transform the appeal into a direct action suit and sought the revocation of the Treasure Chest license. Treasure Chest intervened in the matter in order to protect its interests. The appeal/suit, as it related to Treasure Chest Casino, was dismissed by the District Court and that dismissal was upheld on appeal by the First Circuit Court of Appeal. Additionally, in 1999, Copeland filed a direct action against Treasure Chest and certain other parties seeking the revocation of Treasure Chest's license, an award of the license to him and monetary damages. The suit was dismissed by the trial court citing that Copeland failed to state a claim on which relief could be granted. The dismissal was appealed by Copeland to the Louisiana First Circuit Court of Appeal. On June 21, 2002, the First Circuit Court of Appeal reversed the trial court's decision and remanded the matter to the trial court. On January 14, 2003, we filed a motion to dismiss the matter and that motion was partially denied. The Court of Appeals refused to reverse the denial of the motion to dismiss. In May 2004, we filed additional motions to dismiss on other grounds. There was no activity regarding this matter during 2005 and 2006, but the plaintiff recently filed a motion to set a hearing date related to the motions to dismiss, which hearing has been scheduled for August 27, 2007. We currently are vigorously defending the law suit. If this matter ultimately results in the Treasure Chest license being revoked, it could have a significant adverse effect on our business, financial condition and results of operations.

We are also parties to various legal proceedings arising in the ordinary course of business. We believe that, except for the Copeland matter discussed above, all pending claims, if adversely decided, would not have a material adverse effect on our business, financial position or results of operations.

Item 1A. *Risk Factors*

We have revised the risk factors that relate to our business, as set forth below. These risks include any material changes to and supersede the risks previously disclosed in Part I, Item 1A, in our Annual Report on Form 10-K for the year ended December 31, 2006. We encourage investors to review the risk factors and uncertainty relating to our business disclosed in that Form 10-K, as well as those contained under "*Management's Discussion and Analysis of Financial Condition and Results of Operations-Important Information Regarding Forward-Looking Statements*" in Part I above.

Intense competition exists in the gaming industry, and we expect competition to continue to intensify.

The gaming industry is highly competitive for both customers and employees, including those at the management level. We compete with numerous casinos and casino hotels of varying quality and size in market areas where our properties are located. We also compete with other non-gaming resorts and vacation areas, and with various other casino and other entertainment businesses, and could compete with any new forms of gaming that may be legalized in the future. The casino entertainment business is characterized by competitors that vary considerably in their size, quality of facilities, number of operations, brand identities, marketing and growth strategies, financial strength and capabilities, level of amenities, management talent and geographic diversity. In most markets, we compete directly with other casino facilities operating in the immediate and surrounding market areas. In some markets, we face competition from nearby markets in addition to direct competition within our market areas.

In recent years, with fewer new markets opening for development, competition in existing markets has intensified. We have invested in expanding existing facilities, such as Blue Chip, developing new facilities, such as Echelon, and acquiring established facilities in existing markets, such as our acquisition of Coast Casinos, Inc. in July 2004. In addition, our competitors have also invested in expanding their existing facilities and developing new facilities. This expansion of existing casino entertainment properties, the increase in the number of properties and the aggressive marketing strategies of many of our competitors have increased competition in many markets in which we compete, and this intense competition can be expected to continue.

If our competitors operate more successfully than we do, if they are more successful than us in attracting and retaining employees, if their properties are enhanced or expanded, or if additional hotels and casinos are established in and around the locations in which we conduct business, we may lose market share or the ability to attract or retain employees. In particular, the expansion of casino gaming in or near any geographic area from which we attract or expect to attract a significant number of our customers could have a significant adverse effect on our business, financial condition and results of operations.

We also compete with legalized gaming from casinos located on Native American tribal lands. A proliferation of Native American gaming in areas located near our properties, or in areas in or near those from which we draw our customers, could have an adverse effect on our operating results.

The Pokagon Band of Potawatomi Indians, a federally recognized Native American tribe, commenced operations of its Four Winds Casino in New Buffalo, Michigan (which is located approximately fifteen miles from Blue Chip) in August 2007. Although we have expanded our facility at Blue Chip in an effort to be more competitive in this market, the Four Winds Casino could have a material adverse impact on the operations of Blue Chip. In Illinois, there is currently an additional casino license that is the subject of litigation and administrative action. If a gaming facility is opened, depending on its location, it could compete with Blue Chip.

Our expansion, development and renovation projects may face significant risks inherent in construction projects or implementing a new marketing strategy, including receipt of necessary government approvals.

We regularly evaluate expansion, development and renovation opportunities. On January 4, 2006, we announced our planned Las Vegas Strip development, Echelon, which will be the largest and most expensive development project we have undertaken to date. In addition, we have announced a new hotel expansion project at Blue Chip and that Borgata has recently completed a public space expansion and is constructing a new hotel tower and spa. We also closed our acquisition of Dania Jai-Alai in March 2007.

These projects and any other development projects we may undertake will be subject to the many risks inherent in the expansion or renovation of an existing enterprise or construction of a new enterprise, including unanticipated design, construction, regulatory, environmental and operating problems and lack of demand for our projects. Our current and future projects could also experience:

- unanticipated delays and significant cost increases;
- shortages of materials;
- shortages of skilled labor or work stoppages;
- poor performance or non-performance by any of our joint venture partners or other third parties on whom we are relying;
- unforeseen construction scheduling, engineering, environmental, permitting, construction or geological problems; and
- weather interference, floods, fires or other casualty losses.

Our anticipated costs and construction periods for projects are based upon budgets, conceptual design documents and construction schedule estimates prepared by us in consultation with our architects and contractors. Many of these costs

are estimated at inception of the project and can change over time as the project is built to completion. For example, we recently announced that the estimated cost of the wholly-owned portion of Echelon increased from \$2.9 billion to \$3.3 billion, principally as a result of additional scope, larger guest rooms and suites, and increased estimated construction costs, and that the development costs associated with the properties that will be developed and constructed in connection with our joint venture with Morgans increased from \$700 million to \$950 million. Additional cost increases may continue to occur as we develop Echelon. The cost of any project may vary significantly from initial budget expectations, and we may have a limited amount of capital resources to fund cost overruns. If we cannot finance cost overruns on a timely basis, the completion of one or more projects may be delayed until adequate funding is available. The completion dates of any of our projects could also differ significantly from expectations for construction-related or other reasons. We cannot assure you that any project will be completed, if at all, on time or within established budgets, or that any project will result in increased earnings to us. Significant delays, cost overruns, or failures of our projects to achieve market acceptance could have a material adverse effect on our business, financial condition and results of operations. Furthermore, our projects may not help us compete with new or increased competition in our markets.

Certain permits, licenses and approvals necessary for some of our current or anticipated projects have not yet been obtained. The scope of the approvals required for expansion, development or renovation projects can be extensive and may include gaming approvals, state and local land-use permits and building and zoning permits. Unexpected changes or concessions required by local, state or federal regulatory authorities could involve significant additional costs and delay the scheduled openings of the facilities. We may not receive the necessary permits, licenses and approvals or obtain the necessary permits, licenses and approvals within the anticipated time frames, or at all.

In addition, although we design our projects for existing facilities to minimize disruption of existing business operations, expansion and renovation projects require, from time to time, portions of the existing operations to be closed or disrupted. For example, in November 2006 we closed the Stardust and demolished the property in March 2007 to make way for the development of Echelon. Any significant disruption in operations could have a significant adverse effect on our business, financial condition and results of operations.

We face risks associated with growth and acquisitions.

As part of our business strategy, we regularly evaluate opportunities for growth through development of gaming operations in existing or new markets, through acquiring other gaming entertainment facilities or through redeveloping our existing gaming facilities. For example, in February 2007 we completed the Barbary Coast exchange transaction. In addition, in March 2007 we completed the acquisition of Dania Jai-Alai, and have previously announced an expansion project at Blue Chip and our Echelon development project. We may also pursue expansion opportunities, including joint ventures, in jurisdictions where casino gaming is not currently permitted in order to be prepared to develop projects upon approval of casino gaming. The expansion of our operations, whether through acquisitions, development or internal growth, could divert management's attention and could also cause us to incur substantial costs, including legal, professional and consulting fees. There can be no assurance that we will be able to identify, acquire, develop or profitably manage additional companies or operations or successfully integrate such companies or operations into our existing operations without substantial costs, delays or other problems. Additionally, there can be no assurance that we will receive gaming or other necessary licenses for our new projects or that gaming will be approved in jurisdictions where it is not currently approved.

In addition, ballot measures or other voter approved initiatives to allow gaming in jurisdictions where gaming, or certain types of gaming (such as slots), was not previously permitted could be challenged, and, if such challenges are successful, these ballot measures or initiatives could be invalidated. For example, in October 2004, a group of plaintiffs brought suit in the Circuit Court in Leon County, Florida, against a group of defendants, including the Florida Secretary of State among others, seeking to permanently enjoin a proposed ballot measure to amend the Florida Constitution to allow Florida voters to approve slot machines at certain pari-mutuel gaming facilities in Miami-Dade and Broward Counties (the "Slot Initiative"). The plaintiffs alleged that petition gatherers committed

fraud in obtaining signatures to get the Slot Initiative placed on the ballot. Prior to the issuance of a final order by the Circuit Court, the Slot Initiative was approved by voters in November 2004. In January 2005, the Circuit Court granted summary judgment in favor of the defendants, citing among other reasons, that the Slot Initiative had been approved by voters. The plaintiffs appealed this decision, and on August 8, 2006, a three-judge panel of the First District Court of Appeals in Broward County, Florida, reversed the Circuit Court decision and ordered that the case be brought to trial. In its decision, the panel indicated that in the event that the trial court determines that the petition did not have sufficient signatures to place the Slot Initiative on the ballot due to fraud, the trial court should invalidate the Slot Initiative. On August 23, 2006, the defendants filed a motion seeking a rehearing by the three-judge panel, or alternatively, to have the First District Court of Appeals rehear the case en banc or to have the case certified to the Florida Supreme Court for rehearing. On November 30, 2006, the First District Court of Appeals, in an en banc decision, essentially reaffirmed the panel's decision, but certified two questions to the Florida Supreme Court: (1) whether validations of signatures by supervisors of elections can be challenged based upon allegations of fraud after certifications of signatures have been accepted by the Secretary of State and the ballot printed and absentee voting commenced in accord with Florida law, and (2) whether an amendment to the Florida Constitution that is approved by vote of the electors may be subsequently invalidated if, in an action filed before the election, there is a showing made after the election that necessary signatures on the petition proposing the amendment were fraudulently obtained. On March 27, 2007, the Florida Supreme Court accepted jurisdiction to hear the certified questions. If the Slot Initiative is invalidated, we may not be able to operate slot machines at the Dania Jai-Alai facility, which would materially affect any potential revenue and cash flow expected from the Dania Jai-Alai facility.

If we are unable to finance our expansion, development and renovation projects as well as other capital expenditures through cash flow, borrowings under our bank credit facility and additional financings, our expansion, development and renovation efforts will be jeopardized.

We intend to finance our current and future expansion, development and renovation projects, as well as our other capital expenditures, primarily with cash flow from operations, borrowings under our bank credit facility and equity or debt financings. If we are unable to finance our current or future expansion, development and renovation projects, or our other capital expenditures, we will have to adopt one or more alternatives, such as reducing or delaying planned expansion, development and renovation projects as well as other capital expenditures, selling assets, restructuring debt, reducing the amount or discontinuing the distribution of dividends, obtaining additional equity financing or joint venture partners, or modifying our bank credit facility. These sources of funds may not be sufficient to finance our expansion, development and renovation projects, and other financing may not be available on acceptable terms, in a timely manner or at all. In addition, our existing indebtedness contains certain restrictions on our ability to incur additional indebtedness. If we are unable to secure additional financing, we could be forced to limit or suspend expansion, development and renovation projects and other capital expenditures, which may adversely affect our business, financial condition and results of operations.

If we are not ultimately successful in dismissing the action filed against our Treasure Chest Casino property, we may potentially lose our ability to operate the Treasure Chest Casino property and our business, financial condition and results of operations could be materially adversely affected.

Alvin C. Copeland, the sole shareholder of an unsuccessful applicant for a riverboat license at the location of our Treasure Chest Casino, has made several attempts to have the Treasure Chest license revoked and awarded to his company. In 1999 and 2000, Copeland unsuccessfully opposed the renewal of the Treasure Chest license and has brought two separate legal actions against us. In November 1993, Copeland objected to the relocation of Treasure Chest Casino from the Mississippi River to its current site on Lake Pontchartrain. The predecessor to the Louisiana Gaming Control Board allowed the relocation over Copeland's objection. Copeland then filed an appeal of the agency's decision with the Nineteenth Judicial District Court. Through a number of amendments to the appeal, Copeland improperly attempted to transform the appeal into a direct action suit and sought the revocation of the Treasure Chest license. Treasure Chest intervened in the matter in order to protect its interests. The appeal/suit, as it related to Treasure Chest Casino, was dismissed by the District Court and that dismissal was upheld on appeal by the

First Circuit Court of Appeal. Additionally, in 1999, Copeland filed a direct action against Treasure Chest and certain other parties seeking the revocation of Treasure Chest's license, an award of the license to him and monetary damages. The suit was dismissed by the trial court citing that Copeland failed to state a claim on which relief could be granted. The dismissal was appealed by Copeland to the First Circuit Court of Appeal. On June 21, 2002, the First Circuit Court of Appeal reversed the trial court's decision and remanded the matter to the trial court. On January 14, 2003, we filed a motion to dismiss the matter and that motion was partially denied. The Court of Appeal refused to reverse the denial of the motion to dismiss. In May 2004, we filed additional motions to dismiss on other grounds. There was no activity regarding this matter during 2005 and 2006, but the plaintiff recently filed a motion to set a hearing date related to the motions to dismiss, which hearing has been scheduled for August 27, 2007. We currently are vigorously defending the lawsuit. If this matter ultimately results in the Treasure Chest license being revoked, it could have a significant adverse effect on our business, financial condition and results of operations.

We are subject to extensive governmental gaming regulation and taxation policies, which may harm our business.

We are subject to a variety of regulations in the jurisdictions in which we operate. Regulatory authorities at the federal, state and local levels have broad powers with respect to the licensing of casino operations and may revoke, suspend, condition or limit our gaming or other licenses, impose substantial fines and take other actions, any one of which could have a significant adverse effect on our business, financial condition and results of operations. A more detailed description of the governmental gaming regulations to which we are subject is included in Exhibit 99.1, Governmental Gaming Regulations filed with this quarterly report on Form 10-Q and incorporated herein by reference.

If additional gaming regulations are adopted in a jurisdiction in which we operate, such regulations could impose restrictions or costs that could have a significant adverse effect on us. From time to time, various proposals are introduced in the legislatures of some of the jurisdictions in which we have existing or planned operations that, if enacted, could adversely affect the tax, regulatory, operational or other aspects of the gaming industry and our company. Legislation of this type may be enacted in the future. For example, on January 15, 2006, the New Jersey State Legislature enacted the Smoke-Free Air Act that became effective April 15, 2006. This law called for smoke-free environments in essentially all indoor workplaces and places open to the public including places of business and service-related activities. The law contains several exemptions, including an exemption for all casino floor space and 20% of a hotel's designated hotel rooms. On February 15, 2007, Atlantic City promulgated a local ordinance that is more restrictive than the aforementioned state law. Specifically, this ordinance reduced the casino floor exemption to 25% of a casino's floor space. As such, smoking is prohibited on 75% of a casino's floor space and permitted on 25% of a casino's floor space, subject to the following conditions:

- By April 15, 2007, casinos were required to limit smoking to 25% of their casino floor space, which areas initially were not required to be enclosed and separately ventilated.
- Ultimately, the 25% of the casino floor in which smoking will be permissible will be required to be enclosed and separately ventilated. Casinos have until September 15, 2007 to submit construction plans for such enclosures to applicable authorities for the issuance of building permits and related required approvals. Once permits are issued, the casinos will have 90 days to commence construction of the enclosures.

Under the Atlantic City ordinance, smoking will remain permissible in 20% of a hotel's designated hotel rooms, consistent with state law. This legislation, and the local ordinance, could materially impact Borgata's operations and comparable legislation in other jurisdictions in which we operate could materially impact our other properties.

The federal government has also previously considered a federal tax on casino revenues and may consider such a tax in the future. In addition, gaming companies are currently subject to significant state and local taxes and fees in addition to normal federal and state corporate income taxes, and such taxes and fees are subject to increase at any time. For example, in June 2006, the Illinois legislature passed certain amendments to the Riverboat Gambling Act

which affected the tax rate at Par-A-Dice. The legislation, which imposes an incremental 5% tax on adjusted gross gaming revenues, was retroactive to July 1, 2005. As a result of this legislation, we were required to pay additional taxes, resulting in a \$6.7 million tax assessment in June 2006. If there is any material increase in state and local taxes and fees, our business, financial condition and results of operations could be adversely affected. Also, in May 2007, Blue Chip received a notice indicating an unanticipated increase of nearly 400% to its assessed property value as of January 1, 2006. We estimate that this increase in assessed property value could result in a property tax assessment ranging between \$4 million and \$11 million for the eighteen-month period ended June 30, 2007. We recorded an additional charge of \$3.2 million during the three months ended June 30, 2007 to increase our property tax liability to \$5.8 million at June 30, 2007 as we estimate that is the most likely amount to be assessed within the range; however, we can provide no assurances that the estimated amount will approximate the actual amount. The actual assessment is expected to be received later this year and could result in further adjustment to our estimated property tax liability at Blue Chip.

Our directors, officers and key employees must also be approved by certain state regulatory authorities. If state regulatory authorities were to find a person occupying any such position unsuitable, we would be required to sever our relationship with that person. Certain public and private issuances of securities and certain other transactions by us also require the approval of certain state regulatory authorities.

In addition to gaming regulations, we are also subject to various federal, state and local laws and regulations affecting businesses generally. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, environmental matters, employees, currency transactions, taxation, zoning and building codes, and marketing and advertising. Such laws and regulations could change or could be interpreted differently in the future, or new laws and regulations could be enacted. For example, on July 5, 2006, New Jersey gaming properties, including Borgata, were required to temporarily close their casinos for three days as a result of a New Jersey statewide government shutdown that affected certain New Jersey state employees required to be at casinos when they are open for business. In addition, Nevada recently enacted legislation that eliminated in most instances, and, for certain pre-existing development projects such as Echelon, otherwise reduced, property tax breaks and retroactively eliminated certain sales tax exemptions offered as incentives to companies developing projects that meet certain environmental "green" standards. As a result, we, along with other companies developing projects that meet such standards, may not realize the full tax benefits that were originally anticipated.

We own facilities that are located in areas that experience extreme weather conditions.

We own facilities that are located in areas that experience extreme weather conditions, including, but not limited to, hurricanes. Extreme weather conditions may interrupt our operations, damage our properties and reduce the number of customers who visit our facilities in the affected areas. For example, our Treasure Chest Casino, which is located near New Orleans, Louisiana, suffered minor damage and was closed for 44 days in 2005 as a result of Hurricane Katrina. Additionally, our Delta Downs Racetrack Casino & Hotel, which is located in southwest Louisiana, suffered significant property damage and closed for 42 days in 2005 as a result of Hurricane Rita. While we maintain insurance that may cover some of the costs we incur as a result of some extreme weather conditions, our coverage is subject to deductibles and limits on maximum benefits. There can be no assurance that we will be able to fully collect, if at all, on any claims resulting from extreme weather conditions. If any of our properties are damaged or if their operations are disrupted as a result of extreme weather in the future, or if extreme weather adversely impacts general economic or other conditions in the areas in which our properties are located or from which they draw their patrons, our business, financial condition and operating results could be materially adversely affected.

Our facilities, including our riverboats and dockside facilities, are subject to risks relating to mechanical failure and regulatory compliance.

Generally, all of our facilities are subject to the risk that operations could be halted for a temporary or extended period of time, as the result of casualty, forces of nature, mechanical failure or extended or extraordinary maintenance,

among other causes. In addition, our gaming operations, including those conducted on riverboats or at dockside facilities could be damaged or halted due to extreme weather conditions.

We currently conduct our Treasure Chest, Par-A-Dice, Blue Chip and Sam's Town Shreveport gaming operations on riverboats. Each of our riverboats must comply with U.S. Coast Guard requirements as to boat design, on-board facilities, equipment, personnel and safety. Each riverboat must hold a Certificate of Inspection for stabilization and flotation, and may also be subject to local zoning codes. The U.S. Coast Guard requirements establish design standards, set limits on the operation of the vessels and require individual licensing of all personnel involved with the operation of the vessels. Loss of a vessel's Certificate of Inspection or American Bureau of Shipping approval would preclude its use as a casino.

U.S. Coast Guard regulations require a hull inspection for all riverboats at five-year intervals. Under certain circumstances, extensions may be approved. The U.S. Coast Guard may require that such hull inspections be conducted at a U.S. Coast Guard- approved dry-docking facility, and if so required, the cost of travel to and from such docking facility, as well as the time required for inspections of the affected riverboats, could be significant. To date, the U.S. Coast Guard has allowed in-place inspections of our riverboats. The U.S. Coast Guard might not allow these types of inspections in the future. The loss of a dockside casino or riverboat casino from service for any period of time could adversely affect our business, financial condition and results of operations.

U.S. Coast Guard regulations also require us to prepare and follow certain security programs. In 2004, we implemented the American Gaming Association's Alternative Security Program at our riverboat casinos and dockside facilities. The American Gaming Association's Alternative Security Program is specifically designed to address riverboat casinos and their respective dockside facilities maritime security requirements. Changes to these regulations could adversely affect our business, financial condition and results of operations.

We draw a significant percentage of our customers from limited geographic regions. Events adversely impacting the economy or these regions, including terrorism, may also impact our business.

Our California Hotel and Casino, Fremont Hotel and Casino and Main Street Station Casino, Brewery and Hotel draw a substantial portion of their customers from the Hawaiian market. For the year ended December 31, 2006, patrons from Hawaii comprised approximately 67% of the room nights sold at the California, 56% at the Fremont and 55% at Main Street Station. An increase in fuel costs or transportation prices, a decrease in airplane seat availability, or a deterioration of relations with tour and travel agents, particularly as they affect travel between the Hawaiian market and our facilities, could adversely affect our business, financial condition and results of operations.

Our Las Vegas properties also draw a substantial number of customers from certain other specific geographic areas, including Southern California, Arizona and Las Vegas. Native American casinos in California and other parts of the United States have diverted some potential visitors away from Nevada, which has had and could continue to have a negative effect on Nevada gaming markets. In addition, due to our significant concentration of properties in Nevada, any terrorist activities or disasters in or around Nevada, or the areas from which we draw customers for our Las Vegas properties, could have a significant adverse effect on our business, financial condition and results of operations. Each of our other properties located outside of Nevada depends primarily on visitors from their respective surrounding regions and are subject to comparable risk. The outbreak of public health threats at any of our properties or in the areas in which they are located, or the perception that such threats exist, as well as adverse economic conditions that affect the national or regional economies, whether resulting from war, terrorist activities or other geopolitical conflict, weather or other factors, could have a significant adverse effect on our business, financial condition and results of operations.

In addition, to the extent that the airline industry is negatively impacted due to the outbreak of war, public health threats, terrorist or similar activity, increased security restrictions or the public's general reluctance to travel by air, our business, financial condition and results of operations could be significantly adversely affected.

Energy price increases may adversely affect our cost of operations and our revenues.

Our casino properties use significant amounts of electricity, natural gas and other forms of energy. In addition, our Hawaiian air charter operation uses a significant amount of jet fuel. While no shortages of energy or fuel have been experienced to date, substantial increases in energy and fuel prices in the United States have negatively affected and may continue to negatively affect our operating results. The extent of the impact is subject to the magnitude and duration of the energy and fuel price increases, but this impact could be material. In addition, energy and gasoline price increases in cities that constitute a significant source of customers for our properties could result in a decline in disposable income of potential customers, an increase in the cost of travel and a corresponding decrease in visitation and spending at our properties, which could have a significant adverse effect on our business, financial condition and results of operations.

Certain of our stockholders own large interests in our capital stock and may significantly influence our affairs.

William S. Boyd, our Chairman and Chief Executive Officer, together with his immediate family, beneficially owned approximately 36% of our outstanding shares of common stock as of June 30, 2007. As a result, the Boyd family has the ability to significantly influence our affairs, including the electing of our directors and, except as otherwise provided by law, approving or disapproving other matters submitted to a vote of our stockholders, including a merger, consolidation or sale of assets.

Some of our hotel casinos are located on leased property. If we default on one or more leases, the applicable lessors could terminate the affected leases and we could lose possession of the affected hotel casino.

We lease certain parcels of land on which The Orleans Hotel and Casino, Suncoast Hotel and Casino, Sam's Town Tunica, Treasure Chest Casino and Sam's Town Shreveport are located. In addition, we lease other parcels of land on which portions of the California and the Fremont are located. If we were to default on any one or more of these leases, the applicable lessors could terminate the affected leases and we could lose possession of the affected land and any improvements on the land, including the hotel casinos. This would have a significant adverse effect on our business, financial condition and results of operations as we would then be unable to operate all or portions of the affected facilities.

We have a significant amount of indebtedness.

We had total consolidated long-term debt, less current maturities, of approximately \$2.2 billion at June 30, 2007. We expect that our long-term indebtedness will substantially increase in connection with the capital expenditures we anticipate making as a result of our planned expansion, development and renovation projects. Our substantial indebtedness could have important consequences. For example, it could:

- make it more difficult for us to satisfy our obligations under our current indebtedness;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, which would reduce the availability of our cash flows to fund working capital, capital expenditures, expansion efforts and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a disadvantage compared to our competitors that have less debt; and
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds. Failure to comply with these covenants could result in an event of default, which, if not cured or waived, could have a significant adverse effect on us.

The interest rates on a portion of our long-term debt are subject to fluctuation based upon changes in short-term interest rates, and as a result our interest expense could increase.

Our current debt service requirements on our bank credit facility primarily consist of interest payments on outstanding indebtedness. The bank credit facility consists of a \$4.0 billion revolving credit facility that matures in May 2012. Subject to certain limitations, we may at any time, without the consent of the lenders under our bank credit facility, request incremental commitments to increase the size of the revolving credit facility, or request new commitments to add a term loan facility, by up to an aggregate amount of \$1.0 billion.

Debt service requirements under our currently outstanding senior subordinated notes consist of semi-annual interest payments (based upon fixed annual interest rates ranging from 6.75% to 7.75%) and repayment of the \$300 million, \$350 million and \$250 million of principal on December 15, 2012, April 15, 2014, and February 1, 2016, respectively.

Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures and expansion efforts will depend upon our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. It is unlikely that our business will generate sufficient cash flow from operations, or that future borrowings will be available to us under our bank credit facility, in amounts sufficient to enable us to pay our indebtedness as it matures and to fund our other liquidity needs. We believe that we will need to refinance all or part of our indebtedness at or prior to each maturity. However, we may not be able to refinance any of our indebtedness on commercially reasonable terms or at all. We could have to adopt one or more alternatives, such as reducing or delaying planned expenses and capital expenditures, selling assets, restructuring debt, or obtaining additional equity or debt financing or joint venture partners. These financing strategies may not be affected on satisfactory terms, if at all. In addition, certain states' laws contain restrictions on the ability of companies engaged in the gaming business to undertake certain financing transactions. Some restrictions may prevent us from obtaining necessary capital.

Our common stock price may fluctuate substantially, and your investment could suffer a decline in value.

The market price of our common stock may be volatile and could fluctuate substantially due to many factors, including:

- actual or anticipated fluctuations in our results of operations;
- announcements of significant acquisitions or other agreements by us or by our competitors;
- our sale of common stock or other securities in the future;
- the trading volume of our common stock;
- conditions and trends in the gaming and destination entertainment industries;
- changes in the estimation of the future size and growth of our markets; and
- general economic conditions, including, among other things, changes in the cost of fuel and air travel.

In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to companies' operating performance. Broad market and industry factors may materially harm the market price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market price of a company's securities, shareholder derivative lawsuits securities class action litigation has often been instituted against that company. Such litigation, if instituted against us, could result in substantial costs and a diversion of management's attention and resources.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

(c) No repurchases were made pursuant to our share repurchase program during the three and six months ended June 30, 2007.

Item 4.

Submission of Matters to a Vote of Securities Holders

Our Annual Meeting of Stockholders was held on May 17, 2007. The stockholders elected twelve members to our board of directors to serve until the next annual meeting of stockholders or until their respective successors have been duly elected and qualified. In addition, the stockholders ratified the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2007.

The number of shares voting as to the above issues is set forth below:

Votes ----- Election of Directors: For Withheld ----- Robert L. Boughner 81,305,213 1,856,767 William R. Boyd 82,474,742 687,238 William S. Boyd 82,568,044 593,936 Thomas V. Girardi 82,786,630 375,350 Marianne Boyd Johnson 82,470,013 691,967 Luther W. Mack, Jr. 82,778,129 383,851 Michael O. Maffie 82,282,548 379,432 Billy G. McCoy 82,782,859 379,121 Frederick J. Schwab 82,798,772 363,208 Keith E. Smith 82,476,427 685,553 Peter M. Thomas 82,780,395 381,585 Veronica J. Wilson 82,781,435 380,545

The stockholders ratified the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2007 with voting as follows: 82,920,724 for; 189,143 against; 52,113 abstain.

Item 6. *Exhibits*

(a) Exhibits

- 3.1 Amended and Restated Bylaws of Boyd Gaming Corporation (as amended on July 26, 2007). [PDF](#)
- 10.1* Form of Restricted Stock Unit Agreement and Notice of Award Pursuant to Boyd Gaming Corporation 2002 Stock Incentive Plan. [PDF](#)
- 10.2 First Amended and Restated Credit Agreement, dated as of May 24, 2007, among the Registrant, as Borrower, certain commercial lending institutions, as the Lenders, Bank of America, N.A., as the Administrative Agent and L/C Issuer, Wells Fargo Bank, N.A., as the Syndication Agent and Swing Line Lender, and Citibank, N.A., Deutsche Bank Securities Inc., JPMorgan Chase Bank, N.A., Merrill Lynch Bank USA and Wachovia Bank, National Association, as Co-Documentation Agents. [PDF](#)
- 31.1 Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a). [PDF](#)
- 31.2 Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a). [PDF](#)
- 32.1 Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. § 1350. [PDF](#)
- 32.2 Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. § 1350. [PDF](#)
- 99.1 Governmental Gaming Regulations [PDF](#)

* Management contracts or compensatory plans or arrangements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 9, 2007.

B

BOYD GAMING CORPORATION

/

S/ JEFFREY G. SANTORO

Jeffrey G. Santoro
Vice President and Controller
(Principal Accounting Officer)