BOYD GAMING CORP
Form 10-Q
May 04, 2012

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

OR

o 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	88-0242733
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3883 Howard Hughes Parkway, Ninth Floor, Las Vegas, NV 89169
(Address of principal executive offices) (Zip Code)
(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 such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of April 30, 2012
Common stock, $0.01 par value	86,588,933

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BOYD GAMING CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED MARCH 31, 2012
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PART I. Financial Information

Item 1. Financial Statements

The accompanying unaudited condensed consolidated financial statements of Boyd Gaming Corporation (and together with its subsidiaries, the “Company,” “we” or “us”) have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all information and footnote disclosures necessary for complete financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”).

The results for the periods indicated are unaudited, but reflect all adjustments (consisting only of normal recurring adjustments) that management considers necessary for a fair presentation of financial position, results of operations and cash flows. Results of operations and cash flows for the interim periods presented herein are not necessarily indicative of the results that would be achieved during a full year of operations or in future periods.

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC on March 7, 2012.

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BOYD GAMING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
as of March 31, 2012 and December 31, 2011

	March 31, 2012	December 31, 2011
	(In thousands except per share data)	
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$156,714	$178,756
Restricted cash	14,047	15,753
Accounts receivable, net	57,086	58,589
Inventories	16,924	17,493
Prepaid expenses and other current assets	47,560	47,465
Income taxes receivable	2,361	3,268
Deferred income taxes	18,545	21,570
Total current assets	313,237	342,894
Property and equipment, net	3,525,904	3,542,108
Assets held for development	1,090,028	1,089,819
Debt financing costs, net	30,047	32,099
Restricted investments held by variable interest entity	21,367	21,367
Other assets, net	66,545	67,173
Intangible assets, net	572,712	574,018
Goodwill, net	213,576	213,576
Total assets	$5,833,416	$5,883,054
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	$53,393	$43,230
Accounts payable	78,890	98,015
Accrued liabilities	314,748	295,459
Income taxes payable	5,877	5,630
Non-recourse obligations of variable interest entity	30,605	29,686
Total current liabilities	483,513	472,020
Long-term debt, net of current maturities	3,271,502	3,347,226
Deferred income taxes	385,611	379,958
Other long-term tax liabilities	42,379	45,598
Other liabilities	71,724	71,193
Non-recourse obligations of variable interest entity	192,730	192,980
Commitments and contingencies (Note 11)		
Stockholders' equity		
Preferred stock, $0.01 par value, 5,000,000 shares authorized	—	—
Common stock, $0.01 par value, 200,000,000 shares authorized; 86,588,933 and 86,572,098 shares outstanding	863	863
Additional paid-in capital	647,137	644,174
Retained earnings	562,907	557,055
Total Boyd Gaming Corporation stockholders' equity	1,210,907	1,202,092
Noncontrolling interest	175,050	171,987

Total stockholders’ equity	1,385,957	1,374,079
Total liabilities and stockholders’ equity	$5,833,416	$5,883,054

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 STATEMENTS OF OPERATIONS
for the three months ended March 31, 2012 and 2011

	Three Months Ended March 31,	
	2012	2011
	(In thousands, except per share data) (Unaudited)	
REVENUES		
Operating revenues:		
Gaming	$535,748	$481,935
Food and beverage	106,132	92,077
Room	65,997	56,591
Other	35,832	33,031
Gross revenues	743,709	663,634
Less promotional allowances	110,626	98,688
Net revenues	633,083	564,946
COST AND EXPENSES		
Operating costs and expenses:		
Gaming	248,955	226,609
Food and beverage	54,078	47,568
Room	14,135	12,821
Other	26,061	26,239
Selling, general and administrative	109,717	95,788
Maintenance and utilities	38,763	37,415
Depreciation and amortization	50,014	50,584
Corporate expense	12,871	13,280
Preopening expenses	1,660	1,831
Other operating charges, net	247	4,707
Total operating costs and expenses	556,501	516,842
Operating income	76,582	48,104
Other expense (income):		
Interest income	(4)	(5)
Interest expense, net	63,828	57,291
Fair value adjustment of derivative instruments	—	217
Gain on early retirements of debt	—	20
Total other expense, net	63,824	57,523
Income (loss) before income taxes	12,758	(9,419)
Income taxes	(6,283)	3,108
Net income (loss)	6,475	(6,311)
Net (income) loss attributable to noncontrolling interest	(623)	2,790
Net income (loss) attributable to Boyd Gaming Corporation	$5,852	$(3,521)
Basic net income (loss) per common share:	$0.07	$(0.04)
Weighted average basic shares outstanding	87,530	87,157
Diluted net income (loss) per common share:	$0.07	$(0.04)
Weighted average diluted shares outstanding	87,987	87,157

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 STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
for the three months ended March 31, 2012 and 2011

	Three Months Ended March 31,	
	2012	2011
	(In thousands) (Unaudited)	
Net income (loss)	$6,475	$(6,311)
Other comprehensive income, net of tax:		
Fair value of derivative instruments	2,440	4,973
Other comprehensive income	2,440	4,973
Comprehensive income (loss)	8,915	(1,338)
Less: comprehensive income attributable to noncontrolling interest	2,440	1,265
Comprehensive income (loss) attributable to Boyd Gaming Corporation	$6,475	$(2,603)

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BOYD GAMING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
for the three months ended March 31, 2012

	Boyd Gaming Corporation Stockholders' Equity					
	Common Stock		Additional Paid-in	Retained	Noncontrolling	Total Stockholders'
	Shares	Amount	Capital	Earnings	Interest	Equity
	(In thousands, except per share data) (Unaudited)					
Balances, January 1, 2012	86,572,098	$863	$644,174	$557,055	$ 171,987	$1,374,079
Net income	—	—	—	5,852	623	6,475
Comprehensive income attributable to noncontrolling interest	—	—	—	—	2,440	2,440
Stock options exercised	16,835	—	117	—	—	117
Tax effect from share-based compensation arrangements	—	—	(270)	—	—	(270)
Share-based compensation costs	—	—	3,116	—	—	3,116
Balances, March 31, 2012	86,588,933	$863	$647,137	$562,907	$ 175,050	$1,385,957

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 STATEMENTS OF CASH FLOWS
for the three months ended March 31, 2012 and 2011

	Three Months Ended March 31,	
	2012	2011
	(In thousands) (Unaudited)	
Cash Flows from Operating Activities		
Net income (loss)	$6,475	$(6,311)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	50,014	50,584
Amortization of debt financing costs	3,150	2,031
Amortization of discounts on senior secured notes	889	786
Share-based compensation expense	3,116	3,813
Deferred income taxes	8,679	(4,214)
Noncash asset write-downs	42	4,707
Gain on early retirements of debt	—	20
Other operating activities	3,486	2,808
Changes in operating assets and liabilities:		
Restricted cash	1,706	2,759
Accounts receivable, net	779	2,882
Inventories	570	1,459
Prepaid expenses and other current assets	(94)	5,500
Income taxes receivable	908	220
Other long-term tax assets	57	122
Other assets, net	208	(1,088)
Accounts payable and accrued liabilities	(11)	12,692
Income taxes	248	(61)
Other long-term tax liabilities	(3,219)	927
Other liabilities	485	(2,291)
Net cash provided by operating activities	77,488	77,345
Cash Flows from Investing Activities		
Capital expenditures	(32,796)	(20,858)
Decrease in restricted investments	—	88
Other investing activities	28	—
Net cash used in investing activities	(32,768)	(20,770)
Cash Flows from Financing Activities		
Borrowings under bank credit facility	134,800	35,900
Payments under bank credit facility	(184,425)	(35,900)
Borrowings under Borgata bank credit facility	182,900	51,500
Payments under Borgata bank credit facility	(200,600)	(83,700)
Debt financing costs, net	(44)	(511)
Proceeds from issuance of non-recourse debt	919	4,428
Payments on loans to variable interest entity's members	(250)	(79)
Other financing activities	(62)	12
Net cash used in financing activities	(66,762)	(28,350)
Change in cash and cash equivalents	(22,042)	28,225

Cash and cash equivalents, beginning of period	178,756	145,623
Cash and cash equivalents, end of period	$156,714	$173,848

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BOYD GAMING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)
for the three months ended March 31, 2012 and 2011

	Three Months Ended March 31,	
	2012	2011
	(In thousands) (Unaudited)	
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$49,173	$49,889
Cash paid (received) for income taxes, net	(137)	35
Supplemental Schedule of Noncash Investing and Financing Activities		
Payables incurred for capital expenditures	$6,311	$3,983
Fair value adjustment on derivative instruments	—	5,965

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

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
as of March 31, 2012 and December 31, 2011 and for the three months ended March 31, 2012 and 2011

NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Boyd Gaming Corporation (and together with its subsidiaries, the “Company,” "Boyd Gaming," “we” or “us”) was incorporated in the state of Nevada in 1988 and has been operating since 1973. The Company's common stock is traded on the New York Stock Exchange under the symbol “BYD”.

We are a diversified operator of 16 wholly-owned gaming entertainment properties and one controlling interest in a limited liability company. Headquartered in Las Vegas, we have gaming operations in Nevada, Illinois, Louisiana, Mississippi, Indiana and New Jersey, which we aggregate in order to present the following four reportable segments:

Las Vegas Locals	
Gold Coast Hotel and Casino	Las Vegas, Nevada
The Orleans Hotel and Casino	Las Vegas, Nevada
Sam's Town Hotel and Gambling Hall	Las Vegas, Nevada
Suncoast Hotel and Casino	Las Vegas, Nevada
Eldorado Casino	Henderson, Nevada
Jokers Wild Casino	Henderson, Nevada
Downtown Las Vegas	
California Hotel and Casino	Las Vegas, Nevada
Fremont Hotel and Casino	Las Vegas, Nevada
Main Street Station Casino, Brewery and Hotel	Las Vegas, Nevada
Midwest and South	
Sam's Town Hotel and Gambling Hall	Tunica, Mississippi
IP Casino Resort Spa	Biloxi, Mississippi
Par-A-Dice Hotel Casino	East Peoria, Illinois
Blue Chip Casino, Hotel & Spa	Michigan City, Indiana
Treasure Chest Casino	Kenner, Louisiana
Delta Downs Racetrack Casino & Hotel	Vinton, Louisiana
Sam's Town Hotel and Casino	Shreveport, Louisiana
Atlantic City	
Borgata Hotel Casino & Spa	Atlantic City, New Jersey

Hawaiian Operations

In addition to these properties, we own and operate a travel agency in Hawaii, that operates our Hawaiian charter and a captive insurance company, also in Hawaii, that underwrites travel-related insurance. Results for our travel agency and our captive insurance company are included in our Downtown Las Vegas segment, as our Downtown Las Vegas properties concentrate significant marketing efforts on gaming customers from Hawaii.

Dania Jai-Alai

We also own and operate Dania Jai-Alai, which is a pari-mutuel jai-alai facility with approximately 47 acres of related land located in Dania Beach, Florida.

Echelon Development

Additionally, we own 87 acres of land on the Las Vegas Strip, where our multibillion dollar Echelon development project (“Echelon”) is located. On August 1, 2008, due to the difficult environment in the capital markets, as well as weak economic conditions, we announced the delay of Echelon. As we do not believe that a significant level of economic recovery has occurred along the Las Vegas Strip, or that financing for a development project like Echelon is currently available on terms satisfactory to us, we do not expect to resume construction of Echelon for three to five years.

Basis of Presentation

Interim Condensed Consolidated Financial Statements

As permitted by the rules and regulations of the SEC, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted, although we believe that the disclosures made are adequate to make the information reliable. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2011.

In our opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments of normal recurring nature necessary to fairly present our financial position as of March 31, 2012, the results of our operations for the three months ended March 31, 2012 and 2011, and our cash flows for the three months ended March 31, 2012 and 2011. The condensed consolidated balance sheet as of March 31, 2012 is unaudited; however the condensed consolidated balance sheet presented as of December 31, 2011 has been derived from our audited financial statements as of such date. Our operating results for the three months ended March 31, 2012 and 2011, and our cash flows for the three months ended March 31, 2012 and 2011, are unaudited, and are not necessarily indicative of the results that would be achieved for the full year or future periods.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Boyd Gaming Corporation and its subsidiaries.

Acquisition of IP

On October 4, 2011, we consummated the acquisition of IP Casino Resort Spa ("IP") in Biloxi, Mississippi pursuant to an Agreement for Purchase and Sale, under which the seller agreed to sell and transfer, and the Company agreed to purchase and assume, certain assets and liabilities, respectively, related to the IP, on an as-is basis. The net purchase price, after adjustment for working capital and other items, was approximately $280.6 million.

In addition, as discussed above, the financial position of Borgata is consolidated in our condensed consolidated balance sheets as of March 31, 2012 and December 31, 2011; its results of operations and cash flows are consolidated in our statements of operations and cash flows for the three months ended March 31, 2012 and 2011. At March 31, 2012 and December 31, 2011, approximately $1.42 billion and $1.44 billion, respectively, of our consolidated total assets are related to Borgata.

Additionally, the financial position of LVE is consolidated in our condensed consolidated balance sheets as of March 31, 2012 and December 31, 2011, and its results of operations and cash flow are included in our condensed consolidated statements of operations and cash flows for the three months ended March 31, 2012 and 2011. At March 31, 2012, and December 31, 2011, approximately $190.6 million and $189.9 million, respectively, of our consolidated total assets related to LVE, however, certain of these assets, approximating $163.8 million at both respective dates are pledged as security on LVE's outstanding construction loan advances, and an additional $21.4 million of such assets are held in restricted escrow funds in accordance with the underlying terms of LVE's tax-exempt bond financing.

Consolidation of Borgata

The financial position of Borgata is included in our condensed consolidated balance sheets as of March 31, 2012 and December 31, 2011; its results of operations and cash flows are included in our condensed consolidated statements of operations and cash flows for the three months ended March 31, 2012 and 2011.

Consolidation of LVE

We presently believe that substantially all activities of our variable interest in an energy and sales agreement ("ESA") with Las Vegas Energy Partners, LLC ("LVE") are presently performed for our benefit. Pursuant to the terms of the ESA, we are obligated to purchase substantially all of its thermal output at a fixed and variable pricing arrangement that protects LVE from commodity risk. This agreement is long-term in duration, terming for 25 years from the commencement of the commercial operations of Echelon. Additionally, during the period of suspension, we are obligated to pay fees to LVE to subsidize the holding costs of the facility. We have a fixed price put option to purchase the assets of LVE, but have no future obligation to absorb any operating losses or otherwise provide financial support, except as contractually provided as described above. We do not hold any equity interest in LVE and have not guaranteed any of its outstanding debt obligations, nor would such debt have recourse to any of our lenders, note holders or general creditors. However, accounting guidance requires us to consolidate LVE for financial statement purposes. Thus, the financial position of LVE is consolidated in our condensed consolidated balance sheets as of March 31, 2012 and December 31, 2011, and its results of operations and cash flow are included in our condensed consolidated statements of operations and cash flows for the three months ended March 31, 2012 and 2011.

All material intercompany accounts and transactions have been eliminated in consolidation.

Investments in unconsolidated affiliates, which are less than 50% owned and do not meet the consolidation criteria of the authoritative accounting guidance for voting interest, controlling interest or variable interest entities, are accounted for under the equity method.

Property and Equipment, Net

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or, for leasehold improvements, over the shorter of the asset's useful life or term of the lease.

The estimated useful lives of our major components of property and equipment are:

Building and improvements	10 through 40 years
Riverboats and barges	10 through 40 years
Furniture and equipment	3 through 10 years

Gains or losses on disposals of assets are recognized as incurred, using the specific identification method. Costs of major improvements are capitalized, while costs of normal repairs and maintenance are charged to expense as incurred.

Assets Held for Development

The costs incurred relative to projects under development are carried at cost. Development costs clearly associated with the acquisition, development, and construction of a project are capitalized as a cost of that project, during the periods in which activities necessary to get the property ready for its intended use are in progress. Certain pre-acquisition costs, not qualifying for capitalization, are charged to preopening or other operating expense as incurred.

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. If substantially all of the construction activities of a project are suspended, capitalization of interest will cease until such activities are resumed. Interest capitalized during the three months ended March 31, 2012 was $0.4 million. There was no interest capitalized during the three months ended March 31, 2011.

Debt Financing Costs

Debt financing costs, which include legal, and other direct costs related to the issuance of our outstanding debt, are deferred and amortized to interest expense over the contractual term of the underlying long-term debt using the effective interest method. In the event that our debt is modified, repurchased or otherwise reduced prior to its original maturity date, we ratably reduce the unamortized debt financing costs.

Restricted Investments

In accordance with the terms of the tax-exempt loan agreements, which are the obligations of LVE, unused proceeds are required to be held in escrow pending approval of construction expenditures. These investments are held in an interest-bearing account.

Intangible Assets

Intangible assets include customer relationships, favorable lease rates, development agreements, gaming license rights and trademarks.

Amortizing Intangible Assets

Customer relationships represent the value of repeat business associated with our customer loyalty programs. These intangible assets are being amortized on an accelerated method over their approximate useful life. Favorable lease rates represent the amount by which acquired lease rental rates are favorable to market terms. These favorable lease values are amortized over the remaining lease term, primarily on leasehold land interests, originally ranging in duration from 41 to 52 years. Development agreements are contracts between two parties establishing an agreement for development of a product or service. These agreements are amortized over the respective cash flow period of the related agreement.

Indefinite-Lived Intangible Assets

Trademarks are based on the value of our brand, which reflects the level of service and quality we provide and from which we generate repeat business. Gaming license rights represent the value of the license to conduct gaming in certain jurisdictions, which is subject to highly extensive regulatory oversight, and a limitation on the number of licenses available for issuance with these certain jurisdictions. These assets, considered indefinite-lived intangible assets, are not subject to amortization, but instead are subject to an annual impairment test, performed in the second quarter of each year, and between annual test dates in certain circumstances. If the fair value of an indefinite-lived intangible asset is less than its carrying amount, an impairment loss is recognized equal to the difference. License rights are tested for impairment using a discounted cash flow approach, and trademarks are tested for impairment using the relief-from-royalty method.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets in a business combination that are not individually identified and separately recognized. Goodwill is not subject to amortization, but it is subject to an annual impairment test in the second quarter of each year and between annual test dates in certain circumstances. Goodwill for relevant reporting units is tested for impairment using a weighted discounted cash flow analysis and an earnings multiple valuation technique based on the estimated future results of our reporting units discounted using our weighted-average cost of capital and market indicators of terminal year capitalization rates. The implied fair value of a reporting unit's goodwill is compared to the carrying value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to its assets and liabilities and the amount remaining, if any, is the implied fair value of goodwill. If the implied fair value of the goodwill is less than its carrying value then it must be written down to its implied fair value.

In January 2012, the Company adopted accounting guidance simplifying how entities test goodwill for impairment. The guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the second step of the goodwill impairment test. If it is determined the fair value of a reporting unit is less than its carrying amount, then the entity must perform the test to measure the amount of the impairment loss, if any. An entity is no longer required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount.

Long-Term Debt, Net

Long-term debt is reported at amortized cost. The discount on the senior secured notes and the transaction costs paid to the initial purchasers upon issuance of the senior and senior secured notes are recorded as an adjustment to the face amount of our outstanding debt. This resulting difference between the net proceeds upon issuance of the senior and senior secured notes and the face amount of the senior and senior secured notes is accreted to interest expense using the effective interest method over the related time of the senior or senior subordinated notes.

Noncontrolling Interest

Noncontrolling interests includes the portion of the ownership in Borgata not directly attributable to Boyd Gaming Corporation, as well as the ownership of LVE, none of which is attributable to Boyd Gaming Corporation, and is reported as a separate component of our stockholders' equity in our condensed consolidated financial statements. Our consolidated net income is reported at amounts that include the amounts attributable to both us and the noncontrolling interest. At March 31, 2012 and December 31, 2011, noncontrolling interests are comprised of: (i) the 50% interest in Borgata, held by the Divestiture Trust for the economic benefit of MGM; and (ii) all 100% of the members' equity interest in LVE, the variable interest entity, which is consolidated in our condensed financial statements, but in which we hold no equity interest.

Revenue Recognition

Gaming revenue represents the net win from gaming activities, which is the aggregate difference between gaming wins and losses. The majority of our gaming revenue is counted in the form of cash and chips and therefore is not subject to any significant or complex estimation procedures. Cash discounts, commissions and other cash incentives to customers related to gaming play are recorded as a reduction of gross gaming revenues. Race revenue recognition criteria are met at the time the results of the event are official.

Room revenue recognition criteria are met at the time of occupancy.
Food and beverage revenue recognition criteria are met at the time of service.

Promotional Allowances

The retail value of accommodations, food and beverage, and other services furnished to guests without charge is included in gross revenues and then deducted as promotional allowances. Promotional allowances also include incentives such as cash, goods and services (such as complimentary rooms and food and beverages) earned in our slot bonus point program. We reward customers, through the use of bonus programs, with points based on amounts wagered that can be redeemed for a specified period of time, principally for cash, and to a lesser extent for goods or services, depending upon the property. We record the estimated retail value of these goods and services as revenue and then deduct them as promotional allowances.

The amounts included in promotional allowances for the three months ended March 31, 2012 and 2011 are as follows:

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Rooms	$34,682	$30,104
Food and beverage	48,298	42,494
Other	27,646	26,090
Total promotional allowances	$110,626	$98,688

The estimated costs of providing such promotional allowances for the three months ended March 31, 2012 and 2011 are as follows:

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Rooms	$14,827	$13,073
Food and beverage	44,851	38,485
Other	5,806	3,797
Total cost of promotional allowances	$65,484	$55,355

Gaming Taxes

We are subject to taxes based on gross gaming revenues in the jurisdictions in which we operate. These gaming taxes are an assessment of our gaming revenues and are recorded as a gaming expense on the condensed consolidated statements of operations. These taxes totaled approximately $71.3 million and $63.8 million for the three months ended March 31, 2012 and 2011, respectively.

Earnings per Share

Basic earnings per share is computed by dividing net income applicable to Boyd Gaming Corporation stockholders, excluding net income attributable to noncontrolling interests, by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects the additional dilution for all potentially-dilutive securities, such as stock options.

The weighted average number of common and common share equivalent shares used in the calculations of basic and diluted earnings per share for the three months ended March 31, 2012 and 2011, consisted of the following amounts:

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Earnings per share:		
Basic weighted average shares outstanding	87,530	87,157
Potential dilutive effect	457	—
Diluted weighted average shares outstanding	87,987	87,157

Due to the net loss for the three months ended March 31, 2011, the effect of all potential common share equivalents was anti-dilutive, and therefore all such shares were excluded from the computation of diluted earnings per share. Anti-dilutive options totaling 8.1 million have been excluded from the computation of diluted earnings per share as these shares were out of the money during the three months ended March 31, 2012.

Comprehensive Income

In January 2012, the Company adopted guidance requiring the presentation of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Comprehensive income includes net income and all other non-stockholder changes in equity, or other comprehensive income. Components of the Company's comprehensive income are reported in the accompanying condensed consolidated statements of comprehensive income. The cumulative balance of other comprehensive income consists solely of fair value adjustments related to hedged derivative instruments.

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 allowance for doubtful accounts receivable, the estimated useful lives for depreciable and amortizable assets, recoverability of assets held for development, measurement of the fair value of our controlling interest and the noncontrolling interest in Borgata, fair values of acquired assets and liabilities, estimated cash flows in assessing the recoverability of long-lived assets and assumptions relative to the valuation and impairment of goodwill and intangible assets, estimated valuation allowances for deferred tax assets, slot bonus point programs, certain tax liabilities and uncertain tax positions, self-insured liability reserves, share-based payment valuation assumptions, fair values of assets and liabilities measured at fair value, fair values of assets and liabilities disclosed at fair value, fair values of derivative instruments, contingencies and litigation, claims and assessments. Actual results could differ from these estimates.

NOTE 2. ASSET ACQUISITIONS

IP Casino Resort Spa

Overview

On October 4, 2011, we consummated the acquisition of the IP in Biloxi, Mississippi pursuant to an Agreement for Purchase and Sale, under which the seller agreed to sell and transfer, and the Company agreed to purchase and assume, certain assets and liabilities, respectively, related to the IP, on an as-is basis. The net purchase price, after adjustment for working capital and other items, was approximately $280.6 million. The business combination resulted in the recording of a bargain purchase gain of approximately $4.6 million, due to the excess fair value of net identifiable assets over the total consideration. The bargain purchase gain was reported in other income in our consolidated statement of operations during the year ended December 31, 2011.

The IP is one of the premier resorts on the Mississippi Gulf Coast. Completely remodeled in 2005, the property features nearly 1,100 hotel rooms and suites; a 70,000-square-foot casino with 1,900 slot machines and 62 table games; 73,000 square feet of convention and meeting space; a spa and salon; a 1,400-seat theater offering regular headline entertainment; six lounges and bars; and eight restaurants, including Thirty-Two, a steak and seafood restaurant, and Tien, an upscale Asian restaurant, both AAA Four Diamond-recognized.

In addition to this total consideration, the Company is in the process of performing certain capital improvement projects with respect to the property at an estimated cost of $44 million. Pursuant to the terms of the agreement, to the extent that the costs of the capital improvements exceed the original cost estimate, the Company will be solely responsible for the additional costs; however, to the extent that costs are less than the original cost estimate, the Company is obligated to pay the seller an amount equal to one-half of the difference between the actual costs and the original estimated costs. The Company has not recorded any contingent consideration as a result; however, as it is presently likely that these capital improvements will require the entire $44 million spend. As of March 31, 2012, the Company has incurred $3.3 million in capital improvement expenditures related to these projects.

Condensed Statement of Operations

The following supplemental information presents the financial results of IP included in the Company's consolidated statement of operations for the three months ended March 31, 2012.

	Three Months Ended March 31, 2012 (In thousands)
Condensed Statement of Operations	
Net revenues	$49,011
Operating income	$7,839

Other Acquisitions

Development Agreement

In September 2011, the Company acquired the membership interests of a limited liability company (the "LLC") for a purchase price of $24.5 million. The primary asset of the LLC is a previously executed development agreement (the "Development Agreement") with a Native American Tribe (the "Tribe"). The Development Agreement establishes the terms between the LLC and the Tribe under which a gaming facility will be developed on the Tribe's land. The Development Agreement provides a fee of 5% of gross revenues of the gaming operations, (subject to a maximum percentage capped by Indian Gaming Regulation), upon completion of development, and for a subsequent period of seven years.

The fair value of the assets of the LLC was allocated in our consolidated financial statements as follows:

		March 31, 2012 (In thousands)
Assets acquired:		
Intangible value of Development Agreement		$21,373
Note receivable from Tribe (at present value)	3,077	
Purchase price		$24,450

Other than the obligation under the Development Agreement to develop the gaming facility, there were no liabilities assumed in connection with the acquisition of the LLC. In addition to approximately $4.5 million expended by the prior owners of the LLC related to pre-development efforts, we are obligated to fund certain pre-development costs, which are estimated to be approximately $1 million to $2 million annually, for the next several years. These costs are reimbursable to us with future cash flows from the operations of the gaming facility and are evidenced by a note receivable from the Tribe. As of March 31, 2012, we have not funded any pre-development costs.

NOTE 3. CONSOLIDATION OF CERTAIN INTERESTS

Controlling Interest

Borgata Hotel Casino and Spa

Overview

The Company and MGM Resorts International ("MGM") each originally held a 50% interest in Marina District Development Holding Co., LLC (“Holding Company”). The Holding Company owns all the equity interests in Marina District Development Company, LLC, d.b.a. Borgata Hotel Casino and Spa.

In February 2010, we entered into an agreement with MGM to amend the operating agreement to, among other things, facilitate the transfer of MGM's interest in the Holding Company ("MGM Interest") to a divestiture trust (“Divestiture Trust”) established for the purpose of selling the MGM Interest to a third party. The proposed sale of the MGM Interest through the Divestiture Trust was a part of a then-proposed settlement agreement between MGM and the New Jersey Department of Gaming Enforcement (the “NJDGE”). Pursuant to the terms of the amended operating agreement, in connection with the refinancing of the Borgata bank credit facility on August 6, 2010, the Holding Company made a $135.4 million one-time distribution to us, of which $30.8 million was a priority distribution equal to the excess prior capital contributions made by us.

On March 17, 2010, MGM announced that its settlement agreement with the NJDGE had been approved by the New Jersey Casino Control Commission ("NJCCC"). Under the terms of the settlement agreement, MGM agreed to transfer the MGM Interest into the Divestiture Trust and further agreed to sell such interest within a 30-month period. During the first 18 months of such period, MGM has the power to direct the trustee to sell the MGM Interest, subject to the approval of the NJCCC. If the sale has not occurred by such time, the trustee will be solely responsible for the sale of the MGM Interest. The MGM Interest was transferred to the Divestiture Trust on March 24, 2010.

MGM has subsequently announced that it has entered into an amendment with respect to its settlement agreement with the NJDGE, as approved by the NJCCC. The amendment provides that the mandated sale of the MGM Interest be increased by an additional 18 months to a total of 48 months. During the first 36 months (or until March 24, 2013), MGM has the right to direct the Divestiture Trust to sell the MGM Interest. If a sale is not concluded by that time, the Divestiture Trust will be responsible for selling MGM's Interest during the following 12-month period.

Effective Change in Control
In connection with the amendments to the operating agreements MGM relinquished all of its specific participating rights under the operating agreement, and we retained all authority to manage the day-to-day operations of Borgata. MGM's relinquishment of its participating rights effectively provided us with direct control of Borgata. This resulting change in control required acquisition method accounting in accordance with the authoritative accounting guidance for business combinations. Accordingly, on March 24, 2010, as a result of the amendment to our operating agreement with MGM, which provided, among other things, for the termination of MGM's participating rights in the operation of Borgata, we effectively obtained control of Borgata.

Acquisition Method Accounting
The application of the acquisition method accounting guidance had the following effects on our condensed consolidated financial statements: (i) our previously held equity interest was measured at a provisional fair value at the date control was obtained; (ii) we recognized and measured the identifiable assets and liabilities in accordance with promulgated valuation recognition and measurement provisions; and (iii) we recorded the noncontrolling interest held in trust for the economic benefit of MGM as a separate component of our stockholders' equity. The provisional fair value measurements and estimates of these items were estimated as of the date we effectively obtained control.

Bargain Purchase Gain
The fair valuation resulted in the recording of a bargain purchase gain, due to the excess fair value of Borgata over the historical basis of our equity interest in Borgata. Recorded in other operating charges, net on the condensed consolidated statement of operations, this gain was recorded as a cumulative adjustment during the three months ended March 31, 2011.

The gain was computed as follows:

	Bargain Purchase Gain (In thousands)
Fair value of controlling equity interest	$397,931
Carrying value of equity investment in Borgata	397,622
Bargain purchase gain	$309

The fair value of our controlling interest included a $72.4 million control premium, which was reflected in the fair value of the enterprise, and included in the calculation of the bargain purchase gain. A control premium of 10% was applied to the enterprise value members' equity, excluding interest bearing debt, to calculate an indicated value of equity on a controlling basis. While the value of control is somewhat below prevailing market rates, we believe the control premium reflects the value of our influence, mitigated by only a 50% interest and return.

Variable Interest

LVE Energy Partners, LLC

LVE Energy Partners, LLC ("LVE") is a joint venture between Marina Energy LLC and DCO ECH Energy, LLC. Through our wholly-owned subsidiary, Echelon Resorts LLC ("Echelon Resorts"), we have entered into an Energy Sales Agreement ("ESA") with LVE to design, build, own (other than the underlying real property which is leased from Echelon Resorts) and operate a central energy center and related distribution system for our planned Echelon resort development. In April 2007, we entered into an ESA with LVE to provide chilled and hot water, electricity and emergency electricity generation to Echelon and potentially other joint venture entities associated with the Echelon development project or other third parties.

New consolidation guidance regarding the variable interest model became effective on January 1, 2010. Under this new qualitative model, the primary beneficiary is identified as the variable interest holder that has both the power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. The primary beneficiary is required to consolidate the variable interest entity unless specific exceptions or exclusions are met. The authoritative literature on consolidations provides guidance related to variable interest entities.

- a qualitative approach for identifying the primary beneficiary of a variable interest entity based on (i) the power to direct activities that most significantly impact the economic performance of the entity, and (ii) the obligation to absorb losses or right to receive benefits that could be significant to the entity;

- ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity; and separate disclosure by the primary beneficiary on the face of the balance sheet to identify (i) assets that can only be used to settle obligations of the variable interest entity, and (ii) liabilities for which creditors do not have recourse to the primary beneficiary.

For the following quantitative and qualitative reasons, we presently believe that substantially all of LVE's activities are presently performed for our benefit. Pursuant to the terms of the ESA, we are obligated to purchase substantially all of its thermal output at a fixed and variable pricing arrangement that protects LVE from commodity risk. This agreement is long-term in duration, terming for 25 years from the commencement of the commercial operations of Echelon. Additionally, during the period of suspension, we are obligated to pay fees to LVE to subsidize the holding costs of the facility. We have a fixed price put option to purchase the assets of LVE, but have no future obligation to absorb any operating losses or otherwise provide financial support, except as contractually provided as described above. We do not hold any equity interest in LVE and have not guaranteed any of its outstanding debt obligations, nor would such debt have recourse to any of our lenders, note holders or general creditors.

This guidance required us to consolidate LVE for financial statement purposes, as we determined that we are presently the primary beneficiary of the executory contract, the ESA, giving rise to the variable interest.

The effects of the consolidation of LVE on our financial position as of March 31, 2012 and December 31, 2011, and its impact on our results of operations for the three months ended March 31, 2012 and 2011 are reconciled by respective line items to amounts as reported in our condensed consolidated balance sheets and condensed consolidated statements of operations are presented below.

The primary impact on our condensed consolidated balance sheets as of March 31, 2012 and December 31, 2011 was as follows:

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	March 31, 2012 Boyd Gaming Corporation (as historically presented)	LVE, LLC	Eliminations	Boyd Gaming Corporation (as consolidated)
	(In thousands)			
ASSETS				
Current assets	$310,305	$2,932	$—	$313,237
Property and equipment, net	3,525,904	—	—	3,525,904
Assets held for development	926,222	163,806	—	1,090,028
Debt financing costs, net	27,519	2,528	—	30,047
Restricted investments	—	21,367	—	21,367
Other assets	66,545	—	—	66,545
Intangible assets, net	572,712	—	—	572,712
Goodwill, net	213,576	—	—	213,576
Total Assets	$5,642,783	$190,633	$—	$5,833,416
LIABILITIES				
Current maturities of long-term debt	$53,393	$—	$—	$53,393
Accounts payable	78,824	66	—	78,890
Accrued and other liabilities	313,883	865	—	314,748
Non-recourse obligations of variable interest entity	—	30,605	—	30,605
Long-term debt, net of current maturities	3,271,502	—	—	3,271,502
Deferred income taxes	385,611	—	—	385,611
Long-term tax and other liabilities	106,361	13,619	—	119,980
Non-recourse obligations of variable interest entity	—	192,730	—	192,730
STOCKHOLDERS' EQUITY				
Common stock	863	—	—	863
Additional paid-in capital	647,137	—	—	647,137
Retained earnings	562,907	—	—	562,907
Noncontrolling interest	222,302	(47,252)	—	175,050
Total Liabilities and Stockholders' Equity	$5,642,783	$190,633	$—	$5,833,416

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	December 31, 2011 Boyd Gaming Corporation (as historically presented)	LVE, LLC	Eliminations	Boyd Gaming Corporation (as consolidated)
	(In thousands)			
ASSETS				
Current assets	$340,762	$2,132	$—	$342,894
Property and equipment, net	3,542,108	—	—	3,542,108
Assets held for development	926,013	163,806	—	1,089,819
Debt financing costs, net	29,544	2,555	—	32,099
Restricted investments	—	21,367	—	21,367
Other assets	67,173	—	—	67,173
Intangible assets, net	574,018	—	—	574,018
Goodwill, net	213,576	—	—	213,576
Total Assets	$5,693,194	$189,860	$—	$5,883,054
LIABILITIES				
Current maturities of long-term debt	$43,230	$—	$—	$43,230
Accounts payable	97,727	288	—	98,015
Accrued and other liabilities	294,578	881	—	295,459
Non-recourse obligations of variable interest entity	—	29,686	—	29,686
Long-term debt, net of current maturities	3,347,226	—	—	3,347,226
Deferred income taxes	379,958	—	—	379,958
Long-term tax and other liabilities	107,377	15,044	—	122,421
Non-recourse obligations of variable interest entity	—	192,980	—	192,980
STOCKHOLDERS' EQUITY				
Common stock	863	—	—	863
Additional paid-in capital	644,174	—	—	644,174
Retained earnings	557,055	—	—	557,055
Noncontrolling interest	221,006	(49,019)	—	171,987
Total Liabilities and Stockholders' Equity	$5,693,194	$189,860	$—	$5,883,054

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The impact on our condensed consolidated statement of operations for the three months ended March 31, 2012 was as follows:

	Three Months Ended March 31, 2012			
	Boyd Gaming Corporation (as historically presented)	LVE, LLC	Eliminations	Boyd Gaming Corporation (as consolidated)
	(In thousands)			
REVENUES				
Other revenue	$35,832	$2,724	$(2,724)	$35,832
COSTS AND EXPENSES				
Preopening expenses	4,384	—	(2,724)	1,660
Operating income	$73,861	$2,721	$—	$76,582
Other expense				
Interest expenses, net	$60,431	$3,393	$—	$63,824
Income (loss) before income taxes	$13,430	$(672)	$—	$12,758
Income taxes	(6,283)	—	—	(6,283)
Net income (loss)	7,147	(672)	—	6,475
Net (income) loss attributable to noncontrolling interest	(1,295)	672	—	(623)
Net income (loss) attributable to Boyd Gaming Corporation	$5,852	$—	$—	$5,852

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	Three Months Ended March 31, 2011			
	Boyd Gaming Corporation (as historically presented)	LVE, LLC	Eliminations	Boyd Gaming Corporation (as consolidated)
	(In thousands)			
REVENUES				
Other revenue	$33,031	$2,641	$(2,641)	$33,031
COSTS AND EXPENSES				
Maintenance and utilities	36,518	897	—	37,415
Preopening expenses	4,472	—	(2,641)	1,831
Operating income	$46,360	$1,744	$—	$48,104
Other expense				
Interest expense, net	$57,159	$127	$—	$57,286
Income (loss) before income taxes	$(11,036)	$1,617	$—	$(9,419)
Income taxes	3,108	—	—	3,108
Net income (loss)	(7,928)	1,617	—	(6,311)
Net (income) loss attributable to noncontrolling interest	4,407	(1,617)	—	2,790
Net loss attributable to Boyd Gaming Corporation	$(3,521)	$—	$—	$(3,521)

The reduction in other revenue and preopening expenses reflects the elimination of the Periodic Fee paid by Boyd Gaming to LVE. Such fee is recognized as revenue by LVE, but eliminated in consolidation completely, thereby having no impact on our consolidated other revenues. Although this Periodic Fee is eliminated in this consolidation, it is actually paid to LVE directly on a monthly basis.

NOTE 4. PROPERTY AND EQUIPMENT, NET
Property and equipment, net consists of the following:

	March 31, 2012	December 31, 2011
	(In thousands)	
Land	$614,697	$614,697
Buildings and improvements	3,520,660	3,513,230
Furniture and equipment	1,204,550	1,185,737
Riverboats and barges	168,273	168,204
Other	43,103	37,368

Total property and equipment	5,551,283	5,519,236
Less accumulated depreciation	2,025,379	1,977,128
Property and equipment, net	$3,525,904	$3,542,108

Depreciation expense for the three months ended March 31, 2012 and 2011 was $48.9 million and $45.8 million, respectively.

Other property and equipment presented in the table above primarily relates to costs capitalized in conjunction with major improvements, including construction in process, that have not yet been placed into service, and accordingly, such costs are not currently being depreciated.

We test certain of these property and equipment assets for recoverability if a recent operating or cash flow loss, combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses, is associated with the use of a long-lived asset. Impairment is the condition that exists when the carrying amount of a long-lived asset exceeds its fair value. An impairment loss shall be recognized only if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. That assessment shall be based on the carrying amount of the asset at the date it is tested for recoverability. An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

NOTE 5. ASSETS HELD FOR DEVELOPMENT

Assets held for development, which is comprised of assets associated with our Echelon development project, consists of the following:

	March 31, 2012	December 31, 2011
	(In thousands)	
Echelon Project Infrastructure		
Land	$215,969	$215,969
Construction and development costs	500,996	500,787
Project management and other costs	115,712	115,712
Professional and design fees	93,545	93,545
Central Energy Facility		
Construction and development costs	163,806	163,806
Total assets held for development	$1,090,028	$1,089,819

Echelon Project Infrastructure

At March 31, 2012, the capitalized costs related to the Echelon project included land and construction in progress. The construction and development costs consist primarily of site preparation work, underground utility installation and infrastructure and common area development. Professional and design fees include architectural design, development and permitting fees, inspections, consulting and legal fees.

We expect to capitalize certain costs of $4.2 million, principally related to site beautification during the year ending December 31, 2012. Additionally we expect to incur recurring costs ranging from $0.3 million to $1.0 million annually, principally related to such items as site preparation work, underground utility installation, infrastructure and consulting.

In addition, we expect recurring project costs, consisting primarily of monthly charges related to construction of the central energy center, site security, property taxes, rent and insurance, ranging from $15.5 million to $17.0 million per annum that will be charged to preopening or other expense as incurred during the project's suspension period.

As referenced in Note 11, Commitments and Contingencies, these capitalized costs and recurring project costs are in addition to other contingencies with respect to our various commitments, including commitments and contingencies with respect to the ESA entered into between Echelon and LVE.

We evaluate our investment in assets held for development in accordance with the authoritative accounting guidance on impairment or disposal of long lived assets. For a long-lived asset to be held and used, such as these assets under development, we review the asset for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We then compare the estimated undiscounted future cash flows of the asset to the carrying value of the asset. The asset is not impaired if the undiscounted future cash flows exceed its carrying value. If the carrying value exceeds the undiscounted future cash flows, then an impairment charge is recorded, typically measured using a discounted cash flow model, which is based on the estimated future results of the relevant reporting unit discounted using our weighted-average cost of capital and market indicators of terminal year free cash flow multiples. For these assets under development, future cash flows include remaining construction costs.

The further delay of the suspension of development on the Echelon project implied that the carrying amounts of the assets related to the development may not be recoverable; therefore, at the time, we performed an impairment test of these assets. These impairment tests were comprised of an appraisal of the development and an analysis of its future undiscounted cash flow, and contemplated several viable alternative plans for the future development of Echelon. The cash inflows related to the revenue projections for the individual components associated with each planned construction scenario, offset by outflows for estimated costs to complete the development and ongoing maintenance and operating costs. Because no specific strategic plan can be determined with certainty at this time, the analysis considered the net cash flows related to each alternative, weighted against its projected likelihood.

We initially performed this evaluation during the year ended December 31, 2009, when the continued suspension was announced, and have reconsidered our assumptions on a regular basis since such date. However, due to the degradation in economic conditions in the intervening period, we re-performed these analyses during the year ended December 31, 2011 to evaluate any further depression in real estate or land values as well as any deterioration in our initial cash flow assumptions. The outcome of this evaluation did not result in an impairment of Echelon's assets, as the estimated weighted net undiscounted cash flows from the project exceed the current carrying value of the assets of approximately $1.0 billion at December 31, 2011. As we further develop and explore the viability of alternatives for the project, we will continue to monitor these assets for recoverability.

Our analysis is predicated on the most viable options for the conversion of this development. One such scenario includes the outright sale of the project as is, which is primarily based upon land value. We considered the land value by analyzing recent sales transactions of sites with similar characteristics such as location, zoning, access, and visibility, to establish a general understanding of the potential comparable sales. The recoverability under this option represented any excess sales price, net of estimated selling costs, from the land over the carrying value of the assets, including land, held for development.

Another scenario is the full development of the project, as designed, at a later date. The cash inflows related to this option represent the revenue projections for the individual components associated with each planned construction element (casino, hotel, food and beverage, retail, convention and other), based upon the estimated respective dates of completion and particular graduated absorption rates. These projections are offset by outflows for incurred and estimated costs to complete the development. For costs already incurred, and to compensate for potential losses due to the delay, we adjusted for (i) physical deterioration; (ii) functional obsolescence; and (iii) economic obsolescence. Physical deterioration is impairment to the condition of the asset brought about by “wear and tear,” disintegration, and/or the action of the elements. Functional obsolescence is the impairment in the efficiency of the asset brought about by such factors as inadequacy or change in technology that affect the asset. Economic obsolescence is the impairment in the desirability of the asset arising from external economic forces, building code enhancements or changes in supply and demand relationships. For estimated costs to complete, we applied selected construction expense growth rates to our present cost analysis. In addition to these hard and soft construction costs, we estimated outflows for preservation costs that are intended and required to maintain the development site and the existing structures as well as development materials for future use. These net outflows were incrementally added to our estimated operating and ongoing maintenance costs, to establish the undiscounted net cash flow of the project.

Our final scenario is a scaled-down version of the full project, whereby only certain components would be developed. This cash flow projection considered the inflows and outflows discussed above, with relevant curtailment for revenue from, and costs related to, the amenities not completed.

Because no specific strategic plan can be determined with certainty at this time, the analysis considered the net cash flows related to each alternative, weighted against its projected likelihood. The outcome of this evaluation resulted in the determination that there was no impairment of the assets held for development, as the estimated weighted net undiscounted cash flows from the project exceed the current carrying value of the assets held for development. As we further explore the viability of alternatives for the project, we will continue to monitor these assets for recoverability.

Central Energy Facility

The capitalized construction costs of the central energy facility include labor, materials, construction overhead and capitalized interest, all of which has been directly incurred by LVE. Depreciation is generally recorded on a straight line basis over useful lives of property ranging from 5 to 50 years, but has not commenced on the components of the facility, as it has not been placed into service. The costs of repairs, maintenance, including planned major maintenance activities and minor replacements of property are charged to maintenance expense as incurred.

These assets are tested for recoverability whenever events or changes in circumstances indicate that such amounts may be recoverable. Impairment is the condition that exists when the carrying amount of a long-lived asset exceeds its fair value. An impairment loss shall be recognized only if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. That assessment shall be based on the carrying amount of the asset at the date it is tested for recoverability. An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. There was no identified impairment of these assets during the years ended December 31, 2011.

The assets of the central energy facility are pledged as collateral to the outstanding debt obligations of LVE, as further discussed in Note 8, Non-recourse Obligations of Variable Interest Entity.

NOTE 6. INTANGIBLE ASSETS

Intangible assets consist of the following:

	March 31, 2012				
	Weighted Average Life	Gross Carrying Value	Cumulative Amortization	Cumulative Impairment Losses	Intangible Assets, Net
		(In thousands)			
Amortizing intangibles:					
Customer relationships	3.9 years	$17,700	$(11,071)	$—	$6,629
Favorable lease rates	43.8 years	45,370	(8,086)	—	37,284
Development agreement	10.0 years	21,373	—	—	21,373
		84,443	(19,157)	—	65,286
Indefinite lived intangible assets:					
Trademarks	Indefinite	141,000	—	(5,000)	136,000
Gaming license rights	Indefinite	567,886	(33,960)	(162,500)	371,426
		708,886	(33,960)	(167,500)	507,426
March 31, 2012		$793,329	$(53,117)	$(167,500)	$572,712

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	December 31, 2011 Weighted Average Life	Gross Carrying Value	Cumulative Amortization	Cumulative Impairment Losses	Intangible Assets, Net
		(In thousands)			
Amortizing intangibles:					
Customer relationships	3.7 years	$17,700	$(10,026)	$—	$7,674
Favorable lease rates	43.8 years	45,370	(7,825)	—	37,545
Development agreement	10 years	21,373	—	—	21,373
		84,443	(17,851)	—	66,592
Indefinite lived intangible assets:					
Trademarks	Indefinite	141,000	—	(5,000)	136,000
Gaming license rights	Indefinite	567,886	(33,960)	(162,500)	371,426
		708,886	(33,960)	(167,500)	507,426
December 31, 2011		$793,329	$(51,811)	$(167,500)	$574,018

Amortizing Intangible Assets
Customer Relationships
Customer relationships represent the value of repeat business associated with our customer loyalty programs. The value of customer relationships is determined using a multi-period excess earnings method, which is a specific discounted cash flow model. The value is determined at an amount equal to the present value of the incremental after-tax cash flows attributable only to these customers, discounted to present value at a risk-adjusted rate of return. With respect to the application of this methodology, we used the following significant projections and assumptions: revenue of our rated customers, based on expected level of play; promotional allowances provided to these existing customers; attrition rate related to these customers; operating expenses; general and administrative expenses; trademark expense; discount rate; and the present value of tax benefit.

Favorable Lease Rates
Favorable lease rates represent the rental rates for assumed land leases that are favorable to comparable market rates. The fair value is determined on a technique whereby the difference between the lease rate and the then current market rate for the remaining contractual term is discounted to present value. The assumptions underlying this computation include the actual lease rates, the expected remaining lease term, including renewal options, based on the existing lease; current rates of rent for leases on comparable properties with similar terms obtained from market data and analysis; and an assumed discount rate. The estimates underlying the result covered a term of 41 to 52 years.

Development Agreements
Development agreements are contracts between two parties establishing an agreement for development of a product or service. The value of development agreements are determined using a multi-period excess earnings method, which is a specific discounted cash flow model. The fair value of the development agreement is determined at an amount equal to the present value of the incremental cash flows attributable only to future development revenue, discounted to the present value at a risk-adjusted rate of return. With respect to the application of this methodology, we used the following significant assumptions: future development revenues; general and administrative expenses; and discount

rate. The projections are modeled for a ten year period, representing the cash flow earnings period pursuant to the development agreement.

Indefinite Lived Intangible Assets

Trademarks

Trademarks are based on the value of our brand, which reflects the level of service and quality we provide and from which we generate repeat business. Trademarks are valued using the relief from royalty method, which presumes that without ownership of such trademark, we would have to make a stream of payments to a brand or franchise owner in return for the right to use their name. By virtue of this asset, we avoid any such payments and record the related intangible value of our ownership of the Borgata name. We used the following significant projections and assumptions to determine value under the relief from royalty method:

revenue from gaming and hotel activities; royalty rate; general and administrative expenses; tax expense; terminal growth rate; discount rate; and the present value of tax benefit. The projections underlying this discounted cash flow model were forecasted for fifteen years.

Gaming License Rights

Gaming license rights represent the value of the license to conduct gaming in certain jurisdictions, which is subject to highly extensive regulatory oversight, and a limitation on the number of licenses available for issuance therein. The value of gaming licenses is determined using a multi-period excess earnings method, which is a specific discounted cash flow model. The value is determined at an amount equal to the present value of the incremental after-tax cash flows attributable only to future gaming revenue, discounted to present value at a risk-adjusted rate of return. With respect to the application of this methodology, we used the following significant projections and assumptions: gaming revenues; gaming operating expenses; general and administrative expenses; tax expense; terminal value; and discount rate. These projections are modeled for a five year period.

Activity For the Three Months Ended March 31, 2012 and 2011

The following table sets forth the changes in these intangible assets during the three months ended March 31, 2012 and 2011:

	Customer Relationships	Favorable Lease Rates	Development Agreements	Trademarks	Gaming License Rights	Intangible Assets, Net
	(In thousands)					
Three Months Ended March 31, 2012						
Balance, December 31, 2011	$7,674	$37,545	$21,373	$136,000	$371,426	$574,018
Additions	—	—	—	—	—	—
Impairments	—	—	—	—	—	—
Amortization	(1,045)	(261)	—	—	—	(1,306)
Balance, March 31, 2012	$6,629	$37,284	$21,373	$136,000	$371,426	$572,712
Three Months Ended March 31, 2011						
Balance, December 31, 2010	$14,000	$38,588	$—	$115,700	$371,426	$539,714
Additions	—	—	—	—	—	—
Impairments	—	—	—	(5,000)	—	(5,000)
Amortization	(5,698)	(261)	—	—	—	(5,959)
Balance, March 31, 2011	$8,302	$38,327	$—	$110,700	$371,426	$528,755

Future Amortization

Customer relationships are being amortized on an accelerated basis over an approximate remaining two-year period. Favorable lease rates are being amortized on a straight-line basis over a weighted-average original useful life of 43.8 years. Future amortization is as follows:

	Customer Relationships	Favorable Lease Rates	Development Agreement	Total

	(In thousands)			
For the year ending December 31,				
2012 (remainder)	$4,038	$782	—	$4,820
2013	2,591	1,043	—	3,634
2014	—	1,043	1,053	2,096
2015	—	1,043	2,401	3,444
2016	—	1,043	2,689	3,732
Thereafter	—	32,330	15,230	47,560
	$6,629	$37,284	21,373	$65,286

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Trademarks and gaming license rights are not subject to amortization, as we have determined that they have an indefinite useful life; however, these assets are subject to an annual impairment test.

Impairment Testing
Intangible assets include gaming license rights, trademarks and customer lists. Indefinite lived intangible assets are not subject to amortization, but they are subject to an annual impairment test in the second quarter of each year and between annual test dates in certain circumstances.

Interim Testing
During the first quarter of 2011, we performed an interim impairment test over the trademark we recorded in connection with the valuation of Borgata due to our consideration of certain facts and circumstances surrounding an adverse change in the business climate in Atlantic City. We believe our actual results have been adversely impacted by increased regional competition, and that in addition, our projected future results will be further impacted by cannibalization of our business upon the opening of a new property in Atlantic City, which was announced in February 2011. We also believe the refinancing of Borgata's debt and recapitalization of its member equity contributed to the results of this impairment test. Having performed an initial interim impairment test related to the Borgata trademark during the first quarter of 2011, we have established the first quarter as its prospective annual impairment test date as well, and we performed an interim impairment test over the Borgata trademark at January 1, 2012.

Our analyses consisted of a valuation of the Borgata trademark, using the relief from royalty method, as discussed above. The only significant change in our assumptions from the initial fair valuation were revised revenue and profitability projections, reflecting the impact of the changed present and forecasted circumstances. The impairment test consisted of a comparison of the fair value of trademark with its carrying amount. As a result of the impairment test, we did not record any impairment in the first quarter of 2012 and recorded a $5.0 million impairment in the first quarter of 2011, representing the amount by which the carrying amount exceeded its fair value.
Gaming license rights are tested for impairment using a discounted cash flow approach, and trademarks are tested for impairment using the relief-from-royalty method. If the fair value of an indefinite-lived intangible asset is less than its carrying amount, an impairment loss is recognized equal to the difference. If our estimates of projected cash flows related to these assets are not achieved, or if any other significant assumptions are changed, we may be subject to an interim impairment test prior to our next annual scheduled impairment test. As a result of such test, we may be subject to a future impairment charge, which could have a material adverse impact on our consolidated financial statements.
The results of our annual scheduled impairment test of indefinite-lived intangible assets, performed during the second quarter of 2011, did not require us to record an impairment charge; however, if our estimates of projected cash flows related to these assets are not achieved, or if any other significant assumptions are changed, we may be subject to an interim impairment test prior to our next annual scheduled impairment test. Such test could result in a future impairment charge, which could have a material adverse impact on our consolidated financial statements.

NOTE 7. ACCRUED LIABILITIES
Accrued liabilities consist of the following:

	March 31, 2012	December 31, 2011

	(In thousands)	
Payroll and related expenses	$84,098	$80,720
Interest	48,645	41,344
Gaming liabilities	76,940	76,591
Accrued expenses and other liabilities	105,065	96,804
Total accrued liabilities	$314,748	$295,459

NOTE 8. NON-RECOURSE OBLIGATIONS OF VARIABLE INTEREST ENTITY

The non-recourse obligations of variable interest entity represent the outstanding debt of LVE and is comprised of the following:

	March 31 2012	December 31, 2011
	(In thousands)	
Non-recourse obligations of variable interest entity, current:		
Notes payable to members	$30,605	$29,686
Non-recourse obligations of variable interest entity, long-term:		
Construction and term loan facility	$119,730	$119,980
Tax-exempt variable rate bonds	73,000	73,000
	192,730	192,980
	$223,335	$222,666

Assets serving as collateral for these debt obligations, primarily consist of certain assets held for development, with a carrying value of $163.8 million at both March 31, 2012 and December 31, 2011, and restricted investments of $21.4 million at both March 31, 2012 and December 31, 2011. The condensed consolidated statements of operations for the three months ended March 31, 2012 and 2011 include losses of $0.7 million and income of $1.6 million, respectively, and the condensed consolidated statements of cash flows for the three months ended March 31, 2012 and 2011 reflect $0.5 million and $2.4 million of net operating cash outflows, respectively, related to this consolidated variable interest entity; however, none of the offsetting consolidated income or operating cash inflows are available to service this debt, which is non-recourse and non-guaranteed by Boyd.

Construction and Term Loan Facility

In December 2007, LVE entered into a construction and term loan facility with two commercial banks with a committed amount of up to $143.5 million, of which $119.7 million and $120.0 million were outstanding at March 31, 2012 and December 31, 2011, respectively. Proceeds from the construction loan were used to finance the construction of the central energy center and district energy system. The loan is secured by the assets of LVE and does not contain financial covenants. The original loan maturities were as follows: $4.2 million in 2011; $83.1 million in 2012 and the remainder in 2013.

The construction loan bears interest at a variable rate based on the London InterBank Offered Rate ("LIBOR"). LVE entered into an interest rate swap with scheduled increases in the notional amount designed to fix the LIBOR portion of the interest rate on this debt until its maturity in November 2013, which was hedged against the outstanding debt. However, due to the construction delays, the outstanding amount of debt did not increase as fast as the contractual increases in notional amount of the swap, which rendered a portion of the swap ineffective, and as a result the swap was de-designated in July 2011.

Tax-exempt Variable Rate Bonds

In December 2007, LVE issued $100.0 million of tax-exempt variable rate bonds through the State of Nevada Department of Business and Industry, which mature in October 2035. Unused proceeds from the tax-exempt, variable rate bonds are required to be escrowed pending approved construction expenditures. Such unused funds are reported as restricted investments on our consolidated balance sheet.

The tax-exempt variable rate bonds bear interest at rates that are determined by a remarketing agent on a weekly basis. LVE entered into an interest rate swap with a total notional amount of $100.0 million that effectively fixes the underlying interest rate index on these bonds until November 2013. Investors in these bonds receive liquidity and credit support provided by a letter of credit from a commercial bank. This letter of credit expires in November 2013, but can be accelerated by the bank in the event of a default under the construction and term loan facility.

In July 2011, LVE retired $27.0 million of these tax-exempt bonds, using funds in its restricted investment account, which is held in escrow.

Events of Default

The central energy center and district energy system are being financed by LVE with debt that is non-recourse to us. The outstanding balance of LVE's bank debt is $192.7 million and $193.0 million consisting of borrowing under the construction and term loan facility of $119.7 million and $120.0 million, and outstanding tax-exempt bonds of $73.0 million and $73.0 million, as of March 31, 2012 and December 31, 2011, respectively.

The construction loan was to be converted to a term loan in the fourth quarter of 2010 assuming the district energy system and central energy center were completed. The district energy system and central energy center were not completed by the fourth quarter of 2010 and consequently, the full amount of the construction loan became due and payable in December 2010. However, in March 2011, the banks that are financing the energy facilities agreed not to exercise their rights under the financing agreements resulting from the event of default discussed above through December 2013, provided that no additional events of default occur. The members of LVE have provided a total of $10 million in letters of credit to the banks to support LVE's obligations. Under the March 2011 agreement, LVE is obligated to use any excess funds, after paying fees and interest on the tax-exempt bonds and the construction loan, to reduce the outstanding balance of the construction loan. The banks have waived all existing defaults under the financing agreements and were relieved of their commitment to provide additional funding.

LVE intends to seek additional financing to complete the facility once construction of the resort resumes.

NOTE 9. LONG-TERM DEBT

Long-term debt, net of current maturities consists of the following:

	March 31, 2012			
	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
	(In thousands)			
Boyd Gaming Long-Term Debt:				
Bank credit facility	$1,583,125	$(6,264)	$(4,027)	$1,572,834
9.125% senior notes due 2018	500,000	—	(8,247)	491,753
6.75% senior subordinated notes due 2014	215,668	—	—	215,668
7.125% senior subordinated notes due 2016	240,750	—	—	240,750
Other	10,893	—	—	10,893
	$2,550,436	$(6,264)	$(12,274)	$2,531,898
Borgata Debt:				
Bank credit facility	$22,500	$—	$—	$22,500
9.50% senior secured notes due 2015	398,000	(3,093)	(7,262)	387,645
9.875% senior secured notes due 2018	393,500	(2,303)	(8,345)	382,852
	$814,000	$(5,396)	$(15,607)	$792,997
Less current maturities	53,393	—	—	53,393
Long-term debt, net	$3,311,043	$(11,660)	$(27,881)	$3,271,502

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
as of March 31, 2012 and December 31, 2011 and for the three months ended March 31, 2012 and 2011

	December 31, 2011			
	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
	(In thousands)			
Boyd Gaming Long-Term Debt:				
Bank credit facility	$1,632,750	$(4,318)	$(6,717)	$1,621,715
9.125% senior notes due 2018	500,000	—	(8,556)	491,444
6.75% senior subordinated notes due 2014	215,668	—	—	215,668
7.125% senior subordinated notes due 2016	240,750	—	—	240,750
Other	11,071	—	—	11,071
	$2,600,239	$(4,318)	$(15,273)	$2,580,648
Borgata Debt:				
Bank credit facility	$40,200	$—	$—	$40,200
9.50% senior secured notes due 2015	398,000	(3,271)	(7,680)	387,049
9.875% senior secured notes due 2018	393,500	(2,366)	(8,575)	382,559
	$831,700	$(5,637)	$(16,255)	$809,808
Less current maturities	43,230	—	—	43,230
Long-term debt, net	$3,388,709	$(9,955)	$(31,528)	$3,347,226

Boyd Gaming Corporation Debt
Bank Credit Facility
Significant Terms
On December 3, 2010, we entered into an Amendment and Restatement Agreement among certain financial institutions (each a “Lender”), Bank of America, N.A., as administrative agent and letter of credit issuer and Wells Fargo Bank, National Association, as swing line lender (the “Amendment and Restatement Agreement”). Pursuant to the terms of the Amendment and Restatement Agreement, our First Amended and Restated Credit Agreement, dated as of May 24, 2007, as amended by the First Amendment and Consent to First Amended Credit Agreement, dated as of December 21, 2009 (as amended, the “Amended Credit Facility”), was amended and restated to, among other things, (i) reduce the aggregate commitments under the former credit facility and (ii) permit consenting Lenders to extend the maturity date of their commitments, new Lenders to issue revolving commitments and term loans and existing Lenders to increase their commitments (each, an “Extending Lender”) in each case with a maturity date five years from the effective date.
The blended interest rate for outstanding borrowings under our Amended Credit Facility was 4.2% at both March 31, 2012 and December 31, 2011, respectively. At March 31, 2012, approximately $1.58 billion was outstanding under our Amended Credit Facility, with $15.5 million allocated to support various letters of credit, leaving remaining contractual availability of approximately $175.8 million.

The amounts outstanding under the Amended Credit Facility are comprised of the following:

	March 31, 2012	December 31, 2011
	(In thousands)	

Extended Revolving Facility	$765,000	$807,000
Initial Term Loan	468,750	475,000
Incremental Term Loan	335,334	338,965
Swing Loan	3,750	750
	$1,572,834	$1,621,715

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Extended Revolving Facility

Each of the Extending Lenders permanently reduced their commitments under the former credit facility by up to 50% of the amount thereof. As a result, the aggregate commitments under the Amended Credit Facility were reduced from $3 billion to approximately $1.5 billion (excluding the non-extending amounts), which commitments may be increased from time to time by up to $500 million through additional revolving credit or term loans under the Amended Credit Facility. The applicable margin on the outstanding balance on the Extended Revolving Facility ranges from 2.50% to 3.50% (if using LIBOR), and from 1.50% to 2.50% (if using the base rate). The applicable margin on the outstanding balance of the loans and commitments of the non-extending lenders continues to range from 0.625% to 1.625% (if using LIBOR), and from 0.0% to 0.375% (if using the base rate). A fee of a percentage per annum (which ranges from 0.250% to 0.500%) determined by the level of the total leverage ratio is payable on the unused portions of the Amended Credit Facility. The “base rate” under the Amended Credit Facility is the highest of (x) Bank of America's publicly-announced prime rate, (y) the federal funds rate plus 0.50%, or (z) the Eurodollar rate for a one month period plus 1.00%.

The letter of credit fees under the Amended Credit Facility remain the same as those under the Credit Facility; however, the margins payable to Extending Lenders are based on the margins applicable to the Extended Revolving Facility. Subject to certain conditions, amounts outstanding under the Amended Credit Facility may be prepaid without premium or penalty, and the unutilized portion of any of the commitments may be terminated without penalty.

Initial Term Loan

The Amended Credit Facility included the conversion of certain outstanding revolving commitments to a term loan in the amount of $500 million (the "Initial Term Loan"). Pursuant to the terms of the Amended Credit Facility, the Initial Term Loan amortizes in an annual amount equal to 5% of the original principal amount thereof, commencing March 31, 2011, payable on a quarterly basis. The interest rate per annum applicable to term loans under the Amended Credit Facility are based upon, at the option of the Company, LIBOR or the “base rate,” plus an applicable margin in either case. The applicable margin is a percentage per annum determined in accordance with a specified pricing grid based on the total leverage ratio.

Incremental Term Loan

On November 2, 2011, the Company entered into the “Lender Joinder Agreement”, which increases the term loan commitments under the Amended Credit Facility by an aggregate amount of $350 million (the “Incremental Term Loan”).

The Incremental Term Loan was funded on November 10, 2011, with proceeds being used to repay the outstanding Non-Extended Revolving Facility. The Non-Extended Revolving Facility was terminated in full on November 10, 2011 by borrowing under the Extended Revolving Facility, which augmented the proceeds from the Incremental Term Loan in an amount sufficient to repay the outstanding balance of the Non-Extended Revolving Facility in full. Pursuant to its terms, the Incremental Term Loan amortizes in an annual amount equal to 5.0% of the original principal amount thereof, commencing in March 2012 and payable on a quarterly basis. At any time and to the extent that the Incremental Term Loan is a Eurodollar Rate Loan, (as defined in the Amended Credit Facility), the Incremental Term Loan shall bear interest on the outstanding principal amount thereof for each quarterly interest period at a rate per annual equal to the “effective Eurodollar Rate” for such period plus 4.75%, and at any time and to the extent that the Incremental Term Loan bears interest at the base rate, the outstanding principal amount thereof at a rate per annum equal to the base rate for such Interest period plus 3.75%.

Guarantees

The Company's obligations under the Amended Credit Facility, subject to certain exceptions, are guaranteed by certain of the Company's subsidiaries and are secured by the capital stock of certain subsidiaries. In addition, subject to certain exceptions, the Company and each of the guarantors granted the administrative agent first priority liens and security interests on substantially all of their real and personal property (other than gaming licenses and subject to certain other exceptions) as additional security for the performance of the secured obligations under the Amended Credit Facility.

Financial and Other Covenants

The Amended Credit Facility contains certain financial and other covenants, including, without limitation, various covenants (i) requiring the maintenance of a minimum consolidated interest coverage ratio of 2.00 to 1.00, (ii) establishing a maximum permitted consolidated total leverage ratio (discussed below), (iii) establishing a maximum permitted secured leverage ratio (discussed below), (iv) imposing limitations on the incurrence of indebtedness, (v) imposing limitations on transfers, sales and other dispositions and (vi) imposing restrictions on investments, dividends and certain other payments. Subject to certain exceptions, the Company may be required to repay the amounts outstanding under the Amended Credit Facility in connection with certain

asset sales and issuances of certain additional secured indebtedness.
The minimum consolidated Interest Coverage Ratio (all capitalized terms in this section are defined in our Amended Credit Facility) is calculated as (a) twelve-month trailing Consolidated EBITDA, to (b) consolidated interest expense. The maximum permitted consolidated Total Leverage Ratio is calculated as Consolidated Funded Indebtedness to twelve-month trailing Consolidated EBITDA. Presently, and through September 30, 2012, our maximum Total Leverage Ratio is set at 7.50 to 1.00 until June 29, 2012. Thereafter, on a scheduled basis in 0.25 basis point increments, the maximum ratio decreases to a low of 5.50 to 1.00 at March 15, 2015 through the duration of the term. The maximum permitted Secured Leverage Ratio is calculated as Secured Indebtedness to twelve-month trailing Consolidated EBITDA. Presently our Maximum Secured Leverage Ratio is set at 4.50 to 1.00. Thereafter, on a scheduled basis in 0.25 basis point increments, the minimum ratio decreases to a low of 3.25 to 1.00 at June 30, 2014 through the duration of the term.

Compliance with Financial Covenants
We believe that, at March 31, 2012, we were in compliance with the Amended Credit Facility covenants, including the minimum consolidated Interest Coverage Ratio, the maximum permitted consolidated Total Leverage Ratio and the maximum permitted Secured Leverage Ratio, which, at March 31, 2012, were 2.57 to 1.00, 6.50 to 1.00 and 4.03 to 1.00, respectively.

At March 31, 2012, assuming our current level of Consolidated Funded Indebtedness remains constant, we estimate that a 16.2% or greater decline in our twelve-month trailing Consolidated EBITDA, as compared to March 31, 2011, would cause us to exceed our maximum permitted consolidated Total Leverage Ratio covenant for that period. In addition, at March 31, 2012, assuming our current level of Secured Indebtedness remains constant, we estimate that a 10.6% or greater decline in our twelve-month trailing Consolidated EBITDA, as compared to March 31, 2011, would cause us to exceed our maximum permitted Secured Leverage Ratio covenant for that period. Additionally, at March 31, 2012, assuming our current level of interest expense remains constant, we estimate that a 22.1% or greater decline in our twelve-month trailing Consolidated EBITDA, as compared to March 31, 2011, would cause us to go below our minimum consolidated Interest Coverage Ratio covenant for that period.

Debt Financing Costs
In November 2011, we repaid the amounts outstanding under the Non-Extended Revolving Facility, with proceeds from the issuance of the Incremental Term Loan. The unamortized deferred loan fees remaining on that borrowing in the amount of approximately $0.4 million were recorded in interest expense during the three months ended March 31, 2012. Additionally, in conjunction with the Amended Credit Facility and the subsequent issuance of the Incremental Term Loan, we incurred approximately $13.9 million and $20.6 million, respectively, in incremental debt financing costs, which have been deferred and are being amortized over the remaining term of the Amended Credit Facility.

Senior Notes
9.125% Senior Notes due December 2018
Significant Terms
On November 10, 2010, we issued, through a private placement, $500 million aggregate principal amount of 9.125% senior notes due December 2018. The notes require semi-annual interest payments on December 1 and June 1 of each year, which commenced on June 1, 2011. The notes will mature on December 1, 2018 and are fully and unconditionally guaranteed, on a joint and several basis, by certain of our current and future domestic restricted

subsidiaries, all of which are 100% owned by us. The notes contain certain restrictive covenants that, subject to exceptions and qualifications, among other things, limit our ability and the ability of our restricted subsidiaries (as defined in the indenture governing the notes) to incur additional indebtedness or liens, pay dividends or make distributions or repurchase our capital stock, make certain investments, and sell or merge with other companies. We believe that we are in compliance with these covenants at March 31, 2012. In addition, upon the occurrence of a change of control (as defined in the indenture governing the notes), we will be required, unless certain conditions are met, to offer to repurchase the notes at a price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest, if any, to, but not including, the date of purchase. If we sell assets or experience an event of loss, we will be required under certain circumstances to offer to purchase the notes. At any time prior to December 1, 2013, we may redeem up to 35% of the aggregate principal amount of the notes at a redemption price equal to 109.125% of the principal amount thereof, plus accrued and unpaid interest, if any, up to, but excluding, the applicable redemption date, with the net cash proceeds that we raise in one or more equity offerings. In addition, prior to December 1, 2014, we may redeem the notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, up to, but excluding, the applicable redemption date, plus a make whole premium. Subsequent to December 1, 2014, we may redeem all or a portion of the notes at redemption prices (expressed as percentages of the principal amount) ranging from 104.563% in 2014 to 100% in 2016 and thereafter, plus accrued and unpaid interest.

Registration Rights Agreement
Pursuant to the registration rights agreement entered into with the initial purchasers of these senior notes at the time of the private placement, on September 15, 2011, the Company commenced an offer to exchange all of the outstanding $500 million aggregate principal amount of the notes that have been registered under the Securities Act of 1933. On October 18, 2011, the expiration date of the exchange offer, 100% of the notes were validly tendered and accepted for exchange.

Senior Subordinated Notes
6.75% Senior Subordinated Notes due April 2014
Significant Terms
On April 15, 2004, we issued, through a private placement, $350 million principal amount of 6.75% senior subordinated notes due April 2014. In July 2004, all, except for $50 thousand in aggregate principal amount of these notes, were exchanged for substantially similar notes that were registered with the SEC. The notes require semi-annual interest payments on April 15 and October 15 of each year, through April 2014, at which time the entire principal balance becomes due and payable. The notes contain certain restrictive covenants regarding, among other things, incurrence of debt, sales of assets, mergers and consolidations, and limitations on restricted payments (as defined in the indenture governing the notes). We believe that we are in compliance with these covenants at March 31, 2012. Presently, we may redeem all or a portion of the notes at a redemption price of 100% plus accrued and unpaid interest through maturity in 2014.

Senior Subordinated Notes
7.125% Senior Subordinated Notes due February 2016
Significant Terms
On January 30, 2006, we issued $250 million principal amount of 7.125% senior subordinated notes due February 2016. The notes require semi-annual interest payments on February 1 and August 1 of each year, through February 2016, at which time the entire principal balance becomes due and payable. The notes contain certain restrictive covenants regarding, among other things, incurrence of debt, sales of assets, mergers and consolidations, and limitations on restricted payments (as defined in the indenture governing the notes). We believe that we are in compliance with these covenants at March 31, 2012. We may redeem all or a portion of the notes at redemption prices (expressed as percentages of the principal amount) ranging from 103.563% in 2011 to 100% in 2014 and thereafter, plus accrued and unpaid interest.

Debt Service Requirements
Debt service requirements under our current outstanding senior subordinated notes and senior notes consist of semi-annual interest payments (based upon fixed annual interest rates ranging from 6.75% to 9.125%) and principal repayment of our 6.75% and 7.125% senior subordinated notes due on April 15, 2014 and February 1, 2016, and principal repayment of our 9.125% senior notes due on December 1, 2018.

Borgata Debt
Borgata Bank Credit Facility

Significant Terms

On August 6, 2010, Marina District Finance Company, Inc. (the “MDFC”) announced that it had closed a $950 million debt financing, consisting of the establishment of a $150 million new payment priority secured revolving credit facility (the "Borgata bank credit facility") and the issuance of $800 million of aggregate principal amount of notes. MDFC is a wholly-owned subsidiary of Marina District Development Company ("MDDC"), which develops and owns Borgata, and which is the guarantor of both the Borgata bank credit facility and the notes. The proceeds from the financing were used to (i) pay fees and expenses related to the financing; (ii) repay the former credit facility; and (iii) make a one-time distribution to Borgata's joint venture owners.

On November 11, 2011, MDFC entered into a First Amendment to Credit Agreement (the "Borgata bank credit facility Amendment") among MDFC, MDDC, certain other financial institutions (each a "Lender", and collectively the "Lenders") and Wells Fargo, National Association ("Wells Fargo"), as administrative agent (in such capacity, "Administrative Agent") for the Lenders. The terms of the Borgata bank credit facility modifies certain terms of the Borgata bank credit facility among Borgata, the Lenders from time to time party thereto, the Administrative Agent, and Wells Fargo.

The Borgata bank credit facility Amendment: (i) reduces the aggregate commitments under the Borgata bank credit facility to a maximum amount of $75 million; (ii) decreases the minimum Consolidated EBITDA (as defined in the Borgata bank credit facility) to $125 million for a trailing-twelve month period ending on the last day of a calendar quarter; (iii) eliminates the covenant requiring Borgata to have a minimum amount of cash, cash equivalents, and unused commitments; and (iv) adds a covenant prohibiting Borgata from borrowing under the Borgata bank credit facility to purchase its senior secured notes at any time when the total amount outstanding under the Borgata bank credit facility is $65 million or more.

As amended, the Borgata bank credit facility provides for a $75 million senior secured revolving credit facility and matures in August 2014. The Borgata bank credit facility is guaranteed on a senior secured basis by MDDC and any future subsidiaries of MDDC and is secured by a first priority lien on substantially all of Borgata's assets, subject to certain exceptions. The obligations under the Borgata bank credit facility have priority in payment to Borgata's senior secured notes.

Guarantees
Neither Boyd Gaming Corporation, nor its subsidiaries are guarantors of the Borgata bank credit facility, as amended.

Interest Rate
Outstanding borrowings under the Borgata bank credit facility, as amended, accrue interest at a selected rate based upon either: (i) highest of (a) the agent bank's quoted prime rate, (b) the one-month Eurodollar rate plus 1.00%, or (c) the daily federal funds rate plus 1.50%, and in any event not less than 1.50% (such highest rate, the "base rate"), or (ii) the Eurodollar rate, plus with respect to each clause (i) and (ii) an applicable margin as provided in the bank credit facility. In addition, a commitment fee is incurred on the unused portion of the Borgata bank credit facility ranging from 0.50% per annum to 1.00% per annum.

At March 31, 2012, the outstanding balance under the Borgata bank credit facility, as amended, was $22.5 million, which bore an interest rate of 4.4%. Contractual availability under the Borgata bank credit facility, as amended, at March 31, 2012 was $52.5 million.

Financial and Other Covenants
The Borgata bank credit facility, as amended, contains certain financial and other covenants, including, without limitation, (i) establishing a minimum consolidated EBITDA (as defined in the Borgata bank credit facility) of $125 million over each trailing twelve-month period ending on the last day of each calendar quarter; (ii) imposing limitations on MDFC's ability to incur additional debt; and (iii) imposing restrictions on Borgata's ability to pay dividends and make other distributions, make certain restricted payments, create liens, enter into transactions with affiliates, merge or consolidate, and engage in unrelated business activities.

Compliance with Financial Covenants
We believe that MDFC was in compliance with the amended Borgata bank credit facility covenants, including the minimum consolidated EBITDA, which, at March 31, 2012, was $166.9 million.

Debt Financing Costs
In conjunction with the Borgata bank credit facility and the amendment thereto, during the three months ended March 31, 2012, we did not incur any incremental debt financing costs and incurred approximately $0.4 million during the three months ended March 31, 2011, in incremental debt financing costs, which have been deferred and are being

amortized over the remaining term of the Borgata bank credit facility.

Borgata Senior Secured Notes

9.5% Senior Secured Notes Due 2015

Significant Terms

In August 2010, MDFC issued, through a private placement, $400 million principal amount of 9.5% senior secured notes due October 2015, at an issue price of 98.943%, resulting in a discount at issuance of $4.2 million. The notes require semi-annual interest payments on April 15 and October 15, commencing April 15, 2011. The notes are guaranteed on a senior secured basis by MDDC and any future restricted subsidiaries of MDDC. The notes contains covenants that, among other things, limit MDFC's ability and the ability of MDDC to (i) incur additional indebtedness or liens; (ii) pay dividends or make distributions; (iii) make certain investments; (iv) sell or merge with other companies; and (v) enter into certain types of transactions. MDFC believes that it is in compliance with these covenants at March 31, 2012.

At any time prior to October 15, 2013, the notes may be redeemed at 100% of the principal amount thereof, plus a “make-whole premium” and accrued and unpaid interest. In addition, until October 15, 2013, MDFC may redeem up to 35% of the notes at a redemption price of 109.50% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds from certain equity offerings. In addition, at any time prior to October 15, 2013, MDFC may redeem up to an aggregate of 10% of the notes in each twelve month period at a redemption price of 103% of the principal amount thereof plus accrued and unpaid interest, if any, to, but not including, the redemption date. On or after October 15, 2013, MDFC shall have the option to redeem the 2015 Notes, in whole or in part, at redemption prices (expressed as percentages of the principal amount) ranging from 104.75% beginning on October 15, 2013 to 102.375% beginning on October 15, 2014, plus accrued and unpaid interest to the applicable redemption date.

Borgata Senior Secured Notes

9.875% Senior Secured Notes Due 2018

Significant Terms

In August 2010, MDFC issued, through a private placement, $400 million principal amount of 9.875% senior secured notes due August 2018, at an issue price of 99.315%, resulting in an original issue discount of $2.7 million. The notes require semi-annual interest payments on February 15 and August 15, commencing February 15, 2011. The notes are guaranteed on a senior secured basis by MDDC and any future restricted subsidiaries of MDDC. The notes contain covenants that, among other things, limit MDFC's ability and the ability of MDDC to (i) incur additional indebtedness or liens; (ii) pay dividends or make distributions; (iii) make certain investments; (iv) sell or merge with other companies; and (v) enter into certain types of transactions. MDFC believes that it is in compliance with these covenants at March 31, 2012.

At any time prior to August 15, 2014, the notes may be redeemed at 100% of the principal amount thereof, plus a “make-whole premium” and accrued and unpaid interest. In addition, until August 15, 2013, MDFC may redeem up to 35% of the notes at a redemption price of 109.875% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds from certain equity offerings. In addition, at any time prior to August 15, 2013, MDFC may redeem up to an aggregate of 10% of the notes in each twelve month period at a redemption price of 103% of the principal amount thereof plus accrued and unpaid interest, if any, to, but not including, the redemption date. On or after August 15, 2013, MDFC shall have the option to redeem the 2018 Notes, in whole or in part, at redemption prices (expressed as percentages of the principal amount) ranging from 104.938% beginning on August 15, 2014, to 102.469% beginning on August 15, 2015, to 100% beginning on August 15, 2016 and thereafter, plus accrued and unpaid interest, to the applicable redemption date.

Original Issue Discount

The original issue discount has been recorded as an offset to the principal amount of these notes and is being accreted to interest expense over the term of the notes using the effective interest method. At March 31, 2012, the effective interest rate on the 9.50% notes due 2015 notes and the 10.2% notes due 2018 was 10.2% and 10.3%, respectively.

Indenture

The indenture governing both the 9.5% notes and the 9.875% notes allow for the incurrence of additional indebtedness, if after giving effect to such incurrence, our coverage ratio (as defined in the indenture, essentially a ratio of consolidated EBITDA to fixed charges, including interest) for a trailing four quarter period on a pro forma basis would be at least 2.0 to 1.0. Such pro forma coverage ratio was above 2.0 to 1.0 at the dates in which these respective tranches of senior secured notes were issued; however, at March 31, 2012, our coverage ratio (as defined in the indenture) is below 2.0 to 1.0. Accordingly, the indenture prohibits us from incurring new indebtedness; however, we may still borrow under the $150 million senior secured credit facility. At March 31, 2012, the outstanding balance under the amended credit facility was $22.5 million leaving contractual availability of $52.5 million.

NOTE 10. DERIVATIVE INSTRUMENTS

We have utilized derivative instruments to manage interest rate risk.

Interest Rate Swap Agreements

The Company previously entered into floating-to-fixed interest rate swap arrangements in order to manage interest rate risk relating to its Amended Credit Facility, which matured on June 30, 2011. We were a party to certain floating-to-fixed interest rate swap agreements with an aggregate notional amount of $500 million, whereby we received payments based upon the three-month LIBOR and made payments based upon a stipulated fixed rate. These interest rate swap agreements modified the Company's exposure to interest rate risk by synthetically converting a portion of the Company's floating rate debt to a fixed rate.

Derivatives that are not designated as hedges for accounting purposes must be adjusted to fair value through income. During the three months ended March 31, 2011, we designated certain interest rate swaps as cash flow hedges.

Classification of Changes in Fair Value

The effect of derivative instruments on the condensed consolidated statements of operations for the three months ended March 31, 2011 was as follows (in thousands):

Derivatives in a Cash Flow Hedging Relationship - Interest Rate Swap Contracts	Gain Recognized in OCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Ineffective Portion)	Gain (Loss) Reclassified from AOCI Into Income (Ineffective Portion)
Three Months Ended			
March 31, 2011	$5,761	Interest expense	$(5,761)

Derivatives in a Cash Flow Hedging Relationship - Interest Rate Swap Contracts	Gain Recognized in OCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Ineffective Portion)	Gain (Loss) Reclassified from AOCI Into Income (Ineffective Portion)
Three Months Ended			
March 31, 2011		Fair value adjustment of derivative instruments	$(217)

Due to the maturity of the floating-to-fixed interest rate swaps in June 2011, there was no interest expense recorded during the three months ended March 31, 2012.

Due to the de-designation of the floating-to-fixed interest rate swaps in October 2010, we did not recognize any gain or loss on the change in fair value of these swaps for the three months ended March 31, 2012 and recognized a $0.2 million loss on the change in fair value of these swaps for the three months ended March 31, 2011. In addition, the Company amortized $5.8 million during the three months ended March 31, 2011, through other comprehensive income related to these and other derivatives that were previously de-designated as hedging instruments.

NOTE 11.

COMMITMENTS AND CONTINGENCIES

Commitments

There have been no material changes to our commitments described under Note 13, Commitments and Contingencies, in our Annual Report on Form 10-K for the year ended December 31, 2011 filed with the SEC on March 7, 2012.

Contingencies

Copeland

Alvin C. Copeland, the sole shareholder (deceased) of an unsuccessful applicant for a riverboat license at the location of our Treasure Chest Casino (“Treasure Chest”), 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 Treasure Chest. In November 1993, Copeland objected to the relocation of Treasure Chest 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, 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 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, and the case was set to be dismissed by the court for failure to prosecute by the plaintiffs in mid-May 2007; however on May 1, 2007, the plaintiff filed a motion to set a hearing date related to the motions to dismiss. The hearing was scheduled for September 10, 2007, at which time all parties agreed to postpone the hearing indefinitely. The hearing has not yet been rescheduled. Mr. Copeland has since passed away and his son, the executor of his estate, has petitioned the court to be substituted as plaintiff in the case. On June 9, 2009, the plaintiff filed to have the exceptions set for hearing. The parties decided to submit the exceptions to the court on the previously filed briefs. The court issued a ruling denying the exceptions on August 9, 2010. Copeland's counsel indicated a desire to move forward with the litigation and requested that the parties respond to outstanding discovery. Subsequently, on August 11, 2010, Robert J. Guidry, the co-defendant, filed a third party demand against the U.S. Attorney's Office seeking enforcement of Guidry's plea agreement which would limit Guidry's exposure in the case. On September 9, 2010, the U.S. Attorney's Office removed the suit to the U.S. District Court, Middle District of Louisiana. Pending before the District Court are a motion to dismiss for failing to state a cause of action filed by Guidry, asserting the same arguments he tried in state court, which the Company joined, and a motion to dismiss for lack of subject matter jurisdiction filed by the U.S. Attorney, which may result in the case being remanded to state court. The U.S. District Court heard the motions on March 16, 2011. A ruling has not yet been issued. On April 1, 2011, the U.S. Attorney's Office moved for summary judgment, maintaining its jurisdictional argument as well as seeking substantive relief. On September 2, 2011, the judge issued an Order stating that the case should be remanded to state district court but allowed for additional filings by September 13, 2011. A Remand Order was issued on September 15, 2011, sending the case back to the 19 th Judicial District Court, East Baton Rouge Parish, State of Louisiana. Guidry filed a motion for partial summary judgment on November 14, 2011 to limit the damages in the case. Treasure Chest also filed a motion for protective order on November 18, 2011. Pending motions has been continued without a future date for the hearing. 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.

Nevada Use Tax Refund Claims

On March 27, 2008, the Nevada Supreme Court issued a decision in Sparks Nugget, Inc. vs. The State of Nevada Department of Taxation (the “Department”), holding that food purchased for subsequent use in the provision of complimentary and/or employee meals was exempt from use tax. As a result of this decision, refund claims were filed for use taxes paid, over the period November 2000 through May 2008, on food purchased for subsequent use in complimentary and employee meals at our Nevada casino properties. We estimate the refund to be in the range of $18.1 million to $20.5 million, including interest. In 2009, the Department audited and denied our refund claim while simultaneously issuing a $12.3 million sales tax deficiency assessment, plus interest of $7.5 million. We appealed both the denial of the refund claim as well as the deficiency assessment in a hearing before the Nevada Administrative Law Judge ("Judge") in September 2010. In April 2011, the judge issued a split decision, granting a refund on employee meals and applying a sales tax measure on complimentary meals; however, the ruling barred retroactive application of the sales tax measure to all years in the refund claim period, effectively overturning the Department's 2009 deficiency assessment. Both we and the Department appealed the decision to the Nevada State Tax Commission (the "Commission"). On August 8, 2011, the Commission remanded the case back for a second administrative hearing, which was held on September 26, 2011, to allow for the introduction of additional supporting documentation. The Judge issued a decision on November 8, 2011, reversing her position on the employee meal refund claim while also affirming the denial of the complimentary meal refund, as well as the denial of a retroactive application of the sales tax measure to both employee and complimentary meals. The Judge's decision was affirmed in a Commission hearing on January 23, 2012. In response to the decision, we filed a petition for judicial review, appealing such decision in Clark County District Court. Subsequent to the written Commission decision issued on February 14, 2012, the Department issued a policy directive, requesting that affected taxpayers begin collecting and remitting sales tax on complimentary and employee meals. In late March, we petitioned the Commission, along with other affected parties, to repeal or suspend the policy directives subject to promulgation in accordance with the appropriate statutory requirements. The Department responded by issuing draft regulations and holding a workshop for public comment on April 23, 2012. Several issues were raised at the workshop and the Department indicated that additional workshops would be required prior to finalizing the language in the regulation and its enactment. It is uncertain when the regulations will be issued in final form. Due to the uncertainty surrounding the ultimate resolution of our appeal to District Court, as well as subsequent appeals to higher levels of the state judicial system, we will not record any gain until both we and the Department have exhausted all appeal options and a final, non-appealable decision has been rendered. For periods subsequent to May 2008, we have not collected, remitted or accrued a liability for sales tax on complimentary and employee meals at our Nevada casino properties, as we do not believe it is probable, based on procedural issues with the proposed regulation and the technical merits of the Department's arguments, that we owe this tax.

Blue Chip Property Taxes

Blue Chip previously received a valuation notice from the county assessor indicating an unanticipated increase of nearly 400% to its assessed property value as of January 1, 2006. In December 2007, we received the property tax bill related to our 2006 tax assessment in the amount $6.2 million, which we appealed. In February 2009, we received a notice of revaluation, reducing the initial tax assessment by approximately $2.2 million. Since then, we have made the minimum required payment against provisional bills received in years 2007 through 2011, all of which were based on the 2006 valuation notice. During the year ended December 31, 2011, we reached settlements with the county assessor, reducing the annual valuation for years 2006 through 2009. Based on these settlements, we revised our cumulative property tax accrual to reflect the retrospective effect of the revised valuations. The impact of these revisions to the valuations resulted in a reduction of our property tax accrual of approximately $9.7 million, which was cumulatively reversed through property tax expense during the year ended December 31, 2011. During February 2012, the county set tax rates for 2007 and provided confirmation on the amount of our replacement tax credit. During the three months ended, March 31, 2012, we recognized an incremental benefit of $0.7 million as a result of the replacement tax credit.

Although we have not received valuation notices for years 2010 through 2012, or final tax rates for the years 2008 through 2012, we believe the assessments for the period from January 1, 2008 through March 31, 2012 could result in a total property tax obligation ranging between $11.2 million and $15.4 million. We have accrued, net of the payment of the minimum requirements discussed above, approximately $15.4 million for this property tax liability as of March 31, 2012, based on what we believe to be the most likely outcome within our range, once all valuations have been received and all tax rates have been finalized; however, we can provide no assurances that the estimated amount accrued will approximate the actual amount billed. The final tax assessment notices for the period January 1, 2008 through March 31, 2012, which have not been received as of March 31, 2012, could result in further adjustment to our estimated property tax liability at Blue Chip.

Legal Matters

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.

NOTE 12. STOCKHOLDERS' EQUITY AND STOCK INCENTIVE PLANS

Share Repurchase Program

We have in the past, and may in the future, acquire our debt or equity securities, through open market purchases, privately negotiated transactions, tender offers, exchange offers, redemptions or otherwise, upon such terms and at such prices as we may determine from time to time. In July 2008, our Board of Directors authorized an amendment to our existing share repurchase program to increase the amount of common stock available to be repurchased to $100 million. We are not obligated to purchase any shares under our stock repurchase program.

Subject to applicable corporate securities laws, repurchases under our stock repurchase program may be made at such times and in such amounts as we deem appropriate. Purchases under our stock repurchase program can be discontinued at any time that we feel additional purchases are not warranted. We intend to fund the repurchases under the stock repurchase program with existing cash resources and availability under our Amended Credit Facility.

We are subject to certain limitations regarding the repurchase of common stock, such as restricted payment limitations related to our outstanding notes and our Amended Credit Facility.

During the three months ended March 31, 2012 and 2011, we did not repurchase any shares of our common stock. We are currently authorized to repurchase up to an additional $92.1 million in shares of our common stock under the share repurchase program.

Dividends

Dividends are declared at our Board of Director's discretion. We are subject to certain limitations regarding payment of dividends, such as restricted payment limitations related to our outstanding notes and our Amended Credit Facility. In July 2008, our Board of Directors suspended the quarterly dividend for the current and future periods; therefore, we did not declare a dividend during the three months ended March 31, 2012 or 2011.

Share-Based Compensation

We account for share-based awards exchanged for employee services in accordance with the authoritative accounting guidance for share-based payments. Under the guidance, share-based compensation expense is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense, net of estimated forfeitures, over the employee's requisite service period.

The following table provides classification detail of the total costs related to our share-based employee compensation plans reported in our condensed consolidated statements of operations.

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
as of March 31, 2012 and December 31, 2011 and for the three months ended March 31, 2012 and 2011

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Gaming	$59	$52
Food and beverage	11	10
Room	5	5
Selling, general and administrative	297	265
Corporate expense	2,744	3,481
Total shared-based compensation expense	$3,116	$3,813

NOTE 13. ACCUMULATED OTHER COMPREHENSIVE LOSS

Comprehensive income includes net income and all other non-stockholder changes in equity, or other comprehensive income. Components of the Company's comprehensive income are reported in the accompanying condensed consolidated statements of comprehensive income. The cumulative balance of other comprehensive income consists solely of fair value adjustments related to hedged derivative instruments.

A portion of the net derivative instruments market adjustment included in accumulated other comprehensive loss, net, at March 31, 2011 relates to certain derivative instruments that we de-designated as cash flow hedges.

The following table reports the effects of the changes in the fair valuations of our derivative instruments.

	Three Months Ended March 31,		
	2012	2011	
	(In thousands)		
Fair value adjustment of derivative instruments	$—	$5,761	
Tax effect	—	(2,053	)
Fair value adjustment of derivative instruments, net of tax	$—	$3,708	

NOTE 14. NONCONTROLLING INTEREST

Noncontrolling interest represents: (i) the 50% interest in Borgata, held by the Divestiture Trust for the economic benefit of MGM, which was initially recorded at fair value at the date of the effective change in control, on March 24, 2010; and (ii) all 100% of the members' equity interest in LVE, the variable interest entity which was consolidated in our financial statements effective January 1, 2010, but in which we hold no equity interest. Pursuant to the authoritative accounting guidance for noncontrolling interests, a noncontrolling interest continues to be attributed its share of losses even if that attribution results in a deficit noncontrolling interest balance, as is the case with LVE, as presented below.

Changes in the noncontrolling interest during the three months ended March 31, 2012 are as follows:

	Three Months Ended March 31,		
	Borgata	LVE	Total
	(In thousands)		

Balance, January 1, 2012	$221,006	$(49,019)	$171,987
Attributable to net income (loss)	1,294	(671)	623
Comprehensive income	—	2,440	2,440
Balance, March 31, 2012	$222,300	$(47,250)	$175,050

LVE

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Comprehensive Income
LVE has entered into interest rate derivative contracts in order to hedge exposure to increasing interest rates, and the impact of those rates on the cash flows of its variable-rate debt. LVE's active interest rate swaps are as follows:

Effective Date	Notional Amount (In thousands)	Fixed Rate		Maturity Date
Derivatives Designated as Hedging Instruments:				
December 21, 2007	$131,986	4.59	%	November 1, 2013
Derivatives Not Designated as Hedging Instruments:				
December 21, 2007	100,000	3.42	%	November 1, 2013
Totals	$231,986			

These derivatives were de-designated in July 2011.

NOTE 15. FAIR VALUE MEASUREMENTS

We have adopted the authoritative accounting guidance for fair value measurements, which does not determine or affect the circumstances under which fair value measurements are used, but defines fair value, expands disclosure requirements around fair value and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions.

These inputs create the following fair value hierarchy:

Level 1: Quoted prices for identical instruments in active markets.
Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

As required by the guidance for fair value measurements, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Thus, assets and liabilities categorized as Level 3 may be measured at fair value using inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Management's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Balances Measured at Fair Value
The following tables show the fair values of certain of our financial instruments.

	March 31, 2012			
	Balance	Level 1	Level 2	Level 3

	(In thousands)			
Assets				
Cash and cash equivalents	$156,714	$156,714	$—	$—
Restricted cash	14,047	14,047	—	—

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	December 31, 2011 Balance	Level 1	Level 2	Level 3
	(In thousands)			
Assets				
Cash and cash equivalents	$178,756	$178,756	$—	$—
Restricted cash	15,753	15,753	—	—

The fair value of our cash and cash equivalents, classified in the fair value hierarchy as Level 1, is based on statements received from our banks at March 31, 2012 and December 31, 2011.

Balances Disclosed at Fair Value

The following table provides the fair value measurement information about our long-term debt at March 31, 2012 and December 31, 2011.

	March 31, 2012 Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
	(In thousands)			
Boyd Gaming Debt:				
Bank credit facility	$1,583,125	$1,564,587	$1,523,488	Level 2
9.125% Senior Notes due 2018	500,000	500,000	523,750	Level 1
6.75% Senior Subordinated Notes due 2014	215,668	215,668	216,468	Level 1
7.125% Senior Subordinated Notes due 2016	240,750	240,750	235,935	Level 1
Other	10,893	10,893	10,348	Level 3
Borgata Debt:				
Borgata bank credit facility	22,500	22,500	22,500	Level 2
Borgata 9.50% Senior Secured Notes due 2015	398,000	387,645	366,160	Level 1
Borgata 9.875% Senior Secured Notes due 2018	393,500	382,852	362,512	Level 1
Total debt	$3,364,436	$3,324,895	$3,261,161	

	December 31, 2011 Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
	(In thousands)			
Boyd Gaming Debt:				
Bank credit facility	$1,632,750	$1,621,715	$1,388,630	Level 2
9.125% Senior Notes due 2018	500,000	491,444	471,000	Level 1
6.75% Senior Subordinated Notes due 2014	215,668	215,668	208,120	Level 1
7.125% Senior Subordinated Notes due 2016	240,750	240,750	208,249	Level 1
Other	11,071	11,071	10,517	Level 3
Borgata Debt:				
Borgata bank credit facility	40,200	40,200	40,200	Level 2
Borgata 9.50% Senior Secured Notes due 2015	398,000	387,049	378,100	Level 1

Borgata 9.875% Senior Secured Notes due 2018	393,500	382,559	358,085	Level 1
Total debt	$3,431,939	$3,390,456	$3,062,901	

The estimated fair value of the Amended Credit Facility is based on a relative value analysis performed on or about March 31, 2012 and December 31, 2011, respectively. The estimated fair value of Borgata's bank credit facility at March 31, 2012 and

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December 31, 2011 approximates its carrying value due to the short-term nature and variable repricing of the underlying Eurodollar loans comprising the Borgata bank credit facility. The estimated fair values of our senior subordinated and senior notes and Borgata's senior secured notes are based on quoted market prices as of March 31, 2012 and December 31, 2011, respectively. Debt included in the “Other” category is fixed-rate debt that is due March 2013 and is not traded and does not have an observable market input; therefore, we have estimated its fair value based on a discounted cash flow approach, after giving consideration to the changes in market rates of interest, creditworthiness of both parties, and credit spreads.

There were no transfers between Level 1 and Level 2 measurements during three months ended March 31, 2012 or the year ended December 31, 2011.

Fair Value of Non-Recourse Obligations of Variable Interest Entity
At March 31, 2012 and December 31, 2011, the carrying value of LVE's long-term debt approximates its fair value due to the prevailing interest rates on the debt, which are comparable to market.

NOTE 16. OTHER OPERATING CHARGES, NET

Other operating charges, net, are comprised of the following:

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Impairment of trademark	$—	$5,000
Asset write downs	14	77
Acquisition related expenses	30	—
Flood expenses, net of recoveries	203	—
Measurement period adjustments	—	(370)
Total write-downs and other items, net	$247	$4,707

Impairment of Trademark
As discussed in Note 6, Intangible Assets, during the three months ended March 31 2011, we recorded a $5.0 million impairment to the trademark, based upon the performance of an interim impairment tests in connection with the valuation of Borgata.

Asset Write-Downs
During the three months ended March 31, 2012 and 2011, we recognized a loss of $0.01 million and $0.1 million in connection with the disposal of certain property and equipment in the ordinary course of business.

Acquisition Related Expenses
During the three months ended March 31, 2012, we recorded $0.03 million of expenses related to evaluating various acquisition possibilities and other business development activities.

Flood Expenses, Net of Recoveries

Due to flooding of the Mississippi River and temporary closure of the property in May 2011, during the three months ended March 31, 2012, we recorded $0.2 million of Tunica flood expenses, net of recoveries.

Measurement Period Adjustments

In connection with the valuation procedures we performed on Borgata, we recorded measurement adjustments of $0.4 million during the three months ended March 31, 2011, which were primarily comprised of a $0.3 million bargain purchase gain.

NOTE 17. SEGMENT INFORMATION

We have aggregated certain of our properties in order to present four Reportable Segments: (i) Las Vegas Locals; (ii) Downtown Las Vegas; (iii) Midwest and South; and (iv) Atlantic City. The table below lists the classification of each of our properties.

Las Vegas Locals	
Gold Coast Hotel and Casino	Las Vegas, Nevada
The Orleans Hotel and Casino	Las Vegas, Nevada
Sam's Town Hotel and Gambling Hall	Las Vegas, Nevada
Suncoast Hotel and Casino	Las Vegas, Nevada
Eldorado Casino	Henderson, Nevada
Jokers Wild Casino	Henderson, Nevada
Downtown Las Vegas	
California Hotel and Casino	Las Vegas, Nevada
Fremont Hotel and Casino	Las Vegas, Nevada
Main Street Station Casino, Brewery and Hotel	Las Vegas, Nevada
Midwest and South	
Sam's Town Hotel and Gambling Hall	Tunica, Mississippi
IP Casino Resort Spa	Biloxi, Mississippi
Par-A-Dice Hotel Casino	East Peoria, Illinois
Blue Chip Casino, Hotel & Spa	Michigan City, Indiana
Treasure Chest Casino	Kenner, Louisiana
Delta Downs Racetrack Casino & Hotel	Vinton, Louisiana
Sam's Town Hotel and Casino	Shreveport, Louisiana
Atlantic City	
Borgata Hotel Casino & Spa	Atlantic City, New Jersey

Results of Operations - Adjusted EBITDA

We determine each of our wholly-owned properties' profitability based upon Property EBITDA, which represents each property's earnings before interest expense, income taxes, depreciation and amortization, preopening expenses, other operating charges, net, share-based compensation expense, deferred rent, change in value of derivative instruments, and gain/loss on early retirements of debt, as applicable. Reportable Segment Adjusted EBITDA is the aggregate sum of the Property EBITDA for each of the properties included in our Las Vegas Locals, Downtown Las Vegas, and Midwest and South segments, and also includes our share of Borgata's operating income before net amortization, preopening and other items.

Results for Downtown Las Vegas include the results of our travel agency and captive insurance company in Hawaii. Effective April 1, 2008, we reclassified the reporting of our Midwest and South segment to exclude the results of Dania Jai-Alai, our pari-mutuel jai-alai facility, since it does not share similar economic characteristics with our other Midwest and South operations; therefore, the results of Dania Jai-Alai are included as part of the “Other” category on the accompanying table.

We reclassify the reporting of corporate expense on the accompanying table in order to exclude it from our subtotal for Reportable Segment Adjusted EBITDA and include it as part of total other operating costs and expenses. Furthermore, corporate expense is now presented to include its portion of share-based compensation expense.

Corporate expense represents unallocated payroll, professional fees, aircraft expenses and various other expenses not directly related to our casino and hotel operations, in addition to the corporate portion of share-based compensation expense. Other operating costs and expenses include Property EBITDA from Dania Jai-Alai, deferred rent, and share-based compensation expense charged to our Reportable Segments. Interest expense is net of interest income and amounts capitalized.

The following table sets forth, for the periods indicated, certain operating data for our Reportable Segments, and reconciles Adjusted EBITDA to operating income (loss), as reported in our accompanying condensed consolidated statements of operations for the three months ended March 31, 2012 and 2011.

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Net Revenues		
Las Vegas Locals	$154,789	$154,519
Downtown Las Vegas	57,008	55,666
Midwest and South	243,722	184,130
Atlantic City	176,150	169,090
Reportable Segment Net Revenues	631,669	563,405
Other	1,414	1,541
Net revenues	$633,083	$564,946
Reportable Segment Adjusted EBITDA		
Las Vegas Locals	$38,486	$39,643
Downtown Las Vegas	8,432	9,004
Midwest and South	58,130	41,211
Atlantic City	38,881	31,682
Reportable Segment Adjusted EBITDA	$143,929	$121,540
Other operating costs and expenses		
Depreciation and amortization	$50,014	$50,584
Corporate expense	12,871	13,280
Preopening expenses	1,660	1,831
Other operating charges, net	247	4,707
Other	2,555	3,034
Total other operating costs and expenses	67,347	73,436
Operating income	$76,582	$48,104

Total Assets

The Company's total assets, by Reportable Segment, consisted of the following amounts at March 31, 2012 and December 31, 2011:

	March 31, 2012	December 31, 2011
	(In thousands)	
Assets		
Las Vegas Locals	$1,240,887	$1,260,458
Downtown Las Vegas	128,056	131,140
Midwest and South	1,400,034	1,406,136
Atlantic City	1,421,721	1,435,332
Total Reportable Segment assets	4,190,698	4,233,066
Corporate	1,413,358	1,421,848
Other	229,360	228,140

Total assets	$5,833,416	$5,883,054

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NOTE 18. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Separate condensed consolidating financial information for our subsidiary guarantors and non-guarantors of our 9.125% senior notes due 2018 is presented below. The non-guarantors primarily represent special purpose entities, tax holding companies, our less significant operating subsidiaries and our less than wholly-owned subsidiaries.

The tables below present the condensed consolidating balance sheets as of March 31, 2012 and December 31, 2011 and the condensed consolidating statements of operations for the three months ended March 31, 2012 and 2011 and the condensed consolidating statements of cash flows for the three months ended March 31, 2012 and 2011.

Condensed Consolidating Balance Sheets

	March 31, 2012						
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations		Consolidated
			(In thousands)				
Assets							
Cash and cash equivalents	$415	$118,088	$3,707	$34,504	$—		$156,714
Other current assets	3,934	92,337	14,187	46,065	—		156,523
Property and equipment, net	112,502	2,103,512	75,312	1,234,578	—		3,525,904
Assets held for development	—	926,223	—	163,805	—		1,090,028
Investments in subsidiaries	3,874,540	367,189	32	—	(4,241,761)		—
Intercompany receivable	—	258,264	—	—	(258,264)		—
Other assets, net	36,192	6,340	5,999	69,428	—		117,959
Intangible assets, net	—	487,363	21,374	63,975	—		572,712
Goodwill, net	—	212,794	782	—	—		213,576
Total assets	$4,027,583	$4,572,110	$121,393	$1,612,355	$(4,500,025)		$5,833,416
Liabilities and Stockholders' Equity							
Current maturities of long-term debt	$42,500	$10,893	$—	$—	$—	—	$53,393
Non-recourse debt	—	—	—	30,605	—	29,686	30,605
Current liabilities	14,244	264,995	17,953	102,404	(81)		399,515
Intercompany payable	36,242	—	222,191	—	(258,433)		—
Long-term debt, net of current maturities	2,478,505	—	—	792,997	—		3,271,502

Due from affiliates	209,487	(114,674)	—	—	(94,813)	—
Other long-term liabilities	35,698	408,500	790	54,726	—	499,714
Non-recourse debt	—	—	—	192,730	—	192,730
Preferred stock	—	—	—	—	—	—
Common stock	863	31,128	32	—	(31,160)	863
Additional paid-in capital	647,137	2,984,231	41,722	476,732	(3,502,685)	647,137
Retained earnings (deficit)	562,907	987,037	(161,295)	(37,839)	(787,903)	562,907
Total Boyd Gaming Corporation stockholders' equity (deficit)	1,210,907	4,002,396	(119,541)	438,893	(4,321,748)	1,210,907
Noncontrolling interest	—	—	—	—	175,050	175,050
Total stockholders' equity (deficit)	1,210,907	4,002,396	(119,541)	438,893	(4,146,698)	1,385,957
Total liabilities and stockholders' equity	$4,027,583	$4,572,110	$121,393	$1,612,355	$(4,500,025)	$5,833,416

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
as of March 31, 2012 and December 31, 2011 and for the three months ended March 31, 2012 and 2011

Condensed Consolidating Balance Sheets

December 31, 2011

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
			(In thousands)			
Assets						
Cash and cash equivalents	$364	$128,185	$3,944	$46,263	$—	$178,756
Other current assets	29,818	70,448	13,459	50,413	—	164,138
Property and equipment, net	115,346	2,120,227	75,739	1,230,796	—	3,542,108
Assets held for development	—	926,013	—	163,806	—	1,089,819
Investments in subsidiaries	3,777,298	353,740	32	—	(4,131,070)	—
Intercompany receivable	—	187,911	—	—	(187,911)	—
Other assets, net	28,501	15,068	5,993	71,077	—	120,639
Intangible assets, net	—	487,907	21,374	64,737	—	574,018
Goodwill, net	—	212,794	782	—	—	213,576
Total assets	$3,951,327	$4,502,293	$121,323	$1,627,092	$(4,318,981)	$5,883,054
Liabilities and Stockholders' Equity						
Current maturities of long-term debt	$42,500	$730	$—	$—	$—	$43,230
Non-recourse debt	—	—	—	29,686	—	29,686
Current liabilities	146,054	152,437	16,725	102,484	(18,596)	399,104
Intercompany payable	455	—	216,211	—	(216,666)	—
Long-term debt, net of current maturities	2,527,076	10,341	—	809,809	—	3,347,226
Other long-term liabilities	33,150	404,463	1,537	57,599	—	496,749
Non-recourse debt	—	—	—	192,980	—	192,980
Preferred stock	—	—	—	—	—	—
Common stock	863	31,128	32	—	(31,160)	863
Additional paid-in capital	644,174	2,984,250	41,724	476,733	(3,502,707)	644,174
Retained earnings (deficit)	557,055	918,944	(154,906)	(42,199)	(721,839)	557,055
Total Boyd Gaming Corporation stockholders' equity (deficit)	1,202,092	3,934,322	(113,150)	434,534	(4,255,706)	1,202,092
Noncontrolling interest	—	—	—	—	171,987	171,987
Total stockholders' equity (deficit)	1,202,092	3,934,322	(113,150)	434,534	(4,083,719)	1,374,079
	$3,951,327	$4,502,293	$121,323	$1,627,092	$(4,318,981)	$5,883,054

Total liabilities and stockholders' equity

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
as of March 31, 2012 and December 31, 2011 and for the three months ended March 31, 2012 and 2011

Condensed Consolidating Statements of Operations

	Three Months Ended March 31, 2012					
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
			(In thousands)			
Net revenues	$37,457	$442,064	$14,869	$176,151	$(37,458)	$633,083
Costs and expenses						
Operating	—	237,448	15,359	90,422	—	343,229
Selling, general and administrative	—	74,079	3,095	32,543	—	109,717
Maintenance and utilities	—	23,948	508	14,307	—	38,763
Depreciation and amortization	2,130	32,061	693	15,130	—	50,014
Corporate expense	25,184	77	278	—	(12,668)	12,871
Preopening expenses	124	4,128	—	(2,592)	—	1,660
Other operating charges, net	29	246	—	(28)	—	247
Total costs and expenses	27,467	371,987	19,933	149,782	(12,668)	556,501
Equity in earnings of subsidiaries	26,465	5,759	—	—	(32,224)	—
Operating income	36,455	75,836	(5,064)	26,369	(57,014)	76,582
Other expense (income)						
Interest expense, net	39,788	161	—	23,875	—	63,824
Total other expense, net	39,788	161	—	23,875	—	63,824
Income (loss) before income taxes	(3,333)	75,675	(5,064)	2,494	(57,014)	12,758
Income taxes	9,185	(16,757)	1,866	(577)	—	(6,283)
Net income (loss)	5,852	58,918	(3,198)	1,917	(57,014)	6,475
Net loss attributable to controlling interest	—	—	—	—	(623)	(623)
Net income (loss) attributable to Boyd Gaming Corporation	$5,852	$58,918	$(3,198)	$1,917	$(57,637)	$5,852
Comprehensive Income	$—	$—	$—	$8,915	$—	$8,915

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
as of March 31, 2012 and December 31, 2011 and for the three months ended March 31, 2012 and 2011

Condensed Consolidating Statements of Operations

	Three Months Ended March 31, 2011					
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
			(In thousands)			
Net revenues	$38,350	$381,477	$14,379	$171,731	$(40,991)	$564,946
Costs and expenses						
Operating	—	207,610	14,516	91,111	—	313,237
Selling, general and administrative	—	62,677	2,264	30,847	—	95,788
Maintenance and utilities	—	20,168	899	16,348	—	37,415
Depreciation and amortization	2,024	28,897	797	18,866	—	50,584
Corporate expense	26,174	(11,611)	680	—	(1,963)	13,280
Preopening expenses	255	2,308	4,678	—	(5,410)	1,831
Other operating charges, net	(28)	(281)	—	5,016	—	4,707
Total costs and expenses	28,425	309,768	23,834	162,188	(7,373)	516,842
Equity in earnings of subsidiaries	14,783	(2,423)	—	—	(12,360)	—
Operating income	24,708	69,286	(9,455)	9,543	(45,978)	48,104
Other expense (income)						
Interest expense, net	39,723	146	6	17,411	—	57,286
Fair value adjustment of derivative instruments	217	—	—	—	—	217
Gain on early retirements of debt	20	—	—	—	—	20
Total other expense, net	39,960	146	6	17,411	—	57,523
Income (loss) before income taxes	(15,252)	69,140	(9,461)	(7,868)	(45,978)	(9,419)
Income taxes	11,731	(10,904)	1,610	671	—	3,108
Net income (loss)	(3,521)	58,236	(7,851)	(7,197)	(45,978)	(6,311)
Net loss attributable to noncontrolling interest	—	—	—	—	2,790	2,790
Net income (loss) attributable to Boyd Gaming	$(3,521)	$58,236	$(7,851)	$(7,197)	$(43,188)	$(3,521)

Corporation						
Comprehensive income	$—	$—	$—	$(1,338)	$—	$(1,338)

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
as of March 31, 2012 and December 31, 2011 and for the three months ended March 31, 2012 and 2011

Condensed Consolidating Statements of Cash Flows

	Three Months Ended March 31, 2012					
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
			(In thousands)			
Cash flows from operating activities						
Net cash from operating activities	$58,559	$(2,182)	$(209)	$21,320	$—	$77,488
Cash flows from investing activities						
Capital expenditures	(7,566)	(7,736)	(28)	(17,466)	—	(32,796)
Investment in subsidiaries	(1,390)	—	—	1,390	—	—
Other investing activities	—	—	—	28	—	28
Net cash from investing activities	(8,956)	(7,736)	(28)	(16,048)	—	(32,768)
Cash flows from financing activities						
Borrowings under bank credit facility	134,800	—	—	182,900	—	317,700
Payments under bank credit facility	(184,425)	—	—	(200,600)	—	(385,025)
Debt issuance costs, net	(44)	—	—	—	—	(44)
Proceeds from issuance of non-recourse debt	—	—	—	919	—	919
Other financing activities	117	(179)	—	(250)	—	(312)
Net cash from financing activities	(49,552)	(179)	—	(17,031)	—	(66,762)
Net change in cash and cash equivalents	51	(10,097)	(237)	(11,759)	—	(22,042)
Cash and cash equivalents, beginning of period	364	128,185	3,944	46,263	—	178,756
Cash and cash equivalents, end of period	$415	$118,088	$3,707	$34,504	$—	$156,714

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
as of March 31, 2012 and December 31, 2011 and for the three months ended March 31, 2012 and 2011

Condensed Consolidating Statements of Cash Flows

	Three Months Ended March 31, 2011					
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
			(In thousands)			
Cash flows from operating activities						
Net cash from operating activities	$73,928	$(13,077)	$694	$15,800	$—	$77,345
Cash flows from investing activities						
Capital expenditures	(13,372)	(1,546)	(9)	(5,931)	—	(20,858)
Investment in subsidiaries	31	—	—	(31)	—	—
Other investing activities	—	—	—	88	—	88
Net cash from investing activities	(13,341)	(1,546)	(9)	(5,874)	—	(20,770)
Cash flows from financing activities						
Borrowings under bank credit facility	35,900	—	—	51,500	—	87,400
Payments under bank credit facility	(35,900)	—	—	(83,700)	—	(119,600)
Debt issuance costs, net	(110)	—	—	(401)	—	(511)
Proceeds from issuance of non-recourse debt	—	—	—	4,428	—	4,428
Other financing activities	180	(168)	—	(79)	—	(67)
Net cash from financing activities	70	(168)	—	(28,252)	—	(28,350)
Net change in cash and cash equivalents	60,657	(14,791)	685	(18,326)	—	28,225
Cash and cash equivalents, beginning of period	11,232	88,281	3,679	42,431	—	145,623
Cash and cash equivalents, end of period	$71,889	$73,490	$4,364	$24,105	$—	$173,848

NOTE 19. SUBSEQUENT EVENTS

We have evaluated all events or transactions that occurred after March 31, 2012, through the filing date of May 4, 2012. During this period, the Company did not have any material subsequent events.

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

Executive Overview

Boyd Gaming Corporation (the “Company,” “Boyd Gaming,” “we” or “us”) is a multi-jurisdictional gaming company that has been operating for approximately 36 years.

We are a diversified operator of 16 wholly-owned gaming entertainment properties and one controlling interest in a limited liability company. Headquartered in Las Vegas, we have gaming operations in Nevada, Illinois, Louisiana, Mississippi, Indiana and New Jersey, which we aggregate in order to present the following four reportable segments:

Las Vegas Locals	
Gold Coast Hotel and Casino	Las Vegas, Nevada
The Orleans Hotel and Casino	Las Vegas, Nevada
Sam's Town Hotel and Gambling Hall	Las Vegas, Nevada
Suncoast Hotel and Casino	Las Vegas, Nevada
Eldorado Casino	Henderson, Nevada
Jokers Wild Casino	Henderson, Nevada
Downtown Las Vegas	
California Hotel and Casino	Las Vegas, Nevada
Fremont Hotel and Casino	Las Vegas, Nevada
Main Street Station Casino, Brewery and Hotel	Las Vegas, Nevada
Midwest and South	
Sam's Town Hotel and Gambling Hall	Tunica, Mississippi
IP Casino Resort Spa	Biloxi, Mississippi
Par-A-Dice Hotel Casino	East Peoria, Illinois
Blue Chip Casino, Hotel & Spa	Michigan City, Indiana
Treasure Chest Casino	Kenner, Louisiana
Delta Downs Racetrack Casino & Hotel	Vinton, Louisiana
Sam's Town Hotel and Casino	Shreveport, Louisiana
Atlantic City	
Borgata Hotel Casino & Spa	Atlantic City, New Jersey

Hawaiian Operations

In addition to these properties, we own and operate a travel agency in Hawaii, that operates our Hawaiian charter and a captive insurance company, also in Hawaii, that underwrites travel-related insurance. Results for our travel agency and our captive insurance company are included in our Downtown Las Vegas segment, as our Downtown Las Vegas properties concentrate significant marketing efforts on gaming customers from Hawaii.

Dania Jai-Alai

We also own and operate Dania Jai-Alai, which is a pari-mutuel jai-alai facility located on approximately 47 acres of related land in Dania Beach, Florida.

Echelon Development

Additionally, we own approximately 87 acres of land on the Las Vegas Strip, where our multibillion dollar Echelon development project ("Echelon") is located. On August 1, 2008, due to the difficult environment in the capital markets, as well as weak economic conditions, we announced the delay of Echelon. As we do not believe that a significant level of economic recovery has occurred along the Las Vegas Strip, or that financing for a development project like Echelon is currently available on terms satisfactory to us, we do not expect to resume construction of

Echelon for three to five years.

Our Properties

We operate gaming entertainment properties, most of which also include hotel, dining, retail and other amenities. Our main business emphasis is on slot revenues, which are highly dependent upon the volume and spending levels of customers at our properties,

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which affects our operating results.

Our properties have historically generated significant operating cash flow, with the majority of our revenue being cash-based. While we do provide casino credit, subject to certain gaming regulations and jurisdictions, most of our customers wager with cash and pay for non-gaming services by cash or credit card.

Our industry is capital intensive; we rely heavily on the ability of our properties to generate operating cash flow in order to fund maintenance capital expenditures, fund acquisitions, provide excess cash for future development, repay debt financing and associated interest costs, purchase our debt or equity securities, pay income taxes and pay dividends.

Our Strategy

Our overriding strategy is to increase shareholder value. We follow several strategic initiatives on which we are focused to improve and grow our business.

Strengthening our Balance Sheet

We remain committed to finding opportunities to strengthen our balance sheet through diversifying and increasing cash flows to provide for deleveraging.

Operating Efficiently

We also remain committed to operating more efficiently, and endeavor to prevent unneeded expense in our business. The efficiencies of our business model position us to flow a substantial portion of revenue gains directly to the bottom line.

Evaluating Acquisition Opportunities

We evaluate potential transactions and acquisition in a way that is strategic, deliberate, and disciplined. Our intention is to pursue opportunities that are a good fit for our business, deliver a solid return for shareholders, and are available at the right price.

On October 4, 2011, we consummated the acquisition of IP Casino Resort Spa ("IP") in Biloxi, Mississippi pursuant to an Agreement for Purchase and Sale, under which the seller agreed to sell and transfer, and the Company agreed to purchase and assume, certain assets and liabilities, respectively, related to the Imperial Palace Biloxi, on an as-is basis. The net purchase price was approximately $280.6 million. The financial position of IP is included in our consolidated balance sheet as of December 31, 2011; and its results of operations are included in our consolidated statements of operations and cash flows for the three months ended March 31, 2012.

Maintaining our Brand

The ability of our employees to deliver great customer service remains a key differentiator for our Company and our brands. Our employees are a big reason that our customers continue to choose our properties over the competition across the country.

Our Focus

Our focus has been, and will continue to remain on: (i) ensuring our existing operations are managed as efficiently as possible and remain positioned for growth; (ii) our capital structure and strengthening our balance sheet, not just by paying down debt, but also by strengthening our operations and diversifying our asset base; and (iii) our growth strategy, which is built on finding those assets that are a good strategic fit and provide an appropriate return to our shareholders.

Overall Outlook

We believe that our key operating results for the three months ended March 31, 2012 demonstrate positive trends in our business. Although over the course of the past several years, the severe economic recession has had a profound effect on consumer confidence, and has shifted spending away from discretionary items, such as leisure, hospitality, gaming and entertainment activities, the recent quarterly results indicate that we have realized some recoverability in our business. Generally, the tourism industry is stabilizing, as evidenced by increased visitation, hotel room rates and convention business.

We continually work to position our Company for greater success by strengthening our existing operations and growing through capital investment and other strategic initiatives. We have established a nationwide branding initiative and loyalty program. Previously, players were able to use their “Club Coast” or “B Connected” cards to earn and redeem points at nearly all of our wholly-owned Boyd Gaming properties in Nevada, Illinois, Indiana, Louisiana and Mississippi. In June 2010, we launched an enhanced, multi-property player loyalty program under the “B Connected” brand, which replaced the “Club Coast” program. Customers under the “Club Coast” program were able to keep all earned benefits and club points they had previously earned under the program. The new “B Connected” club, among other benefits, extends the time period over which players may qualify for promotion and increases the credits awarded to reel slot and table games players.

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In addition to the “B Connected” player loyalty program, we launched the “B Connected Mobile” program in July 2010. “B Connected Mobile,” the first multi-property, loyalty program based iPhone application of its kind in the gaming industry, is a personalized mobile application that delivers customized offers and information directly to a customer's iPhone, iPad. or Android device, making "B Connected Mobile" the first application of its kind available on multiple platforms. The application further expands the benefits of the “B Connected” program. “B Connected Mobile” provides real-time personalized information when a customer visits a Boyd property, including hotel, dining and gaming offers, such as “Best Rates Available” on hotel rooms for “B Connected” members, instant access to event information, schedules and special offers at all Boyd Gaming properties using a search engine which allows customers to find Boyd Gaming casinos that have their favorite machines and displays the games' locations on a casino floor map, the ability to track “B Connected” point balances in real time, and the ability to make immediate hotel or restaurant reservations. These tools help customers get the greatest value out of their B Connected membership, and ensure that our marketing is as effective as possible.

We have continued to improve our B Connected loyalty program with the introduction of "B Connected Social" in the first quarter of 2012, which rewards users for using B Connected Online, B Connected Mobile, or sharing offers and events on social networks. B Connected Social is a dynamic network loyalty program that allows B Connected members to share offers with friends, connect to their favorite social networks, check in online via certain social networks, as well as, participate in a variety of online activities including interfacing with B Connected Online or B Connected Mobile, participate in online contests, and register for alerts to deliver targeted information specific to the B Connected member.

Development Activities

IP

On October 4, 2011, we consummated the acquisition of the IP Casino Resort Spa ("IP") in Biloxi, Mississippi pursuant to an Agreement for Purchase and Sale, under which the seller agreed to sell and transfer, and the Company agreed to purchase and assume, certain assets and liabilities, respectively, related to the IP, on an as-is basis. The net purchase price, after adjustment for working capital and other items, was approximately $280.6 million. The business combination resulted in the recording of a bargain purchase gain of approximately $4.6 million, due to the excess fair value of net identifiable assets over the total consideration. The bargain purchase gain was reported in other income in our consolidated statement of operations during the year ended December 31, 2011.

Echelon

In August 2008, due to the difficult environment in the capital markets, as well as weak economic conditions, we announced the delay of our multibillion dollar Echelon development project on the Las Vegas Strip, as discussed above.

Nonetheless, we remain committed to having a significant presence on the Las Vegas Strip. During the suspension period, we continue to consider alternative development options for Echelon, which may include developing the project in phases, alternative capital structures for the project, scope modifications to the project, or additional strategic partnerships, among others. We can provide no assurances as to when, or if, construction will resume on the project, or if we will be able to obtain alternative sources of financing for the project. As we develop and explore the viability of alternatives for the project, we will monitor these assets for recoverability. If we are subject to a non-cash write-down of these assets, it could have a material adverse impact on our consolidated financial statements.

Central Energy Facility

LVE Energy Partners, LLC (“LVE”) is a joint venture between Marina Energy LLC and DCO ECH Energy, LLC. Through our wholly-owned subsidiary, Echelon Resorts LLC ("Echelon Resorts"), we have entered into an Energy Sales Agreement ("ESA") with LVE, to design, build, own (other than the underlying real property which is leased from Echelon Resorts) and operate a central energy center and related distribution system for our planned Echelon resort development. Pursuant to the ESA, LVE will provide chilled and hot water, electricity and emergency electricity generation to Echelon and potentially other joint venture entities associated with the Echelon development project or other third parties. However, since we are obligated to purchase substantially all of the output of the central energy center, we are the primary beneficiary under the terms of the ESA.

LVE has suspended construction of the central energy center while the Echelon project is delayed. On April 3, 2009, LVE notified us that, in its view, Echelon Resorts would be in breach of the ESA unless it recommenced and proceeded with construction of the Echelon development project by May 6, 2009. We believe that LVE's position is without merit; however, in the event of litigation, we cannot state with certainty the eventual outcome nor estimate the possible loss or range of loss, if any, associated with this matter.

On March 7, 2011, Echelon Resorts and LVE entered into both a purchase option agreement (the "Purchase Option Agreement" and a periodic fee agreement (the "Periodic Fee Agreement"). Under the Periodic Fee Agreement, Echelon Resorts and LVE have mutually agreed that neither LVE nor Echelon Resorts would give notice of, file or otherwise initiate any claim or cause of action, in or before any court, administrative agency, arbitrator, mediator or other tribunal, that arises under the ESA, subject to certain exceptions, and any statute of limitations or limitation periods for defenses, claims, causes of actions and counterclaims shall be tolled while the Periodic Fee Agreement is in effect. The prohibition on the initiation of litigation and the tolling of the statute of limitations provided for in the Periodic Fee Agreement is applicable to any litigation with respect to LVE's April 3, 2009 claim of an alleged breach of the ESA. Under the Periodic Fee Agreement, Echelon Resorts agreed to pay LVE, beginning on March 4, 2011, a monthly periodic fee, (the "Periodic Fee") and an operation and maintenance fee until either (i) Echelon Resorts notifies LVE that it has resumed construction of a portion of the Echelon development project that it owns in fee simple and Echelon Resorts and LVE have mutually agreed to changes to the dates in their respective construction milestones under the ESA, or (ii) Echelon Resorts exercises its option to purchase LVE's assets pursuant to the terms of the Purchase Option Agreement. The amount of the Periodic Fee is fixed at $11.9 million annually through November 2013. Thereafter, the amount of the Periodic Fee is estimated to be approximately $10.8 million annually. The operation and maintenance fee cannot exceed $0.6 million per annum without Echelon Resort's prior approval. We have posted a letter of credit in the amount of $6 million to secure Echelons Resort's obligation to pay the Periodic Fee and the operation and maintenance fee.

Under the Purchase Option Agreement, Echelon Resorts has the right, at its sole discretion, upon written notice to LVE, to purchase the assets of LVE including the central energy center and related distribution system for a price of $195.1 million, subject to certain possible adjustments. Both the ESA and the Periodic Fee Agreement would be terminated concurrent with the purchase of the LVE assets pursuant to the Purchase Option Agreement.

As of March 31, 2012, we have incurred approximately $926.2 million in capitalized costs related to the Echelon project, including land, and not including approximately $163.8 million associated with the construction costs of the central energy facility. As part of the delay of the project, we expect to additionally incur approximately $0.3 million to $1.0 million of capitalized costs annually, principally related to the offsite fabrication of a skylight and curtain wall as well as offsite improvements. We expect to incur a one-time capitalized cost of $4.2 million, principally related to site beautification in 2012. In addition, we expect annual recurring project costs, consisting primarily of monthly charges related to construction of the central energy center, site security, property taxes, rent and insurance, of approximately $15.5 million to $17.0 million that will be charged to preopening or other expense as incurred during the project's suspension period.

In addition to the expansion projects mentioned above, we regularly evaluate opportunities for growth through the development of gaming operations in existing or new markets, along with opportunities associated with acquiring other gaming entertainment facilities.

RESULTS OF OPERATIONS

Summary

Three Months Ended March 31, 2012 and 2011

We believe that our key operating results for each of the three months ended March 31, 2012 and 2011 continue to show positive trends. Although over the course of the past several years, the severe economic recession has had a profound effect on consumer confidence, and has shifted spending away from discretionary items, such as leisure, hospitality, gaming and entertainment activities, these recent quarterly results indicate that we have realized some recoveries in our business. As the job market recovers and expands, we believe that consumer confidence will strengthen further. Generally, the tourism industry has shown signs of stability, as evidenced by increased visitation, hotel room rates and convention business. These and other positive trends reflect recoveries in our wholly-owned businesses.

Specifically, in our Las Vegas regions, visitor counts, room rates and convention sales have been increasing or stable over the past two years, and visitor volume in Las Vegas generally has been increasing over the past two years as the economy continues to strengthen. Additionally, average daily room rates have increased on a year-over-year basis since December 31, 2009, largely as a result of an increase in conventions and meetings. Our Downtown Las Vegas segment is benefiting from successful marketing efforts to our Hawaiian customers, and the strength of the local Hawaiian economy. The economy in the Midwest and South region has been slightly more resilient than the national and Las Vegas economies. We continue to be the leader of gaming revenue market share in Atlantic City, despite the increased local and regional competition.

Overview of Key Operating Results

Three Months Ended March 31, 2012 and 2011

The following provides a summary of certain key operating results:

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	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Net revenues	$633,083	$564,946
Operating Income	76,582	48,104
Net income (loss) attributable to Boyd Gaming Corporation	5,852	(3,521)

Net revenues
Net revenues were $633.1 million for the three months ended March 31, 2012, compared to $564.9 million for the comparable period in the prior year. We saw the strongest growth in our Midwest and South regions, as a result of the operations from IP which contributed $49.0 million in net revenues during the three months ended March 31, 2012. Our other properties in the Midwest and South region reported increased revenues of approximately $10.6 million for the three months ended March 31, 2012, compared to the three months ended March 31, 2011, representing growth of 5.8% during these periods. We also saw favorable growth in Atlantic City, with net revenues increasing $7.1 million or 4.2%. Our Downtown Las Vegas market showed a modest increase in net revenue growth of 2.4%, while our Las Vegas Locals market remained flat.

Operating income
Operating income increased by $28.5 million, or 59.2%, to $76.6 million, during the three months ended March 31, 2012, compared to the corresponding period of the prior year, primarily due to $7.8 million related to the results of IP reported during the three months ended March 31, 2012, the flow through effect of the incremental revenues, and continued improvement in operating margins across all of our regions.

Net income (loss) attributable to Boyd Gaming Corporation
Net income attributable to Boyd Gaming was $5.9 million for the three months ended March 31, 2012, compared to a net loss of $3.5 million for the corresponding period of the prior year, due primarily to the bottom line growth in operating income. The improvement in net income was driven by a $4.5 million decrease in other operating charges, net, primarily related to a $5.0 million non-cash impairment charge to the Borgata trademark in the corresponding period of the prior year. Overall operating margins also increased due to our cost containment measures compared to the corresponding period of the prior year.

Operating Revenues
Three Months Ended March 31, 2012 and 2011
The following analysis discusses our operating revenues, on a consolidated basis, which is further supplemented by operating segment detail below.

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We derive the majority of our gross revenues from our gaming operations, which produced approximately 72% and 73% of gross revenues for each of the three months ended March 31, 2012 and 2011, respectively. Food and beverage gross revenues, which produced approximately 14% of gross revenues for each of the three months ended March 31, 2012 and 2011, respectively, represent the next most significant revenue source, followed by room and other, both of which separately contributed less than 9% of gross revenues during these respective periods.

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
REVENUES		
Gaming	$535,748	$481,935
Food and beverage	106,132	92,077
Room	65,997	56,591
Other	35,832	33,031
	$743,709	$663,634
COSTS AND EXPENSES		
Gaming	$248,955	$226,609
Food and beverage	54,078	47,568
Room	14,135	12,821
Other	26,061	26,239
	$343,229	$313,237
MARGINS		
Gaming	53.53 %	52.98 %
Food and beverage	49.05 %	48.34 %
Room	78.58 %	77.34 %
Other	27.27 %	20.56 %

Three Months Ended March 31, 2012 and 2011

Gaming

Gaming revenues are significantly comprised of the net win from our slot machine operations and table games. The $53.8 million, or 11.2% increase in gaming revenues during the three months ended March 31, 2012 as compared to the corresponding period of the prior year, was due primarily to $41.1 million of gaming revenues from IP. Additionally, we experienced a 9.6% increase in slot win driven by an 8.9% increase in slot handle. Table game drop increased 7.7% and table game win increased 14.4% respectively, with less than a 1.0% increase in table game hold. Although gaming costs increased $22.4 million, or 9.9% , due to the addition of IP and increased gaming volume, the operating margin slightly improved due to cost containment initiatives and targeted marketing spend.

Food and Beverage

Food and beverage revenues increased $14.1 million or 15.3% during the three months ended March 31, 2012 as compared to the corresponding period of the prior year, and included $9.7 million earned by IP during the three months ended March 31, 2012. The remaining increase was due to a 1.2% increase in the number of guests served and a 3.2% increase in the value of the average guest check. The slight increase in food and beverage cost is due to a 2.9% increase in cost per guest served. Excluding IP, the number of guests served increased 2.4% and the average guest check increased 2.9% during the three months ended March 31, 2012 as compared to the corresponding period of the prior year.

Room

Room revenues increased by $9.4 million, or 16.6% during the three months ended March 31, 2012 as compared to the corresponding period of the prior year of which $8.2 million relates to IP. Remaining increases were due to an increase in the average daily rate (" ADR") of 2.4%, slightly offset by a decrease in the occupancy rate of 1.8%. The increase in the ADR is driven largely by improving tourism industry trends and convention business. Excluding IP, the ADR increased 2.5%, offset by a 1.6% decrease in

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the occupancy rate during the three months ended March 31, 2012, as compared to the corresponding period of the prior year. During the three months ended March 31, 2012, IP incurred $2.9 million in room expenses. The increase in room costs and expenses is due to higher salaries and wages expenses.

Other

Other revenues increased $5.4 million, or 16.2% during the three months ended March 31, 2012 as compared to the corresponding period of the prior year, due to the increases in patronage visits at the differing amenities at our properties, including entertainment and nightclub revenues, retail sales, theater tickets and other venues. IP contributed $2.1 million of other revenues during the three months ended March 31, 2012.

Revenues and Adjusted EBITDA by Reportable Segment

We determine each of our properties' profitability based upon Adjusted EBITDA, which represents earnings before interest expense, income taxes, depreciation and amortization, deferred rent, preopening expenses, share-based compensation expense, and other operating charges, net, as applicable. Reportable Segment Adjusted EBITDA is the aggregate sum of the Adjusted EBITDA for each of the properties comprising our Las Vegas Locals, Downtown Las Vegas, Midwest and South and Atlantic City segments before net amortization, preopening and other items.

The following table presents our net revenues and Adjusted EBITDA, by Reportable Segment, for the three months ended March 31, 2012 and 2011.

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Net revenues		
Las Vegas Locals	$154,789	$154,519
Downtown Las Vegas	57,008	55,666
Midwest and South	243,722	184,130
Atlantic City	176,150	169,090
Reportable Segment Net Revenues	631,669	563,405
Other	1,414	1,541
Net revenues	$633,083	$564,946
Adjusted EBITDA		
Las Vegas Locals	$38,486	$39,643
Downtown Las Vegas	8,432	9,004
Midwest and South	58,130	41,211
Wholly-owned Adjusted Property EBITDA	105,048	89,858
Corporate expense	(10,127)	(9,799)
Wholly-owned Adjusted EBITDA	94,921	80,059
Atlantic City	38,881	31,682
Adjusted EBITDA	$133,802	$111,741

Significant factors that affected our Reportable Segment Net Revenues and Adjusted EBITDA for the three months ended March 31, 2012, as compared to the corresponding period of the prior year, are listed below:

Three Months Ended March 31, 2012 and 2011

Las Vegas Locals

Net revenues increased slightly by 0.2% while Adjusted EBITDA decreased 2.9% during the three months ended March 31, 2012, as compared to the corresponding period of the prior year, which reflect slightly elevated marketing spend but relatively consistent year-over-year results despite an elevated promotional environment and reduced table game hold at several properties.

Downtown Las Vegas

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Net revenues increased 2.4% and Adjusted EBITDA decreased 6.4%, during the three months ended March 31, 2012, as compared to the corresponding period of the prior year, due primarily to successful marketing initiatives which generated growth from our Hawaiian customers, which represent approximately 59% of our business in this segment. These gains in net revenues were partially offset by significantly higher fuel costs related to the operation of our Hawaiian charter, which primarily drove the decrease in Adjusted EBITDA.

Midwest and South

Net revenues increased 32.4% during the three months ended March 31, 2012, as compared to the three months ended March 31, 2011, while Adjusted EBITDA increased by 41.1% during the same respective periods. The IP contributed $49.0 million in net revenues and $12.7 million in Adjusted EBITDA during the thee months ended March 31, 2012. Results were positively impacted by strong performances at our Southern Louisiana properties. Excluding IP, five of our six properties in this region posted positive net revenue growth during this period, reflecting improved margins in Adjusted EBITDA. Such improvements were guided by effective marketing initiatives and tight cost control.

Atlantic City

Borgata's net revenues increased by 4.2% during the three months ended March 31, 2012 as compared to the three months ended March 31, 2011, and Adjusted EBITDA increased 22.7% during the same respective periods. Table game win increased 11.8% coupled with a table game hold increase of 11.2% respectively. Borgata continues to be the leader in table games and slot market share and held 24.5% of the table game drop and 20.3% of the slot handle market share respectively, as of March 31, 2012. Additionally, increases in non-gaming revenues drove additional contributions. Adjusted EBITDA was positively impacted by operating efficiencies, due to lower customer reinvestment and improved profit margins.

Other Costs and Expenses

Three Months Ended March 31, 2012 and 2011

The following costs and expenses, as presented in our condensed consolidated statements of operations, are further discussed below:

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Selling, general and administrative	$109,717	$95,788
Maintenance and utilities	38,763	37,415
Depreciation and amortization	50,014	50,584
Corporate expense	12,871	13,280
Preopening expenses	1,660	1,831
Other operating charges, net	247	4,707

The results for the three months ended March 31, 2012 reflect the results of IP, which was consummated on October 4, 2011.

Selling, general and administrative

Selling, general and administrative expenses, as a percentage of gross revenues were 14.8% and 14.4%, during the three months ended March 31, 2012 and 2011, respectively. These costs primarily include marketing, technology, compliance and risk, surveillance and security. We continue to focus on disciplined and targeted marketing spend, and our ongoing cost containment efforts.

Maintenance and Utilities

Maintenance and utilities expenses, as a percentage of gross revenues, decreased to 5.2% from 5.6% during the three months ended March 31, 2012 and 2011, respectively. Although there are more major maintenance projects compared to the same period in the prior year, this effect was absorbed by an increase in gross revenues.

Depreciation and Amortization

Depreciation and amortization expense, as a percentage of gross revenues, declined during the three months ended March 31, 2012, as compared to the corresponding period of the prior year, representing 6.7% and 7.6%, respectively, as certain property and equipment became fully depreciated and there were no significant expansion capital expenditures placed into service during these periods.

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Corporate Expense

Corporate expense represents unallocated payroll, professional fees, rent and various other administrative expenses that are not directly related to our casino and/or hotel operations, in addition to the corporate portion of share-based compensation expense. The levels of corporate expense, as a percentage of gross revenues decreased during the three months ended March 31, 2012 and 2011, representing 1.7% and 2.0% of gross revenues respectively, due to the ongoing efforts to contain costs across the business and a decrease in share based compensation expense.

Preopening Expenses

We expense certain costs of start-up activities as incurred. During the three months ended March 31, 2012 and 2011, we recorded preopening expenses related to our Echelon development project, expenses related to our efforts to develop gaming activities in other jurisdictions and expenses related to other business development activities. Additionally, the Period Fees, as discussed above, are included in the expenses related to our Echelon development project during the three months ended March 31, 2012; however, such amounts were eliminated upon the consolidation of LVE and not reflected in consolidated preopening expenses.

Other Operating Charges, Net

Other operating charges, net, generally include losses on the disposal or impairment of certain assets, costs incurred in relation to acquisition activities and costs associated with property damage from natural disasters. During the three months ended March 31, 2012 and 2011, these costs were $0.2 million and $4.7 million, respectively. During the three months ended March 31, 2012, these costs primarily related to the expense of costs associated with the flood damage at our property in Tunica, Mississippi. During the three months ended March 31, 2011, these costs primarily included a $5.0 million impairment to the Borgata trademark.

Other Expense (Income)

Interest Expense

Three Months Ended March 31, 2012 and 2011

The following table presents our interest expense for the three months ended March 31, 2012 and 2011.

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Interest Expense, net		
Boyd Gaming Corporation	$39,949	$39,875
Borgata	20,482	17,283
Variable Interest Entity	3,393	128
	$63,824	$57,286
Average Long-Term Debt Balance		
Boyd Gaming Corporation	$2,556,273	$2,383,456
Borgata	$801,403	$819,668
Weighted Average Interest Rates		
Boyd Gaming Corporation	6.3 %	6.7 %
Borgata	10.2 %	10.1 %

Three Months Ended March 31, 2012 and 2011

Summary

Interest expense was $63.8 million for the three months ended March 31, 2012, as compared to $57.3 million during the comparable period in the prior year, representing an increase of 11.4%. Excluding the effects of the interest on the variable interest entity's non-recourse debt in both of these periods, the interest expense for the three months ended March 31, 2012 would have been $60.4 million, or an increase of 5.7%.

Boyd Gaming Corporation
Interest expense was relatively flat as compared to the comparable period in the prior year. During the three months ended March

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31, 2012, average outstanding balances on our Amended Credit Facility increased during the comparable period in the prior year which were offset by a decrease in interest rates. Average outstanding balances on our Amended Credit Facility during the period were approximately $1.58 billion, at a blended interest rate of 4.2%, thereby diluting the rate effect of our high yield notes.

We previously were a party to certain floating-to-fixed interest rate swap agreements with an aggregate notional amount of $500 million, whereby we received payments based upon the three-month LIBOR and made payments based upon a stipulated fixed rate. We de-designated all of our interest rate swap agreements as cash flow hedges. Concurrent with the de-designation of the hedging relationship, hedge accounting was suspended and the amount remaining in accumulated other comprehensive loss associated with this cash flow hedging arrangement was frozen and amortized into interest expense over the remaining term of the associated debt with changes in fair value of the interest rate swaps recognized immediately in earnings. Our interest rate swap agreements expired on June 30, 2011. During the three months ended March 31, 2011, the effect of our swaps increased interest expense by $5.8 million, as market rates during the period were significantly lower than the 5.1% weighted-average fixed rate associated with these swaps.

Borgata

Interest expense remained relatively flat during the three months ended March 31, 2012 as compared to corresponding periods in the prior year due to the measurement adjustments recorded during the three months ended March 31, 2011, which resulted in a reversal of $3.5 million in amortization of deferred loan fees. Also, lower average debt balances were offset by slightly higher interest rates.

Fair Value Adjustment of Derivative Instruments

Three Months Ended March 31, 2012 and 2011

During the fourth quarter of 2010, in anticipation of the execution of our Amended Credit Facility, we de-designated all of our interest rate swap agreements as cash flow hedges. Concurrent with the de-designation of the hedging relationship, hedge accounting was suspended and the amount remaining in accumulated other comprehensive loss associated with this cash flow hedging relationship was frozen. From the de-designation date, and through June 30, 2011, the date all of these interest rate swap agreements matured, all changes in the fair value of these interest rate swaps were recognized immediately in earnings. This mark-to-market adjustment resulted in a realized loss of $0.2 million during the three months ended March 31, 2011.

Income Taxes

Three Months Ended March 31, 2012 and 2011

The effective tax rates during the three months ended March 31, 2012 and 2011 were 49.3% and 33.0%, respectively. Our current year tax provision and prior year benefit were both favorably and unfavorably impacted by permanent adjustments related to our consolidation of Borgata and LVE. We consolidate Borgata's income and LVE's loss for financial statement purposes; however, under federal income tax statutes, we are subject to income tax on our fifty percent interest in Borgata and exclude LVE's loss in its entirety. Additionally, both rates were adversely impacted by certain recurring permanent adjustments that are unaffected by our income or loss from continuing operations. Our state tax provision was adversely impacted by the geographic mix of our income in both years, as well as a statutory change in state income tax rates and changes in apportionment in 2011.

Adjusted Earnings (Loss) and Adjusted EPS

Three Months Ended March 31, 2012 and 2011

We believe that Adjusted Earnings (Loss) and Adjusted Earnings Per Share ("EPS") are important supplemental measures of operating performance to investors, and management believes that Adjusted Earnings (Loss) and Adjusted EPS are widely used measures of performance in the gaming industry. We use Adjusted Earnings (Loss) and Adjusted EPS in this Quarterly Report on Form 10-Q because we believe they are useful to investors in allowing greater transparency related to significant measures used by management in its financial and operational decision-making. Management believes it is appropriate to adjust net income (loss) attributable to Boyd Gaming Corporation for certain adjustments, which are eliminated from net income (loss) in order to enable investors to isolate the core operating results of the Company.

Adjusted Earnings (Loss) is net income (loss) before preopening expenses, adjustments to property tax accruals, net, change in value of derivative instruments, write-downs and other items, net, gain on early retirements of debt, other non-recurring items and our share of Borgata's other items and other operating charges, net.

The following tables present our Adjusted Earnings (Loss) and Adjusted Earnings per Share for the three months ended March 31, 2012 and 2011.

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	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Net income (loss) attributable to Boyd Gaming Corporation	$5,852	$(3,521)
Adjustments related to Boyd Gaming:		
Preopening expenses, excluding impact of LVE	4,252	4,472
Adjustments to property tax accruals, net	(597)	(2,766)
Other operating charges, net	275	(309)
Change in fair value of derivative instruments	—	217
Loss on early retirements of debt, net	—	20
Adjustments related to Borgata:		
Preopening expenses	132	—
Other operating charges, net	(25)	5,016
Valuation adjustments related to consolidation, net	(19)	(694)
Total adjustments	4,018	5,956
Income tax effect for above adjustments	(1,410)	(1,652)
Impact on noncontrolling interest	(44)	(1,995)
Adjusted earnings (loss)	$8,416	$(1,212)

	Three Months Ended March 31,	
	2012	2011
Basic net income (loss) per common share	$0.07	$(0.04)
Adjustments related to Boyd Gaming:		
Preopening expenses, excluding impact of LVE	0.05	0.05
Adjustments to property tax accruals, net	(0.01)	(0.03)
Adjustments related to Borgata:		
Other operating charges, net	—	0.06
Valuation adjustments related to consolidation, net	—	(0.01)
Total adjustments	$0.04	0.07
Income tax effect for above adjustments	(0.02)	(0.02)
Impact on noncontrolling interest	0.01	(0.02)
Adjusted earnings (loss) per share	$0.10	$(0.01)

Adjusted earnings per share for the three months ended March 31, 2011 were computed using our basic weighted average shares outstanding, although the presentation on our condensed consolidated statement of operations for such period does not consider the effect of common stock equivalents, as such were anti-dilutive to the net loss, as reported.

During the three months ended March 31, 2012 and 2011, the following items were included in the calculation of Adjusted Earnings and Adjusted EPS (as stated in the above table):

Adjustments Related to Boyd Gaming Corporation

Preopening Expenses, Excluding Impact of Consolidation of LVE

Preopening expenses are comprised of costs primarily related to maintenance of our Echelon development project and expenditures

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for the exploration of new business development initiatives.

Adjustments to Property Tax Accruals
Property tax accruals have been adjusted based on assessments from the relevant taxing authorities and changes in our estimate of past liabilities related to such assessments.

Other Operating Charges, net
Write-downs and other charges generally include losses on the disposal or impairment of certain assets, costs incurred in relation to acquisition activities and costs associated with property damage from natural disasters.

Change in Fair Value of Derivative Instruments
Change in fair value of derivative instruments is comprised of the charge to earnings for the change in fair value of our interest rate swaps that were de-designated as cash flow hedges during 2010.

Loss on Early Retirements of Debt
Loss on early retirements of debt represents the difference between the principal amount of our senior subordinated notes repurchased and the purchase price of such notes.

Adjustments Related to Borgata

Preopening Expenses
Preopening expenses at Borgata related to costs incurred to open a new retail outlet during the quarter.

Other Operating Charges, net
Write-downs and other charges generally include losses on the disposal or impairment of certain assets, costs incurred in relation to acquisition activities and insurance costs associated with property damage from natural disasters.

Valuation Adjustments Related to Consolidation, net
These adjustments represent the aggregate impact of the measurement activity associated with the changes from historical value to fair value of Borgata, upon consolidation, primarily representing depreciation and amortization expense resulting from the recordation of certain tangible and intangible assets.

LIQUIDITY AND CAPITAL RESOURCES

Financial Position

Current Maturities of Our Indebtedness
We classified certain non-extending balances due under our Amended Credit Facility as a current maturity, as such amounts come due within the next twelve months. During the three months ended March 31, 2012, we reclassified $10.9 million for a note payable under our Amended Credit Facility from long-term to current that matures on March 28, 2013.

On November 2, 2011, the Company entered into the “Lender Joinder Agreement”, which increases the term loan commitments under the Amended Credit Facility by an aggregate amount of $350 million (the “Incremental Term Loan”). The Incremental Term Loan was funded on November 10, 2011, with proceeds being used to repay the outstanding Non-Extended Revolving Facility. The Non-Extended Revolving Facility was terminated in full on November 10, 2011 by borrowing under the Extended Revolving Facility, which augmented the proceeds from the Incremental Term Loan in an amount sufficient to repay the outstanding balance of the Non-Extended Revolving Facility in full.

While we anticipate the remaining availability under our Amended Credit Facility will provide the short term liquidity required to fund our existing debt obligations, management will review other plans to aggressively pursue the repayment of all debt as currently due.

Working Capital

Historically, we have operated with minimal or negative levels of working capital in order to minimize borrowings and related interest costs under our Amended Credit Facility. At March 31, 2012 and December 31, 2011, we had balances of cash and cash equivalents of $156.7 million and $178.8 million, respectively. Despite such amounts of cash, we had working capital deficits of $170.3 million and $129.1 million at such respective dates. However, without giving effect to the consolidation of LVE, as we have no claim to their assets, nor any recourse for their obligations, our cash balances and working capital deficits at March 31, 2012 and 2011 were as follows:

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	March 31, 2012	December 31, 2011
	(In thousands)	
Cash balance:		
Boyd Gaming Corporation	122,210	132,494
Borgata	34,296	46,224
Working capital deficit:		
Boyd Gaming Corporation	(119,428)	(91,935)
Borgata	(22,245)	(8,467)

We and Borgata separately manage our working capital positions, including our cash and indebtedness levels. Our respective bank credit facilities generally provide 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 the balance under our respective bank credit facilities as necessary, by either borrowing or paying it down with excess cash. We also plan the timing and the amounts of our capital expenditures. We each believe that our borrowing capacity under our respective bank credit facilities, subject to restrictive covenants, and cash flows from operating activities will be sufficient to meet our projected operating and maintenance capital expenditures for at least the next twelve months. The source of funds for the repayment of our debt or our development projects is derived primarily from cash flows from operations and availability under our respective bank credit facilities, to the extent availability exists after we meet our respective working capital needs, and subject to restrictive covenants.

We or Borgata could also seek to secure additional working capital, repay our respective current debt maturities, or fund our respective development projects, in whole or in part, through incremental bank financing and additional debt or equity offerings. If availability does not exist under our respective bank credit facilities, or we are not otherwise able to draw funds on our respective bank credit facilities, additional financing may not be available to either us or Borgata, and if available, may not be on terms favorable to either us or Borgata.

Indebtedness

Our indebtedness primarily consists of amounts outstanding under our $1.58 billion Amended Credit Facility (including $850 million of term loans) and $956.4 million aggregate principal amount of our senior and senior subordinated notes, which are the obligations of Boyd, and a $75 million Borgata bank credit facility and $791.5 million aggregate principal amount of senior secured notes, all of which are the obligations of Borgata.

Boyd Gaming Corporation Debt

Amended Credit Facility

Significant Terms

On December 3, 2010, we entered into an Amendment and Restatement Agreement among certain financial institutions (each a “Lender”), Bank of America, N.A., as administrative agent and letter of credit issuer and Wells Fargo Bank, National Association, as swing line lender (the “Amendment and Restatement Agreement”). Pursuant to the terms of the Amendment and Restatement Agreement, our First Amended and Restated Credit Agreement, dated as of May 24, 2007, as amended by the First Amendment and Consent to First Amended Credit Agreement, dated as of December 21, 2009 (as amended, the “Amended Credit Facility”), was amended and restated to, among other things, (i) reduce the aggregate commitments under the former credit facility and (ii) permit consenting Lenders to extend the maturity date of their commitments, new Lenders to issue revolving commitments and term loans and existing Lenders to increase their commitments (each, an “Extending Lender”) in each case with a maturity date five years from the effective date.

The blended interest rate for outstanding borrowings under our Amended Credit Facility was 4.2% at both March 31, 2012 and December 31, 2011, respectively. At March 31, 2012, approximately $1.58 billion was outstanding under our Amended Credit Facility, with $15.5 million allocated to support various letters of credit, leaving remaining contractual availability of approximately $175.8 million.

The amounts outstanding under the Amended Credit Facility are comprised of the following:

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	March 31, 2012	December 31, 2011
	(In thousands)	
Extended Revolving Facility	$765,000	$807,000
Initial Term Loan	468,750	475,000
Incremental Term Loan	335,334	338,965
Swing Loan	3,750	750
	$1,572,834	$1,621,715

Extended Revolving Facility

Each of the Extending Lenders permanently reduced their commitments under the former credit facility by up to 50% of the amount thereof. As a result, the aggregate commitments under the Amended Credit Facility were reduced from $3 billion to approximately $1.5 billion (excluding the non-extending amounts), which commitments may be increased from time to time by up to $500 million through additional revolving credit or term loans under the Amended Credit Facility. The applicable margin on the outstanding balance on the Extended Revolving Facility ranges from 2.50% to 3.50% (if using LIBOR), and from 1.50% to 2.50% (if using the base rate). The applicable margin on the outstanding balance of the loans and commitments of the non-extending lenders continues to range from 0.625% to 1.625% (if using LIBOR), and from 0.0% to 0.375% (if using the base rate). A fee of a percentage per annum (which ranges from 0.250% to 0.500%) determined by the level of the total leverage ratio is payable on the unused portions of the Amended Credit Facility. The “base rate” under the Amended Credit Facility is the highest of (x) Bank of America's publicly-announced prime rate, (y) the federal funds rate plus 0.50%, or (z) the Eurodollar rate for a one month period plus 1.00%.

The letter of credit fees under the Amended Credit Facility remain the same as those under the former credit facility; however, the margins payable to Extending Lenders are based on the margins applicable to the Extended Revolving Facility. Subject to certain conditions, amounts outstanding under the Amended Credit Facility may be prepaid without premium or penalty, and the unutilized portion of any of the commitments may be terminated without penalty.

Initial Term Loan

The Amended Credit Facility included the conversion of certain outstanding revolving commitments to a term loan in the amount of $500 million (the "Initial Term Loan"). Pursuant to the terms of the Amended Credit Facility, the Initial Term Loan amortizes in an annual amount equal to 5% of the original principal amount thereof, commencing March 31, 2011, payable on a quarterly basis. The interest rate per annum applicable to term loans under the Amended Credit Facility are based upon, at the option of the Company, LIBOR or the “base rate,” plus an applicable margin in either case. The applicable margin is a percentage per annum determined in accordance with a specified pricing grid based on the total leverage ratio.

Incremental Term Loan

On November 2, 2011, the Company entered into the “Lender Joinder Agreement”, which increases the term loan commitments under the Amended Credit Facility by an aggregate amount of $350 million (the “Incremental Term Loan”).

The Incremental Term Loan was funded on November 10, 2011, with proceeds being used to repay the outstanding Non-Extended Revolving Facility. The Non-Extended Revolving Facility was terminated in full on November 10, 2011 by borrowing under the Extended Revolving Facility, which augmented the proceeds from the Incremental Term Loan in an amount sufficient to repay the outstanding balance of the Non-Extended Revolving Facility in full. Pursuant to its terms, the Incremental Term Loan amortizes in an annual amount equal to 5.0% of the original principal amount thereof, commencing in March 2012 and payable on a quarterly basis. At any time and to the extent that the Incremental Term Loan is a Eurodollar Rate Loan, the Incremental Term Loan shall bear interest on the outstanding principal amount thereof for each quarterly interest period at a rate per annual equal to the “effective Eurodollar Rate” for such period plus 4.75%, and at any time and to the extent that the Incremental Term Loan bears interest at the base rate, the outstanding principal amount thereof at a rate per annum equal to the base rate for such Interest Period plus 3.75%.

Guarantees

The Company's obligations under the Amended Credit Facility, subject to certain exceptions, are guaranteed by certain of the Company's subsidiaries and are secured by the capital stock of certain subsidiaries. In addition, subject to certain exceptions, the Company and each of the guarantors granted the administrative agent first priority liens and security interests on substantially all of their real and personal property (other than gaming licenses and subject to certain other exceptions) as additional security for the performance of the secured obligations under the Amended Credit Facility.

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Financial and Other Covenants

The Amended Credit Facility contains certain financial and other covenants, including, without limitation, various covenants (i) requiring the maintenance of a minimum consolidated interest coverage ratio of 2.00 to 1.00, (ii) establishing a maximum permitted consolidated total leverage ratio (discussed below), (iii) establishing a maximum permitted secured leverage ratio (discussed below), (iv) imposing limitations on the incurrence of indebtedness, (v) imposing limitations on transfers, sales and other dispositions and (vi) imposing restrictions on investments, dividends and certain other payments. Subject to certain exceptions, the Company may be required to repay the amounts outstanding under the Amended Credit Facility in connection with certain asset sales and issuances of certain additional secured indebtedness.

The minimum consolidated Interest Coverage Ratio (as defined in our Amended Credit Facility) is calculated as (a) twelve-month trailing Consolidated EBITDA (as defined in our Amended Credit Facility) to (b) consolidated interest expense (as also defined in our Amended Credit Facility).

The maximum permitted consolidated Total Leverage Ratio (as defined in our Amended Credit Facility) is calculated as Consolidated Funded Indebtedness to twelve-month trailing Consolidated EBITDA (all capitalized terms are defined in the Amended Credit Facility). Presently, and through September 30, 2012, our maximum Total Leverage Ratio is set at 7.50 to 1.00. Thereafter, on a scheduled basis in 0.25 basis point increments, the maximum ratio decreases to a low of 5.50 to 1.00 at March 15, 2015 through the duration of the term.

The maximum permitted Secured Leverage Ratio (as defined in our Amended Credit Facility) is calculated as Secured Indebtedness to twelve-month trailing Consolidated EBITDA (all capitalized terms are defined in the Amended Credit Facility). Presently our Maximum Secured Leverage Ratio is set at 4.50 to 1.00. Thereafter, on a scheduled basis in 0.25 basis point increments, the minimum ratio decreases to a low of 3.25 to 1.00 at June 30, 2014 through the duration of the term.

Compliance with Financial Covenants

We believe that, at March 31, 2012, we were in compliance with the Amended Credit Facility covenants, including the minimum consolidated Interest Coverage Ratio, the maximum permitted consolidated Total Leverage Ratio and the maximum permitted Secured Leverage Ratio, which, at March 31, 2012, were 2.57 to 1.00, 6.50 to 1.00 and 4.03 to 1.00, respectively.

At March 31, 2012, assuming our current level of Consolidated Funded Indebtedness remains constant, we estimate that a 16.2% or greater decline in our twelve-month trailing Consolidated EBITDA, as compared to March 31, 2011, would cause us to exceed our maximum permitted consolidated Total Leverage Ratio covenant for that period. In addition, at March 31, 2012, assuming our current level of Secured Indebtedness remains constant, we estimate that a 10.6% or greater decline in our twelve-month trailing Consolidated EBITDA, as compared to March 31, 2011, would cause us to exceed our maximum permitted Secured Leverage Ratio covenant for that period. Additionally, at March 31, 2012, assuming our current level of interest expense remains constant, we estimate that a 22.1% or greater decline in our twelve-month trailing Consolidated EBITDA, as compared to March 31, 2011, would cause us to go below our minimum consolidated Interest Coverage Ratio covenant for that period.

Debt Financing Costs

In November 2011, we repaid the amounts outstanding under the non-extended credit facility, with proceeds from the issuance of the Incremental Term Loan. The unamortized deferred loan fees remaining on that borrowing in the amount of approximately $0.4 million were recorded in interest expense during the three months ended March 31, 2012. Additionally, in conjunction with the Amended Credit Facility and the subsequent issuance of the Incremental Term Loan, we incurred approximately $13.9 million and $20.6 million, respectively, in incremental debt financing costs, which have been deferred and are being amortized over the remaining term of the Amended Credit Facility.

Senior Notes

9.125% Senior Notes due December 2018

Significant Terms

On November 10, 2010, we issued, through a private placement, $500 million aggregate principal amount of 9.125% senior notes due December 2018. The notes require semi-annual interest payments on December 1 and June 1 of each year, which commenced on June 1, 2011. The notes will mature on December 1, 2018 and are fully and unconditionally guaranteed, on a joint and several basis, by certain of our current and future domestic restricted subsidiaries, all of which are 100% owned by us. The notes contain certain restrictive covenants that, subject to exceptions and qualifications, among other things, limit our ability and the ability of our restricted subsidiaries (as defined in the indenture governing the notes) to incur additional indebtedness or liens, pay dividends or make distributions or repurchase our capital stock, make certain investments, and sell or merge with other companies. We believe that we are in compliance with these covenants at March 31, 2012. In addition, upon the occurrence of a change of control (as defined in the indenture governing the notes), we will be required, unless certain conditions are met, to offer to repurchase the notes at a price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest, if any, to, but not including,

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the date of purchase. If we sell assets or experience an event of loss, we will be required under certain circumstances to offer to purchase the notes. At any time prior to December 1, 2013, we may redeem up to 35% of the aggregate principal amount of the notes at a redemption price equal to 109.125% of the principal amount thereof, plus accrued and unpaid interest, if any, up to, but excluding, the applicable redemption date, with the net cash proceeds that we raise in one or more equity offerings. In addition, prior to December 1, 2014, we may redeem the notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, up to, but excluding, the applicable redemption date, plus a make whole premium. Subsequent to December 1, 2014, we may redeem all or a portion of the notes at redemption prices (expressed as percentages of the principal amount) ranging from 104.563% in 2014 to 100% in 2016 and thereafter, plus accrued and unpaid interest.

Registration Rights Agreement

Pursuant to the registration rights agreement entered into with the initial purchasers of these senior notes at the time of the private placement, on September 15, 2011, the Company commenced an offer to exchange all of the outstanding $500 million aggregate principal amount of the notes that have been registered under the Securities Act of 1933. On October 18, 2011, the expiration date of the exchange offer, 100% of the notes were validly tendered and accepted for exchange.

Senior Subordinated Notes

6.75% Senior Subordinated Notes due April 2014

Significant Terms

On April 15, 2004, we issued, through a private placement, $350 million principal amount of 6.75% senior subordinated notes due April 2014. In July 2004, all, except for $50 thousand in aggregate principal amount of these notes, were exchanged for substantially similar notes that were registered with the SEC. The notes require semi-annual interest payments on April 15 and October 15 of each year, through April 2014, at which time the entire principal balance becomes due and payable. The notes contain certain restrictive covenants regarding, among other things, incurrence of debt, sales of assets, mergers and consolidations, and limitations on restricted payments (as defined in the indenture governing the notes). We believe that we are in compliance with these covenants at March 31, 2012. Presently, we may redeem all or a portion of the notes at a redemption price of 100% plus accrued and unpaid interest through maturity in 2014.

Senior Subordinated Notes

7.125% Senior Subordinated Notes due February 2016

Significant Terms

On January 30, 2006, we issued $250 million principal amount of 7.125% senior subordinated notes due February 2016. The notes require semi-annual interest payments on February 1 and August 1 of each year, through February 2016, at which time the entire principal balance becomes due and payable. The notes contain certain restrictive covenants regarding, among other things, incurrence of debt, sales of assets, mergers and consolidations, and limitations on restricted payments (as defined in the indenture governing the notes). We believe that we are in compliance with these covenants at March 31, 2012. We may redeem all or a portion of the notes at redemption prices (expressed as percentages of the principal amount) ranging from 103.563% in 2011 to 100% in 2014 and thereafter, plus accrued and unpaid interest.

Debt Service Requirements

Debt service requirements under our current outstanding senior subordinated notes and senior notes consist of semi-annual interest payments (based upon fixed annual interest rates ranging from 6.75% to 9.125%) and repayment of our 6.75% and 7.125% senior subordinated notes due on April 15, 2014 and February 1, 2016, respectively, and repayment of our 9.125% senior notes due on December 1, 2018.

Borgata Debt

Borgata Bank Credit Facility
Significant Terms
On August 6, 2010, Marina District Finance Company, Inc. (the “MDFC”) announced that it had closed a $950 million debt financing, consisting of the establishment of a $150 million new payment priority secured revolving credit facility (the "Borgata bank credit facility") and the issuance of $800 million of aggregate principal amount of notes. MDFC is a wholly-owned subsidiary of Marina District Development Company ("MDDC"), which develops and owns Borgata, and which is the guarantor of both the Borgata bank credit facility and the notes. The proceeds from the financing were used to (i) pay fees and expenses related to the financing; (ii) repay the former credit facility; and (iii) make a one-time distribution to Borgata's joint venture owners.

On November 11, 2011, MDFC entered into a First Amendment to Credit Agreement (the "Borgata bank credit facility Amendment") among MDFC, MDDC, certain other financial institutions (each a "Lender", and collectively the "Lenders") and Wells Fargo, National Association ("Wells Fargo"), as administrative agent (in such capacity, "Administrative Agent") for the Lenders. The Amendment modifies certain terms of the Borgata bank credit facility, among Borgata, the Lenders from time to time party thereto,

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the Administrative Agent, and Wells Fargo.

The Borgata bank credit facility Amendment: (i) reduces the aggregate commitments under the Borgata bank credit facility to a maximum amount of $75 million; (ii) decreases the minimum Consolidated EBITDA (as defined in the Borgata bank credit facility) to $125 million for a trailing-twelve month period ending on the last day of a calendar quarter; (iii) eliminates the covenant requiring Borgata to have a minimum amount of cash, cash equivalents, and unused commitments; and (iv) adds a covenant prohibiting Borgata from borrowing under the Borgata bank credit facility to purchase its senior secured notes at any time when the total amount outstanding under the Borgata bank credit facility is $65 million or more.

As amended, the Borgata bank credit facility provides for a $75 million senior secured revolving credit facility and matures in August 2014. The Borgata bank credit facility is guaranteed on a senior secured basis by MDDC and any future subsidiaries of MDDC and is secured by a first priority lien on substantially all of Borgata's assets, subject to certain exceptions. The obligations under the Borgata bank credit facility have priority in payment to Borgata's senior secured notes.

Guarantees
Neither Boyd Gaming Corporation, nor its subsidiaries are guarantors of the Borgata bank credit facility, as amended.

Interest Rate
Outstanding borrowings under the Borgata bank credit facility, as amended, accrue interest at a selected rate based upon either: (i) highest of (a) the agent bank's quoted prime rate, (b) the one-month Eurodollar rate plus 1.00%, or (c) the daily federal funds rate plus 1.50%, and in any event not less than 1.50% (such highest rate, the "base rate"), or (ii) the Eurodollar rate, plus with respect to each clause (i) and (ii) an applicable margin as provided in the bank credit facility. In addition, a commitment fee is incurred on the unused portion of the Borgata bank credit facility ranging from 0.50% per annum to 1.00% per annum.

At March 31, 2012, the outstanding balance under the Borgata bank credit facility, as amended, was $22.5 million, which bore an interest rate of 4.4%. Contractual availability under the Borgata bank credit facility, as amended, at March 31, 2012 was $52.5 million.
Financial and Other Covenants
The Borgata bank credit facility, as amended, contains certain financial and other covenants, including, without limitation, (i) establishing a minimum consolidated EBITDA (as defined in the Borgata bank credit facility) of $125 million over each trailing twelve-month period ending on the last day of each calendar quarter; (ii) imposing limitations on MDFC's ability to incur additional debt; and (iii) imposing restrictions on Borgata's ability to pay dividends and make other distributions, make certain restricted payments, create liens, enter into transactions with affiliates, merge or consolidate, and engage in unrelated business activities.

Compliance with Financial Covenants
We believe that MDFC was in compliance with the amended Borgata bank credit facility covenants, specifically the minimum consolidated EBITDA, which, at March 31, 2012, was $166.9 million.

Debt Financing Costs
In conjunction with the Borgata bank credit facility and the amendment thereto, during the three months ended March 31, 2012, we did not incur any incremental debt financing costs and incurred approximately $0.4 million during the three months ended March 31, 2011, in incremental debt financing costs, which have been deferred and are being amortized over the remaining term of the Borgata bank credit facility.
Borgata Senior Secured Notes
9.5% Senior Secured Notes Due 2015

Significant Terms
In August 2010, MDFC issued, through a private placement, $400 million principal amount of 9.5% senior secured notes due October 2015, at an issue price of 98.943%, resulting in a discount at issuance of $4.2 million. The notes require semi-annual interest payments on April 15 and October 15, commencing April 15, 2011. The notes are guaranteed on a senior secured basis by MDDC and any future restricted subsidiaries of MDDC. The notes contains covenants that, among other things, limit MDFC's ability and the ability of MDDC to (i) incur additional indebtedness or liens; (ii) pay dividends or make distributions; (iii) make certain investments; (iv) sell or merge with other companies; and (v) enter into certain types of transactions. MDFC believes that it is in compliance with these covenants at March 31, 2012.

At any time prior to October 15, 2013, the notes may be redeemed at 100% of the principal amount thereof, plus a “make-whole premium” and accrued and unpaid interest. In addition, until October 15, 2013, MDFC may redeem up to 35% of the notes at a redemption price of 109.50% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, with the

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net cash proceeds from certain equity offerings. In addition, at any time prior to October 15, 2013, MDFC may redeem up to an aggregate of 10% of the notes in each twelve month period at a redemption price of 103% of the principal amount thereof plus accrued and unpaid interest, if any, to, but not including, the redemption date. On or after October 15, 2013, MDFC shall have the option to redeem the 2015 Notes, in whole or in part, at redemption prices (expressed as percentages of the principal amount) ranging from 104.75% beginning on October 15, 2013 to 102.375% beginning on October 15, 2014, plus accrued and unpaid interest to the applicable redemption date.

Borgata Senior Secured Notes

9.875% Senior Secured Notes Due 2018

Significant Terms

In August 2010, MDFC issued, through a private placement, $400 million principal amount of 9.875% senior secured notes due August 2018, at an issue price of 99.315%, resulting in an original issue discount of $2.7 million. The notes require semi-annual interest payments on February 15 and August 15, commencing February 15, 2011. The notes are guaranteed on a senior secured basis by MDDC and any future restricted subsidiaries of MDDC. The notes contain covenants that, among other things, limit MDFC's ability and the ability of MDDC to (i) incur additional indebtedness or liens; (ii) pay dividends or make distributions; (iii) make certain investments; (iv) sell or merge with other companies; and (v) enter into certain types of transactions. MDFC believes that it is in compliance with these covenants at March 31, 2012.

At any time prior to August 15, 2014, the notes may be redeemed at 100% of the principal amount thereof, plus a “make-whole premium” and accrued and unpaid interest. In addition, until August 15, 2013, MDFC may redeem up to 35% of the notes at a redemption price of 109.875% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds from certain equity offerings. In addition, at any time prior to August 15, 2013, MDFC may redeem up to an aggregate of 10% of the notes in each twelve month period at a redemption price of 103% of the principal amount thereof plus accrued and unpaid interest, if any, to, but not including, the redemption date. On or after August 15, 2013, MDFC shall have the option to redeem the 2018 Notes, in whole or in part, at redemption prices (expressed as percentages of the principal amount) ranging from 104.938% beginning on August 15, 2014, to 102.469% beginning on August 15, 2015, to 100% beginning on August 15, 2016 and thereafter, plus accrued and unpaid interest, to the applicable redemption date.

Original Issue Discount

The original issue discount has been recorded as an offset to the principal amount of these notes and is being accreted to interest expense over the term of the notes using the effective interest method. At March 31, 2012, the effective interest rate on the 9.50% notes due 2015 notes and the 10.2% notes due 2018 was 10.2% and 10.3%, respectively.

Indenture

The indenture governing both the 9.5% notes and the 9.875% notes allow for the incurrence of additional indebtedness, if after giving effect to such incurrence, our coverage ratio (as defined in the indenture, essentially a ratio of consolidated EBITDA to fixed charges, including interest) for a trailing four quarter period on a pro forma basis would be at least 2.0 to 1.0. Such pro forma coverage ratio was above 2.0 to 1.0 at the dates in which these respective tranches of senior secured notes were issued; however, at March 31, 2012, our coverage ratio (as defined in the indenture) is below 2.0 to 1.0. Accordingly, the indenture prohibits us from incurring new indebtedness; however, we may still borrow under the $150 million senior secured credit facility. At March 31, 2012, the outstanding balance under the amended credit facility was $22.5 million leaving contractual availability of $52.5 million.

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Cash Flows Summary
Three Months ended March 31. 2011 and 2010

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Net cash provided by operating activities	$77,488	$77,345
Cash flows from investing activities:		
Capital expenditures	(32,796)	(20,858)
Decrease in restricted investments	—	88
Other investing activities	28	—
Net cash used in investing activities	(32,768)	(20,770)
Cash flows from financing activities:		
Net payments under bank credit facility	(49,625)	—
Net payments under Borgata bank credit facility	(17,700)	(32,200)
Debt financing costs, net	(44)	(511)
Proceeds from issuance of non-recourse debt	919	4,428
Payments on loans to variable interest entity's members	(250)	(79)
Other financing activities	(62)	12
Net cash used in financing activities	(66,762)	(28,350)
Increase (decrease) in cash and cash equivalents	$(22,042)	$28,225

Cash Flows from Operating Activities
For the three months ended March 31, 2012, we generated operating cash flow of $77.5 million, compared to $77.3 million for the three months ended March 31, 2011, a decrease of $0.2 million. Generally, operating cash flows remained relatively flat as increases in current deferred income taxes were offset by other long-term tax liabilities, accounts payable and accrued liabilities primarily driven by net income attributable to Boyd Gaming of $5.9 million for the three months ended March 31, 2012 as compared to a net loss attributable to Boyd Gaming of $3.5 million for the comparable period in the prior year.

Cash Flows from Investing Activities
Our industry is capital intensive and we use cash flows for investments in maintenance capital expenditures, acquisitions and future development or business opportunities.

Capital Expenditures
Cash paid for capital expenditures on major projects for the three months ended March 31, 2012 were $32.8 million and included $17.5 million of (i) Borgata capital expenditures primarily related to various maintenance capital expenditures and the room remodel, (ii) $11.8 million of various maintenance capital expenditures among our wholly-owned properties, (iii) $3.3 million of IP capital improvement projects spending, and (iv) $0.2 million of Echelon development project spending. Cash paid for capital expenditures on major projects for the three months ended March 31, 2011 were (i) $20.9 million and included various maintenance capital expenditures among our wholly-owned properties of approximately (ii) $16.6 million, Borgata capital expenditures of (iii) $3.6 million for various maintenance capital expenditures and (iv) the Echelon development project, which included spending of approximately $0.7 million.

Cash Flows from Financing Activities
We rely upon our financing cash flows to provide funding for investment opportunities, repayments of obligations and ongoing operations.

Net Payments under Credit Facility

During the three months ended March 31, 2012, net amounts of $49.6 million and $17.7 million were paid under Boyd Gaming's and Borgata's respective credit facilities. During the three months ended March 31, 2011, nothing was borrowed against or paid under Boyd Gaming's Amended Credit Facility and net amounts of $32.2 were paid under Borgata's bank credit facility. The source of funds for the repayment of these credit facilities is derived primarily from cash flows from operations. We actively manage our cash position for purposes of managing our outstanding credit facility borrowings.

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Dividends

Dividends are declared at the discretion of our Board of Directors. We are subject to certain limitations regarding payment of dividends, such as restricted payment limitations related to our outstanding notes and our bank credit facility. In July 2008, our Board of Directors suspended the quarterly dividend for the current and future periods; therefore, we did not declare a dividend during the three months ended March 31, 2012 or 2011.

Share Repurchase Program

Subject to applicable corporate securities laws, repurchases under our stock repurchase program may be made at such times and in such amounts as we deem appropriate. We are subject to certain limitations regarding the repurchase of common stock, such as restricted payment limitations related to our outstanding notes and our bank credit facility. Purchases under our stock repurchase program can be discontinued at any time that we feel additional purchases are not warranted. We intend to fund the repurchases under the stock repurchase program with existing cash resources and availability under our bank credit facility.

In July 2008, our Board of Directors authorized an amendment to our existing share repurchase program to increase the amount of common stock available to be repurchased to $100 million. We are not obligated to purchase any shares under our stock repurchase program.

During the three months ended March 31, 2012 and 2011, we did not repurchase any shares of our common stock. We are currently authorized to repurchase up to an additional $92.1 million in shares of our common stock under the share repurchase program.

We have in the past, and may in the future, acquire our debt or equity securities, through open market purchases, privately negotiated transactions, tender offers, exchange offers, redemptions or otherwise, upon such terms and at such prices as we may determine.

Other Items Affecting Liquidity

There have been significant disruptions in the global capital markets that have adversely impacted the ability of borrowers to access capital. Despite these disruptions, we anticipate the ability to fund our capital requirements using cash flows from operations and availability under our Amended Credit Facility, to the extent availability exists after we meet our working capital needs for the next twelve months. Any additional financing that is needed may not be available to us or, if available, may not be on terms favorable to us. The outcome of the following specific matters, including our commitments and contingencies, may also affect our liquidity.

Commitments

There have been no material changes to our commitments described under Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2011 filed with the SEC on March 7, 2012.

Contingencies

Nevada Use Tax Refund Claims

On March 27, 2008, the Nevada Supreme Court issued a decision in Sparks Nugget, Inc. vs. The State of Nevada Department of Taxation (the “Department”), holding that food purchased for subsequent use in the provision of complimentary and/or employee meals was exempt from use tax. As a result of this decision, refund claims were filed for use tax paid, over the period November 2000 through May 2008, on food purchased for subsequent use in complimentary and employee meals at our Nevada casino properties. We estimate the refund to be in the range of $18.1 million to $20.5 million, including interest. In 2009, the Department audited and denied our refund claim while simultaneously issuing a $12.3 million sales tax deficiency assessment, plus interest of $7.5 million. We appealed both the denial of the refund claim as well as the deficiency assessment in a hearing before the Nevada Administrative Law Judge ("Judge") in September 2010. In April 2011, the judge issued a split decision, granting a refund on employee meals and applying a sales tax measure on complimentary meals; however, the ruling barred retroactive application of the sales tax measure to all years in the refund claim period, effectively overturning the Department's 2009 deficiency assessment. Both we and the Department appealed the decision to the Nevada State Tax Commission (the "Commission"). On August 8, 2011, the Commission remanded the case back for a second administrative hearing, which was held on September 26, 2011, to allow for the introduction of additional supporting documentation. The Judge issued a decision on November 8, 2011, reversing her position on the employee meal refund claim while also affirming the denial of the complimentary meal refund, as well as the denial of a retroactive application of the sales tax measure to both employee and complimentary meals. The Judge's decision was affirmed in a Commission hearing on January 23, 2012. In response to the decision, we filed a petition for judicial review, appealing such decision in Clark County District Court. Subsequent to the written Commission decision issued on February 14, 2012, the Department issued a policy directive, requesting that affected taxpayers begin collecting and remitting sales tax on complimentary and employee meals. In late March, we petitioned the Commission, along with other affected parties, to repeal or suspend the policy directives subject to promulgation in accordance with the appropriate statutory requirements. The Department responded

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by issuing draft regulations and holding a workshop for public comment on April 23, 2012. Several issues were raised at the workshop and the Department indicated that additional workshops would be required prior to finalizing the language in the regulation and its enactment. It is uncertain when the regulations will be issued in final form. Due to the uncertainty surrounding the ultimate resolution of our appeal to District Court, as well as subsequent appeals to higher levels of the state judicial system, we will not record any gain until both we and the Department have exhausted all appeal options and a final, non-appealable decision has been rendered. For periods subsequent to May 2008, we have not collected, remitted or accrued a liability for sales tax on complimentary and employee meals at our Nevada casino properties, as we do not believe it is probable, based on procedural issues with the proposed regulation and the technical merits of the Department's arguments, that we owe this tax.

Blue Chip Property Taxes

Blue Chip previously received a valuation notice from the county assessor indicating an unanticipated increase of nearly 400% to its assessed property value as of January 1, 2006. In December 2007, we received the property tax bill related to our 2006 tax assessment in the amount $6.2 million, which we appealed. In February 2009, we received a notice of revaluation, reducing the initial tax assessment by approximately $2.2 million. Since then, we have made the minimum required payment against provisional bills received in years 2007 through 2011, all of which were based on the 2006 valuation notice. During the year ended December 31, 2011, we reached settlements with the county assessor, reducing the annual valuation for years 2006 through 2009. Based on these settlements, we revised our cumulative property tax accrual to reflect the retrospective effect of the revised valuations. The impact of these revisions to the valuations resulted in a reduction of our property tax accrual of approximately $9.7 million, which was cumulatively reversed through property tax expense during the year ended December 31, 2011. During February 2012, the county set tax rates for 2007 and provided confirmation on the amount of our replacement tax credit. During the three months ended, March 31, 2012, we recognized an incremental benefit of $0.7 million as a result of the replacement tax credit.

Although we have not received valuation notices for years 2010 through 2012, or final tax rates for the years 2008 through 2012, we believe the assessments for the period from January 1, 2008 through March 31, 2012 could result in a total property tax obligation ranging between $11.2 million and $15.4 million. We have accrued, net of the payment of the minimum requirements discussed above, approximately $15.4 million for this property tax liability as of March 31, 2012, based on what we believe to be the most likely outcome within our range, once all valuations have been received and all tax rates have been finalized; however, we can provide no assurances that the estimated amount accrued will approximate the actual amount billed. The final tax assessment notices for the period January 1, 2008 through March 31, 2012, which have not been received as of March 31, 2012, could result in further adjustment to our estimated property tax liability at Blue Chip.

Copeland

Alvin C. Copeland, the sole shareholder (deceased) of an unsuccessful applicant for a riverboat license at the location of our Treasure Chest Casino (“Treasure Chest”), 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 Treasure Chest. In November 1993, Copeland objected to the relocation of Treasure Chest 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, 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

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, and the case was set to be dismissed by the court for failure to prosecute by the plaintiffs in mid-May 2007; however on May 1, 2007, the plaintiff filed a motion to set a hearing date related to the motions to dismiss. The hearing was scheduled for September 10, 2007, at which time all parties agreed to postpone the hearing indefinitely. The hearing has not yet been rescheduled.
Mr. Copeland has since passed away and his son, the executor of his estate, has petitioned the court to be substituted as plaintiff in the case. On June 9, 2009, the plaintiff filed to have the exceptions set for hearing. The parties decided to submit the exceptions to the court on the previously filed briefs. The court issued a ruling denying the exceptions on August 9, 2010. Copeland's counsel indicated a desire to move forward with the litigation and requested that the parties respond to outstanding discovery. Subsequently, on August 11, 2010, Robert J. Guidry, the co-defendant, filed a third party demand against the U.S. Attorney's Office seeking enforcement of Guidry's plea agreement which would limit Guidry's exposure in the case. On September 9, 2010, the U.S. Attorney's Office removed the suit to the U.S. District Court, Middle District of Louisiana. Pending before the District Court are a motion to dismiss for failing to state a cause of action filed by Guidry, asserting the same arguments he tried in state court, which the

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Company joined, and a motion to dismiss for lack of subject matter jurisdiction filed by the U.S. Attorney, which may result in the case being remanded to state court. The U.S. District Court heard the motions on March 16, 2011. A ruling has not yet been issued. On April 1, 2011, the U.S. Attorney's Office moved for summary judgment, maintaining its jurisdictional argument as well as seeking substantive relief. On September 2, 2011, the judge issued an Order stating that the case should be remanded to state district court but allowed for additional filings by September 13, 2011. A Remand Order was issued on September 15, 2011, sending the case back to the 19 th Judicial District Court, East Baton Rouge Parish, State of Louisiana. Guidry filed a motion for partial summary judgment on November 14, 2011 to limit the damages in the case. Treasure Chest also filed a motion for protective order on November 18, 2011. Pending motions has been continued without a future date for the hearing. 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 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.

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, which may include the following:

- the outcome of gaming license selection processes;
- the 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 Amended 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. Moreover, we can provide no assurances that any expansion opportunity will result in a completed transaction.

Off Balance Sheet Arrangements

There have been no material changes to our off balance sheet arrangements described under Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2011 filed with the SEC on March 7, 2012.

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, 2011, as originally filed with the SEC on March 7, 2012.

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 (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such statements contain words such as “may,” “will,” “might,” “expect,” “believe,” “anticipate “outlook,” “could,” “would,” “estimate,” “continue,” “pursue,” “target,” “project,” “intend,” “plan,” “seek,” “estimate,” “shoul and “continue,” or the negative thereof or comparable terminology, and may include statements regarding:

- the factors that contribute to our ongoing success and our ability to be successful in the future;
- our business model, areas of focus and strategy for realizing improved results;
- competition, including expansion of gaming into additional markets, the impact of competition on our operations, our ability to respond to such competition, and our expectations regarding continued competition in the markets in which we compete;
- our expenses;
- our commitment to having a significant presence on the Las Vegas Strip;

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- indebtedness, including Boyd Gaming's and Borgata's ability to refinance or pay amounts outstanding under our respective bank credit facilities and notes when they become due and our compliance with related covenants, and our expectation that we and Borgata will need to refinance all or a portion of our respective indebtedness at maturity;
- our expectations with respect to Borgata, including our responsibility and control over day-to-day operations and the managerial resources we expect to devote to effectuate the sale of the MGM Interest;
- our statements with respect to our B Connected loyalty program;
- our belief that our future results will be impacted by cannibalization of Borgata's business upon the opening of a new property in Atlantic City;
- our expectation regarding the trends that will affect the gaming industry over the next few years;
- our belief that consumer confidence will strengthen as the job market recovers and expands and that recent quarterly results have shown some recovery in our business and stabilization in the tourism industry;
- our expectations with respect to the valuation of Borgata's tangible and intangible assets;
- the type of covenants that will be included in any future debt instruments;
- our expectations with respect to continued disruptions in the global capital markets, the effect of this on consumer confidence and reduced levels of consumer spending and the impact of these trends on our financial results;
- our ability to meet our projected operating and maintenance capital expenditures and the costs associated with our expansion, renovations and development of new projects;
- our ability to pay dividends or to pay any specific rate of dividends, and our expectations with respect to the receipt of dividends from Borgata;
- our commitment to finding opportunities to strengthen our balance sheet and to operate more efficiently;
- our intention to pursue acquisition opportunities in a way that is strategic, deliberate and disciplined;
- our intention to fund purchases made under our share repurchase program, if any, with existing cash resources and availability under our Amended Credit Facility;
- our expenditures for capital improvement projects with respect to IP Casino Resort and Spa;
- Adjusted EBITDA, Adjusted Earnings (Loss) and Adjusted Earnings Per Share and their usefulness as measures of operating performance or valuation;
- the impact of new accounting pronouncements on our consolidated financial statements;
- that our Amended Credit Facility and Borgata's bank credit facility and our respective cash flows from operating activities will be sufficient to meet our respective projected operating and maintenance capital expenditures for the next twelve months;
- our ability to fund any expansion projects using cash flows from operations and availability under the Amended Credit Facility;
- our ability to satisfy the representations, warranties and covenants in the Lender Joinder Agreement, receive funding and make repayments under the Increased Term Loan;
- the timing of the delay of construction at Echelon, when, or if, construction will recommence, the effect that such delay will have on our business, operations or financial condition, our expectations as to the costs associated with delays related to the project as well as the value of capitalized costs and recurring project costs we expect to incur in the future, and our belief that financing for a development project like Echelon continues to be unavailable;
- expansion, development, investment and renovation plans, including the scope of such plans, expected costs, financing (including sources thereof and our expectation that long-term debt will substantially increase in connection with such projects), timing and the ability to achieve market acceptance;
- our belief that, except for the Copeland matter discussed herein, all pending claims, if adversely decided, will not have a material adverse effect on our business, financial position, or results of operations;
- our belief that the risks to our business associated with the United States Coast Guard, ("USCG") inspection should not change by reason of inspection by American Bureau of Shipping Consulting, ("ABSC");

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- development opportunities in existing or new jurisdictions and our ability to successfully take advantage of such opportunities;
- regulations, including anticipated taxes, tax credits or tax refunds expected, and the ability to receive and maintain necessary approvals for our projects;
- our expectation that Congress legalizes online gaming in the U.S.;
- our asset impairment analyses and our intangible asset and goodwill impairment tests;
- the resolution of our pending litigation, including the litigation involving Treasure Chest casino;
- our relationship with LVE including, without limitation, our mutual agreement to not initiate litigation, the monthly periodic fee and our option to purchase LVE's assets;
- the likelihood of interruptions to our rights in the land we lease under long term leases for certain of our hotels and casinos;
- the outcome of various tax audits and assessments, including our appeals thereof, timing of resolution of such audits, our estimates as to the amount of taxes that will ultimately be owed and the impact of these audits on our consolidated financial statements;
- our overall outlook, including all statements under the heading Overall Outlook in Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations;
- our ability to receive insurance reimbursement and our estimates of self-insurance accruals and future liability;
- that operating results for previous periods are not necessarily indicative of future performance;
- that estimates and assumptions made in the preparation of financial statements in conformity with U.S. GAAP may differ from actual results;
- our estimates as to the effect of any changes in our Consolidated EBITDA on our ability to remain in compliance with certain Amended Credit Facility covenants; and
- expectations, plans, beliefs, hopes or intentions regarding the future.

Forward-looking statements involve certain risks and uncertainties, and actual results may differ materially from those discussed in any such statement. Factors that could cause actual results to differ materially from such forward-looking statements include:

- The effects of intense competition that exists in the gaming industry.
- The economic downturn and its effect on consumer spending.
- The fact that our expansion, development and renovation projects (including enhancements to improve property performance) are subject to many risks inherent in expansion, development or construction of a new or existing project, including:
- design, construction, regulatory, environmental and operating problems and lack of demand for our projects;
- delays and significant cost increases, shortages of materials, shortages of skilled labor or work stoppages;
- poor performance or nonperformance of any of our partners or other third parties upon whom we are relying in connection with any of our projects;
- construction scheduling, engineering, environmental, permitting, construction or geological problems, weather interference, floods, fires or other casualty losses;
- failure by us, our partners, or Borgata to obtain financing on acceptable terms, or at all; and
- failure to obtain necessary government or other approvals on time, or at all.
- The risk that our ongoing suspension of construction at Echelon may result in adverse affects on our business, results of operations or financial condition, including with respect to our joint venture participants and other resulting liabilities;
- The risk that USCG may not continue to allow in-place underwater inspections of our riverboats;

- 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 new gaming licenses or jurisdictions become available (or offer different gaming regulations or taxes) that results in increased competition to us;
- The risk associated with owning real property, including environmental regulation and uncertainties with respect to environmental expenditures and liabilities;
- The risk associated with challenges to legalized gaming in existing or current markets;
- The risk that the actual fair value for assets acquired and liabilities assumed from any of our acquisitions differ materially from our preliminary estimates;
- The risk that negative industry or economic trends, including the market price of our common stock trading below its book value, reduced estimates of future cash flows, disruptions to our business, slower growth rates or lack of growth in our business, may result in significant write-downs or impairments in future periods;
- 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 regulatory authorities may revoke, suspend, condition or limit our gaming or other licenses, impose substantial fines and take other adverse actions against any of our casino operations;
- Our inability to select the new joint venture partner for Borgata and the possibility that a new operating agreement will be entered into with the new venture partner, which could result in changes to Borgata's ongoing operations;
- The risk that we may be unable to finance our expansion, development, investment and renovation projects, including cost overruns on any particular project, as well as other capital expenditures through cash flow, borrowings under our Amended Credit Facility or Borgata's bank credit facility and additional financings, which could jeopardize our expansion, development, investment and renovation efforts;
- The risk that we or Borgata may be unable to refinance our respective outstanding indebtedness as it comes due, or that if we or Borgata do refinance, the terms are not favorable to us or them;
- Risks associated with our ability to comply with the Total Leverage, Secured Leverage and Interest Coverage ratios in our Amended Credit Facility, and the risks associated with Borgata's ability to comply with the minimum consolidated EBITDA and minimum liquidity covenants in the Borgata bank credit facility;
- The risk that we ultimately may not be successful in dismissing the action filed against Treasure Chest and may lose our ability to operate that property, which result could 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 federal, state and local laws affecting business such as the regulation of smoking, the regulation of directors, officers, key employees and partners and regulations affecting business in general;
- The effects of extreme weather conditions or natural disasters on our facilities and the geographic areas from which 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 risk that the instability in the financial condition of our lenders could have a negative impact on our Amended Credit Facility and Borgata's bank credit facility;
- The effects of events adversely impacting the economy or the regions from which we draw a significant percentage of our customers, including the effects of the current economic recession, 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;

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- 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;
- The effect of the expansion of legalized gaming in the mid-Atlantic region; and
- Borgata's expected liabilities under the multiemployer pensions in which it operates.

Additional factors that could cause actual results to differ are discussed in Part II. Item 1A. Risk Factors of this Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 and in 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 Disclosures about Market Risk

As of March 31, 2012, 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, 2011, filed with the SEC on March 7, 2012.

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 (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)). 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. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. 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 (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) 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.

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PART II. Other Information

Item 1. Legal Proceedings

Copeland

Alvin C. Copeland, the sole shareholder (deceased) of an unsuccessful applicant for a riverboat license at the location of our Treasure Chest Casino (“Treasure Chest”), 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 Treasure Chest. In November 1993, Copeland objected to the relocation of Treasure Chest 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, 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 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, and the case was set to be dismissed by the court for failure to prosecute by the plaintiffs in mid-May 2007; however on May 1, 2007, the plaintiff filed a motion to set a hearing date related to the motions to dismiss. The hearing was scheduled for September 10, 2007, at which time all parties agreed to postpone the hearing indefinitely. The hearing has not yet been rescheduled.

Mr. Copeland has since passed away and his son, the executor of his estate, has petitioned the court to be substituted as plaintiff in the case. On June 9, 2009, the plaintiff filed to have the exceptions set for hearing. The parties decided to submit the exceptions to the court on the previously filed briefs. The court issued a ruling denying the exceptions on August 9, 2010. Copeland's counsel indicated a desire to move forward with the litigation and requested that the parties respond to outstanding discovery. Subsequently, on August 11, 2010, Robert J. Guidry, the co-defendant, filed a third party demand against the U.S. Attorney's Office seeking enforcement of Guidry's plea agreement which would limit Guidry's exposure in the case. On September 9, 2010, the U.S. Attorney's Office removed the suit to the U.S. District Court, Middle District of Louisiana. Pending before the District Court are a motion to dismiss for failing to state a cause of action filed by Guidry, asserting the same arguments he tried in state court, which the Company joined, and a motion to dismiss for lack of subject matter jurisdiction filed by the U.S. Attorney, which may result in the case being remanded to state court. The U.S. District Court heard the motions on March 16, 2011. A ruling has not yet been issued. On April 1, 2011, the U.S. Attorney's Office moved for summary judgment, maintaining its jurisdictional argument as well as seeking substantive relief. On September 2, 2011, the judge issued an Order stating that the case should be remanded to state district court but allowed for additional filings by September 13, 2011. A Remand Order was issued on September 15, 2011, sending the case back to the 19 th Judicial District Court, East Baton Rouge Parish, State of Louisiana. Guidry filed a motion for partial summary judgment on November 14, 2011 to limit the damages in the case. Treasure Chest also filed a motion for protective order on November 18, 2011. Pending motions has been continued without a future date for the hearing. 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 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. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011. We encourage investors to review the risks and uncertainties relating to our business disclosed in that Annual Report on Form 10-K, as well as those contained in Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Important Information Regarding Forward-Looking Statements, above.

If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of our securities, including our common stock, senior notes and senior subordinated notes, could decline significantly, and investors could lose all or part of their investment.

Risks Related to our Business

Our business is particularly sensitive to reductions in discretionary consumer spending as a result of downturns in the economy.

Consumer demand for entertainment and other amenities at casino hotel properties, such as ours, are particularly sensitive to downturns in the economy and the corresponding impact on discretionary spending on leisure activities. Changes in discretionary

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consumer spending or consumer preferences brought about by factors such as perceived or actual general economic conditions, effects of the current decline in consumer confidence in the economy, including the current housing, employment and credit crisis, the impact of high energy and food costs, the increased cost of travel, the potential for continued bank failures, decreased disposable consumer income and wealth, or fears of war and future acts of terrorism could further reduce customer demand for the amenities that we offer, thus imposing practical limits on pricing and negatively impacting our results of operations and financial condition.

For example, the year ended December 31, 2009 was one of the toughest economic periods in Las Vegas Locals history. The current housing crisis and economic slowdown in the United States has resulted in a significant decline in the amount of tourism and spending in Las Vegas. Similarly, weak economic conditions have also adversely affected tourism and spending in Atlantic City, where Borgata is located. Since our business model relies on consumer expenditures on entertainment, luxury and other discretionary items, continuation or deepening of the economic downturn will further adversely affect our results of operations and financial condition.

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 hotel casinos of varying quality and size in market areas where our properties are located. We also compete with other non-gaming resorts and vacation destinations, 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, developing new facilities, and acquiring established facilities in existing markets. 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. In addition, competition may intensify if our competitors commit additional resources to aggressive pricing and promotional activities in order to attract customers. If our competitors operate more successfully than we do, if they attract customers away from us as a result of aggressive pricing and promotion, if they are more successful than us in attracting and retaining employees, if their properties are enhanced or expanded, if they operate in jurisdictions that give them operating advantages due to differences or changes in gaming regulations or taxes, 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.

Also, our business may be adversely impacted by the additional gaming and room capacity in states which may be competitive in the other markets where we operate or intend to operate. Several states are also considering enabling the development and operation of casinos or casino-like operations in their jurisdictions.

For example, the expansion of casino gaming in or near the mid-Atlantic region from which Borgata attracts and expects to attract most of its customers has had an adverse effect on its business, results of operations and financial condition. In January 2010, table game legislation was signed into Pennsylvania law which allows up to 250 table games at each of the twelve largest authorized casinos and up to 50 table games at each of the remaining two smaller authorized casinos. Table games became operational at the existing casinos in the Philadelphia region in mid-July 2010. In addition, other states near New Jersey, including New York and Delaware, either have or are currently contemplating gaming legislation. In January 2010, Delaware legalized table games, which became operational in June 2010 at all three Delaware casinos. Convenience may be a more important factor than amenities for some

customers, especially mid-week and repeat customers. These customers may prefer the convenience of a closer drive to a nearby casino rather than dealing with a longer drive to enjoy the amenities that Borgata has to offer. Expansion of gaming facilities in Pennsylvania and other nearby states therefore has resulted in fewer customer visits to Borgata, which has adversely impacted Borgata's business, results of operations and financial condition.
We also compete with legalized gaming from casinos located on Native American tribal lands. Expansion 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. For example, increased competition from federally recognized Native American tribes near Blue Chip and Sam's Town Shreveport has had a negative impact on our results. Native American gaming facilities typically have a

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significant operating advantage over our properties due to lower gaming taxes, allowing those facilities to market more aggressively and to expand or update their facilities at an accelerated rate. Although we have expanded our facility at Blue Chip in an effort to be more competitive in this market, these competing Native American properties could continue to have an adverse impact on the operations of Blue Chip and Sam's Town Shreveport.

The global financial crisis and decline in consumer spending may have an effect on our business and financial condition in ways that we currently cannot accurately predict.

The significant economic distress affecting financial institutions has had, and may continue to have, far-reaching adverse consequences across many industries, including the gaming industry. Volatility in the financial markets and the weakened global economy, together with the recent downgrade of the United States credit rating and ongoing European debt crisis, have contributed to the current uncertain economic climate. The ongoing credit and liquidity crisis has greatly restricted the availability of capital and has caused the cost of capital (if available) to be much higher than it has traditionally been. Therefore, we have no assurance that we will have further access to credit or capital markets at desirable times or at rates that we would consider acceptable, and the lack of such funding could have a material adverse effect on our business, results of operations and financial condition, including our ability to refinance our or Borgata's indebtedness, our flexibility to react to changing economic and business conditions and our ability or willingness to fund new development projects.

We are not able to predict the duration or severity of the economic downturns, and the resulting impact on the solvency or liquidity of our lenders. If a large percentage of our lenders were to file for bankruptcy or otherwise default on their obligations to us, we may not have the liquidity under our Amendment and Restatement Agreement, our First Amended Credit Agreement dated as of May 24, 2007, as amended by the First Amendment and Consent to First Amended Credit Agreement, dated as of December 21, 2009 (as amended the "Amended Credit Facility") to fund our current projects. There is no certainty that our lenders will continue to remain solvent or fund their respective obligations under our Amended Credit Facility. If we were otherwise required to renegotiate or replace our Amended Credit Facility, there is no assurance that we would be able to secure terms that are as favorable to us, if at all.

We may incur impairments to goodwill, indefinite-lived intangible assets, or long-lived assets.

In accordance with the authoritative accounting guidance for goodwill and other intangible assets, we test our goodwill and indefinite-lived intangible assets for impairment annually or if a triggering event occurs. We perform the annual impairment testing for goodwill and indefinite-lived intangible assets in the second quarter of each fiscal year. The results of our annual scheduled impairment test of goodwill and indefinite-lived intangible assets did not require us to record an impairment charge during the three months ended March 31, 2012; however, as discussed below, if our estimates of projected cash flows related to these assets are not achieved, we may be subject to a future impairment charge, which could have a material adverse impact on our consolidated financial statements.

In addition, in accordance with the provisions of the authoritative accounting guidance for the impairment or disposal of long-lived assets, we test long-lived assets for impairment if a triggering event occurs. During the three months ended March 31, 2011, we performed an interim impairment test on the trademark we recorded in connection with the valuation of Borgata due to our consideration of a change in facts and circumstances surrounding an adverse change in the business climate in the Atlantic City region. As a result, we recorded a $5.0 million impairment to the trademark.

During the first quarter of 2011, we performed an interim impairment test over the trademark we recorded in connection with the valuation of Borgata due to our consideration of certain facts and circumstances surrounding an adverse change in the business climate in Atlantic City. We believe our actual results have been adversely impacted by increased regional competition, and that in addition, our projected future results will be further impacted by cannibalization of our business upon the opening of a new property in Atlantic City, which was announced in February 2011. We also believe the refinancing of Borgata's debt and recapitalization of its member equity contributed to the results of this impairment test. Having performed an initial interim impairment test related to the Borgata trademark during the first quarter of 2011, we have established the first quarter as its prospective annual impairment test date as well, and we performed an interim impairment test over the Borgata trademark at January 1, 2012.

Our analyses consisted of a valuation of the Borgata trademark, using the relief from royalty method, as discussed above. The only significant change in our assumptions from the initial fair valuation were revised revenue and profitability projections, reflecting the impact of the changed present and forecasted circumstances. The impairment test consisted of a comparison of the fair value of trademark with its carrying amount. As a result of the impairment test, we did not record any impairment in the first quarter of 2012.

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On August 1, 2008, due to the difficult environment in the capital markets, as well as weak economic conditions, we announced the delay of our multibillion dollar Echelon development project on the Las Vegas Strip. At that time, we did not anticipate the long-term effects of the current economic downturn, evidenced by lower occupancy rates, declining room rates and reduced consumer spending across the country, but particularly in the Las Vegas geographical area, nor did we predict the incremental supply of this additional supply into the market. As we do not yet believe that a significant level of economic recovery has occurred along the Las Vegas Strip, we do not expect to resume construction for three to five years, as previously disclosed. We also do not believe that financing for a development project such as Echelon is currently available on terms satisfactory to us, we do not expect to resume construction for three to five years.

The change in circumstances implies that the carrying amounts of the assets related to Echelon may not be recoverable; therefore, we performed an impairment test of these assets during the years ended December 31, 2011 and 2010. While the outcome of these evaluations resulted in no impairment of Echelon's assets, as the estimated weighted net undiscounted cash flows from the project exceeded the current carrying value of the assets of approximately $1.1 billion at both December 31, 2011 and 2010 . As we further develop and explore the viability of alternatives for the project, we will continue to monitor these assets for recoverability. If we are subject to a non-cash write-down of these assets, it could have a material adverse impact on our consolidated financial statements.

Our partner in the Holding Company, the limited liability company that owns and operates Borgata Hotel Casino and Spa in Atlantic City, New Jersey, has divested its 50% interest and we do not have the ability to select the new partner.

We own a 50% controlling interest in the limited liability company that operates Borgata. MGM currently beneficially owns the other 50% interest. As a result of the New Jersey Department of Gaming Enforcement's (the "NJDGE") investigation of MGM's relationship with its joint venture partner in Macau, MGM entered into a settlement agreement with the NJDGE and the New Jersey Casino Control Commission (the "NJCCC") under which MGM placed its 50% ownership interest in Borgata into a Divestiture Trust, which was established for the purpose of selling the MGM Interest to a third party.

We are the managing member of the limited liability company that operates Borgata, and have been, and will continue to be responsible for the day-to-day operations of Borgata, including the operations and improvement of the facility and business. Additionally, we hold a right of first refusal on any sale of the MGM Interest in Borgata. However, we believe we will expend managerial resources to effectuate the eventual sale of the MGM Interest from the Divestiture Trust to a new partner, regardless of whether we exercise our right of first refusal. Other than exercising our right of first refusal, we generally do not have the ability to affect the selection of the potential new partner at Borgata.

While we believe we will retain direct control of the operations of Borgata, based on our current and amended operating agreement, a new partner may want to negotiate greater rights or different terms. If we agree to consider changes to the operating agreement, these negotiations may decrease our ability to directly control the facility and effectively manage our financial risk. Any new partner could have economic or business interests or goals that are inconsistent with our economic or business interests or goals. The ongoing operation of the facility could change if we agree to negotiate agreements with a new partner that contain terms that differ from our existing operating agreement.

In addition, Borgata's bank credit facility, as amended, matures in August 2014. At the time of maturity, if Borgata is unable to refinance its bank credit facility on favorable terms, additional credit support and/or capital contributions may be necessary to fund the ongoing operations of Borgata. This additional credit and/or equity may need to be contributed by us or a new partner, if any, or from both. If we are unable to obtain adequate financing in a timely manner, or at all, we may be unable to meet the operating cash flow needs of Borgata, and our investment would be at risk. Moreover, if any new partner does not have the financial resources to meet its share of the obligations, or subsequently declares bankruptcy, we could be required to fund more than our 50% share.

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 October 2011, we consummated the acquisition of IP. In January 2009, we completed the hotel construction project at Blue Chip. 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 or approvals for our new projects or that gaming will be approved in jurisdictions where it is not currently approved.

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. Furthermore, there can be no assurance that there will not be similar or other challenges to legalized gaming in existing or current markets in which we may operate or have development plans, and successful challenges to legalized gaming could require us to abandon or substantially curtail our operations or development plans in those locations, which could have a material adverse effect on our financial condition and results of operations.

On August 1, 2008, we announced that, due to the difficult environment in both the capital markets, as well as weak economic conditions, we announced the delay of our multibillion dollar Echelon development project on the Las Vegas Strip as previously disclosed.

We can provide no assurances regarding the timing or effects of our delay of construction at Echelon and when, or if, construction will recommence, or the effect that such delay will have on our business, operations or financial condition. In addition, our agreements or arrangements with third parties could require additional fees or terms in connection with modifying their agreements that may be unfavorable to us, and we can provide no assurances that we will be able to reach agreement on any modified terms.

There can be no assurance that we will not face similar challenges and difficulties with respect to new development projects or expansion efforts that we may undertake, which could result in significant sunk costs that we may not be able to fully recoup or that otherwise have a material adverse effect on our financial condition and results of operations.

Our expansion, development, investment and renovation projects may face significant risks inherent in construction projects .

We regularly evaluate expansion, development, investment and renovation opportunities. On January 4, 2006, we announced our planned Las Vegas Strip development, Echelon, which represents the largest and most expensive development project we have undertaken to date.

This project 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:

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

The completion dates of any of our projects could differ significantly from expectations for construction-related or other reasons.

In addition, actual costs and construction periods for any of our projects can differ significantly from initial expectations. Our initial project costs and construction periods are based upon budgets, conceptual design documents and construction schedule estimates prepared at inception of the project in consultation with architects and contractors. Many of these costs can increase over time as the project is built to completion. We have incurred significant incremental costs in connection with delaying construction of Echelon and anticipate that additional cost increases could continue to occur if and when we recommence development of Echelon.

Additional costs upon restarting construction of Echelon could include, without limitation, costs associated with remobilization, changes in design, increases in material, labor, or insurance costs, construction code changes during the delay period, corrosive damage risk, damage to uncompleted structures, etc. 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. We can provide no assurance that any project will be completed on time, if at all, 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.

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

Certain permits, licenses and approvals necessary for some of our current or anticipated projects have no yet been obtained. The scope of the approvals required for expansion, development, investment or renovation projects can be extensive and may include

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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 obtain the necessary permits, licenses and approvals within the anticipated time frames, or at all.

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

LVE Energy Partners, LLC (“LVE”) is a joint venture between Marina Energy LLC and DCO ECH Energy, LLC. Through our wholly-owned subsidiary, Echelon Resorts LLC ("Echelon Resorts"), we have entered into an Energy Sales Agreement ("ESA") with LVE, to design, build, own (other than the underlying real property which is leased from Echelon Resorts) and operate a central energy center and related distribution system for our planned Echelon resort development. Pursuant to the ESA, LVE will provide chilled and hot water, electricity and emergency electricity generation to Echelon and potentially other joint venture entities associated with the Echelon development project or other third parties. However, since we are obligated to purchase substantially all of the output of the central energy center, we are the primary beneficiary under the terms of the ESA.

LVE has suspended construction of the central energy center while the Echelon project is delayed. On April 3, 2009, LVE notified us that, in its view, Echelon Resorts would be in breach of the ESA unless it recommences and proceeds with construction of the Echelon development project by May 6, 2009. We believe that LVE's position is without merit; however, in the event of litigation, we cannot state with certainty the eventual outcome nor estimate the possible loss or range of loss, if any, associated with this matter. On March 7, 2011, Echelon Resorts and LVE entered into both a purchase option agreement (the "Purchase Option Agreement") and a periodic fee agreement (the "Periodic Fee Agreement"). Under the Periodic Fee Agreement, Echelon Resorts and LVE have mutually agreed that neither LVE nor Echelon Resorts would give notice of, file or otherwise initiate any claim or cause of action, in or before any court, administrative agency, arbitrator, mediator or other tribunal, that arises under the ESA, subject to certain exceptions, and that any statute of limitations or limitation periods for defenses, claims, causes of actions and counterclaims shall be tolled while the Periodic Fee Agreement is in effect. The prohibition on the initiation of litigation and the tolling of the statute of limitations provided for in the Periodic Fee Agreement should be applicable to any litigation with respect to LVE's April 3, 2009 claim of an alleged breach of the ESA. Under the Periodic Fee Agreement, Echelon Resorts has agreed to pay LVE, beginning March 4, 2011, the Periodic Fee and an operation and maintenance fee until either (i) Echelon notifies LVE that it has resumed construction of a portion of the Echelon development project that it will own in fee simple and Echelon and LVE have mutually agreed to changes to the dates in their respective construction milestones under the ESA: or (ii) Echelon exercises its option to purchase LVE's assets pursuant to the terms of the Purchase Option Agreement. The amount of the Periodic Fee is fixed at $11.9 million annually through November 2013. Thereafter, the amount of the Periodic Fee is estimated to be approximately $10.8 million annually. The operation and maintenance fee cannot exceed $0.6 million per annum without Echelon Resorts' prior approval. We have posted a letter of credit in the amount of $6.0 million to secure Echelon Resorts' obligation to pay the Periodic Fee and the operation and maintenance fee.
Under the Purchase Option Agreement, Echelon Resorts has the right, at its sole discretion, upon written notice to LVE, to purchase the assets of LVE including the central energy center and related distribution system for a price of $195.1 million, subject to certain possible adjustments. The ESA will be terminated concurrent with the purchase of LVE's assets.
If we are unable to finance our expansion, development, investment and renovation projects, as well as other capital expenditures, through cash flow from operations, borrowings under our Amended Credit Facility and additional financings, our expansion, development, investment and renovation efforts will be jeopardized.We intend to finance

our current and future expansion, development, investment and renovation projects, as well as our other capital expenditures, primarily with cash flow from operations, borrowings under our Amended Credit Facility, and equity or debt financings. If we are unable to finance our current or future expansion, development, investment and renovation projects, or our other capital expenditures, we will have to adopt one or more alternatives, such as reducing, delaying or abandoning planned expansion, development, investment and renovation projects as well as other capital expenditures, selling assets, restructuring debt, reducing the amount or suspending or discontinuing the distribution of dividends, obtaining additional equity financing or joint venture partners, or modifying our Amended Credit Facility. These sources of funds may not be sufficient to finance our expansion, development, investment 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.

In the past few years there have been significant disruptions in the global capital markets that have adversely impacted the ability of borrowers to access capital. We anticipate that these disruptions may continue for the foreseeable future. We anticipate that funding for any of our expansion projects would come from cash flows from operations and availability under our Amended Credit

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Facility (to the extent that availability exists under our Amended Credit Facility, as applicable, after we meet our working capital needs).

If availability under our Amended Credit Facility does not exist or we are otherwise unable to make sufficient borrowings thereunder, any additional financing that is needed may not be available to us or, if available, may not be on terms favorable to us. As a result, if we are unable to obtain adequate project financing in a timely manner, or at all, we may be forced to sell assets in order to raise capital for projects, limit the scope of, or defer such projects, or cancel the projects altogether. In the event that capital markets do not improve and we are unable to access capital with more favorable terms, additional equity and/or credit support may be necessary to obtain construction financing for the remaining cost of the project.

Risks Related to the Regulation of our Industry

We are subject to extensive governmental regulation, as well as federal, state and local laws affecting business in general, 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 to our Annual Report on Form 10-K for the year ended December 31, 2011. 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.

Regulation of smoking

Each of New Jersey and Illinois has adopted laws that significantly restrict, or otherwise ban, smoking at our properties in those jurisdictions. The New Jersey and Illinois laws that restrict smoking at casinos, and similar legislation in other jurisdictions in which we operate, could materially impact the results of operations of our properties in those jurisdictions.

Additionally, on April 15, 2007, an ordinance in Atlantic City became effective which extended smoking restrictions under the New Jersey Smoke-Free Air Act. This ordinance mandated that casinos restrict smoking to designated areas of up to 25% of the casino floor. During April 2008, Atlantic City's City Council unanimously approved an amendment to the ordinance, banning smoking entirely on all casino gaming floors and casino simulcasting areas, but allowing smoking in separately exhausted, non-gaming, smoking lounges. The amendment to the ordinance became effective on October 15, 2008, however, on October 27, 2008, Atlantic City's City Council voted to postpone the full smoking ban for at least one year due to, among other things, the weakened economy and increased competition in adjoining states. The postponement of the full smoking ban became effective on November 16, 2008. In December 2009, Atlantic City's City Council announced that it would not consider a full smoking ban in casinos pending further review.

Regulation of directors, officers, key employees and partners

Our directors, officers, key employees and joint venture partners must meet approval standards of certain state regulatory authorities. If state regulatory authorities were to find a person occupying any such position or a joint venture partner unsuitable, we would be required to sever our relationship with that person or the joint venture partner may be required to dispose of their interest in the joint venture. State regulatory agencies may conduct investigations into the conduct or associations of our directors, officers, key employees or joint venture partners to ensure compliance with applicable standards.

Certain public and private issuances of securities and other transactions that we are party to also require the approval of some state regulatory authorities.

Regulations affecting businesses in general

In addition to gaming regulations, we are also subject to various federal, state and local laws and regulations affecting businesses in general. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, environmental matters, smoking, 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, Nevada recently enacted legislation that eliminated, in most instances, and, for certain pre-existing development projects such as Echelon, 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.

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We are subject to extensive taxation policies, which may harm our business.

The federal government has, from time to time, 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.

Nevada Use Tax Refund Claims

On March 27, 2008, the Nevada Supreme Court issued a decision in Sparks Nugget, Inc. vs. The State of Nevada Department of Taxation (the “Department”), holding that food purchased for subsequent use in the provision of complimentary and/or employee meals was exempt from use tax. As a result of this decision, refund claims were filed for use taxes paid, over the period November 2000 through May 2008, on food purchased for subsequent use in complimentary and employee meals at our Nevada casino properties. We estimate the refund to be in the range of $18.1 million to $20.5 million, including interest. In 2009, the Department audited and denied our refund claim while simultaneously issuing a $12.3 million sales tax deficiency assessment, plus interest of $7.5 million. We appealed both the denial of the refund claim as well as the deficiency assessment in a hearing before the Nevada Administrative Law Judge ("Judge") in September 2010. In April 2011, the judge issued a split decision, granting a refund on employee meals and applying a sales tax measure on complimentary meals; however, the ruling barred retroactive application of the sales tax measure to all years in the refund claim period, effectively overturning the Department's 2009 deficiency assessment. Both we and the Department appealed the decision to the Nevada State Tax Commission (the "Commission"). On August 8, 2011, the Commission remanded the case back for a second administrative hearing, which was held on September 26, 2011, to allow for the introduction of additional supporting documentation. The Judge issued a decision on November 8, 2011, reversing her position on the employee meal refund claim while also affirming the denial of the complimentary meal refund, as well as the denial of a retroactive application of the sales tax measure to both employee and complimentary meals. The Judge's decision was affirmed in a Commission hearing on January 23, 2012. In response to the decision, we filed a petition for judicial review, appealing such decision in Clark County District Court. Subsequent to the written Commission decision issued on February 14, 2012, the Department issued a policy directive, requesting that affected taxpayers begin collecting and remitting sales tax on complimentary and employee meals. In late March, we petitioned the Commission, along with other affected parties, to repeal or suspend the policy directives subject to promulgation in accordance with the appropriate statutory requirements. The Department responded by issuing draft regulations and holding a workshop for public comment on April 23, 2012. Several issues were raised at the workshop and the Department indicated that additional workshops would be required prior to finalizing the language in the regulation and its enactment. It is uncertain when the regulations will be issued in final form. Due to the uncertainty surrounding the ultimate resolution of our appeal to District Court, as well as subsequent appeals to higher levels of the state judicial system, we will not record any gain until both we and the Department have exhausted all appeal options and a final, non-appealable decision has been rendered. For periods subsequent to May 2008, we have not collected, remitted or accrued a liability for sales tax on complimentary and employee meals at our Nevada casino properties, as we do not believe it is probable, based on procedural issues with the proposed regulation and the technical merits of the Department's arguments, that we owe this tax.

Blue Chip Property Taxes

Blue Chip previously received a valuation notice from the county assessor indicating an unanticipated increase of nearly 400% to its assessed property value as of January 1, 2006. In December 2007, we received the property tax bill related to our 2006 tax assessment in the amount $6.2 million, which we appealed. In February 2009, we received a notice of revaluation, reducing the initial tax assessment by approximately $2.2 million. Since then, we have made the minimum required payment against provisional bills received in years 2007 through 2011, all of which were based on the 2006 valuation notice. During the year ended December 31, 2011, we reached settlements with the county assessor, reducing the annual valuation for years 2006 through 2009. Based on these settlements, we revised our cumulative property tax accrual to reflect the retrospective effect of the revised valuations. The impact of these revisions to the valuations resulted in a reduction of our property tax accrual of approximately $9.7 million, which was cumulatively reversed through property tax expense during the year ended December 31, 2011. During February 2012, the county set tax rates for 2007 and provided confirmation on the amount of our replacement tax credit. During the three months ended, March 31, 2012, we recognized an incremental benefit of $0.7 million as a result of the replacement tax credit.

Although we have not received valuation notices for years 2010 through 2012, or final tax rates for the years 2008 through 2012, we believe the assessments for the period from January 1, 2008 through March 31, 2012 could result in a total property tax obligation ranging between $11.2 million and $15.4 million. We have accrued, net of the payment of the minimum requirements discussed above, approximately $15.4 million for this property tax liability as of March 31, 2012, based on what we believe to be the most likely outcome within our range, once all valuations have been received and all tax rates have been finalized; however, we can provide no assurances that the estimated amount accrued will approximate the actual amount billed. The final tax assessment notices for the period January 1, 2008 through March 31, 2012, which have not been received as of March 31, 2012, could result in further adjustment to our estimated property tax liability at Blue Chip.

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New Jersey Income Taxes

Atlantic City casinos, including Borgata, currently pay a 9.25% effective tax rate on gross gaming revenues. We also pay property taxes, sales and use taxes, payroll taxes, franchise taxes, room taxes, parking fees, various license fees, investigative fees and our proportionate share of regulatory costs. Our profitability depends on generating enough revenues to pay gaming taxes and other largely variable expenses, such as payroll and marketing, as well as largely fixed expenses, such as property taxes and interest expense. Borgata is treated as a partnership for federal income tax purposes and therefore federal income taxes are the responsibility of its members. Casino partnerships in New Jersey, however, are subject to state income taxes under the Casino Control Act. Therefore, Borgata is required to record New Jersey state income taxes. We cannot assure you that the State of New Jersey will not enact legislation that increases gaming tax rates.

We own real property and are subject to extensive environmental regulation, which creates uncertainty regarding future environmental expenditures and liabilities.

We may incur costs to comply with environmental requirements, such as those relating to discharges into the air, water and land, the handling and disposal of solid and hazardous waste and the cleanup of our property affected by hazardous substances. Under these and other environmental requirements we may be required to investigate and clean up hazardous or toxic substances or chemical releases at our property. As an owner or operator, we could also be held responsible to a governmental entity or third parties for property damage, personal injury and investigation and cleanup costs incurred by them in connection with any contamination. These laws typically impose cleanup responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. The liability under those laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of the responsibility. The costs of investigation, remediation or removal of those substances may be substantial, and the presence of those substances, or the failure to remediate a property properly, may impair our ability to use our property.

Borgata is a participant in a multiemployer pension plan, and the plan has been certified in critical status by the fund's actuary.

In connection with Borgata's collective bargaining agreement with the culinary and hotel workers union, Local 54/UNITE HERE, it participates in the UNITE HERE National Retirement Fund pension plan (the “Fund”). On March 31, 2010, as a result of the extraordinary decline in the financial markets and downturn in the economy, the Fund was certified in critical status by the Fund's actuary under the federal multiemployer plan funding laws pursuant to the Pension Protection Act of 2006 (the “PPA”). In connection with the certification, the Fund's board of trustees has adopted a rehabilitation plan effective on April 1, 2010 (the “Rehabilitation Plan”) with the goal of enabling the Fund to emerge from critical status by January 1, 2023. The Rehabilitation Plan provides for certain increases in employer contributions and, in some cases, a reduction in participant benefits. On May 28, 2010, Borgata agreed upon a schedule with Local 54/UNITE HERE pursuant to which it began making increased monthly contributions to the Fund effective October 1, 2011.

Borgata's current monthly pension contributions to the Fund range from $0.4 million to $0.5 million, and its unfunded vested liability to the Fund is $47.1 million for the plan year beginning on January 1, 2010. A renewed economic decline could have a significant adverse effect on the financial condition of the Fund, which may require Borgata to make contributions in addition to those already contemplated. Any such increases in required contributions could adversely affect Borgata's results of operations.

Additionally, in connection with Borgata's collective bargaining agreements with the Local 68 Engineers Union Pension Plan and the NJ Carpenters Pension Fund, it participates in other multiemployer pension plans that have been certified in critical status under the federal multiemployer plan funding laws pursuant to the PPA. The boards of trustees of these plans have adopted rehabilitation plans and Borgata is currently in discussions with the boards regarding its level of participation in the rehabilitation plans. The impact of the rehabilitation plans is not expected to have a material adverse effect on Borgata's financial condition, results of operations or cash flows. Borgata's current monthly pension contributions to the funds associated with these plans is approximately less than $0.1 million per month in the aggregate. Borgata's aggregate unfunded vested liability to these funds is approximately $4.3 million.

Under applicable federal law, any employer contributing to a multiemployer pension plan that completely ceases participating in the plan while it is underfunded is subject to payment of such employer's assessed share of the aggregate unfunded vested benefits of the plan. In certain circumstances, an employer can also be assessed withdrawal liability for a partial withdrawal from a multiemployer pension plan. Based on an estimate provided by the Fund in April 2010, Borgata has estimated that its pre-tax withdrawal, assuming a hypothetical immediate and complete withdrawal from the Fund, could be in excess of $47 million. In addition, Borgata estimates the pre-tax withdrawal liability for the other funds to which it contributes to be approximately $4.0 million. However, the exact amount of potential exposure could be higher or lower than the estimate, depending on, among other things, the nature and timing of any triggering events and the funded status of the Fund, or other funds to which it contributes, at that time.

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Risks Related to our Properties

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

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, due to flooding of the Mississippi River, the Mississippi Gaming Commission ordered the nine casinos located in Tunica, Mississippi to close indefinitely to ensure the safety of visitors and employees. Accordingly, effective May 1, 2011, we closed Sam's Town Hotel and Gambling Hall in Tunica. We were able to reopen on May 28, 2011; however, Sam's Town Hotel and Gambling Hall suffered minor damage, and we are still negotiating a settlement with our insurer.

In addition, certain of our properties have been forced to close due to hurricanes. In August 2008, Treasure Chest was closed for eight days over Labor Day weekend due to Hurricane Gustav. In September 2008, Treasure Chest was closed for two days as a result of Hurricane Ike and in 2005 the property was closed for 44 days as a result of Hurricane Katrina. Delta Downs was closed for six days in August 2008 due to Hurricane Gustav and seven days in September 2008 due to Hurricane Ike. In 2005, Delta Downs suffered significant property damage as a result of Hurricane Rita and closed for 42 days. In September 2011, Borgata was closed for 3 days due to Hurricane Irene. Moreover, Blue Chip, Par-A-Dice, Sam's Town Tunica, Sam's Town Shreveport, Treasure Chest and Borgata are each located in an area that has been identified by the director of the Federal Emergency Management Agency ("FEMA") as a special flood hazard area, which, according to the FEMA statistics, has a 1% chance of a flood equal to or exceeding the base flood elevation (a 100-year flood) in any given year.

In addition to the risk of flooding and hurricanes, snowstorms and other adverse weather conditions may interrupt our operations, damage our properties and reduce the number of customers who visit our facilities in the affected area. For example, during January and February 2011, much of the country was impacted by some of the worst winter weather in decades, particularly in the Midwest. Although our properties at Blue Chip and Par-A-Dice were not closed as a result, these storms made it very difficult for our customers to visit, and we believe such winter weather had a material and adverse impact on the results of our operations during such time. Additionally, February 2010 was the snowiest month ever recorded in Atlantic City, which generally kept would-be gamblers from traveling to Borgata, contributing to a drop in Borgata's monthly revenues from January to February. The 2010 winter season was the worst on record, and travel throughout the entire Northeast was extremely difficult. The residual impact from these record winter storms resulted in day trip visitations to Atlantic City that were reduced or delayed as regional school calendars were extended in order to make up for prior school closures. Additionally, extreme heat and low precipitation levels in the latter half of the first six months of 2010, particularly in the month of June, had an adverse impact on visitation and spending at Borgata's property. If there is a prolonged disruption at Borgata or any of our other properties due to natural disasters, terrorist attacks or other catastrophic events, our results of operations and financial condition could be materially adversely affected.

While we maintain insurance coverage that may cover certain of the costs and loss of revenue that 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 results of operations could be materially adversely affected.

If we are not ultimately successful in dismissing the action filed against Treasure Chest Casino, 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 (deceased) of an unsuccessful applicant for a riverboat license at the location of our Treasure Chest Casino ("Treasure Chest"), 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 Treasure Chest. In November 1993, Copeland objected to the relocation of Treasure Chest 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, 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

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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 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, and the case was set to be dismissed by the court for failure to prosecute by the plaintiffs in mid-May 2007; however on May 1, 2007, the plaintiff filed a motion to set a hearing date related to the motions to dismiss. The hearing was scheduled for September 10, 2007, at which time all parties agreed to postpone the hearing indefinitely. The hearing has not yet been rescheduled. Mr. Copeland has since passed away and his son, the executor of his estate, has petitioned the court to be substituted as plaintiff in the case. On June 9, 2009, the plaintiff filed to have the exceptions set for hearing. The parties decided to submit the exceptions to the court on the previously filed briefs. The court issued a ruling denying the exceptions on August 9, 2010. Copeland's counsel indicated a desire to move forward with the litigation and requested that the parties respond to outstanding discovery. Subsequently, on August 11, 2010, Robert J. Guidry, the co-defendant, filed a third party demand against the U.S. Attorney's Office seeking enforcement of Guidry's plea agreement which would limit Guidry's exposure in the case. On September 9, 2010, the U.S. Attorney's Office removed the suit to the U.S. District Court, Middle District of Louisiana. Pending before the District Court are a motion to dismiss for failing to state a cause of action filed by Guidry, asserting the same arguments he tried in state court, which the Company joined, and a motion to dismiss for lack of subject matter jurisdiction filed by the U.S. Attorney, which may result in the case being remanded to state court. The U.S. District Court heard the motions on March 16, 2011. A ruling has not yet been issued. On April 1, 2011, the U.S. Attorney's Office moved for summary judgment, maintaining its jurisdictional argument as well as seeking substantive relief. On September 2, 2011, the judge issued an Order stating that the case should be remanded to state district court but allowed for additional filings by September 13, 2011. A Remand Order was issued on September 15, 2011, sending the case back to the 19 th Judicial District Court, East Baton Rouge Parish, State of Louisiana. Guidry filed a motion for partial summary judgment on November 14, 2011 to limit the damages in the case. Treasure Chest also filed a motion for protective order on November 18, 2011. Pending motions has been continued without a future date for the hearing. 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.

Our insurance coverage may not be adequate to cover all possible losses that our properties could suffer. In addition, our insurance costs may increase and we may not be able to obtain similar insurance coverage in the future.

Although we have “all risk” property insurance coverage for our operating properties, which covers damage caused by a casualty loss (such as fire, natural disasters, acts of war, or terrorism), each policy has certain exclusions. In addition, our property insurance coverage is in an amount that may be significantly less than the expected replacement cost of rebuilding the facilities if there was a total loss. Our level of insurance coverage also may not be adequate to cover all losses in the event of a major casualty. In addition, certain casualty events, such as labor strikes, nuclear events, acts of war, loss of income due to cancellation of room reservations or conventions due to fear of terrorism, deterioration or corrosion, insect or animal damage and pollution, may not be covered at all under our policies. Therefore, certain acts could expose us to substantial uninsured losses.

We also have “builder's risk” insurance coverage for our development and expansion projects, including Echelon. Builder's risk insurance provides coverage for projects during their construction for damage caused by a casualty loss. In general, our builder's risk coverage is subject to the same exclusions, risks and deficiencies as those described above for our all risk property coverage. Our level of builder's risk insurance coverage may not be adequate to cover all losses in the event of a major casualty.

Blue Chip, Par-A-Dice, Sam's Town Tunica, Sam's Town Shreveport, Treasure Chest and Borgata are each located in an area that has been identified by the director of the FEMA as a special flood hazard area. According to the FEMA statistics, a special flood hazard area has a 1% chance of a flood equal to or exceeding the base flood elevation (a 100-year flood) in any given year. Over a 30-year period, the risk of a 100-year flood in a special flood hazard area is 26%. Our level of flood insurance coverage may not be adequate to cover all losses in the event of a major flood.

Due to flooding of the Mississippi River, Sam's Town Hotel and Gambling Hall was closed from May 1, 2011 until May 28, 2011. Sam's Town Hotel and Gambling Hall was damaged, and while we carry business interruption insurance and general liability insurance, we have not settled on our claims, and this insurance may not be adequate to cover all losses in any such event.

We renew our insurance policies (other than our builder's risk insurance) on an annual basis. The cost of coverage may become so high that we may need to further reduce our policy limits or agree to certain exclusions from our coverage.

Our debt instruments and other material agreements require us to meet certain standards related to insurance coverage. Failure to satisfy these requirements could result in an event of default under these debt instruments or material agreements.

We draw a significant percentage of our customers from certain geographic regions. Events adversely impacting the economy

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or these regions, including public health outbreaks and man-made or natural disasters, may adversely impact our business.

The California, Fremont and Main Street Station draw a substantial portion of their customers from the Hawaiian market. For the three months ended March 31, 2012, patrons from Hawaii comprised 69% of the room nights sold at the California, 48% at Fremont and 52% at Main Street Station, Decreases in discretionary consumer spending, as well as 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 the Southern California, Arizona and Las Vegas local markets. 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 man-made or natural disasters in or around Nevada, or the areas from which we draw customers to our Las Vegas properties, could have a significant adverse effect on our business, financial condition and results of operations. Each of our properties located outside of Nevada depends primarily on visitors from their respective surrounding regions and are subject to comparable risk.

Additionally, the expansion of casino gaming in or near the mid-Atlantic region from which Borgata attracts and expects to attract most of its customers could have a significant adverse effect on its business, results of operations and financial condition. In 2010, Pennsylvania passed legislation allowing table games at certain casinos in the state, and other states near New Jersey, including New York, Delaware, Connecticut, and Maryland have or are currently contemplating gaming legislation. The expansion of gaming facilities in nearby states will further increase competition and may adversely impact our business, financial condition and results of operations.

Borgata also competes with Native American tribes in the Northeast and Mid-Atlantic region. Expansion of Native American gaming could have an adverse effect on Borgata's business, results of operations and financial condition, as Native American gaming facilities typically have a significant operating advantage over Borgata due to lower gaming taxes, allowing those facilities to market more aggressively and to expand or update their facilities at an accelerated rate.

The strength and profitability of our business depends on consumer demand for hotel casino resorts in general and for the type of amenities our properties offer. Changes in consumer preferences or discretionary consumer spending could harm our business. The terrorist attacks of September 11, 2001, other terrorist activities in the United States and elsewhere, military conflicts in Iraq, Afghanistan and in the Middle East, outbreaks of infectious disease and pandemics, adverse weather conditions and natural disasters, among other things, have had negative impacts on travel and leisure expenditures. In addition, other factors affecting travel and discretionary consumer spending, including general economic conditions, disposable consumer income, fears of further economic decline and reduced consumer confidence in the economy, may negatively impact our business. We cannot predict the extent to which similar events and conditions may continue to affect us in the future. An extended period of reduced discretionary spending and/or disruptions or declines in tourism could significantly harm our operations.

Furthermore, our facilities are subject to the risk that operations could be halted for a temporary or extended period of time, as a result of casualty, flooding, forces of nature, adverse weather conditions, mechanical failure, or extended or extraordinary maintenance, among other causes. If there is a prolonged disruption at any of our properties due to natural disasters, terrorist attacks or other catastrophic events, our results of operations and financial condition could be materially adversely affected.

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, including pandemic health threats, such as the avian influenza virus, SARS, or the H1N1 flu, among others, could have a significant adverse affect on our business, financial condition and results of operations. Likewise, adverse economic conditions that affect the national or regional economies in which we operate, whether resulting from war, terrorist activities or other geopolitical conflict, weather, general or localized economic downturns or related events 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 effects of the economic recession and continued economic downturn, 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 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, including jet fuel prices, in the United States have, and may continue to, negatively affect our results of operations. The extent of the impact is subject to the magnitude and duration of the energy and fuel price

increases, of which the impact could be material. In addition, energy and gasoline price increases could result in a decline of 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.

Borgata has an executory contract with a wholly-owned subsidiary of a local utility company with terms that extend to June 2028, 20 years from the opening of The Water Club. The utility company provides Borgata with electricity and thermal energy (hot water and chilled water). Obligations under the thermal energy executory contract contain both fixed fees and variable fees based upon usage rates. The fixed fee components under the thermal energy executory contract were estimated at approximately $11.0 million per annum as of September 30, 2011. Borgata is also obligated to purchase a certain portion of its electricity demand at essentially a fixed rate which is estimated at approximately $1.7 million per annum. Electricity demand in excess of the commitment is subject to market rates based on Borgata's tariff class.

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 United States Coast Guard ("USCG") 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 USCG 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 would preclude its use as a casino.

USCG regulations require a hull inspection for all riverboats at five-year intervals. Under certain circumstances, alternative hull inspections may be approved. The USCG may require that such hull inspections be conducted at a 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 USCG has allowed in-place underwater inspections of our riverboats twice every five years on alternate two and three year schedules. The USCG may not continue to 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.

Indiana and Louisiana have adopted alternate inspection standards for riverboats in those states. The standards require inspection by the American Bureau Shipping Consulting ("ABSC"). ABSC inspection for our riverboats at Blue Chip, Treasure Chest and Sam's Town Shreveport commenced during 2010. The Par-A-Dice riverboat will remain inspected by the USCG for the foreseeable future. ABSC imposes essentially the same design, personnel, safety, and hull inspection standards as the USCG. Therefore, the risks to our business associated with USCG inspection should not change by reason of inspection by ABSC. Failure of a vessel to meet the applicable USCG or ABSC standards would preclude its use as a casino.

USCG 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 maritime security requirements at riverboat casinos and their respective dockside facilities. Only portions of those regulations will apply to our riverboats inspected by ABSC. Changes to these regulations could adversely affect our business, financial condition and results of operations.

Some of our hotels and 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 and/or casino.

We lease certain parcels of land on which The Orleans, Suncoast, Treasure Chest, Sam's Town Shreveport and Borgata's hotel and gaming facility are located. In addition, we lease other parcels of land on which portions of the Cal and the Fremont are located. As a ground lessee, we have the right to use the leased land; however, we do not retain fee ownership in the underlying land. Accordingly, with respect to the leased land, we will have no interest in the land or improvements thereon at the expiration of the ground leases. Moreover, since we do not completely control the land underlying the property, a landowner could take certain actions to disrupt our rights in the land leased under the long term leases. While such interruption is unlikely, such events are beyond our control. If the entity owning any leased land chose to disrupt our use either permanently or for a significant period of time, then the value of our assets could be impaired and our business and operations could be adversely affected. 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 hotels and casinos. This would have a significant adverse

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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.

Risks Related to our Indebtedness

We have a significant amount of indebtedness.

We had total consolidated long-term debt, net of current maturities, of approximately $3.30 billion at March 31, 2012. If we pursue, or continue to pursue, any expansion, development, investment or renovation projects, we expect that our long-term debt will substantially increase in connection with related capital expenditures. This indebtedness could have important consequences, including:

- difficulty in satisfying our obligations under our current indebtedness;
- increasing our vulnerability to general adverse economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flows 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;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- placing us at a disadvantage compared to our competitors that have less debt; and
- limiting, 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 our business, results of operations and financial condition.

Our debt instruments contain, and any future debt instruments likely will contain, a number of restrictive covenants that impose significant operating and financial restrictions on us, including restrictions on our ability to, among other things:

- incur additional debt, including providing guarantees or credit support;
- incur liens securing indebtedness or other obligations;
- dispose of assets;
- make certain acquisitions;
- pay dividends or make distributions and make other restricted payments;
- enter into sale and leaseback transactions;
- engage in any new businesses; and
- enter into transactions with our stockholders and our affiliates.

Boyd Gaming Amended Credit Facility

Aggregate commitments under the Amended Credit Facility are approximately $1.58 billion (including $814. million of term loans and $765 million of revolving commitments). In November 2011, we exercised $350 million of a $500 million increase option under our Amended Credit Facility. At December 31, 2011, our Amended Credit Facility provides a revolving facility of $1.8 billion, the original term of approximately $475 million, and the increased term loan of $350 million. The Amended Credit Facility also allows for additional increases to the commitments of $150 million through additional revolving term loans.

Term loans under the Amended Credit Facility amortize in an annual amount equal to 5% of the original principal amount thereof, payable on a quarterly basis. Amortization on the original term loan commenced on March 31, 2011; amortization on the increased term loan will commence on March 31, 2012.

The interest rate per annum applicable to revolving and term loans under the Amended Credit Facility are based upon, at our option, LIBOR or the “base rate” plus an applicable margin in either case. The "base rate" under the Amended Credit Facility is the highest of (x) Bank of America's publicly-announced prime rate, (y) the federal funds rate plus 0.50%, or (z) (i) with respect to the revolving facility and the original term loan, the Eurodollar rate for a one month period plus 1.00% and (ii) with respect to the increased term loan, the "effective Eurodollar rate". The "effective

Eurodollar rate" is defined as the greater of (x) the Eurodollar Rate in effect for such Eurodollar Rate Loan under the Amended Credit Facility and (y) 1.25% for any interest period.

The applicable margin on the outstanding balance on the revolving facility and the original term loan is a percentage per annum determined in accordance with a specified pricing grid based on the total leverage ratio which ranges from 2.50% to 3.50% (if using LIBOR), and from 1.50% to 2.50% (is using the base rate). The interest rate per annum applicable to the increased term loan is (a) the effective Eurodollar rate plus 4.75% if and to the extent the increased term loan is a Eurodollar Rate Loan under the Amended Credit Facility and (b) the base rate plus 3.75% if and to the extent the increased term loan is a Base Rate Loan under

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the Amended Credit Facility.
The Amended Credit Facility contains certain financial and other covenants, including, without limitation, various covenants that:

- require the maintenance of a minimum consolidated interest coverage ratio;
- establish a maximum permitted consolidated total leverage ratio;
- establish a maximum permitted secured leverage ratio;
- impose limitations on the incurrence of indebtedness;
- impose limitations on transfers, sales and other dispositions; and
- impose restrictions on investments, dividends and certain other payments.

Subject to certain exceptions, we may be required to repay the amounts outstanding under the Amended Credit Facility in connection with certain asset sales and issuances of certain additional secured indebtedness.
In addition, our Amended Credit Facility requires us to maintain certain ratios, including a minimum Interest Coverage Ratio (as defined in the Amended Credit Facility) of 2.00 to 1.00, a Total Leverage Ratio and a Secured Leverage Ratio (both as defined in the Amended Credit Facility) that adjust over the life of our Amended Credit Facility. We believe that we were in compliance with the Amended Credit Facility covenants, including the minimum consolidated Interest Coverage Ratio, the maximum permitted consolidated Total Leverage Ratio and the maximum permitted Secured Leverage Ratio, which, at March 31, 2012, were 2.48 to 1.00, 6.71 to 1.00 and 4.17 to 1.00, respectively.
At March 31, 2012, assuming our current level of Consolidated Funded Indebtedness remains constant, we estimate that an 13.5% or greater decline in our twelve-month trailing Consolidated EBITDA, as compared to March 31, 2011, would cause us to exceed our maximum permitted consolidated Total Leverage Ratio covenant for that period. In addition, at March 31, 2012, assuming our current level of Secured Indebtedness remains constant, we estimate that 7.6% or greater decline in our twelve-month trailing Consolidated EBITDA, as compared to March 31, 2011, would cause us to exceed our maximum permitted Secured Leverage Ratio covenant for that period. Additionally, at March 31, 2012, assuming our current level of interest expense remains constant, we estimate that a 19.5% or greater decline in our twelve-month trailing Consolidated EBITDA, as compared to March 31, 2011, would cause us to go below our minimum consolidated Interest Coverage Ratio covenant for that period.

However, in the event that we project our Consolidated EBITDA may decline by such levels or more, we could implement certain actions in an effort to minimize the possibility of a breach of the maximum permitted consolidated Total Leverage Ratio, the maximum permitted Secured Leverage Ratio and the minimum consolidated Interest Coverage Ratio covenants. These actions may include, among others, reducing payroll, benefits and certain other operating costs, deferring or eliminating certain maintenance, expansion or other capital expenditures, reducing our outstanding indebtedness through repurchases or redemption, and/or increasing cash by selling assets or issuing equity.

In addition, Borgata has significant indebtedness which could affect its ability to pay dividends to us. While we received a one-time distribution from Borgata of approximately $135.4 million in August 2010 in connection with Borgata's financing, any future distribution from Borgata (other than distributions to satisfy tax liabilities relating to income of Borgata) will be subject to the limitations on dividends, distributions and certain other restricted payments under Borgata's bank credit agreement and the indenture governing Borgata's senior secured notes.
We did not receive distributions from Borgata during the three months ended March 31, 2012. Prior to the August 2010 distribution, our distributions from Borgata were $17.5 million during the nine months ended September 30, 2010. Other than the August 2010 distribution, the distributions from Borgata have generally declined as a result of the decline in Borgata's operating results. Borgata has significant uses for its cash flows, including maintenance 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.

In addition, Borgata's bank credit facility contains customary affirmative and negative covenants, including covenants that limit Borgata's ability to:

- incur additional debt;
- pay dividends and make other distributions;
- create liens;
- enter into transactions with affiliates;
- merge or consolidate; and

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- engage in unrelated business activities.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

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 flows from operations, or that future borrowings will be available to us under our Amended Credit Facility in amounts sufficient to enable us to pay our indebtedness, as such indebtedness matures and to fund our other liquidity needs. We believe that we will need to refinance all or a portion of our indebtedness, at maturity, and cannot provide assurances that we will be able to refinance any of our indebtedness, including our Amended Credit Facility, on commercially reasonable terms, or at all. We may 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 effected 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.

We and our subsidiaries may still be able to incur substantially more debt, which could further exacerbate the risks described above.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. The terms of the indentures governing our senior subordinated and senior notes and Borgata's senior secured notes do not fully prohibit us or our subsidiaries from doing so. Approximately $175.8 million of contractual availability was available for borrowing under our Amended Credit Facility as of March 31, 2012. If new debt is added to our, or our subsidiaries', current debt levels, the related risks that we or they now face could intensify.

Borgata may be unable to refinance its indebtedness.

In August 2010, Borgata entered into a $150 million bank credit facility that matures in August 2014 and issued $800 million in senior secured debt, $400 million of which matures in October 2015 and $400 million of which matures in August 2018.

On November 11, 2011, MDFC entered into the "Borgata bank credit facility Amendment", which, among other things, modifies certain terms of the Borgata bank credit facility. The Borgata bank credit facility Amendment: (i) reduces the aggregate commitments under the Borgata bank credit facility to a maximum amount of $75 million; (ii) decreases the minimum Consolidated EBITDA (as defined in the Borgata bank credit facility, as amended) to $125 million for a trailing-twelve month period ending on the last day of a calendar quarter; (iii) eliminates the covenant requiring Borgata to have a minimum amount of cash, cash equivalents, and unused commitments; and (iv) adds a covenant prohibiting Borgata from borrowing under the Borgata bank credit facility, as amended, to purchase its senior secured notes at any time when the total amount outstanding under the Borgata bank credit facility is $65 million or more.

Borgata's ability to refinance its indebtedness will depend on its ability to generate future cash flow and Borgata is entirely dependent on its operations, including the Water Club, for all of its cash flow. Its ability to generate cash in the future, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control.

It is unlikely that Borgata's business will generate sufficient cash flows from operations in amounts sufficient to enable it to pay the principal on its indebtedness at maturity and to fund its other liquidity needs. We believe Borgata will need to refinance all or a portion of its indebtedness before maturity, and we cannot provide assurances that it will be able to repay or refinance its indebtedness on commercially reasonable terms, or at all. Borgata may 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, New Jersey laws and regulations contain restrictions on the ability of companies engaged in the gaming business to undertake certain financing transactions. Such restrictions may prevent Borgata from obtaining necessary capital.

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

We intend to finance our current and future expansion, development, investment and renovation projects, as well as our other capital expenditures, primarily with cash flow from operations, borrowings under the Amended Credit Facility, and equity or debt financings. If we are unable to finance our current or future expansion, development, investment and renovation projects, or our

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other capital expenditures, we will have to adopt one or more alternatives, such as reducing, delaying or abandoning planned expansion, development, investment and renovation projects as well as other capital expenditures, selling assets, restructuring debt, reducing the amount or suspending or discontinuing the distribution of dividends, obtaining additional equity financing or joint venture partners, or modifying the Amended Credit Facility. These sources of funds may not be sufficient to finance our expansion, development, investment 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.

Recently, there have been significant disruptions in the global capital markets that have adversely impacted the ability of borrowers to access capital. We anticipate that these disruptions may continue for the foreseeable future. We anticipate that we will be able to fund any expansion projects using cash flows from operations and availability under the Amended Credit Facility (to the extent that availability exists after we meet our working capital needs).

If availability under the Amended Credit Facility does not exist or we are otherwise unable to make sufficient borrowings thereunder, any additional financing that is needed may not be available to us or, if available, may not be on terms favorable to us. As a result, if we are unable to obtain adequate project financing in a timely manner, or at all, we may be forced to sell assets in order to raise capital for projects, limit the scope of, or defer such projects, or cancel the projects altogether. In the event that capital markets do not improve and we are unable to access capital with more favorable terms, additional equity and/or credit support may be necessary to obtain construction financing for the remaining cost of the project.

Risks Related to our Equity Ownership

Our common stock price may fluctuate substantially, and a shareholder's investment could decline in value.

The market price of our common stock may 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;
- 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, without limitation, 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 and/or 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.

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

William S. Boyd, our Executive Chairman of the Board of Directors, together with his immediate family, beneficially owned 36.4% of the Company's outstanding shares of common stock as of March 31, 2012. As such, the Boyd family has the ability to significantly influence our affairs, including the election of members of our Board of 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.

Item 6. Exhibits

Exhibits

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Exhibit No.	Document of Exhibit	Method of Filing
31.1	Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act rule 13a-14(a).	Filed electronically herewith
31.2	Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act rule 13a-14(a).	Filed electronically herewith
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.	Filed electronically herewith
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.	Filed electronically herewith
101	The following materials from Boyd Gaming Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011, (ii) Condensed Consolidated Statements of Operations for the three months ended March 31, 2012 and 2011, (iii) Condensed Consolidated Statement of Changes in Stockholders' Equity for the three months ended March 31, 2012, (iv) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011, and (vi) Notes to Condensed Consolidated Financial Statements.*	Filed electronically herewith

* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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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 May 4, 2012.

BOYD GAMING CORPORATION

By: /S/ ELLIE J. BOWDISH
Ellie J. Bowdish
Vice President and Chief Accounting Officer
(Principal Accounting Officer)

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EXHIBIT LIST

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