BOYD GAMING CORP
Form 10-Q
November 09, 2011

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 September 30, 2011

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 October 31, 2011

Common stock, $0.01 par value	86,317,735

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BOYD GAMING CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED SEPTEMBER 30, 2011
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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.

When we filed our Annual Report on Form 10-K for the year ended December 31, 2010 with the Securities and Exchange Commission ("SEC") on March 15, 2011, and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 with the SEC on October 27, 2010 (the “Provisional Form 10-K” or “Provisional Form 10-Q”, respectively, or collectively, the “Provisional Forms”), the initial acquisition method accounting for the effective change in control of Borgata Hotel Casino and Spa ("Borgata") was incomplete. The application of acquisition method accounting, required in accordance with the authoritative accounting guidance for business combinations, initially had the following effects on our unaudited 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 provisional fair value of the identifiable assets and liabilities in accordance with promulgated valuation recognition and measurement provisions; and (iii) we recorded the provisional fair value of the noncontrolling interest held in trust as a separate component of our stockholders' equity.

Since the filing of the Provisional Forms, we have made adjustments to the provisional fair value amounts recognized at the date of effective change in control, or March 24, 2010, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. These adjustments, referred to herein as “measurement period adjustments” materially shifted the value of certain tangible and intangible assets. We have applied the measurement period adjustments retrospectively to the condensed consolidated balance sheet reported as of December 31, 2010, as previously reported in the Provisional Form 10-K; however, the impact on the accompanying condensed consolidated statement of operations for the three and nine months ended September 30, 2010, as retrospectively adjusted to the statement as reported in the Provisional Form 10-Q was not material, and was therefore not adjusted for any measurement period adjustments.

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, 2010. The Provisional Form 10-K, as originally filed with the SEC on March 15, 2011, was subsequently revised on a Form 8-K filed on September 2, 2011 (the "Retrospective Form 8-K"). This Retrospective Form 8-K updated the audited consolidated financial statements and certain other items of the Provisional Form 10-K, specifically and primarily related to the recasting of the consolidated balance sheet as of December 31, 2010, and related notes thereto. The updated historical financial statements, and other conforming changes to the Provisional Form 10-K are filed as Exhibit 99.1 to the Retrospective Form 8-K and have been updated, solely to include the retrospective measurement period adjustments and new footnote disclosure. All other information provided in the Provisional Form 10-K, unless otherwise provided, remain unchanged and the Retrospective Form 8-K does not modify or update such other disclosures in the Provisional Form 10-K in any other way.

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BOYD GAMING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited and in thousands, except share and per share data)

	September 30, 2011	December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	$187,118	$145,623
Restricted cash	22,692	19,494
Accounts receivable, net	47,145	47,942
Inventories	14,321	16,029
Prepaid expenses and other current assets	53,151	37,153
Income taxes receivable	—	5,249
Deferred income taxes	9,113	8,149
Total current assets	333,540	279,639
Property and equipment, net	3,296,396	3,383,371
Assets held for development	1,119,845	1,119,403
Debt financing costs, net	30,322	34,993
Restricted investments	20,984	48,168
Other assets, net	77,084	70,425
Intangible assets, net	547,075	539,714
Goodwill, net	213,576	213,576
Total assets	$5,638,822	$5,689,289
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	$363,598	$25,690
Non-recourse obligations of variable interest entity	221,912	243,059
Accounts payable	55,227	57,183
Income taxes payable	3,122	6,504
Accrued liabilities	305,450	278,469
Total current liabilities	949,309	610,905
Long-term debt, net of current maturities	2,802,075	3,193,065
Deferred income taxes	364,295	362,174
Other long-term tax liabilities	46,882	44,813
Other liabilities	72,369	83,589
Commitments and contingencies (Note 10)		
Stockholders' equity		
Preferred stock, $0.01 par value, 5,000,000 shares authorized	—	—
Common stock, $0.01 par value, 200,000,000 shares authorized; 86,290,986 and 86,244,978 shares outstanding	863	862
Additional paid-in capital	642,243	635,028
Retained earnings	557,546	560,909
Accumulated other comprehensive loss, net	—	(7,594)
Total Boyd Gaming Corporation stockholders' equity	1,200,652	1,189,205
Noncontrolling interest	203,240	205,538
Total stockholders' equity	1,403,892	1,394,743
Total liabilities and stockholders' equity	$5,638,822	$5,689,289

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
(Unaudited and in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
REVENUES				
Operating revenues:				
Gaming	$500,824	$503,746	$1,469,316	$1,344,283
Food and beverage	99,221	101,164	285,883	255,166
Room	64,831	64,142	181,881	154,247
Other	34,105	33,960	100,412	91,595
Gross revenues	698,981	703,012	2,037,492	1,845,291
Less promotional allowances	108,766	107,634	307,928	256,332
Net revenues	590,215	595,378	1,729,564	1,588,959
COST AND EXPENSES				
Operating costs and expenses:				
Gaming	230,675	237,601	680,457	635,461
Food and beverage	50,868	50,690	148,516	132,481
Room	13,586	13,661	39,921	36,767
Other	28,617	28,089	82,191	74,333
Selling, general and administrative	96,301	100,697	288,872	270,641
Maintenance and utilities	40,925	42,661	115,113	104,770
Depreciation and amortization	46,034	52,451	145,106	147,905
Corporate expense	11,025	11,021	36,569	36,636
Preopening expenses	1,720	2,684	5,292	4,990
Write-downs and other items, net	2,300	1,340	9,269	4,932
Total operating costs and expenses	522,051	540,895	1,551,306	1,448,916
Operating income from Borgata	—	—	—	8,146
Operating income	68,164	54,483	178,258	148,189
Other expense (income):				
Interest income	(15)	—	(40)	(4)
Interest expense	60,083	45,781	184,068	109,438
Fair value adjustment of derivative instruments	—	—	265	—
Gain on early retirements of debt	(54)	—	(34)	(3,949)
Gain on distribution from Borgata	—	(2,535)	—	(2,535)
Other income	(1,000)	(10,000)	(1,000)	(10,000)
Other non-operating expenses from Borgata, net	—	—	—	3,133
Total other expense, net	59,014	33,246	183,259	96,083
Income (loss) before income taxes	9,150	21,237	(5,001)	52,106
Income tax (expense) benefit	(2,170)	(6,371)	28	(15,532)
Net income (loss)	6,980	14,866	(4,973)	36,574
Net (income) loss attributable to noncontrolling interest	(3,871)	(9,275)	1,610	(19,166)
Net income (loss) attributable to Boyd Gaming Corporation	$3,109	$5,591	$(3,363)	$17,408
Basic net income (loss) per common share:	$0.04	$0.06	$(0.04)	$0.20
Weighted average basic shares outstanding	87,256	86,582	87,206	86,508
Diluted net income (loss) per common share:	$0.04	$0.06	$(0.04)	$0.20

Weighted average diluted shares outstanding	87,432	86,684	87,206	86,724

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

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BOYD GAMING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
Nine Months Ended September 30, 2011
(Unaudited and in thousands)

		Boyd Gaming Corporation Stockholders' Equity						
	Other Comprehensive Income (loss)	Common Stock Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net	Noncontrolling Interest	Total Stockholders' Equity
Balances, January 1, 2011		86,244,978	$862	$635,028	$560,909	$ (7,594)	$ 205,538	$1,394,743
Net loss	$ (3,363)		—	—	(3,363)	—	—	(3,363)
Derivative instruments fair value adjustment, net of taxes of $4,230	7,594		—	—	—	7,594	—	7,594
Comprehensive income	4,231							
Comprehensive loss attributable to noncontrolling interest	(688)	—	—	—	—	—	(688)	(688)
Comprehensive income attributable to Boyd Gaming Corporation	$ 3,543							
Stock options exercised		46,008	1	275	—	—	—	276
Tax effect from share-based compensation arrangements		—	—	(800)	—	—	—	(800)
Share-based compensation costs		—	—	7,740	—	—	—	7,740
Change in noncontrolling interest in Borgata and LVE		—	—	—	—	—	(1,610)	(1,610)
Balances, September 30, 2011		86,290,986	$863	$642,243	$557,546	$ —	$ 203,240	$1,403,892

Nine Months Ended September 30, 2010
(Unaudited and in thousands)

Boyd Gaming Corporation Stockholders' Equity

	Other Comprehensive Income (loss)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net	Noncontrolling Interest	Total Stockholders' Equity
Balances, January 1, 2010		86,130,454	$ 861	$ 623,035	$ 550,599	$ (18,126)	$ —	$ 1,156,369
Net income	$ 17,408	—	—	—	17,408	—	—	17,408
Derivative instruments fair value adjustment, net of taxes of $3,756	6,842	—	—	—	—	6,842	—	6,842
Comprehensive income attributable to Boyd Gaming Corporation	$ 24,250	—	—	—	—	—	—	—
Stock options exercised		100,186	1	622	—	—	—	623
Tax effect from share-based compensation arrangements		—	—	(22)	—	—	—	(22)
Share-based compensation costs		—	—	8,124	—	—	—	8,124
Change in noncontrolling interest in Borgata		—	—	—	—	—	236,080	236,080
Balances, September 30, 2010		86,230,640	$ 862	$ 631,759	$ 568,007	$ (11,284)	$ 236,080	$ 1,425,424

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
(Unaudited and in thousands)

	Nine Months Ended September 30, 2011	2010
Cash Flows from Operating Activities		
Net income (loss)	$(4,973)	$36,574
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	145,106	147,905
Amortization of debt financing costs	6,673	6,149
Amortization of discounts on senior secured notes	2,507	484
Share-based compensation expense	7,740	8,124
Deferred income taxes	(3,074)	14,814
Operating and non-operating income from Borgata	—	(5,013)
Distributions of earnings received from Borgata	—	1,910
Gain on equity distributions	—	(2,535)
Noncash asset write-downs	6,052	—
Gain on early retirements of debt	(34)	(3,949)
Other operating activities	2,575	1,983
Changes in operating assets and liabilities:		
Restricted cash	(3,198)	(4,734)
Accounts receivable, net	(4,375)	1,382
Inventories	1,710	439
Prepaid expenses and other current assets	(5,997)	(7,250)
Income taxes receivable	5,264	9,961
Other assets, net	430	236
Accounts payable and accrued liabilities	28,770	30,697
Income taxes payable	(3,382)	—
Other long-term tax liabilities	2,069	1,519
Other liabilities	(947)	2,265
Net cash provided by operating activities	182,916	240,961
Cash Flows from Investing Activities		
Capital expenditures	(55,491)	(64,069)
Acquisition of assets	(34,495)	—
Decrease in restricted investments	27,184	—
Net cash effect upon change in controlling interest of Borgata	—	26,025
Other investing activities	—	(731)
Net cash used in investing activities	(62,802)	(38,775)
Cash Flows from Financing Activities		
Payments on retirements of long-term debt	(8,198)	(28,861)
Borrowings under bank credit facility	109,650	525,700
Payments under bank credit facility	(111,503)	(714,800)
Borrowings under Borgata bank credit facility	574,700	369,773
Payments under Borgata bank credit facility	(620,600)	(954,962)
Proceeds from issuance of Borgata senior secured notes	—	773,176
Debt financing costs, net	(1,283)	—
Payments under note payable	—	(46,875)

Payments on obligations of variable interest entity	(27,000)	—
Distributions to noncontrolling interests in Borgata	—	(120,176)
Other financing activities	5,615	(5,688)
Net cash used in financing activities	(78,619)	(202,713)
Increase in cash and cash equivalents	41,495	(527)
Cash and cash equivalents, beginning of period	145,623	93,202
Cash and cash equivalents, end of period	$187,118	$92,675

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BOYD GAMING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)
(Unaudited and in thousands)

	Nine Months Ended September 30,	
	2011	2010
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$220,971	$97,366
Cash paid (received) for income taxes, net	1,221	(9,143)
Supplemental Schedule of Noncash Investing and Financing Activities		
Payables incurred for capital expenditures	$4,871	$4,409
Fair value adjustment on derivative instruments	11,931	11,777
Extinguishment of previous Borgata credit facility with advance from new Borgata credit facility	—	73,010
Assets and Liabilities Recorded at Fair Value (net of Cash Received) Due to Change in Controlling Interest of Borgata		
Accounts receivable, net	$—	$29,099
Inventories	—	4,118
Prepaid expenses and other current assets	—	9,437
Deferred income taxes	—	1,290
Property and equipment, net	—	1,352,321
Investments in and advances to unconsolidated subsidiaries, net	—	5,135
Intangibles	—	—
Indefinite lived intangibles	—	—
Other assets, net	—	34,964
Fair value of assets	$—	$1,436,364
Current maturities of long-term debt	$—	$632,289
Accounts payable	—	6,822
Income taxes payable	—	5,699
Accrued liabilities	—	71,949
Deferred income taxes	—	13,982
Other long-term tax liabilities	—	10,242
Other long-term liabilities	—	16,418
Fair value of liabilities	$—	$757,401

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
(Unaudited)

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 15 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
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, 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 their 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. On April 29, 2011, we and Dania Entertainment Center, LLC (the “Buyer”) entered into an Asset Purchase Agreement (the “Agreement”) for the sale of certain assets and liabilities of the Dania Jai-Alai Business (as defined below).

Pursuant to the terms of the Agreement, we agreed to sell and transfer, and the Buyer agreed to purchase and assume, certain assets and liabilities (“Assets and Liabilities”) related to our Dania Jai-Alai pari-mutuel facility, located in Dania Beach, Broward County, Florida at which jai-alai and related gaming operations are conducted, including poker and inter-track wagering (the “Dania Jai-Alai Business”), for a purchase price of $80.0 million (the “Purchase Price”).

The closing of the transactions contemplated by the Agreement is subject to certain closing conditions.

On September 15, 2011, the Buyer elected to extend the closing date of the pending acquisition of Dania Jai-Alai Business. The terms of the extension provide that sale will close on or before November 28, 2011; however, we have no assurance that the Buyer can or will be in a position to close on such date. As permitted under the terms of the definitive sale agreement, the Buyer made an additional, non-refundable payment of $2 million to us in exchange for the extension of the closing date. Of the $2 million payment, $1 million will be applied to the $80 million purchase price. We previously received a $5 million non-refundable deposit upon execution of the definitive agreement.

Echelon Development

Additionally, we own 85 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.

IP Casino Resort Spa

On October 4, 2011, we completed our previously announced acquisition of the assets of the IP Casino Resort Spa in Biloxi, Mississippi, for a purchase price of $278 million in cash. Following the closing of the transaction, we also made a charitable contribution to the Engelstad Family Foundation equal to an aggregate of $10 million, which funds are intended to be distributed on behalf of, and in the name of, Boyd Gaming over five years to charitable organizations to be designated by Boyd Gaming. In addition, following the closing, we intend to perform certain capital improvement projects with respect to the IP Casino Resort Spa with costs estimated to be $44 million.

We will apply acquisition method accounting to this business combination at the transaction date, which requires acquired assets and assumed liabilities to be recorded at their respective fair values. Due to the limited time since the acquisition date, the initial accounting for the business combination is incomplete at this time. Prospectively, however, the acquired assets and liabilities will be recorded in our consolidated balance sheet at fair value as of the closing date; the results of operations of the IP will be included in our consolidated statements of operations and cash flows beginning in the fourth quarter of 2011; and all other disclosures pursuant to the guidance for business combinations will be provided in our Annual Report on Form 10-K for the year ended December 31, 2011. The IP Casino Resport Spa will be reported in our Midwest and South business segment.

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, 2010. Our Form 10-K, as originally filed with the SEC on March 15, 2011, (the "Provisional Form 10-K")was subsequently revised on a Form 8-K filed on September 2, 2011 (the "Retrospective Form 8-K"). This Retrospective Form 8-K updated the audited consolidated financial statements and certain other items of the Provisional Form 10-K, specifically and primarily related to the recasting of the consolidated balance sheet as of December 31, 2010, and related notes thereto. The updated historical financial statements, and other conforming changes to the Provisional Form 10-K are filed as Exhibit 99.1 to the Retrospective Form 8-K and have been updated, solely to include the retrospective measurement period adjustments and new footnote disclosure. All other information provided in the Provisional Form 10-K, unless otherwise provided, remain unchanged and the Retrospective Form 8-K does not modify or update such other disclosures in the Provisional Form 10-K in any other way.

In our opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to fairly present our financial position as of September 30, 2011 and December 31, 2010, the results of our operations for the three and nine months ended September 30, 2011 and 2010, and the results of our cash flows for the nine months ended September 30, 2011 and 2010. The condensed consolidated balance sheet as of September 30, 2011 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 and nine months ended September 30, 2011 and 2010, and our cash flows for the nine months ended September 30, 2011 and 2010, are unaudited, and are not necessarily indicative of the results that would be achieved for the full year or future periods.

Effective Control of Borgata

On March 24, 2010, as a result of the amendment to our operating agreement with MGM Resorts International ("MGM") (our original 50% partner in Borgata), which provided, among other things, for the termination of MGM's participating rights in the operations of Borgata, we effectively obtained control of Borgata. The amendment to the operating agreement was related to MGM's divestiture of its interest pursuant to a regulatory settlement, as discussed further in Note 2, Consolidation of Certain Interests. This resulting change in control required acquisition method accounting in accordance with the authoritative accounting guidance for business combinations. As a result, we measured our previously held equity interest at a provisional fair value as of March 24, 2010, the date we effectively obtained control.

The financial position of Borgata is presented in our condensed consolidated balance sheets as of September 30, 2011 and December 31, 2010; its results of operations for the three months ended September 30, 2011 and 2010 are included in our condensed consolidated statement of operations for the three months ended September 30, 2011 and 2010; its results of operations for the nine months ended September 30, 2011 are included in our condensed consolidated statements of operations and cash flows for the nine months ended September 30, 2011; and its results of operations for the period from March 24 through September 30, 2010 are included in our condensed consolidated statements of operations and cash flows for the nine months ended September 30, 2010.

Consolidation of Variable Interest Entity

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.

LVE began construction of the facility in 2007 and expected to provide full energy services to Echelon in 2010, when we originally expected to open. However, LVE suspended construction in January 2009, after our announcement of the delay of Echelon. 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"). LVE has agreed not to initiate any litigation with respect to its April 3, 2009 claim of an alleged breach of the ESA and both 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. Under the Periodic Fee Agreement, Echelon Resorts has agreed to pay LVE, beginning March 4, 2011, a monthly periodic fee (the "Periodic Fee") and an operation and maintenance fee until Echelon Resorts either (i) resumes construction of the project or (ii) 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.

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 the 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 the LVE assets.

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 impacts 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. Upon adoption, 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.

Principles of Consolidation

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

In addition, as discussed above, the financial position of Borgata is consolidated in our condensed consolidated balance sheets as of September 30, 2011 and December 31, 2010; its results of operations for the three and nine months ended September 30, 2011 are included in our condensed consolidated statements of operations for the three and nine months ended September 30, 2011; its results of operations for the period from July 1 through September 30, 2010 are included in our condensed consolidated statements of operations for the three months ended September 30, 2010; and its results of operations for the period from March 24 through September 30, 2010 are included in our condensed consolidated statements of operations and cash flows for the nine months ended September 30, 2010. At September 30, 2011 and December 31, 2010, approximately $1.42 billion and $1.45 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 September 30, 2011 and December 31, 2010, and its results of operations for the three and nine months ended September 30, 2011 are included in our condensed consolidated statements of operations and cash flows during such periods. At September 30, 2011, approximately $220.4 million of our consolidated total assets related to LVE, however, certain of these assets, approximating $196.1 million, are pledged as security on LVE's outstanding construction loan advances, and an additional $21.0 million of such assets are held in restricted escrow funds in accordance with the underlying terms of LVE's tax-exempt bond financing. At December 31, 2010, approximately $249.7 million of our consolidated total assets related to LVE, however, certain of these assets, approximating $196.4 million, were pledged as security on LVE's outstanding construction loan advances, and an additional $48.2 million of such assets were held in restricted escrow funds in accordance with the underlying terms of LVE's tax-exempt bond financing.

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. See Note 2, Consolidation of Certain Interests.

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.

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, 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, ranging in remaining 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.

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.

Noncontrolling Interest

Noncontrolling interest is 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 September 30, 2011 and December 31, 2010, there was a noncontrolling interest of $220.9 million and $219.3 million, respectively, associated with the portion of ownership in Borgata that is not attributable to the stockholders of Boyd Gaming Corporation. As discussed above, we effectively obtained control of Borgata on March 24, 2010 and began consolidating its financial statements at that date. At September 30, 2011 and December 31, 2010, there was a deficit in the noncontrolling interest of LVE of $17.7 million and $13.7 million, respectively, associated with the entire ownership in LVE that is not attributable to the stockholders of Boyd Gaming Corporation.

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.

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

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The amounts included in promotional allowances for the three and nine months ended September 30, 2011 and 2010 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In thousands)			
Rooms	$33,989	$35,775	$94,811	$82,387
Food and beverage	44,464	45,477	128,028	118,191
Other	30,313	26,382	85,089	55,754
Total promotional allowances	$108,766	$107,634	$307,928	$256,332

The estimated costs of providing such promotional allowances for the three and nine months ended September 30, 2011 and 2010 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In thousands)			
Rooms	$14,192	$14,287	$40,309	$40,483
Food and beverage	40,591	41,852	116,828	119,915
Other	4,870	4,807	12,856	12,792
Total cost of promotional allowances	$59,653	$60,946	$169,993	$173,190

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 $65.3 million and $66.2 million for the three months ended September 30, 2011 and 2010, respectively, and totaled approximately $192.6 million and $195.9 million for the nine months ended September 30, 2011 and 2010, 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 and nine months ended September 30, 2011 and 2010, consisted of the following amounts:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In thousands)			
Earnings per share:				
Basic weighted average shares outstanding	87,256	86,582	87,206	86,508
Potential dilutive effect	176	102	—	216
Diluted weighted average shares outstanding	87,432	86,684	87,206	86,724

Due to the net loss for the nine months ended September 30, 2011, the effect of all potential common shares was anti-dilutive, and therefore was not included in the computation of diluted earnings per share. Anti-dilutive options totaling 9.0 million and 8.1 million have been excluded from the computation of diluted earnings per share for the three months ended September 30, 2011, and 2010, respectively. Anti-dilutive options totaling 7.8 million and 8.1 million have been excluded from the computation of diluted earnings per share for the nine months ended September 30, 2011 and 2010, respectively.

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.

Recently Issued Accounting Pronouncements
A variety of proposed or otherwise potential accounting standards are currently under study by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, we have not yet determined the effect, if any, that the implementation of such proposed standards would have on our consolidated financial statements.

Accounting Standards Update 2011-08 Intangibles, Goodwill and Other ("Update 2011-08")
In September 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2011-08 Intangible, Goodwill and Other, which is an amendment to Topic 350 of the Accounting Standards Codification ("ASC").

The objective of Update 2011-08 is to simplify how entities, both public and nonpublic, test goodwill for impairment. The amendments in the Update 2011-08 permit 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 two-step goodwill impairment test described in Topic ASC 350. (the more-likely-than-not threshold is defined as having a likelihood of more than 50 percent). Previous guidance under Topic ASC 350 required an entity to test goodwill for impairment, on at least an annual basis, by comparing the fair value of a reporting unit with its carrying amount, including goodwill (step one). If the fair value of a reporting unit is less than its carrying amount, then the second step of the test must be performed to measure the amount of the impairment loss, if any. Under the amendments in Update 2011-08, an entity is not 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.

The amendment will be effective for our fiscal year, and interim periods within the fiscal year beginning January 1, 2012, although early adoption is permitted. Update 2011-08 will not have a material impact on the computation of the impairment of goodwill or other intangibles.

Accounting Standards Update 2011-05 Presentation of Comprehensive Income ("Update 2011-05")
In June 2011, the FASB issued Accounting Standards Update 2011-05 Presentation of Comprehensive Income, which is an amendment to Topic ASC 220.

The objective of Update 2011-05 is to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. Update 2011-05 provides an entity with the option to present the total 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. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. In a single continuous statement, the entity is required to present the components of net income and total net income, the components of other comprehensive income and a total for other comprehensive income, along with the total of comprehensive income in that statement. In the two-statement approach, an entity is required to present components of net income and total net income in the statement of net income. The statement of other comprehensive income should immediately follow the statement of net income and include the components of other comprehensive income and a total for other comprehensive income, along with a total for comprehensive income.

Update 2011-05 does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income, nor does Update 2011-05 affect how earnings per share is calculated or presented. Update 2011-05 should be applied retrospectively and will be effective for our fiscal year, and interim periods within the fiscal year beginning January 1, 2012. Update 2011-05 will not have a material impact on the computation of comprehensive income, but will require a revised presentation thereof.

Accounting Standards Update 2011-04 Fair Value Measurement ("Update 2011-04")
In May 2011, the FASB issued Accounting Standards Update 2011-04 Fair Value Measurement, which is an amendment to Topic ASC 820.

The objective of Update 2011-04 is to more clearly explain how to measure fair value to allow for better comparability between GAAP and International Financial Reporting Standards ("IFRS"). It is not intended to result in a change in the application of the requirements in Topic ASC 820, but instead is intended to amend a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements.

Update 2011-04 does not change the items that must be reported as fair value measurements under Topic ASC 820 but simply how to measure these items and how they should be disclosed. Update 2011-04 should be applied prospectively. Early adoption is not permitted. Update 2011-04 will be effective for our fiscal year, and interim periods within the fiscal year beginning January 1, 2012. Update 2011-04 will not have a material impact on our financial statements.

NOTE 2. CONSOLIDATION OF CERTAIN INTERESTS

Controlling Interest
Borgata Hotel Casino and Spa
Overview
The Company and 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.

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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.

The provisional fair value measurements and estimates of these items have been subsequently refined. We had provisionally recorded these fair values using an earnings valuation multiple model, because, at the time of the preliminary estimate, we had not completed our procedures with respect to the independent valuation of the business enterprise and Borgata's tangible and intangible assets. Our subsequent valuation procedures have necessitated a revision of the valuation of the provisional assets and liabilities. Thus, upon finalization of our valuation, certain measurement adjustments were identified and retrospectively recorded in the condensed consolidated balance sheet as of December 31, 2010, and certain disclosures were updated to reflect the measurement period adjustments, as reflected herein.

Retrospective Adjustment to Condensed Consolidated Balance Sheet

We have retrospectively adjusted the provisional values to reflect the fair valuation, and therefore, the condensed consolidated balance sheet as of December 31, 2010 presented herein reflects the adjustments above.

		December 31, 2010	
	As Originally Reported	Acquisition Method Accounting Adjustments	As Retrospectively Adjusted
	(In thousands)		
ASSETS			
Current assets			
Cash and cash equivalents	$145,623	$—	$145,623
Restricted cash	19,494	—	19,494
Accounts receivable, net	47,942	—	47,942
Inventories	16,029	—	16,029
Prepaid expenses and other current assets	37,390	(237)	37,153
Income taxes receivable	5,249	—	5,249
Deferred income taxes	8,149	—	8,149
Total current assets	279,876	(237)	279,639
Property and equipment, net	3,471,933	(88,562)	3,383,371
Assets held for development	1,119,403	—	1,119,403
Debt financing costs, net	38,451	(3,458)	34,993
Restricted investments	48,168	—	48,168
Other assets, net	70,425	—	70,425
Intangible assets, net	460,714	79,000	539,714
Goodwill, net	213,576	—	213,576

Total assets	$5,702,546	$(13,257)	$5,689,289
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Current maturities of long-term debt	$25,690	$—	$25,690
Non-recourse obligations of variable interest entity	243,059	—	243,059
Accounts payable	57,183	—	57,183
Income taxes payable	6,504	—	6,504

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Accrued liabilities	279,779	(1,310)	278,469
Total current liabilities	612,215	(1,310)	610,905
Long-term debt, net of current maturities	3,193,065	—	3,193,065
Deferred income taxes	360,342	1,832	362,174
Other long-term tax liabilities	44,813	—	44,813
Other liabilities	85,859	(2,270)	83,589
Stockholders' equity			
Preferred stock	—	—	—
Common stock	862	—	862
Additional paid-in-capital	635,028	—	635,028
Retained earnings	560,909	—	560,909
Accumulated other comprehensive loss, net	(7,594)	—	(7,594)
Total Boyd Gaming Corporation stockholders' equity	1,189,205	—	1,189,205
Noncontrolling interest	217,047	(11,509)	205,538
Total stockholders' equity	1,406,252	(11,509)	1,394,743
Total liabilities and stockholders' equity	$5,702,546	$(13,257)	$5,689,289

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 write-downs and other items, net on the condensed consolidated statement of operations, this gain was recorded as a cumulative adjustment during the nine months ended September 30, 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 is 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.

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Results of Operations of Borgata
(for the period from March 24, 2010 through September 30, 2010)
reflecting amounts included on a consolidated basis

The results of Borgata, as included in the accompanying condensed consolidated statements of operations from the date we effectively obtained control, March 24, 2010, (specifically, for the period from March 24 through September 30, 2010) for the nine months ended September 30, 2010) are presented below. These results of operations do not reflect the retrospective impact from the measurement period adjustments discussed above, as such amounts were not material to either the three and nine months ended September 30, 2010.

	Nine Months Ended September 30, 2010
	(In thousands)
REVENUES	
Operating revenues:	
Gaming	$357,314
Food and beverage	82,372
Room	64,042
Other	24,047
Gross revenues	527,775
Less promotional allowances	116,420
Net revenues	411,355
COSTS AND EXPENSES	
Operating costs and expenses:	
Gaming	141,649
Food and beverage	39,593
Room	8,593
Other	19,528
Selling, general and administrative	64,473
Maintenance and utilities	35,337
Depreciation and amortization	36,313
Write-downs and other items, net	8
Total operating costs and expenses	345,494
Operating income	65,861
Other expense	
Interest expense	23,347
Total other expense, net	23,347
Income before income taxes	42,514
Income taxes	(4,183)
Net income	$38,331

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Supplemental Pro Forma Information

Pro Forma Condensed Consolidated Statement of Operations

for the nine months ended September 30, 2010

The following supplemental pro forma information presents the financial results as if the effective control of Borgata had occurred as of the beginning of the earliest period presented herein, or on January 1, 2010. This supplemental pro forma information has been prepared for comparative purposes and does not purport to be indicative of what the actual results for the nine months ended September 30, 2010 would have been had the consolidation of Borgata been completed as of the earlier date, nor are they indicative of any future results.

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	Nine Months Ended September 30, 2010			
	Boyd Gaming Corp As Reported	Borgata Stub Period	Adjustments	Boyd Gaming Corp Pro Forma
	(In thousands)			
Revenues				
Gaming	$1,344,283	$137,831	$—	$1,482,114
Food and beverage	255,166	31,217	—	286,383
Room	154,247	24,154	—	178,401
Other	91,595	9,179	—	100,774
Gross revenues	1,845,291	202,381	—	2,047,672
Less promotional allowances	256,332	44,091	—	300,423
Net revenues	1,588,959	158,290	—	1,747,249
Costs and expenses				
Gaming	635,461	59,861	—	695,322
Food and beverage	132,481	13,500	—	145,981
Room	36,767	2,185	—	38,952
Other	74,333	7,127	—	81,460
Selling, general and administrative	270,641	28,981	—	299,622
Maintenance and utilities	104,770	13,522	—	118,292
Depreciation and amortization	147,905	16,754	—	164,659
Corporate expense	36,636	—	—	36,636
Preopening expenses	4,990	—	—	4,990
Write-downs and other items, net	4,932	68	—	5,000
Total costs and expenses	1,448,916	141,998	—	1,590,914
Operating income from Borgata	8,146	—	(8,146)	—
Operating income	148,189	16,292	(8,146)	156,335
Other expense (income)				
Interest income	(4)	—	—	(4)
Interest expense, net	109,438	5,060	—	114,498
Other income	(10,000)	—		(10,000)
Gain on early retirements of debt	(3,949)	—	—	(3,949)
Gain on equity distribution	(2,535)	—	—	(2,535)
Other non-operating expenses from Borgata, net	3,133	—	(3,133)	—
Total other expense, net	96,083	5,060	(3,133)	98,010
Income (loss) before income taxes	52,106	11,232	(5,013)	58,325
Income taxes	(15,532)	(1,207)	—	(16,739)
Net income (loss)	36,574	10,025	(5,013)	41,586
Net loss attributable to noncontrolling interest	(19,166)	—	(5,012)	(24,178)
Net income attributable to Boyd Gaming Corporation	$17,408	$10,025	$(10,025)	$17,408

The pro forma adjustments reflect the differences resulting from the conversion of the equity method of accounting to a fully consolidated presentation. There were no significant intercompany transactions affecting the statement of operations between the Boyd wholly-owned entities and Borgata which would require elimination during the nine months ended September 30, 2010.

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Variable Interest
LVE Energy Partners, LLC
The effects of the consolidation of LVE on our financial position as of September 30, 2011 and December 31, 2010, and its impact on our results of operations for the three and nine months ended September 30, 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 September 30, 2011 and December 31, 2010 was as follows:

	September 30, 2011			
	Boyd Gaming Corporation (as historically presented) (In thousands)	LVE, LLC	Eliminations	Boyd Gaming Corporation (as consolidated)
ASSETS				
Current assets	$334,501	$1,185	$(2,146)	$333,540
Property and equipment, net	3,296,396	—	—	3,296,396
Assets held for development	923,793	196,052	—	1,119,845
Debt financing costs, net	30,322	—	—	30,322
Restricted investments	—	20,984	—	20,984
Other assets	72,733	4,351	—	77,084
Intangible assets, net	547,075	—	—	547,075
Goodwill, net	213,576	—	—	213,576
Total Assets	$5,418,396	$222,572	$(2,146)	$5,638,822
LIABILITIES				
Current maturities of long-term debt	$363,598	$—	$—	$363,598
Non-recourse obligations of variable interest entity	—	221,912	—	221,912
Accounts payable	55,192	35	—	55,227
Accrued and other liabilities	304,579	871	—	305,450
Long-term debt, net of current maturities	2,802,075	—	—	2,802,075
Deferred income taxes	364,295	—	—	364,295
Other liabilities	107,096	17,423	(2,146)	122,373
STOCKHOLDERS' EQUITY				
Common stock	$863	$—	$—	$863
Additional paid-in capital	642,243	—	—	642,243
Retained earnings	557,546	—	—	557,546
Noncontrolling interest	220,909	(17,669)	—	203,240
Total Liabilities and Stockholders' Equity	$5,418,396	$222,572	$(2,146)	$5,638,822

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	December 31, 2010 Boyd Gaming Corporation (as historically presented) (In thousands)	LVE, LLC	Eliminations	Boyd Gaming Corporation (as consolidated)
ASSETS				
Current assets	$278,902	$737	$—	$279,639
Property and equipment, net	3,383,371	—	—	3,383,371
Assets held for development	923,038	196,365	—	1,119,403
Debt financing costs, net	34,993	—	—	34,993
Restricted investments	—	48,168	—	48,168
Other assets	65,963	4,462	—	70,425
Intangible assets, net	539,714	—	—	539,714
Goodwill, net	213,576	—	—	213,576
Total Assets	$5,439,557	$249,732	$—	$5,689,289
LIABILITIES				
Current maturities of long-term debt	$25,690	$—	$—	$25,690
Non-recourse obligations of variable interest entity	—	243,059	—	243,059
Accounts payable	56,790	393	—	57,183
Accrued and other liabilities	277,429	1,040	—	278,469
Long-term debt, net of current maturities	3,193,065	—	—	3,193,065
Deferred income taxes	362,174	—	—	362,174
Other liabilities	115,948	18,958	—	134,906
STOCKHOLDERS' EQUITY				
Common stock	862	—	—	862
Additional paid-in capital	635,028	—	—	635,028
Retained earnings	560,909	—	—	560,909
Accumulated other comprehensive loss, net	(7,594)	—	—	(7,594)
Noncontrolling interest	219,256	(13,718)	—	205,538
Total Liabilities and Stockholders' Equity	$5,439,557	$249,732	$—	$5,689,289

The reduction in accounts receivable, net and other liabilities reflects the elimination of the Periodic Fee booked as a receivable by LVE, which mirrors the payable recorded on Boyd's general ledger. Both the receivable and payable are eliminated in consolidation completely, thereby having no impact on our consolidated balance sheet.

The impact on our condensed consolidated statement of operations for the three months ended September 30, 2011 was as follows:

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	Three Months Ended September 30, 2011			
	Boyd Gaming Corporation (as historically presented)	LVE, LLC	Eliminations	Boyd Gaming Corporation (as consolidated)
	(In thousands)			
REVENUES				
Other revenue	$34,105	$2,724	$(2,724)	$34,105
COSTS AND EXPENSES				
Maintenance and utilities	$40,906	$19	$—	$40,925
Preopening expenses	4,444	—	(2,724)	1,720
Operating income	$65,459	$2,705	$—	$68,164
Other expense				
Interest expense, net	$55,081	$5,002	$—	$60,083
Income before income taxes	$11,447	$(2,297)	$—	$9,150
Income taxes	(2,170)	—	—	(2,170)
Net income	9,277	(2,297)	—	6,980
Net (income) loss attributable to noncontrolling interest	(6,168)	2,297	—	(3,871)
Net income attributable to Boyd Gaming Corporation	$3,109	$—	$—	$3,109

The impact on our condensed consolidated statement of operations for the nine months ended September 30, 2011 was as follows:

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	Nine Months Ended September 30, 2011			
	Boyd Gaming Corporation (as historically presented)	LVE, LLC	Eliminations	Boyd Gaming Corporation (as consolidated)
	(In thousands)			
REVENUES				
Other revenue	$100,412	$8,134	$(8,134)	$100,412
COSTS AND EXPENSES				
Maintenance and utilities	$114,163	$950	$—	$115,113
Preopening expenses	13,426	—	(8,134)	5,292
Operating income	$171,074	$7,184	$—	$178,258
Other expense				
Interest expense, net	$173,632	$10,436	$—	$184,068
Loss before income taxes	$(1,749)	$(3,252)	$—	$(5,001)
Income tax benefit	28	—	—	28
Net loss	(1,721)	(3,252)	—	(4,973)
Net (income) loss attributable to noncontrolling interest	(1,642)	3,252	—	1,610
Net loss attributable to Boyd Gaming Corporation	$(3,363)	$—	$—	$(3,363)

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 3. ASSET ACQUISITIONS

We account for the acquisition of assets in business combination transactions in accordance with the accounting standards, which require that the assets acquired and liabilities assumed be recorded at their estimated fair values.

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:

	September 30, 2011 (in thousands)
Assets acquired:	
Intangible value of Development Agreement	$21,373
Note receivable from Tribe (at present value)	3,127
Purchase price	$24,500

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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.

NOTE 4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	September 30, 2011	December 31, 2010
	(In thousands)	
Land	$579,267	$576,947
Buildings and improvements	3,312,773	3,309,506
Furniture and equipment	1,154,962	1,131,837
Riverboats and barges	167,549	167,420
Other	28,286	25,423
Total property and equipment	5,242,837	5,211,133
Less accumulated depreciation	1,946,441	1,827,762
Property and equipment, net	$3,296,396	$3,383,371

Depreciation expense for the three months ended September 30, 2011 and 2010 was $46.2 million and $52.5 million, respectively. Depreciation expense for the nine months ended September 30, 2011 and 2010 was $138.4 million and $147.9 million, respectively. The amounts recorded during the nine months ended September 30, 2011 include the effect of certain measurement period adjustments.

Other property and equipment presented in the table above primarily relates to costs capitalized in conjunction with major improvements and 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:

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	September 30, 2011	December 31, 2010
	(In thousands)	
Echelon Project Infrastructure		
Land	$213,649	$213,649
Construction and development costs	500,887	500,132
Project management and other costs	115,712	115,712
Professional and design fees	93,545	93,545
Central Energy Facility		
Construction and development costs	196,052	196,365
Total assets held for development	$1,119,845	$1,119,403

Echelon Project Infrastructure
At September 30, 2011 and December 31, 2010, 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 additionally incur approximately $0.3 million to $3.0 million of capitalized costs annually, principally related to such items as transportation of stored offsite steel as well as offsite improvements.

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 $15.0 million to $17.0 million that will be charged to preopening or other expense as incurred during the project's suspension period. 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 Resorts 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 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 of the suspension, we performed an impairment test of these assets, which occurred during the three months ended September 30, 2009. This impairment test was comprised of a future undiscounted cash flow analysis, and contemplated several viable alternative plans for the future development of Echelon.

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 supply 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 in service. The costs of repairs and 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 not 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.

The assets of the central energy facility are pledged as collateral to the outstanding debt obligations of LVE, as further discussed in Note 7, Non-recourse Obligations of Variable Interest Entity below.

NOTE 6. INTANGIBLE ASSETS

Intangible assets consist of the following:

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	September 30, 2011				
	Weighted Average Original Life	Gross Carrying Value	Cumulative Amortization	Cumulative Impairment Losses	Intangible Assets, Net
	(In thousands)				
Amortizing intangibles:					
Customer relationships	3.9 years	$14,400	$(8,630)	$—	$5,770
Favorable lease rates	43.8 years	45,370	(7,564)	—	37,806
Development agreement	10.0 years	21,373	—	—	21,373
		81,143	(16,194)	—	64,949
Indefinite lived intangible assets:					
Trademarks	Indefinite	115,700	—	(5,000)	110,700
Gaming license rights	Indefinite	567,886	(33,960)	(162,500)	371,426
		683,586	(33,960)	(167,500)	482,126
		$764,729	$(50,154)	$(167,500)	$547,075

	December 31, 2010				
	Weighted Average Original Life	Gross Carrying Value	Cumulative Amortization	Cumulative Impairment Losses	Intangible Assets, Net
		(In thousands)			
Amortizing intangibles:					
Customer relationships	5 years	$14,400	$(400)	$—	14,000
Favorable lease rates	43.8 years	45,370	(6,782)	—	38,588
		59,770	(7,182)	—	52,588
Indefinite lived intangible assets:					
Trademarks	Indefinite	115,700	—	—	115,700
Gaming license rights	Indefinite	567,886	(33,960)	(162,500)	371,426
		683,586	(33,960)	(162,500)	487,126
December 31, 2010		$743,356	$(41,142)	$(162,500)	$539,714

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.

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Development Agreements

Development agreements are contracts between two parties establishing an agreement for development of a product or service. The value of development agreements is 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 Nine Months Ended September 30, 2011 and 2010

The following table sets forth the changes in these intangible assets during the nine months ended September 30, 2011 and 2010:

	Customer Relationships (In thousands)	Favorable Lease Rates	Trademarks	Development Agreements	Gaming License Rights	Intangible Assets, Net
Nine Months Ended September 30, 2011						
Balance December 31, 2010	$14,000	$38,588	$115,700	$—	$371,426	$539,714
Additions	—	—	—	21,373	—	21,373
Impairments	—	—	(5,000)	—	—	(5,000)
Amortization	(8,230)	(782)	—	—	—	(9,012)
Balance September 30, 2011	$5,770	$37,806	$110,700	$21,373	$371,426	$547,075

Nine Months Ended September 30, 2010						
Balance December 31, 2009	$—	$39,632	$50,700	$—	$371,426	$461,758
Additions	14,000	—	65,000		—	79,000
Amortization	—	(785)	—		—	(785)
Balance September 30, 2010	$14,000	$38,847	$115,700	$—	$371,426	$539,973

Future Amortization

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

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For the Year Ending December 31,	Customer Relationships	Favorable Lease Rates	Development Agreement	Total
	(In thousands)			
2011 (remainder)	$1,032	$261	—	$1,293
2012	3,174	1,043	—	4,217
2013	1,564	1,043	—	2,607
2014	—	1,043	1,053	2,096
2015	—	1,043	2,401	3,444
Thereafter	—	33,373	17,919	51,292
	$5,770	$37,806	21,373	$64,949

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.

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 a future impairment charge, which could have a material adverse impact on our consolidated financial statements.

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.

Our analysis consisted of a valuation of the 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 shall consist of a comparison of the fair value of trademark with its carrying amount. As a result, we recorded a $5.0 million impairment to the trademark, representing the amount by which the carrying amount exceeded its fair value.

NOTE 7. NON-RECOURSE OBLIGATIONS OF VARIABLE INTEREST ENTITY

The non-recourse obligations of variable interest entity represent the outstanding debt of LVE, all of which is classified as current, and is comprised of the following:

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	September 30, 2011	December 31, 2010
	(In thousands)	
Construction and term loan facility	$120,155	$120,572
Tax-exempt variable rate bonds	73,000	100,000
Notes payable to members of variable interest entity	28,757	22,487
	$221,912	$243,059

Assets serving as collateral for these debt obligations had a carrying value of $217.4 million and $244.5 million at September 30, 2011 and December 31, 2010, respectively, and primarily consist of certain assets held for development and restricted investments. The condensed consolidated statements of operations for the three and nine months ended September 30, 2011 includes $0.7 million and $3.3 million of loss, respectively, and the condensed consolidated statement of cash flows for the nine months ended September 30, 2011 includes $6.8 million of net operating cash outflows 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 $120.2 million was outstanding at September 30, 2011. 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. Although LVE's loan is presently in default, and classified as current, the original loan maturities are 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.

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 approximately $193.2 million as of September 30, 2011, consisting of borrowing under the construction and term loan facility of $120.2 million and outstanding tax-exempt bonds of $73.0 million. In September 2009, LVE reached an agreement with the banks that are financing the energy facilities to address defaults under the financing agreements. These LVE defaults were caused by construction delay and the termination of an energy services agreement by a hotel operator associated with the project. As a result of these defaults, the banks had previously stopped funding the project. The terms of the September 2009 agreement required the LVE joint venture partners to guarantee the payment of future interest costs by LVE through December 2010. In addition, the LVE joint venture partners had each committed to provide approximately $8.9 million of additional capital as of September 2009 to cover costs related to the termination of the energy services agreement by a hotel operator and interest costs incurred since August 2008 when construction of Echelon was suspended. In turn, the banks waived all existing defaults under the financing agreements and were relieved of their commitment to provide additional funding.

As a result of the ongoing construction delay, the central energy center and district energy system was not completed by the end of 2010 as originally expected. Consequently, the full amount of LVE's debt became due and payable in December 2010. LVE intends to seek additional financing to complete the facility once construction of the resort resumes; however, as of September 30, 2011, LVE was in default under the financing agreements with the banks, and all its debt has been presented as currently due.

NOTE 8. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	September 30, 2011	December 31, 2010
	(In thousands)	
Payroll and related expenses	$75,899	$73,054
Interest	48,520	51,347
Gaming liabilities	73,025	70,908
Accrued expenses and other liabilities	108,006	83,160
Total accrued liabilities	$305,450	$278,469

NOTE 9. LONG-TERM DEBT

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

	September 30, 2011			
	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
	(In thousands)			
Boyd Gaming Long-Term Debt:				
Bank credit facility	$1,423,147	$—	$—	$1,423,147
9.125% senior notes due 2018	500,000	—	(8,866)	491,134
6.75% senior subordinated notes due 2014	215,668	—	—	215,668
7.125% senior subordinated notes due 2016	240,750	—	—	240,750
Other	11,248	—	—	11,248
	$2,390,813	$—	$(8,866)	$2,381,947
Borgata Debt:				
Bank credit facility	15,000	—	—	15,000
9.50% senior secured notes due 2015	398,000	(3,449)	(8,099)	386,452
9.875% senior secured notes due 2018	393,500	(2,429)	(8,797)	382,274
	$806,500	$(5,878)	$(16,896)	$783,726
Less current maturities	363,598	—	—	363,598
Long-term debt, net	$2,833,715	$(5,878)	$(25,762)	$2,802,075

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	December 31, 2010			
	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
	(In thousands)			
Boyd Gaming Long-Term Debt:				
Bank credit facility	$1,425,000	$—	$—	$1,425,000
9.125% senior notes due 2018	500,000	—	(9,794)	490,206
6.75% senior subordinated notes due 2014	215,668	—	—	215,668
7.125% senior subordinated notes due 2016	240,750	—	—	240,750
Other	11,761	—	—	11,761
	$2,393,179	$—	$(9,794)	$2,383,385
Borgata Debt:				
Bank credit facility	60,900	—	—	60,900
9.50% senior secured notes due 2015	400,000	(3,969)	(9,319)	386,712
9.875% senior secured notes due 2018	400,000	(2,648)	(9,594)	387,758
	$860,900	$(6,617)	$(18,913)	$835,370
Less current maturities	25,690	—	—	25,690
Long-term debt, net	$3,228,389	$(6,617)	$(28,707)	$3,193,065

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 restatement effective date.

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 (including $500 million of term loans, and excluding $548.8 million in non-extending amounts), which commitments may be increased from time to time by up to $500 million (instead of $1 billion in commitment increases provided for under the former credit facility) through additional revolving credit or term loans under the Amended Credit Facility.

Pursuant to the terms of the Amended Credit Facility, the term loans amortize in an annual amount equal to 5% of the original principal amount thereof, which commenced on March 31, 2011, payable on a quarterly basis. The interest rate per annum applicable to revolving and term loans under the Amended Credit Facility is based upon, at the option of the Company, LIBOR or the “base rate,” plus an applicable margin in either case. The applicable margin under the Amended Credit Facility is a percentage per annum determined in accordance with a specified pricing grid based on the total leverage ratio. The applicable margin on the outstanding balance on the Extended Revolving Facility (as defined in our Amended Credit 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%.

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.

The blended interest rate for outstanding borrowings under our Amended Credit Facility was 3.3% at both September 30, 2011 and December 31, 2010. At September 30, 2011, approximately $1.42 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 $564.5 million.

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 the 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 December 31, 2011, our maximum Total Leverage Ratio is set at 7.75 to 1.00. Thereafter, on a scheduled basis in 0.25 basis point increments, the maximum ratio decreases to a low 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, and through March 31, 2012, 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 maximum ratio decreases to a low 3.25 to 1.00 at June 30, 2014 through the duration of the term.

Compliance with Financial Covenants

We believe that, at September 30, 2011, 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, as of that date, were 2.26 to 1.00, 7.15 to 1.00 and 4.25 to 1.00, respectively.

Debt Financing Costs

In conjunction with the Amendment and Restatement Agreement, we incurred approximately $20.6 million 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 September 30, 2011. 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 $500.0 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 $50,000 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 September 30, 2011. Effective April 15, 2009, we may redeem all or a portion of the notes at redemption prices (expressed as percentages of the principal amount) ranging from 103.375% in 2009 to 100% in 2012 and thereafter, plus accrued and unpaid interest.

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 September 30, 2011. 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.

Repurchases of Senior Subordinated Notes

We did not repurchase any of our senior subordinated or senior notes during the three months ended September 30, 2011 or 2010. During the nine months ended September 30, 2011 we did not repurchase any of our senior subordinated notes. During the nine months ended September 30, 2010, we purchased and retired $33.0 million, principal amount of our senior subordinated notes. The total purchase price of the notes was $28.9 million, resulting in a gain of $3.9 million, net of associated deferred financing fees, which is recorded on our condensed consolidated statement of operations for the respective period. The transactions were funded by availability under our former bank credit facility.

Indentures

The indentures governing the senior and senior subordinated notes each include permitted investment clauses, the most restrictive of which limits the amount of permitted investments to a basket of $150 million, increased by a calculated amount including 50% of net income, as defined in the indentures, and net of previous permitted investments. Also, the indentures allow for the incurrence of additional indebtedness, if after giving effect to such incurrence, our coverage ratio (as defined in the indentures, 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 and senior subordinated notes were issued; and, at September 30, 2011, after giving effect to the repayment of certain indebtedness, as defined in the indentures, our coverage ratio was above 2.0 to 1.0.

Borgata Bank Credit Facility

Significant Terms

In August 2010, Marina District Finance Company, Inc. ("MDFC") closed a $950 million debt financing, consisting of the establishment of a $150.0 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 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.

The Borgata bank credit facility provides for a $150.0 million payment priority 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 the assets of the assets of MDFC, MDDC and any future subsidiaries of MDDC, subject to certain exceptions. The obligations under the Borgata bank credit facility will have priority in payment to payment of the notes.

Neither Boyd Gaming nor any of its wholly-owned subsidiaries is a guarantor of Borgata's bank credit facility or senior secured notes.

Outstanding borrowings under the Borgata bank credit facility accrue interest at a selected rate based upon either: (i) the highest of (a) the agent bank's quoted prime rate, (b) the one-month Eurodollar rate plus 1.00%, and (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 of clause (i) and (ii) an applicable margin as provided in the Borgata 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 September 30, 2011, the outstanding balance under the Borgata bank credit facility was $15.0 million, leaving contractual availability of $135.0 million. The interest rate on the outstanding borrowings at September 30, 2011 was 4.4%.

Financial and Other Covenants

The Borgata bank credit facility contains certain financial and other covenants, including, without limitation, (i) establishing a minimum consolidated EBITDA (as defined in the Borgata bank credit facility) of $150 million over each trailing twelve-month period ending on the last day of each calendar quarter; (ii) establishing a minimum liquidity (as defined in the Borgata bank credit facility) of $30 million as of the end of each calendar quarter; (iii) imposing limitations on MDFC's ability to incur additional debt; and (iv) 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 Borgata bank credit facility covenants, including minimum consolidated EBITDA and minimum liquidity, which, at September 30, 2011, were $155.4 million and $135.0 million, respectively.

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, which commenced on April 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 September 30, 2011.

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.

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, which commenced on 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 September 30, 2011.

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.

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. The effective interest rate on the 9.50% notes due 2015 notes is 10.2% and on the 9.875% notes due 2018 is 10.3%.

Repurchase of Senior Secured Notes

During the three and nine months ended September 30, 2011, Borgata repurchased and retired $8.5 million, principal amount, in total, of their senior secured notes, which included $2.0 million of the 9.5% notes and $6.5 million of the 9.875% notes. The total purchase price of the notes was $8.4 million, resulting in a gain of $0.1 million, net of associated deferred financing fees, which is recorded on Borgata's condensed consolidated statement of operations for the respective periods.

Registration Rights Agreement

Pursuant to the registration rights agreement entered into with the initial purchasers of these senior secured notes at the time of the private placement, on May 27, 2011, MDFC commenced an offer to exchange all of the outstanding $400.0 million aggregate principal amount of 9.5% senior secured notes and $400.0 million aggregate principal amount of 9.875% senior secured notes for new 9.5% senior secured notes due 2015 and 9.875% senior secured notes due 2018, respectively, that have been registered under the Securities Act of 1933. On June 28, 2011, the expiration date of the exchange offer, $396.4 million of the 9.5% senior secured notes due 2015 and $400.0 million of the 9.875% senior secured notes due 2018 were validly tendered and accepted for exchange. This amount represents approximately 99.1% of the 9.5% senior secured notes and 100% of the 9.875% senior secured notes, respectively.

NOTE 10. DERIVATIVE INSTRUMENTS

We utilize derivative instruments to manage interest rate risk.

Derivatives that are not designated as hedges for accounting purposes must be adjusted to fair value through income. We designated current interest rate swaps as cash flow hedges through September 30, 2010, and measured their effectiveness using the long-haul method. If the derivative qualifies and is designated as a hedge, depending on the nature of the hedge, changes in its fair value will either be offset against the change in fair value of the hedged item through earnings or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The effective portion of any gain or loss on our interest rate swaps is recorded in other comprehensive income (loss). We use the hypothetical derivative method to measure the ineffective portion of our interest rate swaps. Any ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

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. The following presents the activity related to our accounting for the interest rate swaps during the periods in which they were outstanding.

The following table presents the historical fair value of the interest rate swaps recorded in the accompanying condensed consolidated balance sheets as of December 31, 2010, the balance of which are included in other long-term liabilities.

	December 31, 2010				
Effective Date	Notional Amount	Fixed Rate		Liability	Maturity Date
September 28, 2007	$100,000	5.13	%	$2,374	June 30, 2011
September 28, 2007	200,000	5.14	%	4,751	June 30, 2011
June 30, 2008	200,000	5.13	%	4,746	June 30, 2011
Totals	$500,000			$11,871	

Hedge Accounting

These derivative instruments were accounted for as cash flow hedges through September 30, 2010. Accounting for cash flow hedging requires determining a division of hedge results deemed effective and deemed ineffective. However, most of the Company's hedges were designed in such a way so as to perfectly offset specifically-defined interest payments, such that no ineffectiveness has occurred, nor would any ineffectiveness occur, as long as the forecasted cash flows of the designated hedged items and the associated swap contracts remain unchanged.

However, on October 1, 2010, in anticipation of the refinancing of our former bank 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. This amount was amortized into interest expense over the respective remaining term of the associated debt.

Fair Value

Fair value approximates the amount we would pay if these contracts were settled at the respective valuation dates. Fair value is estimated based upon current, and predictions of future, interest rate levels along a yield curve, the remaining duration of the instruments and other market conditions, and therefore, is subject to significant estimation and a high degree of variability and fluctuation between periods. The fair value is adjusted, to reflect the impact of credit ratings of the counterparties or the Company, as applicable. These adjustments resulted in a reduction in the fair values as compared to their settlement values during the period of dedesignation.

Credit risk relating to derivative counterparties is mitigated by using multiple, highly rated counterparties, and the credit quality of each is monitored on an ongoing basis.

The fair values of our derivative instruments at December 31, 2010 included approximately $0.2 million of credit valuation adjustments to reflect the impact of the credit ratings of both the Company and our counterparties, based primarily upon the market value of the credit default swaps of the respective parties. These credit valuation adjustments resulted in a reduction in the fair values of our derivative instruments as compared to their settlement values.

Classification of Changes in Fair Value

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The effect of derivative instruments on the condensed consolidated statements of operations for the three and nine months ended September 30, 2011 and 2010 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			
September 30, 2011	$—	Interest expense	$—
September 30, 2010	—	Interest expense	5,764
Nine Months Ended			
September 30, 2011	—	Interest expense	(11,824)
September 30, 2010	—	Interest expense	16,921

Derivatives Not Designated as Hedging Instruments - Interest Rate Swap Contracts	Location of Loss Recognized in Income on Derivative (Ineffective Portion)	Loss Recognized in Income on Derivative (Ineffective Portion)
Three Months Ended September 30, 2011	Fair value adjustment of derivative instruments	$—
Nine Months Ended September 30, 2011	Fair value adjustment of derivative instruments	$265

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 September 30, 2011. The net effect of our floating-to-fixed interest rate swaps resulted in an increase in interest expense of $5.8 million for the three months ended September 30, 2010. We recorded an increase in interest expense of $11.8 million and $16.9 million for the nine months ended September 30, 2011 and 2010, respectively, as compared to the contractual rate of the underlying hedged debt, for these periods.

Due to the de-designation of the floating-to-fixed interest rate swaps in 2010, we recognized $0.3 million loss on the change in fair value of these swap for the nine months ended September 30, 2011. In addition, the Company accreted $5.8 million for the three months ended September 30, 2010, and amortized $11.8 million and accreted $16.9 million during the nine months ended September 30, 2011 and 2010, respectively in OCI 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 12, Commitments and Contingencies, in our Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 15, 2011.

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. On April 14, 2008, the Department filed a Petition for Rehearing (the “Petition”) on the decision. Additionally, on the same date the Nevada Legislature filed an Amicus Curiae brief in support of the Department's position. The Nevada Supreme Court denied the Department's Petition on July 17, 2008. We paid use tax, over the period November 2000 through May 2008, on food purchased for subsequent use in complimentary and employee meals at our Nevada casino properties and estimate the refund to be in the range of $17.5 million to $19.9 million, including interest. In late 2009, the Department audited and denied our refund claim and subsequently issued 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 included in the refund claim period, effectively overturning the Department's 2009 deficiency assessment. Both we and the Department appealed the decision, with the exception of the portion related to the deficiency assessment, to the Nevada State Tax Commission (the "Commission"). The Department did not appeal the Judge's decision overturning the 2009 deficiency assessment and therefore, the ruling on the deficiency assessment is final and non-appealable. On August 8, 2011, the Commission remanded the case back to the Judge. The administrative hearing was held on September 26, 2011, at which time we introduced additional supporting documentation. The Judge issued a decision on November 8, 2011, reversing her position on the employee meal refund claim. Such decision also affirmed 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. We intend to appeal the decision to the Commission. Due to uncertainty surrounding the ultimate resolution of an appeal to the Commission, 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 both procedural issues and the technical merits of the Department's arguments, that we will owe this tax.

Blue Chip Property Taxes

In May 2007, Blue Chip received a valuation notice indicating an unanticipated increase of nearly 400% to its assessed property value as of January 1, 2006. At that time, we estimated that the increase in assessed property value could result in a property tax assessment ranging between $4 million and $11 million for the eighteen-month period ended June 30, 2007. We recorded an additional charge of $3.2 million during the three months ended June 30, 2007 to increase our property tax liability to $5.8 million at June 30, 2007 as we believed that was the most likely amount to be assessed within the range. We subsequently received a property tax bill related to our 2006 tax assessment for $6.2 million in December 2007. As we have appealed the assessment, Indiana statutes allow for a minimum required payment of $1.9 million, which was paid against the $6.2 million assessment in January 2008. In February 2009, we received a notice of revaluation, which reduced the property's assessed value by $100 million and the tax assessment by approximately $2.2 million per year. We have subsequently paid the minimum required payment of $1.9 million against provisional bills received in 2007 through 2011, all of which were based on the 2006 valuation notice. In March 2011, we reached a settlement with the assessor, reducing the valuation by an additional $96.0 million and $74.0 million for the 2006 and 2007 tax years, respectively. As a result of the agreement reached on the 2006 and 2007 valuations, we have revised our accrual for years 2008 through 2011 to reflect the expected carryforward effect of the reductions received in the prior year settlements. In October 2011, we reached an agreement with the assessor on valuations for tax years 2008 and 2009. As a result, we further reduced our property tax liability and previously accrued property tax expense by an additional $3.7 million during the three months ended September 30, 2011, which aggregated to a reduction of $9.7 million during the nine months ended September 30, 2011. Although we have not received valuation notices for years 2010 through 2011, or final tax rates for the years 2007 through 2011, we believe the assessment for the period from January 1, 2008 through September 30, 2011 could result in a property tax assessment ranging between $10.0 million and $15.0 million. We have accrued, net of the payments discussed above, approximately $14.6 million of property tax liability as of September 30, 2011, based on what we believe to be the most likely assessment within our range, once all appeals have been exhausted; however, we can provide no assurances that the estimated amount will approximate the actual amount. The final tax assessment notices for the period January 1, 2007 through January 1, 2011, which have not been received as of September 30, 2011, 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 September 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 19th Judicial District Court, East Baton Rouge Parish, State of Louisiana.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.

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 bank 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 bank credit facility.

During the nine months ended September 30, 2011 or 2010, 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 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

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nine months ended September 30, 2011 or 2010.

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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In thousands)			
Gaming	$53	$57	$157	$205
Food and beverage	10	10	30	38
Room	5	5	14	18
Selling, general and administrative	265	447	796	1,292
Corporate expense	1,454	1,877	6,743	6,571
Total shared-based compensation expense	$1,787	$2,396	$7,740	$8,124

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 stockholders' equity. 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 September 30, 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 September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In thousands)			
Fair value adjustment of derivative instruments	$—	$3,780	$11,824	$10,598
Tax effect	—	(1,348)	(4,230)	(3,756)
Fair value adjustment of derivative instruments, net of tax	$—	$2,432	$7,594	$6,842

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 nine months ended September 30, 2011 are as follows:

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	Borgata	LVE	Total
	(In thousands)		
Nine Months Ended September 30, 2011			
Beginning balance, January 1, 2011	$219,256	$(13,718)	$205,538
Attributable net loss	1,642	(3,252)	(1,610)
Comprehensive loss	—	(688)	(688)
Ending Balance, September 30, 2011	$220,898	$(17,658)	$203,240

LVE

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 (notional amount in thousands):

Effective Date	Notional Amount	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.

At inception, these interest rate derivatives were designated as cash flow hedges and determined to be highly effective. The differential to be paid or received as a result of these swaps is accrued as interest rates change and is recognized as an adjustment to interest expense. The change in fair value of the effective portion of these derivative has been recorded in accumulated other comprehensive loss. During the three and nine months ended September 30, 2011, LVE recognized a gain of $0.1 million and a loss of $0.7 million, respectively, in comprehensive income related to the changes in the fair value of the effective portion of these hedges.

Prior to January 1, 2010, the date LVE is first reflected in our financial condition and results of operations, hedge accounting was discontinued on the interest rate swap related to the taxable debt because it was no longer expected to be highly effective in hedging the exposure to increased interest rates and the impact of those rates on cash flows. The ineffective portion of the swap caused the variable-rate debt to increase at a slower pace than the contractual increases in notional amount of the swap.

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.

	September 30, 2011			
	Balance	Level 1	Level 2	Level 3
		(In thousands)		
Assets				
Cash and cash equivalents	$187,118	$187,118	$—	$—

	December 31, 2010			
	Balance	Level 1	Level 2	Level 3
		(In thousands)		
Assets				
Cash and cash equivalents	$145,623	$145,623	$—	$—
Liabilities				
Derivative instruments	$11,871	$—	$11,871	$—

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 September 30, 2011 and December 31, 2010.

Our derivative instruments are classified in the fair value hierarchy as Level 2 as the LIBOR swap rate is observable at commonly quoted intervals for the full term of the interest rate swaps. See Note 10, Derivative Instruments for further discussion regarding the fair valuation of our interest rate swaps.

Balances Disclosed at Fair Value

The following table provides the fair value measurement information about our long-term debt at September 30, 2011 and December 31, 2010.

	September 30, 2011			
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
	(In thousands)			
Bank credit facility	$1,423,147	$1,423,147	$1,328,998	Level 2
9.125% Senior Notes due 2018	500,000	491,134	424,585	Level 1
6.75% Senior Subordinated Notes due 2014	215,668	215,668	198,173	Level 1
7.125% Senior Subordinated Notes due 2016	240,750	240,750	181,526	Level 1
Borgata bank credit facility	15,000	15,000	15,000	Level 2

Borgata 9.50% Senior Secured Notes due 2015	398,000	386,452	364,170	Level 1
Borgata 9.875% Senior Secured Notes due 2018	393,500	382,274	348,248	Level 1
Other	11,248	11,248	10,686	Level 3
Total long-term debt, including current maturities	$3,197,313	$3,165,673	$2,871,386	

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	December 31, 2010			
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
	(In thousands)			
Bank credit facility	$1,425,000	$1,425,000	$1,346,625	Level 2
9.125% Senior Notes due 2018	500,000	490,206	487,755	Level 1
6.75% Senior Subordinated Notes due 2014	215,668	215,668	212,163	Level 1
7.125% Senior Subordinated Notes due 2016	240,750	240,750	217,879	Level 1
Borgata bank credit facility	60,900	60,900	60,900	Level 2
Borgata 9.50% Senior Secured Notes due 2015	400,000	386,712	375,111	Level 1
Borgata 9.875% Senior Secured Notes due 2018	400,000	387,758	379,518	Level 1
Other	11,761	11,761	11,173	Level 3
Total long-term debt, including current maturities	$3,254,079	$3,218,755	$3,091,124	

The estimated fair value of the Amended Credit Facility is based on a relative value analysis performed on or about September 30, 2011 and December 31, 2010, respectively. The estimated fair value of Borgata's bank credit facility at September 30, 2011 and December 31, 2010 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 September 30, 2011 and December 31, 2010, 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 the nine months ended September 30, 2011 or the year ended December 31, 2010.

Fair Value of Non-Recourse Obligations of Variable Interest Entity
At September 30, 2011 and December 31, 2010, 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. WRITE-DOWNS AND OTHER ITEMS, NET

Write-downs and other items, net are comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	In thousands			
Impairment of trademark	$—	$—	$5,000	$—
Measurement period adjustments	—	—	(473)	—
Asset write-downs	(3)	262	926	274
Acquisition related expenses	1,874	1,078	2,244	4,658

Tunica flood expenses, net of recoveries	429	—	1,572	—
Total write-downs and other items, net	$2,300	$1,340	$9,269	$4,932

Impairment of Trademark
As discussed in Note 5, Intangible Assets, during the nine months ended September 30, 2011, we recorded a $5.0 million impairment to the trademark, based upon the performance of an interim impairment test in connection with the valuation of Borgata.

Measurement Period Adjustments
In connection with the valuation procedures we performed on Borgata, we recorded measurement adjustments of $0.5 million during the nine months ended September 30, 2011, which were primarily comprised of a $0.3 million bargain purchase gain.

Asset Write-Downs

During the three months ended September 30, 2010, we recognized a loss of $0.3 million in connection with the disposal of certain property and equipment in the ordinary course of business. During the nine months ended September 30, 2011 and 2010, we recognized losses of $0.9 million and $0.3 million, respectively, in connection with the disposal of certain property and equipment in the ordinary course of business.

Acquisition Related Expenses

During the three months ended September 30, 2011 and 2010, we recorded $1.9 million and $1.1 million of expenses related to evaluating various acquisition possibilities and other business development activities. During the nine months ended September 30, 2011 and 2010, we recorded $2.2 million and $4.7 million of expenses related to evaluating various acquisition possibilities and other business development activities.

Tunica Flood Expenses, Net of Recoveries

Due to flooding of the Mississippi River and temporary closure of the property in May 2011, during the three and nine months ended September 30, 2011, we recorded $0.4 million and $1.6 million of Tunica flood expenses, net of recoveries.

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
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, write-downs and other charges, 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

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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. 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 and nine months ended September 30, 2011 and 2010.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In thousands)			
Net Revenues				
Las Vegas Locals	$145,915	$145,593	$452,270	$455,243
Downtown Las Vegas	53,327	51,898	165,578	161,088
Midwest and South	187,906	188,695	553,787	556,221
Atlantic City	202,018	207,687	553,864	411,355
Reportable Segment Net Revenues	589,166	593,873	1,725,499	1,583,907
Other	1,049	1,505	4,065	5,052
Net revenues	$590,215	$595,378	$1,729,564	$1,588,959
Reportable Segment Adjusted EBITDA				
Las Vegas Locals	$30,793	$26,116	$109,006	$103,339
Downtown Las Vegas	6,005	5,679	24,375	23,361
Midwest and South	44,524	38,407	128,011	113,276
Atlantic City	50,287	54,319	120,626	102,182
Our share of Borgata's operating income				8,180
Reportable Segment Adjusted EBITDA	$131,609	$124,521	$382,018	$350,338
Other operating costs and expenses				
Depreciation and amortization	$46,034	$52,451	$145,106	$147,905
Corporate expense	11,025	11,021	36,569	36,636

Preopening expenses	1,720	2,684	5,292	4,990
Our share of Borgata's other items and write-downs, net	—	—	—	34
Write-downs and other items, net	2,300	1,340	9,269	4,932
Other	2,366	2,542	7,524	7,652
Total other operating costs and expenses	63,445	70,038	203,760	202,149
Operating income	$68,164	$54,483	$178,258	$148,189

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Operating Income from Borgata

The following table reconciles our operating income from Borgata, as reported in our condensed consolidated statements of operations, to the Atlantic City Reportable Segment Adjusted EBITDA, as reported above:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	In thousands			
Operating income from Borgata	$—	$—	$—	$8,146
Our share of Borgata's write-downs and other items, net	—	—	—	34
Our share of Borgata's operating income before net amortization, preopening and other items	$—	$—	$—	$8,180

As discussed above, Borgata's results of operations for the three and nine months ended September 30, 2011 and for the period from July 1, 2010 through September 30, 2010 and March 24 through September 30, 2010 are included in our condensed consolidated statements of operations for the three and nine months ended September 30, 2011 and 2010, respectively.

Total Assets

The Company's total assets, by Reportable Segment, consisted of the following amounts at September 30, 2011 and December 31, 2010:

	September 30, 2011	December 31, 2010
	(In thousands)	
Assets		
Las Vegas Locals	$1,250,101	$1,284,160
Downtown Las Vegas	131,832	136,868
Midwest and South	1,088,407	1,117,959
Atlantic City	1,421,326	1,433,265
Total Reportable Segment assets	3,891,666	3,972,252
Corporate	1,488,640	1,428,763
Other	258,516	288,274
Total assets	$5,638,822	$5,689,289

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

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 September 30, 2011 and December 31, 2010 and the condensed consolidating statements of operations for the three and nine month periods ended September 30, 2011 and 2010 and the condensed consolidating statements of cash flows for the nine months ended September 30, 2011 and 2010.

Condensed Consolidating Balance Sheets

	September 30, 2011						
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations		Consolidated
			(In thousands)				
Assets							
Cash and cash equivalents	$75,603	$76,185	$3,145	$ 32,185	$—		$187,118
Other current assets	15,570	67,686	16,951	46,215	—		146,422
Property and equipment, net	109,909	1,882,468	72,562	1,231,457	—		3,296,396
Assets held for development	—	923,793	—	196,052	—		1,119,845
Investments in subsidiaries	3,721,284	262,357	32	4,175	(3,987,848)		—
Intercompany receivable	—	634,230	—	—	(634,230)		—
Other assets, net	78,833	(21,388)	2,898	68,047	—		128,390
Intangible assets, net	21,373	459,933	—	65,769	—		547,075
Goodwill, net	—	212,794	782	—	—		213,576
Total assets	$4,022,572	$4,498,058	$96,370	$ 1,643,900	$(4,622,078)		$5,638,822
Liabilities and Stockholders' Equity							
Current maturities of long-term debt	$362,878	$720	$—	$ —	$—	—	$363,598
Non-recourse obligations	—	—	—	221,912	—	243,059	221,912
Current liabilities	51,861	182,205	14,899	114,834	—		363,799

Intercompany payable	378,661	—	192,900	—	(571,561)	—
Long-term debt, net of current maturities	2,007,821	10,528	—	783,726	—	2,802,075
Other long-term liabilities	20,699	403,686	1,401	57,760	—	483,546
Preferred stock	—	—	—	—	—	—
Common stock	863	31,128	32	—	(31,160)	863
Additional paid-in capital	642,243	2,914,250	41,724	476,733	(3,432,707)	642,243
Retained earnings (deficit)	557,546	955,541	(154,586)	(11,065)	(789,890)	557,546
Total Boyd Gaming Corporation stockholders' equity (deficit)	1,200,652	3,900,919	(112,830)	465,668	(4,253,757)	1,200,652
Noncontrolling interest	—	—	—	—	203,240	203,240
Total stockholders' equity (deficit)	1,200,652	3,900,919	(112,830)	465,668	(4,050,517)	1,403,892
Total liabilities and stockholders' equity	$4,022,572	$4,498,058	$96,370	$ 1,643,900	$(4,622,078)	$5,638,822

Condensed Consolidating Balance Sheets, continued

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

	December 31, 2010					
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
			(In thousands)			
Assets						
Cash and cash equivalents	$11,231	$88,282	$3,679	$ 42,431	$—	$145,623
Other current assets	10,395	61,829	15,246	46,546	—	134,016
Property and equipment, net	111,921	1,939,834	77,949	1,253,667	—	3,383,371
Assets held for development	—	923,038	—	196,365	—	1,119,403
Investments in subsidiaries	3,373,486	424,707	—	5,185	(3,803,378)	—
Intercompany receivable	50,824	—	69,931	—	(120,755)	—
Other assets, net	73,420	46,885	2,979	89,836	(59,534)	153,586
Intangible assets, net	—	460,714	—	79,000	—	539,714
Goodwill, net	—	212,794	782	—	—	213,576
Total assets	$3,631,277	$4,158,083	$170,566	$ 1,713,030	$(3,983,667)	$5,689,289
Liabilities and Stockholders' Equity						
Current maturities of long-term debt	$25,000	$690	$—	$ —	$—	$25,690
Non-recourse obligations	—	—	—	243,059	—	243,059
Current liabilities	39,663	175,870	17,462	109,161	—	342,156
Intercompany payable	—	472,794	246,144	—	(718,938)	—
Long-term debt, net of current maturities	2,346,623	11,072	—	835,370	—	3,193,065
Other long-term liabilities	30,786	399,148	1,538	59,104	—	490,576
Preferred stock	—	—	—	—	—	—
Common stock	862	30,298	32	—	(30,330)	862
Additional paid-in capital	635,028	2,320,477	41,724	421,472	(2,783,673)	635,028
Retained earnings (deficit)	560,909	747,734	(136,334)	44,864	(656,264)	560,909
Accumulated other comprehensive loss	(7,594)	—	—	—	—	(7,594)
Total Boyd Gaming Corporation stockholders' equity (deficit)	1,189,205	3,098,509	(94,578)	466,336	(3,470,267)	1,189,205
Noncontrolling interest	—	—	—	—	205,538	205,538
Total stockholders' equity (deficit)	1,189,205	3,098,509	(94,578)	466,336	(3,264,729)	1,394,743
Total liabilities and stockholders' equity	$3,631,277	$4,158,083	$170,566	$ 1,713,030	$(3,983,667)	$5,689,289

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Condensed Consolidating Statements of Operations

	Three months ended September 30, 2011					
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
	(In thousands)					
Net revenues	$39,028	$374,328	$13,869	$ 204,742	$(41,752)	$590,215
Costs and expenses						
Operating	—	207,138	14,033	102,575	—	323,746
Selling, general and administrative	—	61,739	1,703	32,859	—	96,301
Maintenance and utilities	—	23,067	1,182	16,676	—	40,925
Depreciation and amortization	2,158	27,943	770	15,163	—	46,034
Corporate expense	23,160	76,993	1,157	—	(90,285)	11,025
Preopening expenses	229	1,176	4,039	—	(3,724)	1,720
Write-downs and other items, net	1,875	428	4	(7)	—	2,300
Total costs and expenses	27,422	398,484	22,888	167,266	(94,009)	522,051
Equity in earnings of subsidiaries	16,322	24,950	—	—	(41,272)	—
Operating income	27,928	794	(9,019)	37,476	10,985	68,164
Other expense (income)						
Interest expense, net	33,902	170	—	25,996	—	60,068
Other income	(1,000)	—	—	—	—	(1,000)
Gain on early retirement of debt	—	—	—	(54)	—	(54)
Total other expense, net	32,902	170	—	25,942	—	59,014
Income (loss) before income taxes	(4,974)	624	(9,019)	11,534	10,985	9,150
Income taxes	8,083	(15,244)	6,458	(1,467)	—	(2,170)
Net income (loss)	3,109	(14,620)	(2,561)	10,067	10,985	6,980
Net loss attributable to controlling interest	—	—	—	—	(3,871)	(3,871)
Net income (loss) attributable to Boyd Gaming Corporation	$3,109	$(14,620)	$(2,561)	$ 10,067	$7,114	$3,109

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Condensed Consolidating Statements of Operations, continued

	Three months ended September 30, 2010					
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
	(In thousands)					
Net revenues	$33,574	$375,916	$12,506	$ 207,688	$(34,306)	$595,378
Costs and expenses						
Operating	—	211,371	13,689	104,981	—	330,041
Selling, general and administrative	—	67,337	2,187	31,173	—	100,697
Maintenance and utilities	—	24,174	1,272	17,215	—	42,661
Depreciation and amortization	2,914	32,893	191	16,453	—	52,451
Corporate expense	12,513	72,071	2,131	—	(75,694)	11,021
Preopening expenses	553	4,355	(2,224)	—	—	2,684
Write-downs and other items, net	1,078	69	197	(4)	—	1,340
Total costs and expenses	17,058	412,270	17,443	169,818	(75,694)	540,895
Equity in earnings of subsidiaries	14,600	4,160	—	—	(18,760)	—
Operating income	31,116	(32,194)	(4,937)	37,870	22,628	54,483
Other expense (income)						
Interest expense, net	28,326	(1,635)	1,815	17,275	—	45,781
Other income	—	(12,535)	—	—	—	(12,535)
Total other expense, net	28,326	(14,170)	1,815	17,275	—	33,246
Income (loss) before income taxes	2,790	(18,024)	(6,752)	20,595	22,628	21,237
Income taxes	2,801	(11,377)	4,251	(2,046)	—	(6,371)
Net income (loss)	5,591	(29,401)	(2,501)	18,549	22,628	14,866
Net loss attributable to noncontrolling interest	—	—	—	—	(9,275)	(9,275)
Net income (loss) attributable to Boyd Gaming Corporation	$5,591	$(29,401)	$(2,501)	$ 18,549	$13,353	$5,591

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Condensed Consolidating Statements of Operations, continued

	Nine months ended September 30, 2011					
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
			(In thousands)			
Net revenues	$115,728	$1,133,248	$42,452	$ 561,998	$(123,862)	$1,729,564
Costs and expenses						
Operating	—	618,299	43,086	289,700	—	951,085
Selling, general and administrative	—	186,489	5,978	96,405	—	288,872
Maintenance and utilities	—	63,551	3,119	48,443	—	115,113
Depreciation and amortization	6,186	86,140	2,203	50,577	—	145,106
Corporate expense	71,814	78,405	2,078	—	(115,728)	36,569
Preopening expenses	724	12,610	—	92	(8,134)	5,292
Write-downs and other items, net	2,244	1,263	4	5,758	—	9,269
Total costs and expenses	80,968	1,046,757	56,468	490,975	(123,862)	1,551,306
Equity in earnings of subsidiaries	46,471	19,716	—	—	(66,187)	—
Operating income	81,231	106,207	(14,016)	71,023	(66,187)	178,258
Other expense (income)						
Interest expense, net	113,472	514	—	70,042	—	184,028
Fair value adjustment of derivative instruments	265	—	—	—	—	265
Other income	(1,000)	—	—	—	—	(1,000)
(Gain) loss on early retirements of debt	20	—	—	(54)	—	(34)
Total other expense, net	112,757	514	—	69,988	—	183,259
Income (loss) before income taxes	(31,526)	105,693	(14,016)	1,035	(66,187)	(5,001)
Income taxes	28,163	(32,064)	4,904	(975)	—	28
Net income (loss)	(3,363)	73,629	(9,112)	60	(66,187)	(4,973)
Net loss attributable to noncontrolling interest	—	—	—	—	1,610	1,610
Net income (loss) attributable to Boyd Gaming Corporation	$(3,363)	$73,629	$(9,112)	$ 60	$(64,577)	$(3,363)

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Condensed Consolidating Statements of Operations, continued

	Nine months ended September 30, 2010					
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
	(In thousands)					
Net revenues	$103,400	$1,131,724	$46,611	$ 411,356	$(104,132)	$1,588,959
Costs and expenses						
Operating	—	627,911	41,767	209,364	—	879,042
Selling, general and administrative	—	199,487	6,681	64,473	—	270,641
Maintenance and utilities	—	66,075	3,358	35,337	—	104,770
Depreciation and amortization	9,330	99,704	2,557	36,314	—	147,905
Corporate expense	59,781	72,071	8,916	—	(104,132)	36,636
Preopening expenses	709	4,281	—	—	—	4,990
Write-downs and other items, net	4,658	69	197	8	—	4,932
Total costs and expenses	74,478	1,069,598	63,476	345,496	(104,132)	1,448,916
Equity in earnings of subsidiaries	52,297	18,325	—	—	(62,476)	8,146
Operating income	81,219	80,451	(16,865)	65,860	(62,476)	148,189
Other expense (income)						
Interest expense, net	85,539	(1,267)	1,815	23,347	—	109,434
Gain on early retirements of debt	(3,949)	—	—	—	—	(3,949)
Other income	—	(12,535)				(12,535)
Other non-operating expenses, net	—	3,133	—	—	—	3,133
Total other expense, net	81,590	(10,669)	1,815	23,347	—	96,083
Income (loss) before income taxes	(371)	91,120	(18,680)	42,513	(62,476)	52,106
Income taxes	17,779	(35,393)	6,265	(4,183)	—	(15,532)
Net income (loss)	17,408	55,727	(12,415)	38,330	(62,476)	36,574
Noncontrolling interest	—	—	—	—	(19,166)	(19,166)
Net income (loss) attributable to Boyd Gaming Corporation	$17,408	$55,727	$(12,415)	$ 38,330	$(81,642)	$17,408

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Condensed Consolidating Statements of Cash Flows

	Nine months ended September 30, 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	$108,892	$10,671	$(317)	$ 63,670	$—	$182,916
Cash flows from investing activities						
Capital expenditures	(13,441)	(22,768)	(217)	(19,065)	—	(55,491)
Acquisitions of assets	(34,495)	—	—	—	—	(34,495)
Decrease in restricted investment	—	—	—	27,184	—	27,184
Net cash from investing activities	(47,936)	(22,768)	(217)	8,119	—	(62,802)
Cash flows from financing activities						
Borrowings under bank credit facility	109,650	—	—	574,700	—	684,350
Payments under bank credit facility	(111,503)	—	—	(620,600)	—	(732,103)
Payments on long-term debt	—	—	—	(8,198)	—	(8,198)
Debt financing costs, net	—	—	—	(27,000)	—	(27,000)
Other financing activities	5,269	—	—	(937)	—	4,332
Net cash from financing activities	3,416	—	—	(82,035)	—	(78,619)
Net change in cash and cash equivalents	64,372	(12,097)	(534)	(10,246)	—	41,495
Cash and cash equivalents, beginning of period	11,231	88,282	3,679	42,431	—	145,623
Cash and cash equivalents, end of period	$75,603	$76,185	$3,145	$ 32,185	$—	$187,118

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Condensed Consolidating Statements of Cash Flows

	Nine months ended September 30, 2010					
	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	$229,108	$28,372	$45,355	$ 89,109	$(150,983)	$240,961
Cash flows from investing activities						
Capital expenditures	(12,082)	(42,240)	(129)	(9,618)	—	(64,069)
Net cash upon change in control of Borgata	—	—		26,025	—	26,025
Other investing activities	54	—	—	(785)	—	(731)
Net cash from investing activities	(12,028)	(42,240)	(129)	15,622	—	(38,775)
Cash flows from financing activities						
Borrowings under bank credit facility	525,700	—	—	369,773	—	895,473
Payments under bank credit facility	(714,800)	—	—	(954,962)	—	(1,669,762)
Payments under note payable	—	—	(46,875)	—	—	(46,875)
Distributions to noncontrolling interest	—	—	—	(271,159)	150,983	(120,176)
Proceeds from stock options exercised	—	—	—	773,176	—	773,176
Payments on long-term debt	(28,181)	(680)	—	—	—	(28,861)
Other financing activities	237	—	—	(5,925)	—	(5,688)
Net cash from financing activities	(217,044)	(680)	(46,875)	(89,097)	150,983	(202,713)
Net change in cash and cash equivalents	36	(14,548)	(1,649)	15,634	—	(527)
Cash and cash equivalents, beginning of period	363	88,071	4,768	—	—	93,202
Cash and cash equivalents, end of period	$399	$73,523	$3,119	$ 15,634	$—	$92,675

NOTE 19. SUBSEQUENT EVENTS

We have evaluated all events or transactions that occurred after September 30, 2011. During this period, the following material subsequent events occurred.

Completion of Acquisition of IP Casino Resort Spa

On October 4, 2011, we completed our previously announced acquisition of the assets of the IP Casino Resort Spa in Biloxi, Mississippi, (the "IP") for a purchase price of $278 million in cash. Following the closing of the transaction, we also made a charitable contribution to the Engelstad Family Foundation equal to an aggregate of $10 million, which funds are intended to be distributed on behalf of, and in the name of, the Company, over five years to local and regional Biloxi charitable organizations to be designated by the Company. In addition, following the closing, we intend to perform certain capital improvement projects with respect to the IP with costs estimated to be $44 million.

We will apply acquisition method accounting to this business combination at the transaction date, which requires acquired assets and assumed liabilities to be recorded at their respective fair values. Due to the limited time since the acquisition date, the initial accounting for the business combination is incomplete at this time. Prospectively, however, the acquired assets and liabilities will be recorded in our consolidated balance sheet at fair value as of the closing date; the results of operations of the IP will be included in our consolidated statements of operations and cash flows beginning in the fourth quarter of 2011; and all other disclosures pursuant to the guidance for business combinations will be provided in our Annual Report on Form 10-K for the year ended December 31, 2011.

Agreement with bwin.party

On October 31, 2011, we announced that we had entered into an agreement with bwin.party digital entertainment plc, the world's largest publicly traded online gaming company. Should Congress legalize online poker in the United States (the "U.S."), and subject to regulatory approvals, we would acquire a 10% stake in a new company that would offer online poker to U.S.-based players under bwin.party's brands, including PartyPoker. Separately, we entered into a 15-year agreement to use bwin.party's technology platform and associated services to offer online poker to U.S. players under a brand we develop, assuming Congress passes enabling legislation.

Entry into Lender Joinder Agreement

On November 2, 2011, we entered into a Lender Joinder Agreement (the “Lender Joinder Agreement”) among the Company, Bank of America, N.A. (“Bank of America”), as the Administrative Agent, and the Increasing Lender. The Lender Joinder Agreement increases the Term Loan Commitments under the Second Amended and Restated Credit Agreement dated as of December 17, 2010 (as amended, restated, supplemented or otherwise modified from time to time, the “Credit Facility”) among the Company, certain financial institutions as lenders, Bank of America, as the Administrative Agent and as letter of credit issuer, and Wells Fargo Bank, National Association, as syndication agent and swing line lender, by an aggregate amount of $350 million (the “Increased Term Loan”).

The Lender Joinder Agreement provides that subject only to continued satisfaction of the representations, warranties and covenants under the Credit Facility, the Increased Term Loan will be funded on November 10, 2011. Proceeds from the Increased Term Loan will be used to repay the outstanding portion of our existing credit facility which otherwise matures in May 2012.

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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 35 years.

We are a diversified operator of 15 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
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, 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 their 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. As discussed under "Other Items Affecting Liquidity", on April 29, 2011, we and Dania Entertainment Center, LLC entered into an asset purchase agreement for the sale of certain assets and liabilities of Dania Jai-Alai.

Echelon Development

Additionally, we own 85 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, we do not expect to resume construction of Echelon for three to five years, as previously disclosed. We also do not believe that financing for a development project like

Echelon is currently available on terms satisfactory to us.

IP Casino Resort Spa

On October 4, 2011, we completed our previously announced acquisition of the assets of the IP Casino Resort Spa in Biloxi, Mississippi, (the "IP") for a purchase price of $278 million in cash. Following the closing of the transaction, we also made a

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charitable contribution to the Engelstad Family Foundation equal to an aggregate of $10 million, which funds are intended to be distributed on behalf of, and in the name of, the Company, over five years to charitable organizations to be designated by the Company. In addition, following the closing, we intend to perform certain capital improvement projects with respect to the IP with costs estimated to be $44 million.

We will apply acquisition method accounting to this business combination at the transaction date, which requires acquired assets and assumed liabilities to be recorded at their respective fair values. Due to the limited time since the acquisition date, the initial accounting for the business combination is incomplete at this time. Prospectively, however, the acquired assets and liabilities will be recorded in our consolidated balance sheet at fair value as of the closing date; the results of operations of the IP will be included in our consolidated statements of operations and cash flows beginning in the fourth quarter of 2011; and all other disclosures pursuant to the guidance for business combinations will be provided in our Annual Report on Form 10-K for the year ended December 31, 2011. The IP will be reported in our Midwest and South business segment.

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, 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. We took an important step in this direction when we reached an agreement in April 2011 to sell Dania Jai-Alai for $80 million. This asset is not consistent with our current growth strategy, and if this sale closes, we will raise a significant amount of capital from the consideration in the transaction that can be used to repay debt.

Operating Efficiently: We also remain committed to operating more efficiently. We will endeavor to prevent unneeded expense from returning to the business. The efficiencies of our business model position us to flow a substantial portion of revenue gains directly to the bottom line. Margin improvements will remain a driver of profit growth for the Company going forward.

Evaluating Acquisition Opportunities: Another key component of our strategy could be acquisitions. We will evaluate potential transactions 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.

Maintaining our Brand: Finally, 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 each of the three and nine months ended September 30, 2011 have begun 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 stabilizing trends in our business. Generally, the tourism industry is recovering, 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.

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, iPod Touch or iPad. The application further expands the benefits of the “B Connected” program. “B Connected Mobile,” a GPS powered feature, 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 “B Connected,” a search engine that 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.

Over the last several years, we have worked to strengthen B Connected with a robust online and mobile presence. We have further expanded the power of B Connected with the launch of dedicated mobile applications for the iPhone, iPad and Android, making B Connected Mobile the first application of its kind available on multiple platforms. B Connected Online and B Connected Mobile give our guests highly personalized and constantly updated information and offers that generate better customer experiences and greater loyalty to our brands. These tools help customers get the greatest value out of their B Connected membership, and ensure that our marketing is as effective as possible.

Development Activities

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. 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.

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.

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. The term of the ESA is 25 years, beginning when Echelon commences commercial operations. Assuming the central energy center is completed and functions as planned, we will pay a monthly service fee, which is comprised of a fixed capacity charge, an escalating operations and maintenance charge, and an energy charge. The aggregate of our monthly fixed capacity charge portion of the service fee will be $23.4 million per annum (the “Annual Fixed Capacity Charge”). The Annual Fixed Capacity Charge, which will be payable for a 25-year period, was to commence in November 2010. However, LVE has suspended construction of the central energy center and the obligation to pay the Fixed Capacity Charge has not commenced.

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"). LVE has agreed not to initiate any litigation with respect to its April 3, 2009 claim of an alleged breach of the ESA and both 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. 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 Echelon Resorts either (i) resumes construction of the project or (ii) 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 the 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 the LVE assets.

As of September 30, 2011, we have incurred approximately $924.0 million in capitalized costs related to the Echelon project, including land, and not including approximately $196.1 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 $3.0 million of capitalized costs annually, principally related to such items as offsite fabrication of a skylight and curtain wall as well as offsite improvements. 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 $15.0 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.

Other Events

Effective Control of Borgata

On March 24, 2010, as a result of the amendment to our operating agreement with MGM Resorts International (“MGM”) (our original 50% partner in Borgata), which provided, among other things, for the termination of MGM's participating rights in the operations of Borgata, we effectively obtained control of Borgata. The amendment to the operating agreement was related to MGM's divestiture of its interest pursuant to a regulatory settlement.

As discussed above, due to our controlling interest in Borgata, we measured our previously held equity interest at a provisional fair value. Additionally, the financial position of Borgata is presented in our condensed consolidated balance sheets as of September 30, 2011 and December 31, 2010; its results of operations for the three months ended September 30, 2011 are included in our condensed consolidated statement of operations for the three months ended September 30, 2011; its results of operations for the nine months ended September 30, 2011 are included in our condensed consolidated statements of operations and cash flows for the nine months ended September 30, 2011; its results of operations for the three months ended September 30, 2010 are included in our condensed consolidated statement of operations for the three months ended September 30, 2010; and its results of operations for the period from March 24 through September 30, 2010 are included in our condensed consolidated statements of operations and cash flows for the nine months ended September 30, 2010.

At the date we obtained effective control, and applied the acquisition method of accounting, we were required to make significant estimates and assumptions regarding the provisional fair values of Borgata's assets and liabilities. This method also allowed us to refine these estimates over a one-year measurement period to reflect new information obtained about facts and circumstances that existed as of the date of effective control, which, if known, would have affected the measurement of the amounts recognized as of that date. Any changes to the provisional valuation during this one-year period are referred to as “measurement period adjustments”. We recorded certain measurement period adjustments and retrospectively included the effects of those adjustments in the condensed consolidated balance sheet as of December 31, 2010 included herein.

RESULTS OF OPERATIONS

Summary

Three and Nine Months Ended September 30, 2011 and 2010

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Throughout the discussion in this section, our results of operations for the nine months ended September 30, 2010 are presented considering the pro forma effect of the consolidation of Borgata as if such had occurred on January 1, 2010, rather than March 24, 2010. This presentation is for the purposes of comparability, and all such results reflecting this pro forma adjustment are identified as such.

We believe that our key operating results for each of the three and nine months ended September 30, 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 stabilizing trends in our business. Generally, the job market is strengthening, as the national unemployment rate has continued to decline throughout 2011. As the job market recovers and expands, we believe that consumer confidence will strengthen further. These and other positive trends reflect recoveries in our wholly-owned businesses.

Specifically, in our Las Vegas Locals region, visitor counts, room rates and convention sales have been increasing or stable over the past eighteen months. 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 certainly the Las Vegas economies, where certain of our properties reported margin improvements and record month growth during the quarter. Although we have gained increased market share and non-gaming revenues in Atlantic City, the entire market continues to experience a difficult period, due to increased local and regional competition.

Overview of Key Operating Results
Three and Nine Months Ended September 30, 2011 and 2010
The following provides a summary of certain key operating results:

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2011	2010	2011	2010 Actual	2010 Pro Forma
	(In thousands)				
Net revenues	$590,215	$595,378	$1,729,564	$1,588,959	$1,747,249
Operating Income	68,164	54,483	178,258	148,189	156,335
Net income (loss) attributable to Boyd Gaming Corporation	3,109	5,591			