FORM 10-K

BOYD GAMING CORP - BYD

Filed: March 02, 2009 (period: December 31, 2008)

Annual report which provides a comprehensive overview of the company for the past year

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2008

OR

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

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)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, Par Value $.01 Per Share	**New York Stock Exchange**

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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. (Check one):

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

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

As of June 30, 2008, the aggregate market value of the voting common stock held by non-affiliates of the registrant, based on the closing price on the New York Stock Exchange for such date, was approximately $706.8 million.

As of February 17, 2009, the registrant had outstanding 86,769,675 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the registrant's 2009 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A within 120 days after the registrant's fiscal year end of December 31, 2008 are incorporated by reference into Part III of this report.

Boyd Gaming Corporation 2008 Annual Report on Form 10-K
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Part I

ITEM 1. Business

Overview

Boyd Gaming Corporation is a multi-jurisdictional gaming company that has been operating for approximately 30 years. As of December 31, 2008, we wholly-owned and operated 15 casino entertainment facilities located in Nevada, Mississippi, Illinois, Louisiana and Indiana. In addition, we own and operate a pari-mutuel jai alai facility located in Dania Beach, Florida, two travel agencies, and an insurance company that underwrites travel-related insurance. As of December 31, 2008, we owned an aggregate of approximately 808,200 square feet of casino space, containing approximately 22,250 slot machines, 450 table games and 7,250 hotel rooms. We derive the majority of our gross revenues from our gaming operations, which produced approximately 74%, 75% and 74%, of gross revenues for the years ended December 31, 2008, 2007 and 2006, respectively. Food and beverage gross revenues, which produced approximately 13%, 12% and 13%, of gross revenues for the years ended December 31, 2008, 2007 and 2006, respectively, represent the only other revenue source which produced more than 10% of gross revenues during these periods.

We are also a 50% partner in a joint venture that owns a limited liability company, operating Borgata Hotel Casino and Spa in Atlantic City, New Jersey.

Significant developments affecting our business during the past five years are as follows:

- We began construction on Echelon, our multibillion dollar Las Vegas Strip development project, in the second quarter of 2007. Echelon is located on the former Stardust site, which we closed in November 2006 and demolished in March 2007. 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 Echelon development project. Due to the continued deterioration in credit market conditions and the economic outlook, it is unlikely that we will resume construction in 2009. Nonetheless, we remain committed to having a meaningful presence on the Las Vegas Strip. Over the course of 2009, we intend to prepare alternative development options to consider 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.

- Our new hotel at Blue Chip Casino, Hotel & Spa opened on January 22, 2009. This expansion added a 22-story hotel, which includes 300 guest rooms, a spa and fitness center, additional meeting and event space, as well as new dining and nightlife venues.

- In 2008, we completed the launch of our nationwide branding initiative and loyalty program. Players are now able to use their “Club Coast” or “B Connected” cards to earn and redeem points at any wholly-owned Boyd Gaming property in Nevada, Illinois, Indiana, Louisiana and Mississippi.

- The Water Club, an 800-room boutique hotel expansion project at Borgata, opened in June 2008. The expansion includes five swimming pools, a state-of-the-art spa, additional meeting and retail space, and a separate porte-cochere and front desk.

- In February 2007, we completed our exchange of the Barbary Coast Hotel and Casino and its related 4.2 acres of land for approximately 24 acres located north of and contiguous to our Echelon development project on the Las Vegas Strip in a nonmonetary, tax-free transaction.

- In October 2006, we sold the South Coast Hotel and Casino for total consideration of approximately $513 million, consisting of approximately $401 million in cash and approximately 3.4 million shares of our common stock valued at $112 million.

- In January 2006, we expanded our Blue Chip Casino, Hotel & Spa through the construction of a single-level boat that allowed us to expand our casino. In connection with this expansion, we also added a new parking structure and enhanced the land-based pavilion.

- In July 2004, we consummated a $1.3 billion merger in stock and cash with Coast Casinos, Inc. (“Coast”), pursuant to which Coast became a wholly-owned subsidiary of Boyd Gaming Corporation.

- In May 2004, we acquired all of the outstanding limited and general partnership interests of the partnership that owned the Shreveport Hotel and Casino in Shreveport, Louisiana, for approximately $197 million. After the acquisition, we renamed the property Sam's Town Hotel and Casino.

We are subject to a variety of regulations in the jurisdictions in which we operate and are required to be licensed by certain authorities in order to conduct gaming operations. A more detailed description of the regulations to which we are subject is contained in Exhibit 99.1 to this Annual Report on Form 10-K, which exhibit is incorporated herein by reference.

For further information related to our segment information for revenues, net income and total assets as of and for the three years in the period ended December 31, 2008, see Note 17 to our Consolidated Financial Statements presented in Part IV, Item 15, *Exhibits and Financial Statement Schedules.*

Business Strategy and Competitive Strengths

We believe that the following factors have contributed to our success in the past and are central to our future success:

- we emphasize slot revenues, the most consistently profitable segment of the gaming industry;
- we have comprehensive marketing and promotion programs;
- our four primary Las Vegas properties are well-positioned to capitalize on the Las Vegas locals market;
- our downtown Las Vegas properties focus their marketing programs on, and derive a majority of their revenues from, a unique niche — customers from Hawaii;
- our operations are geographically diversified within the United States;
- we have the ability to expand certain existing properties and make opportunistic and strategic acquisitions; and
- we have an experienced management team.

Properties

The following table sets forth certain information regarding our wholly-owned properties (listed by the segment in which each such property is reported) and Borgata, as of and for the year ended December 31, 2008.

	Year Opened or Acquired	Casino Space (Sq. ft.)	Slot Machines	Table Games	Hotel Rooms	Land (Acres)	Hotel Occupancy	Average Daily Rate
LAS VEGAS LOCALS								
Gold Coast Hotel and Casino	2004	85,500	2,019	49	711	26	91%	$ 63
The Orleans Hotel and Casino	2004	137,000	2,844	60	1,885	77	91%	$ 68
Sam's Town Hotel and Gambling Hall	1979	133,000	2,834	34	646	63	92%	$ 52
Suncoast Hotel and Casino	2004	95,000	2,353	36	426	49	90%	$ 85
Eldorado Casino	1993	16,000	482	6	—	4		
Jokers Wild Casino	1993	22,500	513	6	—	15		
DOWNTOWN LAS VEGAS								
California Hotel and Casino	1975	36,000	1,123	29	781	16	89%	$ 35
Fremont Hotel and Casino	1985	30,200	1,082	26	447	2	87%	$ 38
Main Street Station Casino,								
Brewery and Hotel	1993	27,000	884	19	406	15	89%	$ 40
MIDWEST AND SOUTH								
Mississippi								
Sam's Town Hotel and Gambling Hall	1994	66,000	1,336	38	842	272	84%	$ 50
Illinois								
Par-A-Dice Hotel Casino	1996	26,000	1,129	25	202	20	87%	$ 70
Indiana								
Blue Chip Casino, Hotel & Spa (1)	1999	65,000	1,969	49	184	37	92%	$ 65
Louisiana								
Treasure Chest Casino	1997	24,000	990	36	—	14		
Delta Downs Racetrack Casino & Hotel	2001	15,000	1,609	—	206	211	90%	$ 59
Sam's Town Hotel and Casino	2004	30,000	1,063	28	514	18	90%	$ 83
Total of wholly-owned properties		808,200	22,230	441	7,250	839		
New Jersey								
Borgata Hotel Casino and Spa (2)	2003	160,000	3,956	181	2,771	42	87%	$ 143

(1) Blue Chip opened a second hotel with approximately 300 guest rooms on January 22, 2009.

(2) Borgata is our 50% joint venture with MGM MIRAGE.

In addition to the properties discussed above, we own and operate a pari-mutuel jai alai facility in Dania Beach, Florida, two travel agencies, and an insurance company that underwrites travel-related insurance. We also own 87 contiguous acres of land on the Las Vegas Strip where the Stardust was formerly located, of which 65 acres has been designated for our multibillion dollar Echelon development project.

Las Vegas Locals Properties

Our Las Vegas Locals segment consists of six casinos that serve the resident population of the Las Vegas metropolitan area, which has been one of the fastest growing areas in the United States over the last decade. Las Vegas is characterized by a historically vibrant economy and strong demographics that include a large population of retirees and other active gaming customers; however, the current recession has had an adverse impact on the growth and economy of Las Vegas, resulting in significant declines in the local housing market and rising unemployment in the Las Vegas valley, which has negatively affected consumer spending. Our Las Vegas Locals segment competes directly with other locals' casinos and gaming companies, some of which operate larger casinos in further developed locations.

Gold Coast Hotel and Casino

Gold Coast Hotel and Casino ("Gold Coast") is located on Flamingo Road, approximately one mile west of the Las Vegas Strip and one-quarter mile west of Interstate 15, the major highway linking Las Vegas and southern California. Its location offers easy access from all four directions in the Las Vegas valley. The primary target market for Gold Coast consists of local middle-market customers who actively gamble. Gold Coast's amenities include 711 hotel rooms and suites along with meeting facilities, multiple restaurant options, a 70-lane bowling center and action-packed gaming, including slots, table games, a poker room, a race and sports book and a bingo center.

The Orleans Hotel and Casino

The Orleans Hotel and Casino ("The Orleans") is located on Tropicana Avenue, a short distance from the Las Vegas Strip. The target markets for The Orleans are both local residents and visitors to the Las Vegas area. The Orleans provides an exciting New Orleans French Quarter-themed environment. Amenities at The Orleans include 1,885 hotel rooms, a variety of restaurants and bars, a spa and fitness center, 18 stadium-seating movie theaters, a 70-lane bowling center, banquet and meeting space, and a special events arena that seats up to 9,500 patrons.

Sam's Town Hotel and Gambling Hall

Sam's Town Hotel and Gambling Hall ("Sam's Town Las Vegas") is located on the Boulder Strip, approximately six miles east of the Las Vegas Strip, and features a contemporary western theme. Its informal, friendly atmosphere appeals to both local residents and visitors alike. Amenities at Sam's Town Las Vegas include 646 hotel rooms, a variety of restaurants and bars, 18 stadium-seating movie theaters, and a 56-lane bowling center. Gaming, bowling and live entertainment create a social center that has attracted many Las Vegas residents to Sam's Town Las Vegas.

Suncoast Hotel and Casino

Suncoast Hotel and Casino ("Suncoast") is located in Peccole Ranch, a master-planned community adjacent to Summerlin, and is readily accessible from most major points in Las Vegas, including downtown and the Las Vegas Strip. The primary target market for Suncoast consists of local middle-market customers who gamble frequently. Suncoast is a Mediterranean-themed facility that features 426 hotel rooms, multiple restaurant options, 25,000 square feet of banquet and meeting facilities, 16 stadium-seating movie theatres, and a 64-lane bowling center.

Eldorado Casino and Jokers Wild Casino

Located in downtown Henderson, Nevada, the Eldorado Casino ("Eldorado") is approximately 14 miles from the Las Vegas Strip. Jokers Wild Casino ("Jokers Wild") is also located in Henderson, Nevada. The amenities at each of these properties include slots, table games, a sports book, and multiple dining options. The principal customers of these properties are Henderson residents.

Downtown Las Vegas Properties

Our Unique Downtown Niche

We directly compete with 11 casinos that operate in downtown Las Vegas; however, we have developed a distinct niche for our downtown properties by focusing on customers from Hawaii. Our downtown properties focus their marketing on gaming enthusiasts from Hawaii and tour and travel agents in Hawaii with whom we have cultivated relationships since we opened our California Hotel and Casino ("California") in 1975. Through our Hawaiian travel agency, Vacations Hawaii, we currently operate six charter flights from Honolulu to Las Vegas each week, helping to ensure a stable supply of air transportation. We also have strong, informal relationships with other Hawaiian travel agencies and offer affordable all-inclusive packages. These relationships combined with our Hawaiian promotions have allowed California, Fremont Hotel and Casino ("Fremont") and Main Street Station Casino, Brewery and Hotel ("Main Street Station") to capture a significant share of the Hawaiian tourist trade in Las Vegas. For the year ended December 31, 2008, patrons from Hawaii comprised approximately 66% of the occupied room nights at California, 52% of the occupied room nights at Fremont, and 52% of the occupied room nights at Main Street Station.

California Hotel and Casino

California's amenities include 781 hotel rooms, multiple dining options, a sports book, keno lounge, and meeting space. California and Main Street Station are connected by an indoor pedestrian bridge.

Fremont Hotel and Casino

Fremont is adjacent to the principal pedestrian thoroughfare in downtown Las Vegas known as the Fremont Street Experience. The property's amenities include 447 hotel rooms, a race and sports book, meeting space, and a 350-space parking garage.

Main Street Station Casino, Brewery and Hotel

Main Street Station's amenities include 406 hotel rooms and three restaurants, one of which includes a brewery. In addition, Main Street Station features a 96-space recreational vehicle park, the only such facility in the downtown area.

Midwest and South Properties

Our Midwest and South properties consist of four dockside riverboat casinos, one racino and one barge-based casino that operate in four states in the midwest and southern United States. Generally, these states allow casino gaming on a limited basis through the issuance of a limited number of gaming licenses. Our Midwest and South properties generally serve customers within a 100-mile radius and compete directly with other casino facilities operating in their respective immediate and surrounding market areas, as well as with gaming operations in surrounding jurisdictions.

Sam's Town Hotel and Gambling Hall

Sam's Town Hotel and Gambling Hall ("Sam's Town Tunica") is a barge-based casino located in Tunica County, Mississippi. The property has extensive amenities, including 842 hotel rooms, an entertainment lounge, four dining venues, a retail shop, and the 1,600-seat River Palace Arena. Tunica is the closest gaming market to Memphis, Tennessee and is located approximately 30 miles south of Memphis. The adult population within a 250-mile radius is over nine million people, which includes the cities of Nashville and Memphis in Tennessee, Jackson, Mississippi and Little Rock, Arkansas.

Par-A-Dice Hotel Casino

Par-A-Dice Hotel Casino ("Par-A-Dice") is a dockside riverboat casino located on the Illinois River in East Peoria, Illinois. Located adjacent to the Par-A-Dice riverboat is a land-based pavilion that features a 202-room hotel, three restaurants, a cocktail lounge, gift shop, and banquet/meeting space. Par-A-Dice is strategically located near Interstate 74, a major east-west interstate highway. Par-A-Dice is the only gaming facility located within approximately 90 miles of Peoria, Illinois.

Blue Chip Casino, Hotel & Spa

Blue Chip Casino, Hotel & Spa ("Blue Chip") is a dockside riverboat casino located in Michigan City, Indiana, which is 40 miles west of South Bend, Indiana and 60 miles east of Chicago, Illinois. The property competes primarily with five casinos in northern Indiana and southern Michigan and, to a lesser extent, with casinos in the Chicago area and racinos located near Indianapolis. On January 31, 2006, we began operations on our newly constructed single-level dockside riverboat. The new boat allowed us to expand our casino and in connection with the construction of our new boat, add a new parking structure and enhance the land-based pavilion. On January 22, 2009, we completed an expansion project at Blue Chip that added a 22-story hotel, which includes 300 guest rooms, a spa and fitness center, additional meeting and event space, as well as new dining and nightlife venues.

Increased competition near Blue Chip has impacted our operating result at this property. Although we have expanded our facility at Blue Chip in an effort to be more competitive in this market, the competition has had, and could continue to have, an adverse impact on the operations of Blue Chip.

Treasure Chest Casino

Treasure Chest Casino ("Treasure Chest") is a dockside riverboat casino located on Lake Pontchartrain in the western suburbs of New Orleans, Louisiana. The property is designed as a classic 18th century Victorian style paddlewheel riverboat, with a total capacity for 1,750 people. The entertainment complex located adjacent to the riverboat houses a 140-seat Caribbean showroom and two restaurants. Located approximately five miles from the New Orleans International Airport, Treasure Chest primarily serves residents of suburban New Orleans.

Delta Downs Racetrack Casino & Hotel

In 2001, we acquired substantially all of the assets of the Delta Downs Racetrack Casino & Hotel ("Delta Downs") in Vinton, Louisiana. Delta Downs has historically conducted horse races on a seasonal basis and operated year-round simulcast facilities for customers to wager on races held at other tracks. In 2002, we began slot operations in connection with a renovation project that expanded the facility and equipped the casino. We completed an expansion of the casino in 2004 and opened a 206-room hotel at the property in 2005.

Delta Downs is approximately 25 miles closer to Houston than the next closest gaming property, located in Lake Charles, Louisiana. Customers traveling from Houston, Beaumont and other parts of southeastern Texas will generally have to drive past Delta Downs to reach Lake Charles.

Sam's Town Hotel and Casino

Sam's Town Hotel and Casino ("Sam's Town Shreveport") is a dockside riverboat casino located along the Red River in Shreveport, Louisiana. Amenities at the property include 514 hotel rooms, a spa, heated pool, four restaurants, a live entertainment venue, and convention and meeting space. Feeder markets include east Texas (including Dallas), Texarkana, Arkansas and surrounding Louisiana cities, including Bossier City, Minden, Ruston and Monroe. The continued expansion of Native American gaming in Oklahoma could have a material adverse impact on the operations of Sam's Town Shreveport.

Borgata

Borgata opened in Atlantic City, New Jersey in July 2003. Atlantic City is predominantly a regional day-trip and overnight-trip market. Borgata directly competes with ten other Atlantic City casinos as well as with gaming operations in surrounding jurisdictions.

Borgata is an equity-method joint venture, in which we own a 50% interest. As the managing venturer, we are responsible for the day-to-day operations of Borgata, including the operation and maintenance of the facility. Borgata employs a management team and full staff to perform these services for the property. We maintain the oversight and responsibility for the operations, but do not directly operate Borgata. As such, we do not receive a management fee from Borgata.

Borgata is an upscale destination resort that features a 160,000 square-foot casino with a total of 2,771 guest rooms and suites comprised of 1,971 guest rooms and suites at the Borgata hotel and 800 guest rooms and suites at The Water Club. Borgata also features 13 restaurants, 19 retail boutiques, a European-style health spa at the Borgata hotel, a world class spa at The Water Club, and two nightclubs. In addition, the property also contains meeting and event space, as well as several entertainment venues.

Development Project

Echelon

In June 2007, we commenced construction on Echelon, our multibillion dollar Las Vegas Strip development project. 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 Echelon development project on the Las Vegas Strip. Due to the continued deterioration in credit market conditions and the economic outlook, it is unlikely that we will resume construction in 2009. Nonetheless, we remain committed to having a meaningful presence on the Las Vegas Strip. Over the course of 2009, we intend to prepare alternative development options to consider 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.

Employees

At December 31, 2008, we employed approximately 16,000 persons. On such date, we had collective bargaining agreements with two unions covering approximately 1,200 employees, substantially all of whom are employed at Fremont, Eldorado, Main Street Station and Blue Chip. Other agreements are in various stages of negotiation. Employees covered by expired agreements have continued to work during the negotiations, in one case under the terms of the expired agreements, and, in another, under modifications thereof.

Corporate History, Availability of Reports and Corporate Governance Information

We were incorporated in Nevada in June 1988. Our principal executive offices are currently located at 3883 Howard Hughes Parkway, Ninth Floor, Las Vegas, NV 89169, and our main telephone number is (702) 792-7200. Our website is www.boydgaming.com. We make our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and all amendments to these reports available free of charge on our corporate website as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC. In addition, our Code of Business Conduct, Corporate Governance Guidelines, and charters of the Audit Committee, Compensation and Stock Option Committee, and the Corporate Governance and Nominating Committee are available on our website. We will provide reasonable quantities of electronic or paper copies of filings free of charge upon request. In addition, we will provide a copy of the above referenced charters to stockholders upon request.

Private Securities Litigation Reform Act

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements include statements regarding:

- the factors that contribute to our ongoing success and our ability to be successful in the future;
- our strategy;
- competition, including expansion of gaming into additional markets and our ability to respond to competition;
- expenses;
- indebtedness, including our ability to refinance or pay amounts outstanding under our bank credit facility and notes when they become due and our compliance with related covenants;
- our financing needs and ability to obtain financing;

- our ability to meet our projected operating and maintenance capital expenditures and the costs associated with our expansion, renovations and development of new projects;
- ability to pay dividends or to pay any specific rate of dividends;
- Adjusted EBITDA and its usefulness as a measure of operating performance or valuation;
- the impact of new accounting pronouncements on our consolidated financial statements;
- operations;
- that our bank credit facility and cash flows from operating activities will be sufficient to meet our projected expansion and maintenance capital expenditures for the next twelve months;
- our market risk exposure and ability to minimize risk;
- expansion, development, investment and renovation plans, including expected costs, financing (including sources thereof) and timing;
- development opportunities in new jurisdictions and our ability to successfully take advantage of such opportunities;
- regulations, including anticipated taxes, tax credits or tax refunds expected, and the ability to receive and maintain necessary approvals for our projects;
- our asset impairment analyses;
- our intangible asset and goodwill impairment tests:
- pending litigation with respect to Dania Jai-Alai and Treasure Chest;
- our nonbinding indication of interest with Station Casinos, Inc.
- our expectations regarding the levels of our interest and capitalized interest costs in 2009;
- our overall outlook, including all statements under the heading *Overall Outlook* in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*;
- our ability to receive insurance reimbursement and our estimates of self-insurance accruals and future liability;
- compliance with applicable laws; and
- expectations, plans, beliefs, hopes or intentions regarding the future.

Forward-looking statements involve certain risks and uncertainties, and actual results may differ materially from those discussed in any such statement. Factors that could cause actual results to differ materially from such forward-looking statements include the risks described in greater detail in Part I, Item 1A, *Risk Factors*. All forward-looking statements in this document are made as of the date hereof, based on information available to us as of the date hereof, and we assume no obligation to update any forward-looking statement.

ITEM 1A. Risk Factors

Investment in our securities is subject to risks inherent to our business. The material risks and uncertainties that management believes affect us are described below.

Before making an investment decision, the investor should carefully consider the risks and uncertainties described below together with all of the other information included or incorporated by reference in this report, including the pending litigation discussed in this report, which provides a description of our current material litigation claims and assessments. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that management is not aware of or that is currently deemed immaterial may also adversely affect our business operations. This report is qualified in its entirety by these risk factors. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of our securities, including our common stock, could decline significantly, and the investor could lose all or part of the investment.

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

In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, we test our goodwill and indefinite-lived intangible assets for impairment annually or if a triggering event occurs. We perform the annual impairment testing for goodwill and indefinite-lived intangible assets in the second quarter of each fiscal year. In addition, in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we test long-lived assets for impairment if a triggering event occurs.

Significant negative industry or economic trends, including the market price of our common stock continuing to trade below its book value, reduced estimates of future cash flows, disruptions to our business, slower growth rates or lack of growth in our business, have resulted in significant write-downs and impairment charges in 2008, and, if such events continue, may indicate that additional impairment charges in future periods are required. If we are required to record additional impairment charges, this could have a material adverse affect on our consolidated financial statements.

For example, for the year ended December 31, 2008, we recorded $290.2 million in aggregate non-cash impairment charges to write-down certain portions of our goodwill, intangible assets and other long-lived assets to their fair value at December 31, 2008. The impairment test for these assets was principally due to the decline in our stock price that caused our book value to exceed our market capitalization, which was an indication that these assets may not be recoverable. The primary reason for these impairment charges relates to the ongoing recession, which has caused us to reduce our estimates for projected cash flows, has reduced overall industry valuations, and has caused an increase in discount rates in the credit and equity markets.

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

Consumer demand for casino hotel properties, such as ours, are particularly sensitive to downturns in the economy and the corresponding impact on discretionary spending on leisure activities. Changes in discretionary consumer spending or consumer preferences brought about by factors such as perceived or actual general economic conditions, the current housing crisis and the credit crisis, the impact of high energy and food costs, the increased cost of travel, the potential for continued bank failures, perceived or actual disposable consumer income and wealth, effects of the current recession and changes in consumer confidence in the economy, or fears of war and future acts of terrorism could further reduce customer demand for the amenities that we offer, thus imposing practical limits on pricing and harming our operations.

The current housing crisis and economic slowdown in the United States has resulted in a significant decline in the amount of tourism and spending in Las Vegas. If this decline continues, our financial condition, results of operations and cash flows may be adversely affected.

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

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

- actual or anticipated fluctuations in our results of operations;
- announcements of significant acquisitions or other agreements by us or by our competitors;
- our sale of common stock or other securities in the future;
- trading volume of our common stock;
- conditions and trends in the gaming and destination entertainment industries;
- changes in the estimation of the future size and growth of our markets; and
- general economic conditions, including, without limitation, changes in the cost of fuel and air travel.

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

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

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

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

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

We also compete with legalized gaming from casinos located on Native American tribal lands. Expansion of Native American gaming in areas located near our properties, or in areas in or near those from which we draw our customers, could have an adverse effect on our operating results. For example, a federally recognized Native American tribe commenced operations of a casino located near Blue Chip in August 2007. Although we have expanded our facility at Blue Chip in an effort to be more competitive in this market, this casino has had, and could continue to have, an adverse impact on the operations of Blue Chip.

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

We regularly evaluate expansion, development, investment and renovation opportunities. On January 4, 2006, we announced our planned Las Vegas Strip development, Echelon, which, when, or if, we resume construction, would be the largest and most expensive development project we have undertaken to date. In addition, we recently announced the completion of the new hotel at Blue Chip and that Borgata recently completed The Water Club, a second hotel at the property. We also closed on our acquisition of Dania Jai-Alai in March 2007.

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

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

The completion dates of any of our projects could differ significantly from expectations for construction-related or other reasons. For example, on August 1, 2008, we announced that, due to the difficult environment in the capital markets, as well as weak economic conditions, our Echelon project would be delayed. Due to the continued deterioration in credit market conditions and the economic outlook, it is unlikely that we will resume construction in 2009. In addition, actual costs and construction periods for any of our projects can differ significantly from initial expectations. Our initial project costs and construction periods are based upon budgets, conceptual design documents and construction schedule estimates prepared at inception of the project in consultation with architects and contractors. Many of these costs can increase over time as the project is built to completion. For example, prior to delaying construction at Echelon, we announced that the estimated cost of the wholly-owned portion of Echelon increased by approximately $0.4 billion, principally as a result of additional scope, larger guest rooms and suites, and increased estimated construction costs, and that the estimated development costs associated with certain joint venture properties to be developed and constructed in connection with Echelon increased by approximately $250 million. We have incurred significant costs in connection with delaying construction of Echelon and anticipate that additional cost increases could continue to occur if we recommence development of Echelon. The cost of any project may vary significantly from initial budget expectations and we may have a limited amount of capital resources to fund cost overruns. If we cannot finance cost overruns on a timely basis, the completion of one or more projects may be delayed until adequate funding is available. We can provide no assurance that any project will be completed on time, if at all, or within established budgets, or that any project will result in increased earnings to us. Significant delays, cost overruns, or failures of our projects to achieve market acceptance could have a material adverse effect on our business, financial condition and results of operations. Furthermore, our projects may not help us compete with new or increased competition in our markets.

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

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

We face risks associated with growth and acquisitions.

As part of our business strategy, we regularly evaluate opportunities for growth through development of gaming operations in existing or new markets, through acquiring other gaming entertainment facilities or through redeveloping our existing gaming facilities. For example, in 2007, we completed the Barbary Coast exchange transaction and completed the acquisition of Dania Jai-Alai. In 2008, we completed the new hotel project at Blue Chip. We may also pursue expansion opportunities, including joint ventures, in jurisdictions where casino gaming is not currently permitted in order to be prepared to develop projects upon approval of casino gaming. The expansion of our operations, whether through acquisitions, development or internal growth, could divert management's attention and could also cause us to incur substantial costs, including legal, professional and consulting fees. There can be no assurance that we will be able to identify, acquire, develop or profitably manage additional companies or operations or successfully integrate such companies or operations into our existing operations without substantial costs, delays or other problems. Additionally, there can be no assurance that we will receive gaming or other necessary licenses or approvals for our new projects or that gaming will be approved in jurisdictions where it is not currently approved.

Ballot measures or other voter-approved initiatives to allow gaming in jurisdictions where gaming, or certain types of gaming (such as slots), was not previously permitted could be challenged, and, if such challenges are successful, these ballot measures or initiatives could be invalidated. For example, the Florida ballot measure to amend the Florida Constitution to allow Florida voters to approve slot machines at certain pari-mutuel gaming facilities in Miami-Dade and Broward Counties (the "Slot Initiative"), where Dania Jai Alai is located, has been subject to legal challenge since 2004 and remains unresolved. If the Slot Initiative is ultimately invalidated, we would not be permitted to operate slot machines at the Dania Jai-Alai facility, which would materially affect any potential revenue and cash flow expected from the Dania Jai-Alai facility. Furthermore, there can be no assurance that there will not be similar or other challenges to legalized gaming in existing or current markets in which we may operate or have development plans, and successful challenges to legalized gaming could require us to abandon or substantially curtail our operations or development plans in those locations, which could have a material adverse effect on our financial condition and results of operations.

On August 1, 2008, we announced that, due to the difficult environment in both the capital markets and the economy, our Echelon project would be delayed. Due to the continued deterioration in credit market conditions and the economic outlook, it is unlikely that we will resume construction in 2009. We can provide no assurances regarding the timing or effects of our delay of construction at Echelon and when, or if, construction will recommence, the effect that such delay will have on our business, operations or financial condition, the effect that such delay will have on our joint venture partners, and whether such participants (or other Echelon project participants) will terminate their agreements or arrangements with us. In addition, our agreements or arrangements with third parties could require additional fees or terms in connection with modifying their agreements that may be unfavorable to us, and we can provide no assurances that we will be able to reach agreement on any modified terms.

Additionally, in February 2008, management determined to indefinitely postpone redevelopment of our Dania Jai-Alai facility, and in connection with that determination we recorded an $84.0 million non-cash impairment charge to write-off Dania Jai-Alai's intangible license right and write-down its property and equipment to their estimated fair values. Our decision to postpone the development was based on numerous factors, including the introduction of expanded gaming at a nearby Native American casino, the potential for additional casino gaming venues in Florida, and the existing Broward County pari-mutuel casinos performing below our expectations for the market. There can be no assurance that we will not face similar challenges and difficulties with respect to new development projects or expansion efforts that we may undertake, which could result in significant sunk costs that we may not be able to fully recoup or that otherwise have a material adverse effect on our financial condition and results of operations.

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

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

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

Furthermore, there have recently been significant disruptions in the global capital markets that have adversely impacted the ability of borrowers to access capital. We anticipate that these disruptions may continue for the foreseeable future. We anticipate that we will be able to fund our currently active expansion projects using cash flows from operations and availability under our bank credit facility (to the extent that availability exists after we meet our working capital needs). In addition, we recently announced that we submitted a nonbinding indication of interest to Station Casinos, Inc. ("Station"), and that if a transaction with Station were to occur, we would use availability under our bank credit facility to finance such transaction.

If availability under our bank credit facility does not exist or we are otherwise unable to make sufficient borrowings thereunder, any additional financing that is needed may not be available to us or, if available, may not be on terms favorable to us. As a result, if we are unable to obtain adequate project financing in a timely manner or at all, we may be forced to sell assets in order to raise capital for projects, limit the scope of , or defer, such projects, or cancel the projects altogether. Given the current state of the credit markets and the overall economy, we announced, on August 1, 2008, that we are delaying our Echelon project. In the event that capital markets do not improve and we or our joint venture participants are unable to access capital with more favorable terms, additional equity and/or credit support may be necessary to obtain construction financing for the remaining cost of the project. This additional equity and/or credit support may need to be contributed by us or our joint venture participants, or from both parties, and/or from one or more additional equity sponsors. If a joint venture obtains equity financing from additional sponsors, then our percentage interest in the project and resulting cash flows will be diluted. If a joint venture is unable to obtain adequate project financing in a timely manner, or at all, we may be forced to sell assets in order to raise capital for the project, limit the scope of the project, defer the project, or cancel the project altogether.

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

Alvin C. Copeland, the sole shareholder (deceased) of an unsuccessful applicant for a riverboat license at the location of our Treasure Chest Casino, has made several attempts to have the Treasure Chest license revoked and awarded to his company. In 1999 and 2000, Copeland unsuccessfully opposed the renewal of the Treasure Chest license and has brought two separate legal actions against Treasure Chest. In November 1993, Copeland objected to the relocation of Treasure Chest from the Mississippi River to its current site on Lake Pontchartrain. The predecessor to the Louisiana Gaming Control Board allowed the relocation over Copeland's objection. Copeland then filed an appeal of the agency's decision with the Nineteenth Judicial District Court. Through a number of amendments to the appeal, Copeland unsuccessfully attempted to transform the appeal into a direct action suit and sought the revocation of the Treasure Chest license. Treasure Chest intervened in the matter in order to protect its interests. The appeal/suit, as it related to Treasure Chest, was dismissed by the District Court and that dismissal was upheld on appeal by the First Circuit Court of Appeal. Additionally, in 1999, Copeland filed a direct action against Treasure Chest and certain other parties seeking the revocation of Treasure Chest's license, an award of the license to him, and monetary damages. The suit was dismissed by the trial court, citing that Copeland failed to state a claim on which relief could be granted. The dismissal was appealed by Copeland to the Louisiana First Circuit Court of Appeal. On June 21, 2002, the First Circuit Court of Appeal reversed the trial court's decision and remanded the matter to the trial court. On January 14, 2003, we filed a motion to dismiss the matter and that motion was partially denied. The Court of Appeal refused to reverse the denial of the motion to dismiss. In May 2004, we filed additional motions to dismiss on other grounds. There was no activity regarding this matter during 2005 and 2006, and the case was set to be dismissed by the court for failure to prosecute by the plaintiffs in mid-May 2007; however on May 1, 2007, the plaintiff filed a motion to set a hearing date related to the motions to dismiss. The hearing was scheduled for September 10, 2007, at which time all parties agreed to postpone the hearing indefinitely. Mr. Copeland recently passed away and his son, the executor of his estate, has petitioned the court to be substituted as plaintiff in the case. We currently are vigorously defending the lawsuit. If this matter ultimately results in the Treasure Chest license being revoked, it could have a significant adverse effect on our business, financial condition and results of operations.

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

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

If additional gaming regulations are adopted in a jurisdiction in which we operate, such regulations could impose restrictions or costs that could have a significant adverse effect on us. From time to time, various proposals are introduced in the legislatures of some of the jurisdictions in which we have existing or planned operations that, if enacted, could adversely affect the tax, regulatory, operational or other aspects of the gaming industry and our company. Legislation of this type may be enacted in the future. For example, on January 15, 2006, the New Jersey State Legislature enacted the *Smoke-Free Air Act*, effective April 15, 2006. This law called for smoke-free environments in essentially all indoor workplaces and areas open to the public, including places of business and service-related activities. The law contained several exemptions, including an exemption for all casino floor space and 20% of a hotel's designated hotel rooms. On February 15, 2007, the Atlantic City Council promulgated the first of a series of local ordinances that were more restrictive than the aforementioned state law. Specifically, the first ordinance reduced the casino floor exemption to 25% of a casino's floor space. Ultimately, such 25% of casino floor space in which smoking would be permitted was required to be enclosed and separately ventilated; however, before any gaming enclosures were constructed in accordance with this first local ordinance, the Atlantic City Council voted an amendment to prohibit smoking on 100% of the casino floor, limiting smoking to enclosed and separately ventilated non-gaming lounges. This revised ban became effective October 15, 2008, prior to which several Atlantic City casinos, including Borgata, had constructed the permitted non-gaming smoking lounges. On October 27, 2008, after the 100% smoking ban (with non-gaming lounges) had been in place for 12 days, the Atlantic City Council voted to suspend for one year the then current ordinance and reverted back to the 75% non-smoking and 25% smoking configuration, without the requirement of enclosures. The avowed reason for the suspension of the 100% smoking ban ordinance was the current national and regional economic crisis. The ruling further states that the smoking ban ordinance will be reconsidered on or about the one-year anniversary date of the passage date of the ordinance, which will be on or about October 27, 2009. As per applicable law, this most recent ordinance became effective on November 16, 2008, prior to which the 100% smoking ban was in effect for 32 days. Thereafter, smoking will be permitted once again on 25% of a casino's floor space and prohibited on 75% of a casino's floor space, as was the case from April 15, 2007 until October 15, 2008.

Under all versions of the Atlantic City Council ordinance, including the current amendment, smoking has been, and will remain, permissible in 20% of a hotel's designated hotel rooms, consistent with New Jersey State Law. This legislation, and the local ordinance, could materially impact Borgata's results of operations; similar legislation in other jurisdictions in which we operate could materially impact the results of operations of our other properties.

In addition, the State of Illinois enacted a 100% smoking ban in all casinos, effective January 1, 2008.

The federal government has also previously considered a federal tax on casino revenues and may consider such a tax in the future. In addition, gaming companies are currently subject to significant state and local taxes and fees, in addition to normal federal and state corporate income taxes, and such taxes and fees are subject to increase at any time. For example, in November 2007, Nevada's largest teachers union, the Nevada State Educational Association, submitted a petition to the Nevada Secretary of State's Office seeking to increase the gross gaming revenue tax from 6.75% to 9.75%. If this petition is successful, it could have a material adverse affect on our results of operations. In June 2006, the Illinois legislature passed certain amendments to the Riverboat Gambling Act, which affected the tax rate at Par-A-Dice. The legislation, which imposes an incremental 5% tax on adjusted gross gaming revenues, was retroactive to July 1, 2005. As a result of this legislation, we were required to pay additional taxes, resulting in a $6.7 million tax assessment in June 2006. Also, 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. In December 2007, we received a property tax bill related to our 2006 tax assessment for $6.2 million. 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 believe the assessment for the thirty six-month

period ended December 31, 2008 could result in a property tax assessment ranging between $6.5 million and $14 million. We have accrued a property tax liability of approximately $13 million as of December 31, 2008, 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 2006 assessment, post appeals, as well as the March 1, 2007 and 2008 assessment notices, which have not been received as of December 31, 2008, could result in further adjustment to our estimated property tax liability at Blue Chip. If there is any material increase in state and local taxes and fees, our business, financial condition and results of operations could be adversely affected.

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

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

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

We own facilities that are located in areas that experience extreme weather conditions, including, but not limited to, hurricanes. Extreme weather conditions may interrupt our operations, damage our properties and reduce the number of customers who visit our facilities in the affected areas. For example, our Treasure Chest Casino, which is located near New Orleans, Louisiana, suffered minor damage and was closed on August 30, 2008 for eight days over Labor Day weekend, as the New Orleans area was under mandatory evacuation orders during Hurricane Gustav. Hurricane Ike resulted in a two-day closure starting September 12 at Treasure Chest. Additionally, at our Delta Downs Racetrack Casino & Hotel, which is located in Southwest Louisiana, Hurricane Gustav forced us to close for six days, beginning on August 30, 2008, and Hurricane Ike led to a second closure from September 11, 2008 to September 17, 2008. The hurricane closures during the three months ended September 30, 2008 totaled 10 days for Treasure Chest and 13 days for Delta Downs, including two full weekends at both properties. While we maintain insurance coverage that may cover certain of the costs that we incur as a result of some extreme weather conditions, our coverage is subject to deductibles and limits on maximum benefits. There can be no assurance that we will be able to fully collect, if at all, on any claims resulting from extreme weather conditions. If any of our properties are damaged or if their operations are disrupted as a result of extreme weather in the future, or if extreme weather adversely impacts general economic or other conditions in the areas in which our properties are located or from which they draw their patrons, our business, financial condition and results of operations could be materially adversely affected.

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

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

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

In addition to the damage caused to our properties by a casualty loss, we may suffer business disruption as a result of these events or be subject to claims by third parties that may be injured or harmed. While we carry business interruption insurance and general liability insurance, this insurance may not be adequate to cover all losses in any such event.

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

Our debt instruments and other material agreements require us to maintain a certain minimum level of insurance coverage. Failure to satisfy these requirements could result in an event of default under these debt instruments or material agreements.

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

Generally, all of our facilities are subject to the risk that operations could be halted for a temporary or extended period of time, as the result of casualty, forces of nature, mechanical failure, or extended or extraordinary maintenance, among other causes. In addition, our gaming operations, including those conducted on riverboats or at dockside facilities could be damaged or halted due to extreme weather conditions.

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

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

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

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

California, Fremont and Main Street Station draw a substantial portion of their customers from the Hawaiian market. For the year ended December 31, 2008, patrons from Hawaii comprised approximately 66% of the room nights sold at California, 52% at Fremont and 52% at Main Street Station. Decreases in discretionary consumer spending due to the recession, as well as an increase in fuel costs or transportation prices, a decrease in airplane seat availability, or a deterioration of relations with tour and travel agents, particularly as they affect travel between the Hawaiian market and our facilities, could adversely affect our business, financial condition and results of operations.

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

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

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

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

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

William S. Boyd, our Executive Chairman of the Board of Directors, together with his immediate family, beneficially owned approximately 36% of the Company's outstanding shares of common stock as of December 31, 2008. As such, the Boyd family has the ability to significantly influence our affairs, including the election of members of our Board of Directors and, except as otherwise provided by law, approving or disapproving other matters submitted to a vote of our stockholders, including a merger, consolidation, or sale of assets.

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

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

We have a significant amount of indebtedness.

We had total consolidated long-term debt, net of current maturities, of approximately $2.6 billion at December 31, 2008. We expect that our long-term indebtedness will substantially increase in connection with capital expenditures that we anticipate making as a result of our planned expansion, development, investment and renovation projects. This indebtedness could have important consequences, including:

- difficulty in satisfying our obligations under our current indebtedness;
- increasing our vulnerability to general adverse economic and industry conditions;

- requiring us to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness, which would reduce the availability of our cash flows to fund working capital, capital expenditures, expansion efforts and other general corporate purposes;

- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

- placing us at a disadvantage compared to our competitors that have less debt; and

- limiting, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds. Failure to comply with these covenants could result in an event of default, which, if not cured or waived, could have a significant adverse effect on our business, results of operations and financial condition.

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

- incur additional debt, including providing guarantees or credit support;

- incur liens securing indebtedness or other obligations;

- dispose of assets;

- make certain acquisitions;

- pay dividends or make distributions and make other restricted payments;

- enter into sale and leaseback transactions;

- engage in any new businesses; and

- enter into transactions with our stockholders and our affiliates.

In addition, our bank credit facility requires us to maintain certain ratios, including a minimum interest coverage ratio of 2.00 to 1.00 and a total leverage ratio that adjusts over the life of the bank credit facility. Our future debt agreements could contain financial or other covenants more restrictive than those applicable under our existing instruments.

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

Debt service requirements under our current outstanding senior subordinated notes consist of semi-annual interest payments (based upon fixed annual interest rates ranging from 6.75% to 7.75%) and repayment of our senior subordinated notes due on December 15, 2012, April 15, 2014, and February 1, 2016 for each of our 7.75%, 6.75% and 7.125% senior subordinated notes, respectively.

We are in compliance with the Total Leverage Ratio covenant under our bank credit facility, which was 5.65 to 1.00 at December 31, 2008. During 2009, assuming our current level of Consolidated Funded Indebtedness remains constant, we estimate that a 13% or greater decline in our twelve-month trailing Consolidated EBITDA, as compared to 2008, would cause us to exceed our maximum Total Leverage Ratio covenant for that period. However, in the event that we project that our Consolidated EBITDA may decline by 13% or more, we could implement certain actions in an effort to minimize the possibility of a breach of the Total Leverage Ratio covenant. These actions may include, among others, reducing payroll and certain other operating costs, deferring or eliminating certain maintenance, expansion or other capital expenditures, reducing our outstanding indebtedness through repurchases or redemption, selling assets or issuing equity.

Our ability to make payments on and to refinance our indebtedness, and to fund planned capital expenditures and expansion efforts will depend upon our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. It is unlikely that our business will generate sufficient cash flows from operations, or that future borrowings will be available to us under our bank credit facility, in amounts sufficient to enable us to pay our indebtedness as it matures and to fund our other liquidity needs.

We believe that we will need to refinance all or part of our indebtedness at or prior to each maturity; however, we may not be able to refinance any of our indebtedness on commercially reasonable terms or at all. We may have to adopt one or more alternatives, such as reducing or delaying planned expenses and capital expenditures, selling assets, restructuring debt, or obtaining additional equity or debt financing or joint venture partners. These financing strategies may not be affected on satisfactory terms, if at all. In addition, certain state laws contain restrictions on the ability of companies engaged in the gaming business to undertake certain financing transactions, therefore preventing us from obtaining necessary capital.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

Information relating to the location and general characteristics of our properties appears in tabular format under Part I, Item 1, *Business - Properties*, and is incorporated herein by reference.

As of December 31, 2008, some of our hotel casinos and development projects are located on leased property, including:

- The Orleans, located on 77 acres of leased land.
- Suncoast, located on 49 acres of leased land.
- California, located on 13.9 acres of owned land and 1.6 acres of leased land.
- Fremont, located on 1.4 acres of owned land and 0.9 acres of leased land.
- Sam's Town Tunica, located on 272 acres of leased land.
- Treasure Chest, located on 14 acres of leased land.
- Sam's Town Shreveport, located on 18 acres of leased land.

ITEM 3. Legal Proceedings

Copeland. Alvin C. Copeland, the sole shareholder (deceased) of an unsuccessful applicant for a riverboat license at the location of our Treasure Chest Casino, has made several attempts to have the Treasure Chest license revoked and awarded to his company. In 1999 and 2000, Copeland unsuccessfully opposed the renewal of the Treasure Chest license and has brought two separate legal actions against Treasure Chest. In November 1993, Copeland objected to the relocation of Treasure Chest from the Mississippi River to its current site on Lake Pontchartrain. The predecessor to the Louisiana Gaming Control Board allowed the relocation over Copeland's objection. Copeland then filed an appeal of the agency's decision with the Nineteenth Judicial District Court. Through a number of amendments to the appeal, Copeland unsuccessfully attempted to transform the appeal into a direct action suit and sought the revocation of the Treasure Chest license. Treasure Chest intervened in the matter in order to protect its interests. The appeal/suit, as it related to Treasure Chest, was dismissed by the District Court and that dismissal was upheld on appeal by the First Circuit Court of Appeal. Additionally, in 1999, Copeland filed a direct action against Treasure Chest and certain other parties seeking the revocation of Treasure Chest's license, an award of the license to him, and monetary damages. The suit was dismissed by the trial court, citing that Copeland failed to state a claim on which relief could be granted. The dismissal was appealed by Copeland to the Louisiana First Circuit Court of Appeal. On June 21, 2002, the First Circuit Court of Appeal reversed the trial court's decision and remanded the matter to the trial court. On January 14, 2003, we filed a motion to dismiss the matter and that motion was partially denied. The Court of Appeal refused to reverse the denial of the motion to dismiss. In May 2004, we filed additional motions to dismiss on other grounds. There was no activity regarding this matter during 2005 and 2006, and the case was set to be dismissed by the court for failure to prosecute by the plaintiffs in mid-May 2007; however on May 1, 2007, the plaintiff filed a motion to set a hearing date related to the motions to dismiss. The hearing was scheduled for September 10, 2007, at which time all parties agreed to postpone the hearing indefinitely. Mr. Copeland recently passed away and his son, the executor of his estate, has petitioned the court to be substituted as plaintiff in the case. We currently are vigorously defending the lawsuit. If this matter ultimately results in the Treasure Chest license being revoked, it could have a significant adverse effect on our business, financial condition and results of operations.

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

ITEM 4. Submission of Matters to a Vote of Security Holders

There were no matters subject to a vote of our security holders during the fourth quarter of 2008.

ITEM 4A. Executive Officers of the Registrant

The following table sets forth the non-director executive officers of Boyd Gaming Corporation as of February 28, 2009:

Name	Age	Position
Paul J. Chakmak	44	Executive Vice President and Chief Operating Officer
Brian A. Larson	53	Executive Vice President, Secretary and General Counsel
Josh Hirsberg	47	Senior Vice President, Chief Financial Officer and Treasurer (principal financial officer)
Jeffrey G. Santoro	47	Senior Vice President and Controller (principal accounting officer)

Paul J. Chakmak has served as our Executive Vice President and Chief Operating Officer effective January 1, 2008. Mr. Chakmak joined us in February 2004 as our Senior Vice President - Finance and Treasurer, and was appointed Executive Vice President, Chief Financial Officer and Treasurer on June 1, 2006.

Brian A. Larson has served as our Executive Vice President and General Counsel since January 1, 2008 and as our Secretary since February 2001. Mr. Larson became our Senior Vice President and General Counsel in January 1998. He became our Associate General Counsel in March 1993 and Vice President—Development in June 1993.

Josh Hirsberg joined the Company as our Senior Vice President, Chief Financial Officer and Treasurer effective January 1, 2008. Mr. Hirsberg was most recently the Chief Financial Officer for EdgeStar Partners, a Las Vegas-based resort development concern. He previously held several senior-level finance positions in the gaming industry, including Vice President and Treasurer for Caesars Entertainment and Vice President, Strategic Planning and Investor Relations for Harrah's Entertainment.

Jeffrey G. Santoro has been our Senior Vice President and Controller effective January 1, 2008, and served as a Vice President since February 2001 and Controller since May 1998. Mr. Santoro joined the Company in March 1997 as our Director of Financial Reporting.

Part II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the New York Stock Exchange under the symbol "BYD." Information with respect to sales prices and record holders of our common stock is set forth below.

Market Information

The following table sets forth, for the calendar quarters indicated, the high and low sales prices of our common stock as reported by the New York Stock Exchange.

	High	Low
2007		
First Quarter	$ 49.73	$ 43.88
Second Quarter	54.08	44.62
Third Quarter	54.22	35.90
Fourth Quarter	45.40	33.89
2008		
First Quarter	$ 34.10	$ 18.27
Second Quarter	21.58	12.00
Third Quarter	14.92	7.90
Fourth Quarter	9.78	2.81

On February 17, 2009, the closing sales price of our common stock on the NYSE was $4.58 per share. On that date, we had approximately 944 holders of record of our common stock and our directors and executive officers owned approximately 37% of the outstanding shares. There are no other classes of common equity outstanding.

Dividends

Dividends are declared at the discretion of our Board of Directors. In July 2008, our Board of Directors suspended the payment of a quarterly dividend for future periods. We are subject to certain limitations regarding the payment of dividends, such as restricted payment limitations related to our outstanding notes and our bank credit facility. The following table sets forth the cash dividends declared and paid during the three year period ended December 31, 2008.

Payment Date	Record Date	Dividend Per Share
March 1, 2006	February 10, 2006	$0.125
June 1, 2006	May 12, 2006	0.135
September 1, 2006	August 11, 2006	0.135
December 1, 2006	November 10, 2006	0.135
March 1, 2007	February 9, 2007	0.135
June 1, 2007	May 11, 2007	0.150
September 4, 2007	August 17, 2007	0.150
December 3, 2007	November 16, 2007	0.150
March 3, 2008	February 18, 2008	0.150
June 2, 2008	May 14, 2008	0.150

Share Repurchase Program

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.

In the future, we may 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. Part III, Item 12, *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*, of this report contains information concerning securities authorized for issuance under equity compensation plans.

ITEM 6. Selected Financial Data

We have derived the selected consolidated financial data presented below as of December 31, 2008 and 2007 and for the three years in the period ended December 31, 2008 from the audited consolidated financial statements contained elsewhere in this Annual Report on Form 10-K. The selected consolidated financial data presented below as of December 31, 2006 and as of and for the years ended December 31, 2005 and 2004 has been derived from our audited consolidated financial statements not contained herein. Operating results for the periods presented below are not necessarily indicative of the results that may be expected for future years.

The following is a listing of significant events affecting our business during the five year period ended December 31, 2008:

- We began construction on Echelon, our multibillion dollar Las Vegas Strip development project, in the second quarter of 2007. Echelon is located on the former Stardust site, which we closed in November 2006 and demolished in March 2007. 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 Echelon development project. Due to the continued deterioration in credit market conditions and the economic outlook, it is unlikely that we will resume construction in 2009. Nonetheless, we remain committed to having a meaningful presence on the Las Vegas Strip. Over the course of 2009, we intend to prepare alternative development options to consider 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.

- Our new hotel at Blue Chip Casino, Hotel & Spa opened on January 22, 2009. This expansion added a 22-story hotel, which includes 300 guest rooms, a spa and fitness center, additional meeting and event space, as well as new dining and nightlife venues.

- In 2008, we completed the launch of our nationwide branding initiative and loyalty program. Players are now able to use their “Club Coast” or “B Connected” cards to earn and redeem points at any wholly-owned Boyd Gaming property in Nevada, Illinois, Indiana, Louisiana and Mississippi.

- The Water Club, an 800-room boutique hotel expansion project at Borgata, opened in June 2008. The expansion includes five swimming pools, a state- of- the- art spa, additional meeting and retail space, and a separate porte-cochere and front desk.

- In February 2007, we completed our exchange of the Barbary Coast Hotel and Casino and its related 4.2 acres of land for approximately 24 acres located north of and contiguous to our Echelon development project on the Las Vegas Strip in a nonmonetary, tax-free transaction. The results of Barbary Coast are classified as discontinued operations for all periods presented.

- In October 2006, we sold the South Coast Hotel and Casino for total consideration of approximately $513 million, consisting of approximately $401 million in cash and approximately 3.4 million shares of our common stock valued at $112 million. The results of South Coast are classified as discontinued operations for all periods presented.

- In January 2006, we expanded our Blue Chip Casino Hotel through the construction of a single-level boat that allowed us to expand our casino. In connection with this expansion, we also added a new parking structure and enhanced the land-based pavilion.

- In July 2004, we consummated a $1.3 billion merger in stock and cash with Coast Casinos, Inc., or Coast, pursuant to which Coast became a wholly-owned subsidiary of Boyd Gaming Corporation.

- In May 2004, we acquired all of the outstanding limited and general partnership interests of the partnership that owned the Shreveport Hotel and Casino in Shreveport, Louisiana, for approximately $197 million. After the acquisition, we renamed the property Sam's Town Hotel and Casino, which we refer to as Sam's Town Shreveport.

	Year Ended December 31,				
	2008 (a)	2007 (b)	2006 (c)	2005 (d)	2004 (e)
	(In thousands, except per share data)				
OPERATING DATA					
Net revenues	$ 1,780,967	$ 1,997,119	$ 2,192,634	$ 2,161,085	$ 1,707,207
Operating income (loss)	(153,429)	354,232	404,650	405,687	304,279
Income (loss) from continuing operations before cumulative effect of a change in accounting principle	(223,005)	120,908	161,348	164,368	111,286
PER SHARE DATA - DILUTED					
Income (loss) from continuing operations before cumulative effect of a change in accounting principle	$ (2.54)	$ 1.36	$ 1.80	$ 1.82	$ 1.42
Weighted average diluted common shares	87,854	88,608	89,593	90,507	78,235
Cash dividends declared per common share	$ 0.30	$ 0.59	$ 0.53	$ 0.46	$ 0.32

	December 31,				
	2008	2007	2006	2005	2004
BALANCE SHEET DATA	(In thousands)				
Total assets	$ 4,605,427	$ 4,487,596	$ 3,901,299	$ 4,424,953	$ 3,919,028
Long-term debt, net of current maturities	2,647,058	2,265,929	2,133,016	2,552,795	2,304,343
Total stockholders' equity	1,143,522	1,385,406	1,109,952	1,098,004	943,770

Note references below are to the footnotes accompanying our consolidated financial statements included in Part IV, Item 15, *Exhibits and Financial Statement Schedules* of this Annual Report on Form 10-K.

(a) 2008 includes the following pretax items: $385.5 million of write-downs and other charges (see Note 9), a $28.6 million gain on the early retirements of debt (see Note 5), $20.3 million of preopening expenses (see Note 1), and a $3.7 million one-time permanent unfavorable tax adjustment related to non-recurring state income tax valuation allowances (see Note 14).

(b) 2007 includes the following pre-tax items: $22.8 million of preopening expenses (see Note 1), a $16.9 million loss on the early retirements of debt (see Note 5), $12.1 million of write-downs and other charges, net (see Note 9), $3.2 million for a one-time retroactive property tax adjustment at Blue Chip (see Note 7) and $1.3 million of one-time permanent tax benefits resulting from a charitable contribution and a state income tax credit (see Note 14).

(c) 2006 includes the following pre-tax items: $20.6 million of preopening expenses (see Note 1), $11.2 million of accelerated depreciation related to the Stardust and related assets (see Note 2), $8.8 million of write-downs and other charges, net (see Note 9), and $6.7 million for a one-time retroactive gaming tax assessment at Par-A-Dice (see Note 7).

(d) 2005 includes the following pre-tax items: $64.6 million of write-downs and other charges, net, a $17.5 million loss on the early retirement of debt, $7.7 million of preopening expenses and $1.5 million of retention tax credits related to the hurricanes that impacted our Louisiana operations.

(e) 2004 includes the following pre-tax items: a $9.7 million Borgata investment tax credit, a $5.7 million one-time Indiana gaming tax charge, a $4.3 million loss on the early retirement of debt, $2.0 million of preopening expenses and $1.2 million of write-downs and other charges, net.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

We are a diversified operator of 15 wholly-owned gaming entertainment properties and one joint-venture property. Headquartered in Las Vegas, we have gaming operations in Nevada, Illinois, Louisiana, Mississippi, Indiana and New Jersey, which we aggregate in order to present four Reportable Segments: Las Vegas Locals, Downtown Las Vegas, Midwest and South, and our 50% joint venture that owns a limited liability company, operating Borgata Hotel Casino & Spa in Atlantic City, New Jersey. In addition, on March 1, 2007, we acquired Dania Jai-Alai, where we operate a pari-mutuel jai alai facility located on approximately 47 acres of land located in Dania Beach, Florida. Furthermore, we own 87 acres on the Las Vegas Strip, where our Echelon development project is located. Due to the disposition of the Barbary Coast in February 2007 and the South Coast in October 2006, the operating results from these two properties are classified as discontinued operations in our consolidated statements of operations for the years ended December 31, 2007 and 2006.

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 for segment reporting. In addition, as of the same date, we reclassified the reporting of corporate expense 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 has been presented to include its portion of share-based compensation expense. All prior period amounts have been reclassified to conform to the current year's presentation.

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

Overall Outlook

Over the past few years, we have been working to position our Company for greater success by strengthening our existing operations and growing through capital investment and other strategic initiatives. Our most recently completed growth and strategic initiatives include:

- Our new hotel at Blue Chip Casino, Hotel & Spa opened on January 22, 2009. This expansion added a 22-story hotel, which includes 300 guest rooms, a spa and fitness center, additional meeting and event space, as well as new dining and nightlife venues.

- The launch of our nationwide branding initiative and loyalty program in 2008. Players are now able to use their "Club Coast" or "B Connected" cards to earn and redeem points at any wholly-owned Boyd Gaming property in Nevada, Illinois, Indiana, Louisiana and Mississippi.

- The Water Club, an 800-room boutique hotel expansion project at Borgata, opened in the latter part of June 2008. The expansion includes five swimming pools, a state-of-the-art spa, additional meeting and retail space, and a separate porte-cochere and front desk.

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

Due to the current economic recession, our present objective is to manage our cost and expense structure in order to endure the current slowdown in business volumes and maintain compliance with our debt covenants. Nonetheless, we intend to remain flexible for potential strategic transactions that we may undertake in the future.

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 Echelon development project on the Las Vegas Strip. Due to the continued deterioration in credit market conditions and the economic outlook, it is unlikely that we will resume construction in 2009. Nonetheless, we remain committed to having a meaningful presence on the Las Vegas Strip. Over the course of 2009, we intend to prepare alternative development options to consider 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.

Summary Financial Results

	Year Ended December 31,		
	2008	2007	2006
Gross revenues		(In thousands)	
Las Vegas Locals	$ 858,241	$ 943,117	$ 946,176
Downtown Las Vegas	263,005	277,660	278,737
Midwest and South	857,650	993,112	1,074,989
Stardust	—	—	135,019
Reportable Segment Gross Revenues	1,978,896	2,213,889	2,434,921
Other	8,659	8,130	—
Gross revenues	$ 1,987,555	$ 2,222,019	$ 2,434,921
Operating income (loss)	$ (153,429)	$ 354,232	$ 404,650
Income (loss) from continuing operations	$ (223,005)	$ 120,908	$ 161,348

Significant events that affected our 2008 results, as compared to 2007, or that may affect our future results, are described below:

- The continued deterioration in consumer spending in conjunction with the economic recession has negatively impacted our gross revenues and our operating results during the year ended December 31, 2008, which impact is anticipated to continue for the foreseeable future.

- Write-downs and other charges totaling $385.5 million during 2008, principally consisting of non-cash impairment charges to write-down certain portions of our goodwill, intangible assets and other long-lived assets to their fair value. See *Operating Results – Discussion of Certain Expenses and Charges* below for a more detailed discussion related to our write-downs and other charges.

- Increased competition near Blue Chip and, to a lesser extent, construction disruption at the property, impacted our results.

- A $28.6 million gain on the early retirements of portions of our 7.75% and 6.75% senior subordinated notes in the year ended December 31, 2008, which had a positive impact on income from continuing operations. During the year ended December 31, 2007, we recorded a loss of $16.9 million on the early retirements of our $250 million principal amount 8.75% senior subordinated notes and our former bank credit facility.

Significant events that affected our 2007 results, as compared to 2006, or that may affect our future results, are described below:

- The impact of slowing economic conditions and its effect on consumer spending negatively affected our gross revenues and operating results during the latter part of 2007.

- The opening of a new land-based casino near Blue Chip in August 2007.

- A decline in 2007 operating results at Treasure Chest, reflecting normalization of its results as the Gulf Coast continued to rebuild and other forms of entertainment reopened after the impact of Hurricane Katrina.

- A $28 million charge during 2006 to write-off the net book value of the original Blue Chip gaming vessel, which was replaced with a new gaming vessel in connection with our 2006 expansion project.

- The closing of the Stardust on November 1, 2006 to make way for the development of Echelon on the Las Vegas Strip. In 2007, we incurred $11.1 million of property closure costs related to demolition related expenses. In 2006, we incurred $13.4 million of property closure costs, primarily representing exit and disposal costs related to one-time termination benefits and contract termination costs, as well as $11.2 million for accelerated depreciation.

- The addition of a new property by a major competitor in the Las Vegas Locals market in April 2006.

- A $16.9 million loss on the early retirement of our $250 million principal amount 8.75% senior subordinated notes and our former bank credit facility during 2007.

Reportable Segment 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, Midwest and South and Stardust segments, and also includes our share of Borgata's operating income before net amortization, preopening and other items. For the composition of each of our reportable segments, see Part I, Item I, *Business – Properties* above. Our Reportable Segment Adjusted EBITDA related to our five segments is listed in the table below.

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Reportable Segment Adjusted EBITDA			
Las Vegas Locals	$ 218,591	$ 275,510	$ 273,797
Downtown Las Vegas	40,657	52,127	53,573
Midwest and South	169,063	214,605	257,570
Stardust	—	—	15,403
Our share of Borgata's operating income before net amortization, preopening and other items	60,520	86,470	91,963

The significant factors that affected Reportable Segment Adjusted EBITDA for 2008, as compared to 2007, are listed below:

- Las Vegas Locals – decline is due primarily to the reduction in gross revenues as a result of the economic recession, which has caused significant declines in the local housing market and rising unemployment that has adversely impacted consumer spending.

- Downtown Las Vegas – decline is due to the reduction in gross revenues as a result of the economic recession, as well as a significant reduction in commercial airline seat capacity from Hawaii, which adversely affected leisure travel from this primary feeder market.

- Midwest and South – decline is principally due to the reduction in gross revenues at Blue Chip, which continues to be materially impacted by increased competition and construction disruption, as well as the impact of the economic recession on our properties throughout this segment.

- See *Operating Data for Borgata – our 50% joint venture in Atlantic City* below for a discussion of the decrease in our share of Borgata's operating income before net amortization, preopening and other items.

The significant factors that affected Reportable Segment Adjusted EBITDA for 2007, as compared to 2006, are listed below:

- Las Vegas Locals - increased slightly during 2007, as compared to 2006, despite the reduction in gross revenues due to the impact of slowing economic conditions and its affect on consumer spending, as well as increased competition and promotional spending in the market. This segment has experienced margin improvement due to operational efficiencies resulting from the integration of our properties and the standardization of certain operating processes.

- Midwest and South - decreased primarily due to the following items:

  - Reportable Segment Adjusted EBITDA at Blue Chip declined during 2007, as compared to 2006, due primarily to the opening of a competitor in 2007, as well as the January 2006 grand opening of our new gaming vessel, which resulted in a significant increase in customer volume and operating results during 2006. In addition, results at Blue Chip during 2007 were impacted by a $3.2 million estimated property tax charge retroactive to January 1, 2006. This charge was the result of receiving a notice indicating an unanticipated increase of nearly 400% to Blue Chip's assessed property value.

- The normalization of Reportable Segment Adjusted EBITDA at Treasure Chest during 2007, as compared to 2006, as the Gulf Coast continued to rebuild and other forms of entertainment have reopened after the impact of Hurricane Katrina.

- We closed the Stardust on November 1, 2006 to make way for the development of Echelon on the Las Vegas Strip.

- See *Operating Data for Borgata – our 50% joint venture in Atlantic City* below for a discussion of the decrease in our share of Borgata's operating income before net amortization, preopening and other items.

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

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

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Gross revenues	$ 1,044,463	$ 1,034,679	$ 1,009,024
Operating income	115,308	168,868	174,988
Total non-operating expenses	(32,019)	(27,536)	(21,155)
Net income	83,289	141,332	153,833

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

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Operating income from Borgata, as reported on our consolidated statements of operations	$ 56,356	$ 83,136	$ 86,196
Net amortization expense related to our investment in Borgata	1,298	1,298	1,298
Our share of Borgata's operating income	57,654	84,434	87,494
Our share of Borgata's preopening expenses	2,785	1,558	3,260
Our share of Borgata's write-downs and other charges, net	81	478	1,209
Our share of Borgata's operating income before net amortization, preopening and other items	$ 60,520	$ 86,470	$ 91,963

Our share of Borgata's operating income before net amortization, preopening and other items expenses decreased $26.0 million in 2008, as compared to 2007. The decline was primarily due to the economic recession, increased competition from new competition from surrounding jurisdictions, specifically, slot operations in Pennsylvania, the addition of new hotel capacity in the Atlantic City market, and higher operating expenses related to the opening of The Water Club.

On June 27, 2008, Borgata's second hotel, The Water Club, held its grand opening. The Water Club is an 800-room hotel, featuring five swimming pools, a state-of-the-art spa, and additional meeting room space. Borgata financed the expansion from its cash flows from operations and from its bank credit facility.

Our share of Borgata's operating income before net amortization, preopening and other expenses decreased $5.5 million in 2007, as compared to 2006. This decline is mainly attributable to the heightened competitive environment in Atlantic City as a result of new competition from surrounding jurisdictions, as well as higher fixed costs associated with Borgata's public space expansion that opened in June 2006.

Borgata Tax Credits. Based on New Jersey state income tax rules, Borgata is eligible for a refundable state tax credit under the New Jersey New Jobs Investment Tax Credit ("New Jobs Tax Credit") because it made a qualified investment in a new business facility that created new jobs. The total net credit related to Borgata's original investment was approximately $75 million over a five-year period that ended in 2007. Incremental net credits related to Borgata's public space expansion and The Water Club are estimated to be approximately $8.4 million and $5.2 million, respectively, over five-year periods ending in 2010 and 2012, respectively. Borgata recorded $5.0 million, $17.4 million and $16.9 million of net New Jobs Tax Credits in arriving at its state income tax benefit (provision) for the years ended December 31, 2008, 2007 and 2006, respectively. Borgata expects to generate net New Jobs Tax Credits of approximately $2.7 million per annum for the years 2009 and 2010 and $1.0 million per annum for the years 2011 and 2012.

Operating Results – Discussion of Certain Expenses and Charges

The following expenses and charges are further discussed below:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Depreciation and amortization	$ 170,295	$ 167,257	$ 189,837
Corporate expense	52,332	60,143	54,229
Preopening expenses	20,265	22,819	20,623
Write-downs and other charges, net	385,521	12,101	8,838

Depreciation and Amortization

Depreciation and amortization remained stable during 2008, as compared to 2007, as there were no significant expansion capital expenditures that were placed into service during 2008.

The decline in depreciation and amortization expense during 2007, as compared to 2006, is principally due to the closure of the Stardust on November 1, 2006. Additionally, in connection with the planned closure of the Stardust, we reevaluated the useful lives of all of the depreciable assets residing on the land associated with our Echelon development project, including our corporate office building, and we recorded an additional $11.2 million in accelerated depreciation related to these assets during 2006.

Corporate Expense

Corporate expense represents unallocated payroll, professional fees, aircraft costs and various other expenses that are not directly related to our casino hotel operations, in addition to the corporate portion of share-based compensation expense.

In 2007, we commenced design work on our new consolidated players' club program in order to build and reward customer loyalty and drive cross-property visitation. The increase in corporate expense in 2007 is due, in part, to the design related expenses incurred in 2007 for the launch of our nationwide branding initiative and loyalty program in 2008.

Preopening Expenses

We expense certain costs of start-up activities as incurred. During the years ended December 31, 2008, 2007 and 2006, we recorded preopening expenses related to our Echelon development project, our new hotel and expansion project at Blue Chip, our expansion project at Dania Jai-Alai, which we indefinitely postponed in February 2008, and efforts to develop gaming activities in other jurisdictions.

In 2008, preopening expenses related to the following items:

- $16.3 million for our Echelon development project;
- $1.3 million for the new hotel at Blue Chip;
- $0.9 million for the Dania Jai Alai project; and
- $1.8 million for other projects.

In 2007, preopening expenses related to the following items:

- $15.6 million for our Echelon development project;
- $5.3 million for the Dania Jai Alai project; and
- $1.9 million for other projects.

In 2006, preopening expenses related to the following items:

- $11.6 million for our Echelon development project;
- $2.6 million for our Blue Chip expansion project;
- $1.1 million for our Dania Jai Alai project; and
- $5.3 million for other projects.

Write-downs and Other Charges, net

In 2008, write-downs and other charges, net, primarily consist of the following:

- An aggregate of $290.2 million in non-cash impairment charges to write-down certain portions of our goodwill, intangible assets and other long-lived assets to their fair value at December 31, 2008. The impairment tests for these assets were principally due to the decline in our stock price that caused our book value to exceed our market capitalization, which was an indication that these assets may not be recoverable. The primary reason for these impairment charges relates to the ongoing recession, which has caused us to reduce our estimates for projected cash flows, has reduced overall industry valuations, and has caused an increase in discount rates in the credit and equity markets.
- An $84.0 million non-cash impairment charge principally related to the write-off of Dania Jai-Alai's intangible license right, following our decision to indefinitely postpone redevelopment plans to operate slot machines at the facility.
- Hurricane and related expenses of $3.0 million were incurred as a result of damages from the Gulf Coast hurricanes at Treasure Chest and Delta Downs. The property damage incurred by each of the properties did not meet our insurance deductibles; therefore, no claims were filed.

In 2007, write-downs and other charges, net, primarily consist of the following:

- In connection with our Echelon development project on the Las Vegas Strip, we closed the Stardust on November 1, 2006 and demolished the property in March 2007. During 2007, we recorded $11.1 million in property closure costs, the majority of which represents demolition and rubble removal costs.
- We incurred $0.9 million of acquisition-related expenses in connection with our purchase of Dania Jai-Alai on March 1, 2007.

In 2006, write-downs and other charges, net, primarily consist of the following:

- A gain of $36 million recognized upon the final settlement with our insurance carrier for insurance claims related to hurricane damages incurred at Delta Downs as a result of Hurricane Rita in 2005.
- A $28 million non-cash charge related to the write-off of the net book value of the original Blue Chip gaming vessel in June 2006, which was replaced with a new gaming vessel in conjunction with our expansion project. After analysis of alternative uses for the original vessel, management decided in June 2006 to permanently retire the asset from further operations.
- In connection with our Echelon development plan, we closed the Stardust on November 1, 2006 and demolished the property in March 2007. During 2006, we recorded $13.4 million in property closure costs, the majority of which represents exit and disposal costs related to one-time termination benefits and contract termination costs.

- A $3.0 million non-cash write-down in September 2006 related to land held for sale in Pennsylvania that we previously planned to utilize as a site for a potential gaming operation. We withdrew our application for gaming approval, which led to our decision to sell the land.

Other Operating Items

Asset Impairment

Annual Asset Impairment Testing

We have significant amounts of goodwill and indefinite-life intangible assets on our consolidated balance sheets as of December 31, 2008 and 2007. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets,* we perform an annual impairment test of these assets in the second quarter of each year, which resulted in no impairment charge for the years ended December 31, 2008, 2007 and 2006.

In addition, we are required to test these assets for impairment between annual test dates in certain circumstances. As of December 31, 2008, we performed interim impairment tests that resulted in a $165.5 million and $22.3 million non-cash write-down of goodwill related to our 2004 acquisitions of Coast Casinos, Inc. and Sam's Town Shreveport, respectively, and an $80.7 million non-cash write-down of our indefinite-life gaming license right at Blue Chip. The impairment test for these assets was principally due to the decline in our stock price that caused our book value to exceed our market capitalization, which was an indication that these assets may not be recoverable. The primary reason for these impairment charges relates to the ongoing recession, which has caused us to reduce our estimates for projected cash flows, has reduced overall industry valuations, and has caused an increase in discount rates in the credit and equity markets.

Echelon

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. Due to the continued deterioration in credit market conditions and the economic outlook, it is unlikely that we will resume construction in 2009. Nonetheless, we remain committed to having a meaningful presence on the Las Vegas Strip. Over the course of 2009, we intend to prepare alternative development options to consider 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. This change in circumstance implies that the carrying amounts of the assets related to Echelon may not be recoverable; therefore, we performed an impairment test of these assets for recoverability during the three months ended September 30, 2008, which resulted in no impairment charge, as the estimated undiscounted cash flows from the project exceed the current carrying value of the assets, which was approximately $900 million, including land, as of December 31, 2008. We will continue to monitor these assets for recoverability as we develop and explore the viability of alternatives for the project. 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.

Sam's Town Tunica

Sam's Town Tunica reported a net operating loss of $7.7 million for the year ended December 31, 2008. Due to its history of operating losses, in 2008 we tested the assets of Sam's Town Tunica for recoverability pursuant to SFAS 144. The asset recoverability test required the estimation of its undiscounted future cash flows and the comparison of the aggregate total to the property's carrying value. The test resulted in no impairment; however, we will continue to monitor the performance of Sam's Town Tunica and, if necessary, continue to update our asset recoverability test under SFAS 144. If future asset recoverability tests indicate that the assets of Sam's Town Tunica are impaired, we will be subject to a non-cash write-down of its assets, which could have a material adverse impact on our consolidated statements of operations.

Dania Jai-Alai

On March 1, 2007, we acquired Dania Jai-Alai and approximately 47 acres of related land located in Dania Beach, Florida. Dania Jai-Alai is one of four pari-mutuel facilities in Broward County, which is approved under Florida law to operate 2,000 Class III slot machines. Conversely, a current Florida ballot measure to amend the Florida Constitution to allow Florida voters to approve slot machines at certain pari-mutuel gaming facilities in Miami-Dade and Broward Counties (the "Slot Initiative"), where Dania Jai Alai is located, has been subject to legal challenge since 2004 and remains unresolved. If the Slot Initiative is ultimately invalidated, we would not be permitted to operate slot machines at the Dania Jai-Alai facility, which would materially affect any potential revenue and cash flow expected from the Dania Jai-Alai facility.

We purchased Dania Jai-Alai with the intention of redeveloping the property into a slot-based casino. In March 2007, we paid approximately $81 million to close this transaction, and agreed to pay, in March 2010 or earlier, a contingent payment of an additional $75 million to the seller, plus interest accrued at the prime rate (the "contingent payment"), if certain legal conditions were satisfied.

Subsequent Event – Dania Jai-Alai Payment. In January 2009, we amended the purchase agreement to settle the contingent payment prior to the satisfaction of the legal conditions. The principal terms of the amendment are as follows:

- We paid $9.4 million to the seller in January 2009, plus $9.1 million accrued interest from the March 1, 2007 date of acquisition.

- We issued an 8% promissory note to the seller in the amount of $65.6 million, plus accrued interest. The terms of the note require principal payments of $9.4 million, plus accrued interest, in April 2009 and July 2009, with a final principal payment of $46.9 million, plus accrued interest, due in January 2010.

In conjunction with this amendment, we will record $28.4 million of the $75 million contingent liability as an additional cost of the acquisition (goodwill) during the three months ending March 31, 2009. We will test the goodwill for recoverability, and we expect that the test will result in an additional impairment charge during the three months ending March 31, 2009.

Blue Chip

Increased competition near Blue Chip has impacted our results. Although we have expanded our facility at Blue Chip in an effort to be more competitive in this market, the competition has had, and could continue to have, an adverse impact on the results of operations of Blue Chip.

Sam's Town Las Vegas

An existing hotel casino located adjacent to Sam's Town Las Vegas was recently redeveloped. This enhanced facility opened during the three months ended September 30, 2008 and has had, and could continue to have, an adverse impact on the results of operations of Sam's Town Las Vegas.

Borgata

On June 27, 2008, Borgata's second hotel, The Water Club, held its grand opening. The Water Club is an 800-room hotel, featuring five swimming pools, a state-of-the-art spa, and additional meeting and retail space. Borgata financed the expansion from its cash flows from operations and from its bank credit facility.

On September 23, 2007, The Water Club sustained a fire that caused damage to property with a carrying value of approximately $11.4 million. Borgata carries insurance policies that management believes will cover most of the replacement costs related to property damage, with the exception of minor amounts principally related to insurance deductibles and certain other limitations. As of December 31, 2008, Borgata has received insurance advances related to property damage totaling $22.4 million. Borgata has recorded a deferred gain of $11.1 million on its consolidated balance sheet at December 31, 2008, representing the amount of insurance advances related to property damage in excess of the $11.3 million net carrying value of assets damaged or destroyed by the fire (after its $0.1 million deductible). The deferred gain, and any other deferred gain that may arise from further advances from insurance recoveries related to property damage, will not be recognized on its consolidated statement of operations until final settlement with its insurance carrier. In addition, Borgata has "delay-in-completion" insurance coverage for The Water Club for certain costs, subject to various limitations and deductibles, which may help offset some of the costs related to the postponement of its opening. Recoveries, if any, from the insurance carrier will be recorded when realized. The management of Borgata continues to work with its insurance carrier on the scope of the claims and can provide no assurance with respect to the ultimate resolution of these matters.

Certain Other Non-Operating Costs and Expenses

Interest Costs

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Interest costs	$ 142,645	$ 159,732	$ 181,522
Less capitalized interest	(37,667)	(18,060)	(7,481)
Effects of interest rate swaps	5,168	(3,499)	(2,249)
Less interest costs related to discontinued operations	—	(600)	(26,247)
Less interest income	(1,070)	(119)	(112)
Interest expense, net	$ 109,076	$ 137,454	$ 145,433
Average debt balance	$ 2,485,990	$ 2,183,684	$ 2,516,088
Average interest rate	5.9%	7.1%	7.1%

Despite the increase in our average debt balance, interest costs decreased during 2008, as compared to 2007, principally due to a decline in market interest rates that caused our average borrowing rate to decline to 5.9% during the year ended December 31, 2008. At December 31, 2008, 43% of our debt was based upon variable interest rates, compared to 35% of our debt at December 31, 2007.

Interest costs decreased during 2007, as compared to 2006, principally due to a decrease in the average levels of debt outstanding as a result of the application of the $401 million of cash proceeds we received from the sale of South Coast in October 2006.

Capitalized interest has increased during each of the years ended December 31, 2008, 2007, and 2006. These increases were due primarily to additional capital spending on our Echelon development project and our Blue Chip hotel project. We expect capitalized interest to decline in 2009 due to the completion of the Blue Chip hotel project in January 2009 and the reduction in construction activities due to the delay in our Echelon development project.

Included in the income (loss) from discontinued operations during 2007 and 2006 is an allocation of interest expense related to $401 million of debt that was repaid as a result of the South Coast disposition, as well as other consolidated interest based on the ratio of: (i) the net assets of our discontinued operations less the debt repaid as a result of the South Coast disposition, to (ii) the sum of total consolidated net assets and consolidated debt of the Company, other than the debt repaid as a result of the disposition. With the February 2007 completion of the Barbary Coast exchange transaction, there were no further allocations of interest to discontinued operations from these transactions.

Loss (Gain) on Early Retirements of Debt

During the year ended December 31, 2008, we purchased and retired $146.5 million principal amount of our senior subordinated notes. The total purchase price of the notes was approximately $116.5 million, resulting in a gain of approximately $28.6 million, net of associated deferred financing fees. The transactions were funded by availability under our bank credit facility.

On May 24, 2007, we entered into a new $4.0 billion revolving bank credit facility that matures on May 24, 2012. The bank credit facility replaces our former $1.85 billion bank credit facility. We recorded a $4.4 million non-cash loss on early retirements of debt during 2007 for the write-off of unamortized debt fees associated with our former bank credit facility.

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

Change in Value of Derivative Instruments

During the years ended December 31, 2007 and 2006, we had certain interest rate swaps that we did not designate or otherwise qualify for hedge accounting; therefore, the decline in the fair value of these interest rate swaps of $1.1 million and $1.8 million was recorded on our consolidated statements of operations for the years ended December 31, 2007 and 2006, respectively. In July 2007, we terminated all of our interest rate swaps that we did not designate or qualify for hedge accounting. In addition, we entered into forward-starting interest rate swaps with an aggregate notional amount of $750 million to hedge the variability in the cash flows of our floating rate borrowings through June 30, 2011. We have designated and qualified these forward-starting swaps as cash flow hedges in an effort to limit the impact of the change in the market value of these interest rate swaps on our future operating results. We are exposed to credit loss in the event of nonperformance by the counterparties to our interest rate swap agreements; however, we believe that this risk is minimized because we monitor the credit ratings of the counterparties to the agreements.

Benefit from (Provision for) Income Taxes

The effective tax rate for continuing operations in 2008 was 11%, as compared to 35% in 2007 and 2006. The 2008 benefit includes the tax effect of impairment charges and valuation allowances associated with certain state net operating losses. Additionally, the 2008 effective tax rate is materially impacted by the Coast Casinos, Inc. goodwill impairment charge, which does not provide any tax benefit due to tax attributes attached to the goodwill in connection with the original Coast Casinos, Inc. acquisition. The 2007 tax provision includes one-time permanent tax benefits resulting from a charitable contribution and a state income tax credit.

Income from Continuing Operations

As a result of the factors discussed above, we reported a $223.0 million loss from continuing operations for the year ended December 31, 2008 and $120.9 million and $161.3 million in income from continuing operations for the years ended December 31, 2007 and 2006, respectively.

Liquidity and Capital Resources

Cash Flows Summary

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Net cash provided by operating activities	$ 220,479	$ 283,189	$ 419,513
Cash flows from investing activities:			
Capital expenditures	(667,400)	(296,894)	(436,464)
Net cash paid for Dania Jai-Alai	—	(80,904)	—
Investments in and advances to unconsolidated subsidiaries	(5,991)	(10,297)	(2,966)
Net proceeds from sale of South Coast	—	—	401,430
Insurance recoveries for replacement assets	—	—	34,450
Other investing activities	115	8,352	3,198
Net cash used in investing activities	(673,276)	(379,743)	(352)
Cash flows from financing activities:			
Net (payments) borrowings under bank credit facility	528,215	379,600	(653,500)
Payments on retirement of long-term debt	(116,497)	(260,938)	—
Net proceeds from issuance of long-term debt	—	—	246,300
Dividends paid on common stock	(26,330)	(51,195)	(46,662)
Proceeds from exercise of stock options	472	15,561	19,510
Other financing activities	(612)	9,830	(3,818)
Net cash provided by (used in) financing activities	385,248	92,858	(438,170)
Net decrease in cash and cash equivalents	$ (67,549)	$ (3,696)	$ (19,009)

Cash Flows from Operating Activities and Working Capital

For 2008, we generated operating cash flow of $220.5 million, compared to $283.2 million in 2007. The primary reason for the decrease in operating cash flows was due to a reduction in operating results from our Reportable Segments as a result of the economic recession, offset by a reduction in taxes and interest paid.

Borgata's amended bank credit agreement allows for certain limited distributions to be made to its partners. Our distributions from Borgata declined from $82.6 million in 2006 and $70.6 million in 2007 to $19.6 million in 2008 primarily due to a decline in Borgata's operating results. Borgata has significant uses for its cash flows, including maintenance and expansion capital expenditures, interest payments, state income taxes and the repayment of debt. Borgata's cash flows are primarily used for its business needs and are not generally available, except to the extent distributions are paid to us, in order to service our indebtedness. In addition, Borgata's amended bank credit facility contains certain covenants, including, without limitation, various covenants (i) requiring the maintenance of a minimum required fixed-charge coverage ratio, (ii) establishing a maximum permitted total leverage ratio, (iii) imposing limitations on the incurrence of additional secured indebtedness, and (iv) imposing restrictions on investments, dividends and certain other payments. In the event that Borgata fails to comply with its covenants, it may be prevented from making any distributions to us during such period of noncompliance.

For 2007, we generated operating cash flow of $283.2 million, compared to $419.5 million in 2006. The primary reason for the decrease in operating cash flows was due to a decline in operating results in our Midwest and South segment, as well as the sale of the South Coast on October 25, 2006, the closure of the Stardust on November 1, 2006 and the exchange of the Barbary Coast on February 27, 2007. In addition, our distributions from Borgata declined from $82.6 million in 2006 to $70.6 million in 2007 primarily due to a decline in Borgata's operating results.

As of December 31, 2008 and 2007, we had balances of cash and cash equivalents of $98.2 million and $165.7 million, respectively. We had working capital deficits of $138.9 million and $41.0 million as of December 31, 2008 and 2007, respectively.

Historically, we have operated with minimal or negative levels of working capital in order to minimize borrowings and related interest costs under our bank credit facility. The bank credit facility generally provides any necessary funds for our day-to-day operations, interest and tax payments, as well as capital expenditures. On a daily basis, we evaluate our cash position and adjust the bank credit facility balance as necessary, by either borrowing or paying it down with excess cash. We also plan the timing and the amounts of our capital expenditures. We believe that our bank credit facility and cash flows from operating activities will be sufficient to meet our projected operating and maintenance capital expenditures for the next twelve months. The source of funds for our development projects, if any, is expected to come primarily from cash flows from operations and availability under our bank credit facility, to the extent availability exists after we meet our working capital needs. We could also seek to fund these projects in whole or in part through incremental bank financing and additional debt or equity offerings. If availability does not exist under our bank credit facility, or we are not otherwise able to draw funds on our bank credit facility, additional financing may not be available to us or, if available, may not be on terms favorable to us.

Cash Flows from Investing Activities

Cash paid for capital expenditures on major projects for the year ended December 31, 2008 included the following:

- Echelon development project; and
- New hotel project at Blue Chip.

Spending on these and other expansion projects totaled approximately $597 million in 2008. We also paid approximately $71 million for maintenance capital expenditures in 2008.

Cash paid for capital expenditures on major projects and business acquisitions for the year ended December 31, 2007 included the following:

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

Spending on these and other expansion projects totaled $169 million in 2007. We also paid $128 million for maintenance capital expenditures during 2007. In addition, we paid approximately $81 million in 2007 for our acquisition of Dania Jai-Alai.

Cash paid for capital expenditures on major projects and land acquisitions for the year ended December 31, 2006, included the following:

- South Coast expansion project, the majority of which was substantially complete on October 25, 2006, the date on which it was sold;
- Acquisition of North Las Vegas land;
- Acquisition of land and building for our new corporate office;
- Hurricane restoration costs at Delta Downs;
- New Blue Chip vessel that opened in January 2006; and
- Echelon development project.

Spending on these and other expansion projects totaled $308 million in 2006. Maintenance capital expenditures totaled $128 million in 2006.

Cash flows from investing activities during 2006 include $401 million in cash from the sale of the South Coast and $34 million of property insurance recoveries for the reimbursement of our capital spending related to our hurricane restoration project at Delta Downs.

Cash Flows from Financing Activities

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

During the year ended December 31, 2008, we purchased and retired $146.5 million principal amount of our senior subordinated notes. The total purchase price of the notes was approximately $116.5 million, resulting in a gain of approximately $28.6 million, net of associated deferred financing fees. The transactions were funded by availability under our bank credit facility.

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

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

Dividends are declared at the discretion of our Board of Directors. We are subject to certain limitations regarding the payment of dividends, such as restricted payment limitations related to our outstanding notes and our bank credit facility. The following table sets forth the cash dividends declared and paid during the years ended December 31, 2008, 2007 and 2006.

Payment Date	Record Date	Dividend Per Share
March 1, 2006	February 10, 2006	$ 0.125
June 1, 2006	May 12, 2006	0.135
September 1, 2006	August 11, 2006	0.135
December 1, 2006	November 10, 2006	0.135
March 1, 2007	February 9, 2007	0.135
June 1, 2007	May 11, 2007	0.150
September 4, 2007	August 17, 2007	0.150
December 3, 2007	November 16, 2007	0.150
March 3, 2008	February 18, 2008	0.150
June 2, 2008	May 14, 2008	0.150

In July 2008, our Board of Directors suspended the quarterly dividend for the current and future periods. Dividends paid during the years ended December 31, 2008, 2007 and 2006 totaled $26.3 million, $51.2 million and $46.7 million, respectively.

Share Repurchase Program

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.

In the future, we may 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.

During the year ended December 31, 2006, we repurchased approximately 3.4 million shares of our common stock at a price per share of $32.4844. These shares were repurchased pursuant to the terms of the Unit Purchase Agreement that we entered into with Michael J. Gaughan in connection with the sale of South Coast and were not purchased as a part of the aforementioned repurchase program. We did not repurchase any stock during the years ended December 31, 2008 or 2007.

Other Items Affecting Liquidity

Echelon

In June 2007, we commenced construction on Echelon, our multibillion dollar Las Vegas Strip development project. 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 Echelon development project on the Las Vegas Strip. Due to the continued deterioration in credit market conditions and the economic outlook, it is unlikely that we will resume construction in 2009. Nonetheless, we remain committed to having a meaningful presence on the Las Vegas Strip. Over the course of 2009, we intend to prepare alternative development options to consider 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.

Morgans Las Vegas, LLC. In September 2008, we amended our 50/50 joint venture with Morgans Hotel Group Co. ("Morgans") to develop, construct and operate the Delano Las Vegas and the Mondrian Las Vegas hotels at Echelon. The amended joint venture agreement with Morgans provides for the following:

(a) a potential future reduction of each member's ownership interest in the joint venture, possibly through additional third party equity financing;

(b) a reduction in Morgan's capital commitment and in Morgan's and our future pro rata contribution obligations for predevelopment costs to $0.4 million for each member;

(c) an extension of the outside start date for the project to December 31, 2009;

(d) the right of each member to dissolve the joint venture and terminate the joint venture agreement upon twenty (20) days prior written notice at any time prior to the outside start date; and

(e) the deletion of Morgan's construction loan guaranty and obligation to fund cost overruns related to the project.

In the event that the joint venture is dissolved, neither member will be entitled to the use of the architectural plans and designs for the Delano Las Vegas and the Mondrian Las Vegas projects; therefore, all or a portion of our investment in and advances to the joint venture ($17.9 million at December 31, 2008) may be subject to an impairment charge. Furthermore, pursuant to an earlier amendment to the joint venture agreement, Morgans deposited $30 million with us as an advance toward their original capital commitment to the venture. This deposit, plus accrued interest, was included in restricted cash and accrued expenses on our consolidated balance sheet as of December 31, 2007; however, the deposit, plus a portion of the accrued interest, was returned in conjunction with the amended joint venture agreement. The terms of the management agreement, which provided for a Morgans affiliate to operate the joint venture hotels upon completion, remain unchanged but, pursuant to its original terms, would be terminated in the event of a termination of the joint venture agreement.

Echelon Place Retail Promenade, LLC. In October 2008, General Growth Properties ("GGP") exercised its right to require us to purchase its 50% membership interest in our 50/50 joint venture to develop High Street retail promenade at Echelon. GGP retains the right to re-enter the venture for one year, based upon the terms of the original joint venture agreement. We purchased GGP's membership interest in October 2008 for $9.7 million, which represents the return of GGP's capital contributions to the venture of $9.5 million, plus accrued interest. We retain all architectural plans and designs for the project.

Energy Services Agreement ("ESA"). In April 2007, we entered into an ESA with a third party, Las Vegas Energy Partners, LLC ("LVE"). LVE will design, construct, own (other than the underlying real property which is leased from Echelon), and operate a central energy center and energy distribution system to provide electricity, emergency electricity generation, and chilled and hot water 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, payable for a 25-year period commencing in November 2010.

The central energy center has currently suspended construction while Echelon delays its construction. The delay in construction of Echelon may change LVE's construction cost of the central energy center. We have entered into negotiations with LVE regarding the change in construction cost expected to be incurred as a result of the delay, which may impact the fixed capacity charge portion of the service fee that begins in November 2010. However, we are unable to quantify the new fixed capacity charge portion of the service fee at this time, as the negotiations over the new terms are ongoing with LVE.

Construction Agreements. We have exercised our rights under our standard form construction contracts to terminate our agreements with our contractors. With the exception of certain custom equipment orders, steel fabrication and crane and hoist rentals, all major construction agreements have been terminated and closed-out with final payments made to the contractors in exchange for final releases.

Design Agreements. We are continuing to evaluate design services that remain to be completed. The majority of our design agreements allow us either to suspend performance of the services under these agreements or to terminate these agreements. In each case, we would be required to pay only for those costs incurred through the date of suspension or termination as well as, in certain agreements, the payment for reasonable demobilization and other costs. Demobilization costs include the removal of rental equipment and the associated termination fees, among others. The demobilization and other costs are subject to negotiation; therefore, we are unable to estimate future costs at this time. We have estimated the cost of completion of construction drawings after December 31, 2008 to be between $5.5 million and $6.0 million; however, we can provide no assurances that actual costs will approximate the estimated costs.

Any demobilization, per diem, and related costs incurred related to the suspension or termination of our construction and design contracts will be charged to the project as preopening expense on our consolidated statement of operations in the period incurred.

Blue Chip

Our new hotel at Blue Chip opened on January 22, 2009. This expansion added a 22-story hotel, which includes 300 guest rooms, a spa and fitness center, additional meeting and event space, as well as new dining and nightlife venues.

Pennsylvania Land

On September 5, 2007, we entered into an agreement to sell approximately 125 acres of land that we own in Limerick Township, Pennsylvania for $26.5 million, before selling costs, contingent upon certain conditions. In September 2006, we withdrew our application for gaming approval, which led to our decision to sell the land and record a $3.0 million non-cash write-down of the land to its fair value, less estimated costs to sell. The carrying value of the land was $23.2 million at December 31, 2008 and 2007. On November 3, 2008, the agreement to sell such land was terminated; therefore, the carrying value of the land was reclassified from assets held for sale to property and equipment on our consolidated balance sheet at December 31, 2008, since it no longer meets the criteria to be classified as held for sale.

Missouri Land

In April 2008, we entered into an agreement to sell undeveloped land that we own in St. Louis County, Missouri. The sales price was approximately $0.6 million, before selling costs. Our historical cost of the land is $1.5 million; therefore, during the year ended December 31, 2008, we recorded a charge of $0.9 million, which is included in write-downs and other

charges on our accompanying consolidated statement of operations. During the three months ended September 30, 2008, the buyer cancelled the sale; therefore, the remaining carrying value of the land has been reclassified from assets held for sale to property and equipment on our accompanying consolidated balance sheet, since it no longer meets the criteria to be classified as held for sale.

North Las Vegas Gaming Site

In April 2008, we announced that we have formed a joint venture with Olympia Gaming, an affiliate of Olympia Group, to develop a proposed casino, resort and spa within the master-planned community of Park Highlands in North Las Vegas, Nevada, subject to receipt of all required approvals. An application was filed with the City of North Las Vegas to develop a 66-acre mixed-use, regional entertainment center, consisting of 1,200 hotel rooms to be built in three phases. We expect the first phase to include 400 hotel rooms, a casino, race and sports book, restaurants, meeting rooms and other entertainment amenities. Our arrangement with Olympia Gaming provides that we will construct and manage the casino, resort and spa on behalf of the joint venture. Following receipt of approvals, construction of the casino is not expected to begin for three to five years, allowing additional time for the surrounding area to be developed; however, we can provide no assurances of the timing. If the joint venture is unable to obtain the necessary approvals, we may change the scope of the project, defer the project, or cancel the project.

We can provide no assurances that our expansion and development projects will be completed within our current estimates, commence operations as expected, include all of the anticipated amenities, features or facilities, or achieve market acceptance. In addition, our development projects are subject to those additional risks inherent in the development and operation of a new or expanded business enterprise, including potential unanticipated operating problems. If our expansion, development, investment or renovation projects do not become operational within the time frame and project costs currently contemplated or do not successfully compete in their markets, it could have a material adverse effect on our business, financial condition and results of operations. Once our projects become operational, they will face many of the same risks that our current properties face, including, but not limited to, competition, weakened consumer spending and increases in taxes due to changes in legislation.

Recently, there have been significant disruptions in the global capital markets that have adversely impacted the ability of borrowers to access capital. We anticipate that these disruptions may continue for the foreseeable future. Despite these disruptions, we anticipate that we will be able to fund the remaining costs of our Blue Chip project and other capital requirements of the Company using cash flows from operations and availability under our bank credit facility, to the extent availability exists after we meet our working capital needs. Any additional financing that is needed may not be available to us, or, if available, may not be on terms favorable to us.

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. Due to the continued deterioration in credit market conditions and the economic outlook, it is unlikely that we will resume construction in 2009. Nonetheless, we remain committed to having a meaningful presence on the Las Vegas Strip. Over the course of 2009, we intend to prepare alternative development options to consider 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.

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 both sales and use tax. On April 24, 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 have paid use tax 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 $15.4 million to $17.6 million, including interest, from January 1, 2000 through December 31, 2008. We have been notified by the Department that they intend to pursue an alternative legal theory through an available administrative process, and they continue to deny our refund claims. Hearings before the Nevada Administrative Law Judge are currently being scheduled and we anticipate a hearing to occur during the summer of 2009. Due to uncertainty surrounding the potential arguments that may be raised in the administrative process, we will not record

any gain until the tax refund is realized. For periods subsequent to June 2008, we have not recorded an accrual for sales or use tax on complimentary and employee meals at our Nevada casino properties, as it is not probable that we will owe this tax, given the decision by the Nevada Supreme Court.

Share Repurchase Program

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.

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

Other Opportunities

We regularly investigate and pursue additional expansion opportunities in markets where casino gaming is currently permitted. For example, we recently announced that we delivered a nonbinding indication of interest to Station Casinos, Inc. We also pursue expansion opportunities in jurisdictions where casino gaming is not currently permitted in order to be prepared to develop projects upon approval of casino gaming. Such expansions will be affected and determined by several key factors, including:

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

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

Indebtedness

Our long-term debt primarily consists of a bank credit facility and senior subordinated notes. At December 31, 2008, we had availability under our bank credit facility of approximately $2.1 billion.

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

Bank Credit Facility Covenants. The bank credit facility contains certain financial and other covenants, including various covenants (i) requiring the maintenance of a minimum interest coverage ratio of 2.00 to 1.00, (ii) establishing a maximum total leverage ratio (discussed below), (iii) imposing limitations on the incurrence of indebtedness, (iv) imposing limitations on transfers, sales and other dispositions, and (v) imposing restrictions on investments, dividends and certain other payments.

The maximum permitted Total Leverage Ratio is calculated as Consolidated Funded Indebtedness to twelve-month trailing Consolidated EBITDA (all capitalized terms are defined in the bank credit facility). The following table provides our maximum Total Leverage Ratio during the current and remaining term of the bank credit facility.

Four Fiscal Quarters Ending	Maximum Total Leverage Ratio
December 31, 2008	6.00 to 1.00
March 31, 2009 through December 31, 2009	6.50 to 1.00
March 31, 2010	6.75 to 1.00
June 30, 2010	7.00 to 1.00
September 30, 2010	7.25 to 1.00
December 31, 2010	7.50 to 1.00
March 31, 2011	6.50 to 1.00
June 30, 2011 and each quarter thereafter	5.25 to 1.00

The foregoing description of the bank credit facility is qualified in its entirety by the full text of the *First Amended and Restated Credit Agreement*, dated as of May 24, 2007, among the Company and certain other parties, which is incorporated herein by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.

We believe we are in compliance with the bank credit facility covenants at December 31, 2008, which includes the Total Leverage Ratio covenant, which is 5.65 to 1.00 at December 31, 2008. During 2009, assuming our current level of Consolidated Funded Indebtedness remains constant, we estimate that a 13% or greater decline in our twelve-month trailing Consolidated EBITDA, as compared to 2008, would cause us to exceed our maximum Total Leverage Ratio covenant for that period. However, in the event that we project that our Consolidated EBITDA may decline by 13% or more, we could implement certain actions in an effort to minimize the possibility of a breach of the Total Leverage Ratio covenant. These actions may include, among others, reducing payroll and certain other operating costs, deferring or eliminating certain maintenance, expansion or other capital expenditures, reducing our outstanding indebtedness through repurchases or redemption, selling assets or issuing equity.

Senior Subordinated Notes. Debt service requirements under our current outstanding senior subordinated notes consist of semi-annual interest payments (based upon fixed annual interest rates ranging from 6.75% to 7.75%) and repayment of our senior subordinated notes due on December 15, 2012, April 15, 2014, and February 1, 2016 for each of our 7.75%, 6.75% and 7.125% Senior Subordinated Notes, respectively. These senior subordinated notes contain restrictions on, without limitation, (i) our ability and our restricted subsidiaries' (as defined in the indentures governing the notes) ability to incur additional indebtedness, (ii) the payment of dividends and other distributions with respect to our capital stock and the stock of our restricted subsidiaries and the purchase, redemption or retirement of our capital stock and the stock of our restricted subsidiaries, (iii) the making of certain investments, (iv) asset sales, (v) the incurrence of liens, (vi) transactions with affiliates, (vii) payment restrictions affecting restricted subsidiaries, and (viii) certain consolidations, mergers and transfers of assets. Management believes that we are in compliance with the covenants related to notes outstanding at December 31, 2008.

During the year ended December 31, 2008, we purchased and retired $146.5 million principal amount of our senior subordinated notes. The total purchase price of the notes was approximately $116.5 million, resulting in a gain of approximately $28.6 million, net of associated deferred financing fees. The transactions were funded by availability under our bank credit facility.

Our ability to service our debt will be dependent upon future performance, which will be affected by, among other things, prevailing economic conditions and financial, business and other factors, certain of which are beyond our control. It is unlikely that our business will generate sufficient cash flow from operations to enable us to pay our indebtedness as it matures and to fund our other liquidity needs. We believe that we will need to refinance all or part of our indebtedness at or prior to each maturity; however, we may not be able to refinance any of our indebtedness on commercially reasonable terms, or at all. See Note 5, *Long-term Debt*, to our consolidated financial statements for additional information.

Contractual Obligations and Commitments. The following table summarizes our contractual obligations as of December 31, 2008.

	Payments Due by Period						
	Total	2009	2010	2011	2012	2013	Thereafter
				(In thousands)			
Contractual obligations							
Long-term debt obligations	$ 2,647,674	$ 616	$ 652	$ 690	$ 2,085,375	$ 10,341	$ 550,000
Capital lease obligations	—	—	—	—	—	—	—
Operating lease obligations	488,252	14,969	12,015	11,078	9,409	8,691	432,090
Interest obligations on fixed rate debt (1)	299,950	54,564	54,528	54,490	54,449	38,161	43,758
Purchase obligations:							
Entertainment contracts	4,620	4,620	—	—	—	—	—
Construction projects (2)	127,195	107,643	19,552	—	—	—	—
Other (3)	130,665	71,760	53,752	2,239	1,729	1,185	—
Other long-term contracts (4)	593,412	852	6,207	23,585	23,577	23,546	515,645
Total contractual obligations	$ 4,291,768	$ 255,024	$ 146,706	$ 92,082	$ 2,174,539	$ 81,924	$ 1,541,493

(1) Includes interest rate obligations on our fixed rate debt that comprises $0.8 billion of our total December 31, 2008 debt balance of $2.6 billion. Our variable rate debt at December 31, 2008 consists of $1.9 billion in outstanding balances on our bank credit facility. Interest payments for future periods related to the variable rate debt are dependent upon, at our option, the LIBOR rate or the "base rate," plus an applicable margin in either case. The applicable margin is a percentage per annum (which ranges from 0.625% to 1.625% if we elect to use the LIBOR rate, and 0.0% to 0.375% if we elect to use the base rate) determined in accordance with a specified pricing grid based upon our predefined total leverage ratio. In addition, we incur commitment fees on the unused portion of the bank credit facility that range from 0.200% to 0.350% per annum. At December 31, 2008, the blended interest rate for outstanding borrowings under the bank credit facility was 2.9%.

(2) Construction projects consist primarily of purchase obligations related to the Echelon development project.

(3) Other consists of various contracts for goods and services, including our contract for Hawaiian air charter operations as well as our payments, including accrued interest, related to Dania Jai-Alai.

(4) Other long-term obligations relate primarily to our Energy Services Agreement at Echelon and deferred compensation balances.

Certain of our executive officers participate in a long-term management incentive plan (the "Plan"), which currently extends through December 31, 2009. The components of the Plan cannot be measured until the end of the performance period, as they will not be known until such period ends. As such, we do not accrue for these items over the life of the Plan, but rather accrue for that portion of the Plan when it becomes measurable. The possible future maximum payout is $5.2 million for the year ending December 31, 2009.

Suncoast is situated on approximately 49 acres of leased land. The landlord has the option to require us to purchase the property at the end of 2014 and each year end through 2018, at the fair market value of the real property at the time the landlord exercises the option, subject to certain pricing limitations. If we do not purchase the property if and when required, we would be in default under the lease agreement.

We are required to pay the City of Kenner, Louisiana a boarding fee of $2.50 for each passenger boarding our Treasure Chest riverboat casino during the year. The future minimum payment due in 2009 to the City of Kenner, based upon a portion of actual passenger counts from the prior year, is approximately $2.6 million.

Due to uncertainties surrounding the timing and amount of future cash settlements related to our income tax audits, we cannot establish a reasonably reliable estimate of the amount or period of future cash settlements related to the $37.3 million of other long-term tax liabilities as of December 31, 2008. As we are uncertain as to when, or if, such amounts may be settled, we have excluded the amount from the contractual obligations table above.

Off Balance Sheet Arrangements. Our off balance sheet arrangements mainly consist of unconsolidated investments in Borgata and Morgans Las Vegas LLC, as well as our Energy Services Agreement to provide electricity, emergency electricity generation, and chilled and hot water to Echelon. We have

not entered into any transactions with special purpose entities, nor have we engaged in any derivative transactions other than interest rate swaps, interest rate collars and interest rate caps. Our joint venture investment in Borgata allows us to realize the benefits of owning a full-scale resort in a manner that lessens our initial investment. We do not guarantee financing obtained by Borgata, nor are there any other provisions of the venture agreements which are unusual or subject us to risks to which we would not be subjected if we had full ownership of the respective properties.

We have entered into certain agreements that contain indemnification provisions, including those involving certain of our joint ventures, as well as indemnification agreements involving certain of our executive officers and directors. These agreements provide indemnity insurance pursuant to which directors and officers are indemnified or insured against liability or loss under certain circumstances, which may include liability or related loss under the Securities Act and the Exchange Act. In addition, our Restated Articles of Incorporation and Restated Bylaws contain provisions that provide for indemnification of our directors, officers, employees and other agents to the maximum extent permitted by law.

At December 31, 2008, we had outstanding letters of credit totaling $29.9 million.

Recently Issued Accounting Pronouncements

In December 2008, the FASB issued FASB Staff Position ("FSP") FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities*. This FASB FSP amends SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, to require public entities to provide additional disclosures about transfers of financial assets. It also amends FASB Interpretation No. 46 (R), *Consolidation of Variable Interest Entities*, to require public enterprises, including sponsors that have a variable interest in a variable interest entity, to provide additional disclosures about their involvement with variable interest entities. Additionally, this FSP requires certain disclosures to be provided by a public enterprise that is (a) a sponsor of a qualifying special purpose entity ("SPE") that holds a variable interest in the qualifying SPE but was not the transferor of financial assets to the qualifying SPE, and (b) a servicer of a qualifying SPE that holds a significant variable interest in the qualifying SPE but was not the transferor of financial assets to the qualifying SPE. The disclosures required by this FSP are intended to provide greater transparency to financial statement users about a transferor's continuing involvement with transferred financial assets and an enterprise's involvement with variable interest entities and qualifying SPEs. This FSP is effective for the first reporting period ending after December 15, 2008, and shall apply for each annual and interim reporting period thereafter. We believe that the adoption of this FSP will not have a material impact on our consolidated financial statements.

In June 2008, the FASB issued FSP No. EITF 03-6-1, *Determining Whether Instruments Granted In Share-Based Payment Transactions Are Participating Securities*. This FSP concludes that those unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities and must be included in the computation of both basic and diluted earnings per share (the two-class method). This FSP is effective during the three months ending March 31, 2009 and is to be applied on a retrospective basis to all periods presented. The issue is effective for financial statements issued for fiscal years and interim periods within those fiscal years beginning January 1, 2009. The adoption of FSP No. EITF 03-6-1 will not have an impact on our consolidated financial statements, as our current share-based awards do not include dividend rights.

In May 2008, the FASB issued SFAS No.162, *Hierarchy of Generally Accepted Accounting Principles* ("SFAS 162"). This statement is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements of nongovernmental entities that are presented in conformity with GAAP. This statement was effective November 15, 2008. We currently adhere to the hierarchy of GAAP as presented in SFAS 162, and the adoption is not expected to have a material impact on our consolidated financial statements.

In April 2008, the FASB issued FSP No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* ("FSP 142-3"). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*, and requires enhanced related disclosures. FSP 142-3 must be applied prospectively to all intangible assets acquired as of and subsequent to fiscal years beginning after December 15, 2008. We believe that the adoption of FSP 142-3 will not have a material impact on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities — An Amendment of FASB Statement No. 133* ("SFAS 161"). SFAS 161 requires enhanced qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative

instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We do not believe that the adoption of SFAS 161 will have a material impact on our consolidated financial statements.

In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which defers the effective date of SFAS No. 157, *Fair Value Measurements*, ("SFAS 157") to fiscal years beginning after November 15, 2008 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Early adoption of SFAS 157 is permitted. We have applied SFAS 157 to recognize the liability related to our derivative instruments at fair value to consider the changes in the creditworthiness of the Company and our counterparties in determining any credit valuation adjustment.

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

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"). SFAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The fair value option established by SFAS 159 permits all companies to choose to measure eligible items at fair value at specified election dates. At each subsequent reporting date, companies must report in earnings any unrealized gains and losses on items for which the fair value option has been elected. SFAS 159 is effective as of the beginning of a company's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the company also elects to apply the provisions of SFAS No. 157, *Fair Value Measurements*. We do not believe that the adoption of SFAS 159 will have a material impact on our consolidated financial statements.

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.

Critical Accounting Policies

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. As such, we are required to make estimates and assumptions that affect the reported amounts included in our consolidated financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from the estimates. We believe the following critical accounting policies may require a higher degree of judgment and complexity.

Goodwill, Intangible Assets and Other Long-Lived Assets. We evaluate our goodwill, intangible assets and other long-lived assets in accordance with the applications of SFAS No. 142, *Goodwill and Other Intangible Assets*, and SFAS No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets*. For goodwill and indefinite-lived intangible assets, we perform an annual impairment test of these assets in the second quarter of each year and between annual dates in certain circumstances. For assets to be disposed of, we recognize the asset at the lower of carrying value or fair market value, less costs of disposal, as estimated based on comparable asset sales, solicited offers, or a discounted cash flow model. For long-lived assets to be held and used, we review 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. If an asset is under development, future cash flows include remaining construction costs. All recognized impairment charges are recorded as operating expenses.

Management must make various assumptions and estimates in performing its impairment testing. For instance, management must first determine the usage of the asset. To the extent management decides that an asset will be sold or abandoned, it is more likely that impairment may be recognized. Assets must be tested at the lowest level for which identifiable cash flows exist, which means that some assets must be grouped, and management has some discretion in the grouping of assets. Future cash flow estimates are, by their nature, subjective and actual results may differ materially from our estimates. If our ongoing estimates of future cash flows are not met, we may have to record additional impairment charges in future accounting periods. Our estimates of cash flows are based on the current regulatory, social and economic climates, recent operating information and budgets of the various properties where we conduct operations. These estimates could be negatively impacted by changes in federal, state or local regulations, economic downturns, or other events affecting various forms of travel and access to our properties.

See *Summary Financial Results* above for a discussion of write-downs and impairment charges recorded during the years ended December 31, 2008, 2007 and 2006. The majority of the impairment charges recorded for the year ended December 31, 2008 are primarily related to the ongoing recession, which has caused us to reduce our estimates for projected cash flows, has reduced overall industry valuations, and has caused an increase in discount rates in the credit and equity markets.

Capital Expenditures and Depreciation. We must make estimates and assumptions when accounting for capital expenditures. Whether the expenditure is considered a maintenance expense or a capital asset is a matter of judgment. Our depreciation expense is highly dependent upon the assumptions we make about our assets' estimated useful lives. We determine the estimated useful lives based upon our experience with similar assets. Whenever events or circumstances occur which change the estimated useful life of an asset, we account for the change prospectively. In connection with the closure and demolition of the Stardust, we reevaluated the estimated useful lives of the depreciable assets residing on the land associated with our Echelon development project, including our corporate office building, and recorded $11.2 million of accelerated depreciation expense in 2006.

Capitalized Interest. Interest costs associated with major development and construction projects are capitalized as part of the cost of the constructed assets in accordance with SFAS No. 34, *Capitalization of Interest Costs*. When no debt is incurred specifically for a project, interest is capitalized on amounts expended for the project using our weighted-average cost of borrowing. Capitalization of interest ceases when the project (or discernible portions of the project) is substantially complete. If substantially all of the construction-related activities of a project are suspended, capitalization of interest will cease until such activities are resumed. We amortize capitalized interest over the estimated useful life of the related assets.

Derivative Instruments. We utilize an investment policy for managing risks associated with our current and anticipated future borrowings, such as interest rate risk and its potential impact on our fixed and variable rate debt. Under this policy, we may utilize derivative contracts that effectively convert our borrowings from either floating-to-fixed or fixed-to-floating. The policy does not allow for the use of derivative financial instruments for trading or speculative purposes. To the extent we employ such financial instruments pursuant to this policy, and the instruments qualify for hedge accounting, we may designate and account for them as hedged instruments. In order to qualify for hedge accounting, the underlying hedged item must expose us to risks associated with market fluctuations and the financial instrument used must be designated as a hedge and must reduce our exposure to market fluctuations throughout the hedged period. If these criteria are not met, a change in the market value of the financial instrument is recognized as a gain (loss) in the period of change. Otherwise, gains and losses are not recognized except to the extent that the hedged debt is disposed of prior to maturity or to the extent that acceptable ranges of ineffectiveness exist in the hedge. Net interest paid or received pursuant to the hedged financial instrument is included in interest expense in the period. We have designated our current interest rate swaps as cash flow hedges and measure their effectiveness using the long-haul method. 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. The ineffective portion, if any, is recorded in earnings. We measure the mark-to-market value of our interest rate swaps using a discounted cash flow analysis of the projected future receipts or payments based upon the forward yield curve on the date of measurement. We adjust this amount to measure the fair value of our interest rate swaps by applying a credit valuation adjustment to the mark-to-market exposure profile. In determining the credit valuation adjustment, we consider the credit default swap rates of the Company and its counterparties in each settlement period, as observed on the date of measurement.

Generally accepted accounting principles ("GAAP") require all derivative instruments to be recognized on the balance sheet at fair value. Derivatives that are not designated as hedges for accounting purposes must be adjusted to fair value through earnings. 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 ineffective portion of a derivative's change in mark-to-market value will be immediately recognized in earnings.

Share-Based Employee Compensation. On January 1, 2006, we adopted SFAS No. 123R, *Share-Based Payment,* using the modified prospective method and as such, results for prior periods have not been restated. This statement requires us to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). This cost is recognized over the period during which an employee is required to provide service in exchange for the award. Under the modified prospective method, we expense the cost of share-based compensation awards issued after January 1, 2006. Additionally, we recognize compensation cost for the portion of awards outstanding on January 1, 2006 for which the requisite service has not been rendered over the period the requisite service is being rendered after January 1, 2006. Compensation costs related to stock option awards are calculated based on the fair value of each major option grant on the date of the grant using the Black-Scholes option pricing model that requires the formation of assumptions to be used in the model, such as expected stock price volatility, risk-free interest rates, expected option lives and dividend yields. We formed our assumptions using historical experience and observable conditions.

Income Taxes. We are subject to income taxes in the United States and several states in which we operate. We account for income taxes according to SFAS No. 109, *Accounting for Income Taxes*. SFAS No. 109 requires the recognition of deferred tax assets, net of applicable reserves, related to net operating loss carryforwards, tax credit carryforwards and certain temporary differences. A valuation allowance is recognized if, based upon the weight of the available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be recognized.

Our income tax returns are subject to examination by tax authorities. We regularly assess the potential outcome of these examinations in determining the adequacy of our provision for income taxes and our income tax liabilities. To determine necessary reserves, we must make assumptions and judgments about potential actions by taxing authorities, partially based on past experiences. Our estimate of the potential outcome for any uncertain tax issue is highly judgmental, and we believe we have adequately provided for any reasonable and foreseeable outcomes relating to uncertain tax matters. When actual results of tax examinations differ from our estimates or when potential actions are settled differently than we expected, we adjust the income tax provision and our tax reserves in the current period.

Self-Insurance Reserves. We are self-insured up to certain stop loss amounts for employee health coverage, workers' compensation and general liability costs. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of estimates for claims incurred but not yet reported. In estimating these accruals, we consider historical loss experience and make judgments about the expected levels of costs per claim. We believe our estimates of future liability are reasonable based upon our methodology; however, changes in health care costs, accident frequency and severity and other factors could materially affect the estimate for these liabilities.

Litigation, Claims and Assessments. We also utilize estimates for litigation, claims and assessments related to our business and tax matters. These estimates are based upon our knowledge and experience about past and current events and also upon reasonable assumptions about future events. Actual results could differ from these estimates.

ITEM 7A. Quantitative and Qualitative Disclosure about Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk, specifically long-term U.S. treasury rates and the applicable spreads in the high-yield investment market and short-term and long-term LIBOR rates, and its potential impact on our long-term debt. We attempt to limit our exposure to interest rate risk by managing the mix of our long-term fixed-rate borrowings and short-term borrowings under our bank credit facility. Borrowings under our bank credit facility are based upon, at our option, the LIBOR rate or the "base rate," plus an applicable margin in either case. The applicable margin is a percentage per annum (which ranges from 0.625% to 1.625% if we elect to use the LIBOR rate, and 0.0% to 0.375% if we elect to use the base rate) determined in accordance with a specified pricing grid based upon our predefined total leverage ratio. We also attempt to manage the impact of interest rate risk on our long-term debt by utilizing derivative financial instruments in accordance with established policies and procedures. We do not utilize derivative financial instruments for trading or speculative purposes.

During the year ended December 31, 2008, we utilized interest rate swap agreements. Interest differentials resulting from these agreements are recorded on an accrual basis as an adjustment to interest expense. Interest rate swaps related to debt are matched to specific debt obligations.

We are exposed to credit loss in the event of nonperformance by the counterparties to the interest rate swap agreements outstanding at December 31, 2008; however, we believe that this risk is minimized because we monitor the credit ratings of the counterparties to the swaps. If we had terminated our swaps as of December 31, 2008, we would have been required to pay $47.9 million based on the fair values of the derivative instruments.

The following table provides information about our derivative instruments and other financial instruments that are sensitive to changes in interest rates, including interest swaps and debt obligations. For our debt obligations, the table presents principal cash flows and related weighted-average interest rates by expected maturity dates. For our interest rate swaps, the table presents the notional amounts and weighted-average interest rates by the expected (contractual) maturity dates. The notional amounts are used to calculate the contractual cash flows to be exchanged under the contracts. The weighted-average variable rates are based upon prevailing interest rates.

The scheduled maturities of our long-term debt and interest rate swap agreements outstanding as of December 31, 2008 for the years ending December 31 are as follows.

	Year Ending December 31, Expected Maturity Date							
	2009	2010	2011	2012	2013	Thereafter	Total	Fair Value
Liabilities								
Long-term debt (including current portion):								
Fixed-rate	$ 616	$ 652	$ 690	$204,260	$ 10,341	$ 550,000	$ 766,559	$ 517,153
Average interest rate	5.7%	5.7%	5.7%	7.7%	5.7%	6.9%	7.1%	
Variable-rate	$ —	$ —	$ —	$1,881,115	$ —	$ —	$ 1,881,115	$ 1,185,102
Average interest rate	—	—	—	2.9%	—		2.9%	
Interest rate derivatives								
Derivative Instruments:								
Pay fixed	$ 4,206	$ —	$ 43,736	$ —	$ —	$ —	$ 47,942	$ 34,308
Average receivable rate	1.5%	—	1.5%	—	—	—	1.5%	
Average payable rate	4.6%	—	5.1%	—	—	—	5.0%	

As of December 31, 2008, our long-term variable-rate borrowings represented approximately 43% of our total long-term debt. Based on December 31, 2008 debt levels, a 100 basis point change in the LIBOR rate or the base rate would cause our annual interest costs to change by approximately $11.3 million.

The following table provides other information about our long-term debt at December 31, 2008.

	Outstanding Face Amount	Carrying Value	Estimated Fair Value
		(In thousands)	
Bank credit facility	$ 1,881,115	$ 1,881,115	$ 1,185,102
7.75% Senior Subordinated Notes Due 2012	203,530	203,530	180,124
6.75% Senior Subordinated Notes Due 2014	300,000	300,000	174,000
7.125% Senior Subordinated Notes Due 2016	250,000	250,000	150,000
Other	13,029	13,029	13,029
Total	$ 2,647,674	$ 2,647,674	$ 1,702,255

The estimated fair values of our bank credit facility and our senior subordinated notes are based on the average trading price as of the last day closest to December 31, 2008 that the debt was traded.

ITEM 8. Financial Statements and Supplementary Data

The information required by this item is contained in the financial statements listed in Item 15(a) of this Annual Report on Form 10-K under *Financial Statements*. In addition, audited consolidated financial statements for Marina District Development Company, LLC, d.b.a. Borgata Hotel Casino and Spa, our 50% Atlantic City joint venture, as of and for the three years in the period ended December 31, 2008 are included in Exhibit 99.2 and are incorporated herein by reference.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in or disagreements with accountants on accounting and financial disclosures during the three years in the period ended December 31, 2008.

ITEM 9A. Controls and Procedures

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

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we include a report of management's assessment of the design and effectiveness of our internal controls as part of this Annual Report on Form 10-K for the fiscal year ended December 31, 2008. Our independent registered public accounting firm also attested to, and reported on, management's assessment of the effectiveness of internal control over financial reporting. Management's report and the independent registered public accounting firm's attestation report are located below.

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

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we assessed the effectiveness of our internal control over financial reporting as of the end of the most recent fiscal year, December 31, 2008, based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment under the framework in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of the end of our most recent fiscal year, December 31, 2008.

Our internal control over financial reporting as of December 31, 2008 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in its report which is included below.

Report of Independent Registered Public Accounting Firm on Management's Assessment on Internal Control Over Financial Reporting

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Boyd Gaming Corporation and Subsidiaries:

We have audited the internal control over financial reporting of Boyd Gaming Corporation and Subsidiaries (the "Company") as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2008, of the Company and our report dated March 2, 2009 expressed an unqualified opinion on those financial statements, and includes an explanatory paragraph regarding the Company's adoption of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109.*

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada
March 2, 2009

ITEM 9B. Other Information

None.

Part III

ITEM 10. Directors, Executive Officers and Corporate Governance

Information regarding the members of our board of directors and our audit committee, including our audit committee financial expert, is set forth under the captions *Board Committees – Audit Committee*, *Director Nominees*, and *Section 16(a) Beneficial Ownership Reporting Compliance* in our definitive Proxy Statement to be filed in connection with our 2009 Annual Meeting of Stockholders and is incorporated herein by reference. Information regarding non-director executive officers of the Company is set forth in Item 4A of Part I, Item 1 of this Report on Form 10-K.

Code of Ethics. We have adopted a Code of Business Conduct and Ethics ("code of ethics") that applies to each of our directors, officers and employees. Our code of ethics is posted on our website at www.boydgaming.com. Any waivers or amendments to our code of ethics will be posted on our website.

ITEM 11. Executive Compensation

The information required by this item is set forth under the captions *Executive Officer and Director Compensation*, *Compensation and Stock Option Committee Interlocks and Insider Participation*, and *Compensation and Stock Option Committee Report* in our definitive Proxy Statement to be filed in connection with our 2009 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is set forth under the captions *Ownership of Certain Beneficial Owners and Management* and *Equity Compensation Plan Information* in our definitive Proxy Statement to be filed in connection with our 2009 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is set forth under the captions *Transactions with Related Persons* and *Director Independence* in our definitive Proxy Statement to be filed in connection with our 2009 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 14. Principal Accounting Fees and Services

Information about principal accounting fees and services, as well as the audit committee's pre-approval policies appears under the captions *Audit and Non-Audit Fees* and *Audit Committee Pre-Approval of Audit and Non-Audit Services* in our definitive Proxy Statement to be filed in connection with our 2009 Annual Meeting of Stockholders and is incorporated herein by reference.

Part IV

ITEM 15. Exhibits and Financial Statement Schedules

(a) *Financial Statements.* The following financial statements for the three years in the period ended December 31, 2008 are filed as part of this report:

Audited consolidated financial statements for Marina District Development Company, LLC, d.b.a. Borgata Hotel Casino and Spa, as of and for the three years in the period ended December 31, 2008 are presented in Exhibit 99.2 and are incorporated herein by reference.

(b) *Exhibits.* Refer to (c) on page 98.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Boyd Gaming Corporation and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Boyd Gaming Corporation and Subsidiaries (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Boyd Gaming Corporation and Subsidiaries at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the consolidated financial statements, the Company changed its method of accounting for income taxes in accordance with FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* and recorded the cumulative effect on January 1, 2007.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 2, 2009, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada
March 2, 2009

CONSOLIDATED BALANCE SHEETS

	December 31, 2008	December 31, 2007
ASSETS	(In thousands, except per share data)	
Current assets		
Cash and cash equivalents	$ 98,152	$ 165,701
Restricted cash	24,309	52,244
Accounts receivable, net	21,375	23,602
Inventories	11,325	11,269
Prepaid expenses and other current assets	40,416	39,896
Assets held for sale	853	23,188
Income taxes receivable	15,115	17,969
Deferred income taxes	2,903	5,259
Total current assets	214,448	339,128
Property and equipment, net	3,249,254	2,716,036
Investments in and advances to unconsolidated subsidiaries, net	419,389	393,616
Other assets, net	86,597	96,515
Intangible assets, net	422,163	538,095
Goodwill, net	213,576	404,206
Total assets	$ 4,605,427	$ 4,487,596
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	$ 616	$ 629
Accounts payable	50,128	74,073
Construction payables	118,888	72,215
Accrued liabilities		
Payroll and related	54,176	65,272
Interest	14,514	17,597
Gaming	55,009	60,717
Accrued expenses and other	59,992	89,629
Total current liabilities	353,323	380,132
Long-term debt, net of current maturities	2,647,058	2,265,929
Deferred income taxes	313,743	365,370
Other long-term tax liabilities	37,321	39,361
Other liabilities	110,460	51,398
Commitments and contingencies (Note 7)		
Stockholders' equity		
Preferred stock, $.01 par value, 5,000,000 shares authorized	—	—
Common stock, $.01 par value, 200,000,000 shares authorized, 87,814,061and 87,747,080 shares outstanding	878	877
Additional paid-in capital	616,304	599,751
Retained earnings	546,358	795,693
Accumulated other comprehensive loss, net	(20,018)	(10,915)
Total stockholders' equity	1,143,522	1,385,406
Total liabilities and stockholders' equity	$ 4,605,427	$ 4,487,596

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

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2008	2007	2006
	(In thousands, except per share data)		
Revenues			
Gaming	$ 1,477,476	$ 1,666,422	$ 1,811,716
Food and beverage	251,854	273,036	304,864
Room	140,651	153,691	172,781
Other	117,574	128,870	145,560
Gross revenues	1,987,555	2,222,019	2,434,921
Less promotional allowances	206,588	224,900	242,287
Net revenues	1,780,967	1,997,119	2,192,634
Costs and expenses			
Gaming	690,847	752,047	836,675
Food and beverage	144,092	163,775	187,908
Room	43,851	46,574	55,052
Other	89,222	95,401	110,106
Selling, general and administrative	299,662	310,926	311,551
Maintenance and utilities	95,963	96,278	100,659
Depreciation and amortization	168,997	165,959	188,539
Corporate expense	52,332	60,143	54,229
Preopening expenses	20,265	22,819	20,623
Write-downs and other charges, net	385,521	12,101	8,838
Total costs and expenses	1,990,752	1,726,023	1,874,180
Operating income from Borgata	56,356	83,136	86,196
Operating income (loss)	(153,429)	354,232	404,650
Other expense (income)			
Interest income	(1,070)	(119)	(112)
Interest expense, net of amounts capitalized	110,146	137,573	145,545
Decrease (increase) in value of derivative instruments	(425)	1,130	1,801
Loss (gain) on early retirements of debt	(28,553)	16,945	—
Other non-operating expenses from Borgata, net	16,009	13,768	10,577
Total other expense, net	96,107	169,297	157,811
Income (loss) from continuing operations before income taxes	(249,536)	184,935	246,839
Benefit from (provision for) income taxes	26,531	(64,027)	(85,491)
Income (loss) from continuing operations	(223,005)	120,908	161,348
Discontinued operations:			
Income (loss) from discontinued operations (including a gain on disposition of $285,033 in 2007 and an impairment loss of $65,000 in 2006)	—	281,949	(69,219)
Benefit from (provision for) income taxes	—	(99,822)	24,649
Net income (loss) from discontinued operations	—	182,127	(44,570)
Net income (loss)	$ (223,005)	$ 303,035	$ 116,778

CONSOLIDATED STATEMENTS OF OPERATIONS — (Continued)

	Year Ended December 31,		
	2008	2007	2006
Basic net income (loss) per common share:			
Income (loss) from continuing operations	$ (2.54)	$ 1.38	$ 1.83
Net income (loss) from discontinued operations	—	2.08	(0.51)
Net income (loss)	$ (2.54)	$ 3.46	$ 1.32
Weighted average basic shares outstanding	87,854	87,567	88,380
Diluted net income (loss) per common share:			
Income (loss) from continuing operations	$ (2.54)	$ 1.36	$ 1.80
Net income (loss) from discontinued operations	—	2.06	(0.50)
Net income (loss)	$ (2.54)	$ 3.42	$ 1.30
Weighted average diluted shares outstanding	87,854	88,608	89,593
Dividends declared per common share	$ 0.30	$ 0.585	$ 0.53

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Other Comprehensive Income (Loss)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net	Total Stockholders' Equity
		(In thousands, except per share data)					
Balances, January 1, 2006		89,286,491	$ 893	$ 619,852	$ 473,964	$ 3,295	$ 1,098,004
Net income	$ 116,778	—	—	—	116,778	—	116,778
Derivative instruments fair value adjustment, net of taxes of $200	358	—	—	—	—	358	358
Restricted available for sale securities market adjustment, net of taxes of $28	50	—	—	—	—	50	50
Comprehensive income	$ 117,186						
Stock options exercised		1,266,116	12	19,498	—	—	19,510
Tax benefit from share-based compensation arrangements		—	—	12,256	—	—	12,256
Stock repurchased and retired		(3,447,501)	(34)	(111,956)	—	—	(111,990)
Share-based compensation costs		—	—	21,648	—	—	21,648
Dividends paid on common stock		—	—	—	(46,662)	—	(46,662)
Balances, December 31, 2006		87,105,106	871	561,298	544,080	3,703	1,109,952
Net income	$ 303,035	—	—	—	303,035	—	303,035
Derivative instruments fair value adjustment, net of taxes of $8,274	(14,727)	—	—	—	—	(14,727)	(14,727)
Restricted available for sale securities market adjustment, net of taxes of $59	109	—	—	—	—	109	109
Comprehensive income	$ 288,417						
Cumulative effect of a change in accounting for uncertainty in income taxes		—	—	—	(105)	—	(105)
Our share of Borgata's cumulative effect of a change in accounting for uncertainty in income taxes		—	—	—	(122)	—	(122)
Stock options exercised		641,974	6	15,555	—	—	15,561
Tax benefit from share-based compensation arrangements		—	—	5,528	—	—	5,528
Share-based compensation costs		—	—	17,370	—	—	17,370
Dividends paid on common stock		—	—	—	(51,195)	—	(51,195)
Balances, December 31, 2007		87,747,080	877	599,751	795,693	(10,915)	1,385,406
Net loss	$ (223,005)	—	—	—	(223,005)	—	(223,005)
Derivative instruments fair value adjustment, net of taxes of $5,118	(9,103)	—	—	—	—	(9,103)	(9,103)
Comprehensive loss	$ (232,108)						
Stock options exercised		55,700	1	471	—	—	472
Award of restricted stock units		11,281	—	—	—	—	—
Tax benefit from share-based compensation arrangements		—	—	660	—	—	660
Share-based compensation costs		—	—	15,422	—	—	15,422
Dividends paid on common stock		—	—	—	(26,330)	—	(26,330)
Balances, December 31, 2008		87,814,061	$ 878	$ 616,304	$ 546,358	$ (20,018)	$ 1,143,522

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2008	2007	2006
		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ (223,005)	$ 303,035	$ 116,778
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	168,997	165,959	208,187
Amortization of debt issuance costs	4,737	5,180	4,486
Deferred income taxes	(44,153)	68,370	(14,108)
Operating and non-operating income from Borgata	(40,347)	(69,369)	(75,618)
Distributions of earnings received from Borgata	19,579	70,570	82,603
Share-based compensation expense	14,024	16,059	20,818
Gain on disposition of Barbary Coast	—	(285,033)	—
Loss (gain) on early retirements of debt	(28,553)	16,945	—
Asset write-downs	382,012	3,744	101,592
Gain from insurance recoveries for property damage	—	—	(33,450)
Other operating activities	(435)	(3,783)	(9,625)
Changes in operating assets and liabilities:			
Restricted cash	(2,817)	(8,216)	(4,192)
Accounts receivable, net	2,227	3,067	(983)
Insurance receivable	—	—	4,313
Inventories	(56)	(103)	3,052
Prepaid expenses and other	(1,613)	5,915	(5,180)
Income taxes receivable	2,871	(5,069)	10,972
Other assets	3,505	(16,238)	4,237
Other current liabilities	(38,543)	(32,446)	559
Other liabilities	1,257	5,346	5,072
Other long-term tax liabilities	792	39,256	—
Net cash provided by operating activities	220,479	283,189	419,513
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(667,400)	(296,894)	(436,464)
Net cash paid for Dania Jai-Alai	—	(80,904)	—
Investments in and advances to unconsolidated subsidiaries	(5,991)	(10,297)	(2,966)
Net proceeds from sale of South Coast	—	—	401,430
Insurance recoveries for replacement assets	—	—	34,450
Other investing activities	115	8,352	3,198
Net cash used in investing activities	(673,276)	(379,743)	(352)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments on long-term debt	(629)	(502)	(16,074)
Borrowings under bank credit facility	1,394,935	817,100	496,950
Payments under bank credit facility	(866,720)	(437,500)	(1,150,450)
Payments on retirement of long-term debt	(116,497)	(260,938)	—
Proceeds from termination of derivative instruments	—	5,718	—
Net proceeds from issuance of long-term debt	—	—	246,300
Proceeds from exercise of stock options	472	15,561	19,510
Excess tax benefit from share-based compensation arrangements	17	4,614	12,256
Dividends paid on common stock	(26,330)	(51,195)	(46,662)
Net cash provided by (used in) financing activities	385,248	92,858	(438,170)
Net decrease in cash and cash equivalents	(67,549)	(3,696)	(19,009)
Cash and cash equivalents, beginning of year	165,701	169,397	188,406
Cash and cash equivalents, end of year	$ 98,152	$ 165,701	$ 169,397

CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)

	Year Ended December 31,		
	2008	2007	2006
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest, net of amounts capitalized	$ 110,618	$ 135,940	$ 162,332
Cash paid for income taxes, net of refunds	13,267	60,279	63,974
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Payables for capital expenditures	$ 122,310	$ 79,811	$ 28,326
Capitalized share-based compensation costs	1,398	1,311	830
Restricted cash received as a deposit for Morgans Las Vegas, LLC joint venture	672	31,424	—
Disbursement of restricted cash received as a deposit for Morgans Las Vegas, LLC joint venture	29,506	—	—
Restricted cash proceeds from maturities of restricted investments	—	8,381	1,450
Restricted cash used to purchase restricted investments	—	6,765	1,783
Restricted cash proceeds from sales of restricted investments	—	8,589	—
Change in fair value of derivative instruments	(14,221)	(23,001)	558
Land acquired in exchange for Barbary Coast	—	364,000	—
Non-monetary portion of land exchange	—	18,177	—
Repurchase of common stock for issuance of note payable to related party	—	—	111,990
Transfer of land to (from) property and equipment, net to/from assets held for sale, net of cash	23,188	—	(26,188)
Acquisition of Dania Jai-Alai			
Fair value of non-cash assets acquired	$ —	$ 131,372	$ —
Net cash paid	—	(80,904)	—
Contingent liability recorded	—	(46,648)	—
Liabilities assumed	$ —	$ 3,820	$ —

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

As of December 31, 2008, we wholly-owned and operated 15 casino entertainment facilities located in Nevada, Mississippi, Illinois, Louisiana and Indiana. In addition, we own and operate a pari-mutuel jai alai facility located in Dania Beach, Florida, two travel agencies, and an insurance company that underwrites travel-related insurance. We are also a 50% partner in a joint venture that owns a limited liability company, operating Borgata Hotel Casino and Spa ("Borgata") in Atlantic City, New Jersey.

In conjunction with our multibillion dollar Echelon development on the Las Vegas Strip, we previously entered into two joint venture agreements:

Morgans Las Vegas, LLC – This 50/50 joint venture with Morgans Hotel Group Co. ("Morgans") was originally formed to develop, construct and operate the Delano Las Vegas and the Mondrian Las Vegas hotels at Echelon (see Note 3, *Investments in and Advances to Unconsolidated Subsidiaries*, and Note 7, *Commitments and Contingencies*). On September 23, 2008, we entered into an amended joint venture agreement with Morgans (see Note 7, *Commitments and Contingencies*, for a description of the principal terms of this third amendment). We currently account for the joint venture under the equity method, as we are not the primary beneficiary of this entity under FIN 46(R). We will continue to evaluate our accounting treatment for this joint venture as it is developed.

Echelon Place Retail Promenade, LLC – This 50/50 joint venture with General Growth Properties ("GGP") was originally formed to develop, construct and operate High Street retail promenade at Echelon (see Note 7, *Commitments and Contingencies*). Through October 2008, we consolidated this joint venture, as we were the primary beneficiary of this entity under FIN 46(R). GGP's minority interest in this joint venture was $0.5 million at December 31, 2007 and is included in other liabilities on our consolidated balance sheet. In October 2008, we purchased GGP's membership interest in this joint venture for $9.7 million, which represents the return of GGP's capital contribution to the joint venture, plus accrued interest, thereby making this entity a wholly-owned subsidiary of Boyd Gaming Corporation.

On August 1, 2008, we announced our decision to delay the Echelon development project. See Note 7, *Commitments and Contingencies – Echelon*, for a discussion regarding our decision to delay the Echelon project and its impact on our joint venture and other agreements.

Cash and Cash Equivalents

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

Restricted Cash

At December 31, 2008, our restricted cash consisted primarily of customer payments related to advanced bookings with our Hawaiian travel agency that are invested with a maximum maturity of 90 days and amounts on deposit for horse racing purposes at Delta Downs.

At December 31, 2007, our restricted cash consisted primarily of a $30 million deposit, plus accrued interest, from Morgans as an advance toward their $91.5 million capital contribution to be made to our joint venture at Echelon. This deposit, plus accrued interest, was included in restricted cash and accrued expenses on our consolidated balance sheet as of December 31, 2007; however, the deposit was returned in conjunction with the amended joint venture agreement (see Note 7, *Commitments and Contingencies*). Also included in the restricted cash balance at December 31, 2007, were customer payments related to advance bookings with our Hawaiian travel agency that are invested in investments with a maximum maturity of 90 days and amounts on deposit for horse racing purposes at Delta Downs.

Accounts Receivable, net

Accounts receivable consist primarily of casino, hotel and other receivables, net of an allowance for doubtful accounts of $5.4 million and $4.8 million at December 31, 2008 and 2007, respectively. The allowance for doubtful accounts is estimated based upon our collection experience and the age of the receivables.

Inventories

Inventories consist primarily of food and beverage and retail items and are stated at the lower of cost or market. Cost is determined using the weighted-average inventory method.

Property and Equipment

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

Long-Lived Assets

We evaluate our long-lived assets in accordance with the application of SFAS No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets*. For assets to be disposed of we recognize the asset at the lower of carrying value or fair market value, less costs of disposal, as estimated based on comparable asset sales, solicited offers, or a discounted cash flow model. For long-lived assets to be held and used, we review 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. If an asset is under development, future cash flows include remaining construction costs. All recognized impairment charges are recorded as operating expenses. See Note 9, *Write-Downs and Other Charges, Net* and Note 10, *Assets and Liabilities Held for Sale,* for a discussion of impairment charges related to our long-lived assets.

Goodwill and Intangible Assets

We evaluate our goodwill and indefinite-lived intangible assets in accordance with the applications of SFAS No. 142, *Goodwill and Other Intangible Assets.* Goodwill and 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. See Note 4, *Intangible Assets and Goodwill* and Note 9, *Write-Downs and Other Charges, Net* for a discussion of impairment charges related to our goodwill and other intangible assets.

Capitalized Interest

Interest costs associated with major construction projects are capitalized as part of the cost of the constructed assets. When no debt is incurred specifically for a project, interest is capitalized on amounts expended for the project using our weighted-average cost of borrowing. Capitalization of interest ceases when the project (or discernible portions of the project) is substantially complete. If substantially all of the construction activities of a project are suspended, capitalization of interest will cease until such activities are resumed. We amortize capitalized interest over the estimated useful life of the related assets. Capitalized interest for the years ended December 31, 2008, 2007 and 2006 was $37.7 million, $18.1 million and $7.5 million, respectively.

Debt Issuance Costs

Debt issuance costs incurred in connection with the issuance of long-term debt are capitalized and amortized to interest expense over the term of the related debt agreement.

Self-Insurance Reserves

We are self-insured up to certain stop loss amounts for employee health coverage, workers' compensation and general liability costs. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of estimates for claims incurred but not yet reported. In estimating these accruals, we consider historical loss experience and make judgments about the expected levels of costs per claim. We believe our estimates of future liability are reasonable based upon our methodology; however, changes in health care costs, accident frequency and severity and other factors could materially affect the estimate for these liabilities. Self-insurance reserves are included in accrued expenses and other on our consolidated balance sheets.

Revenue Recognition and Promotional Allowances

Gaming revenue represents the net win from gaming activities, which is the difference between gaming wins and losses. All other revenues are recognized as the services are provided. 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. Gross revenues include the estimated retail value of rooms, food and beverage, and other goods and services provided to customers on a complimentary basis. Such amounts are then deducted as promotional allowances. The estimated costs and expenses of providing these promotional allowances are charged to the gaming department in the following amounts:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Room	$ 25,271	$ 23,597	$ 24,189
Food and beverage	123,444	118,968	128,360
Other	8,418	6,906	6,568
Total	$ 157,133	$ 149,471	$ 159,117

Promotional allowances also include incentives such as cash, goods and services (such as complimentary rooms and food and beverages) earned in our slot club and other gaming loyalty programs. We reward customers, through the use of loyalty programs, with points based on amounts wagered or won 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 casino property. We record the estimated retail value of these goods and services as revenue and then deduct them as promotional allowances.

Corporate Expense

Corporate expense represents unallocated payroll, professional fees, aircraft costs and various other expenses that are not directly related to our casino hotel operations. Corporate expense totaled $52.3 million, $60.1 million and $54.2 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Preopening Expenses

We expense certain costs of start-up activities as incurred. During the years ended December 31, 2008, 2007 and 2006, we expensed $20.3 million, $22.8 million and $20.6 million in preopening costs, respectively, including $16.3 million, $15.6 million and $11.6 million, respectively, related to our Echelon development project. The remaining expense incurred in 2008, 2007 and 2006 relates to various projects, including our new hotel at Blue Chip and expansion project at Dania Jai-Alai, and efforts to develop gaming activities in other jurisdictions.

Advertising Expense

Direct advertising costs are expensed the first time such advertising appears. Advertising costs from continuing operations are included in selling, general and administrative expenses on the accompanying consolidated statements of operations and totaled $23.4 million, $25.7 million and $29.3 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Derivative Instruments and Other Comprehensive Income (Loss)

Generally accepted accounting principles, or GAAP, require all derivative instruments to be recognized on the balance sheet at fair value. Derivatives that are not designated as hedges for accounting purposes must be adjusted to fair value through income. If the derivative qualifies and is designated as a hedge, depending on the nature of the hedge, changes in its fair value will either be offset against the change in fair value of the hedged item through earnings or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. We utilize derivative instruments to manage interest rate risk on certain of our borrowings. For further information, see Note 6, *Derivative Instruments and Other Comprehensive Income (Loss)*.

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 consolidated financial statements include the estimated useful lives for depreciable and amortizable assets, the estimated allowance for doubtful accounts receivable, the estimated valuation allowance for deferred tax assets, certain tax liabilities, estimated cash flows in assessing the recoverability of long-lived assets and goodwill and intangible assets, share-based payment valuation assumptions, fair values of derivative instruments, fair values of acquired assets and liabilities, property closure costs, our self-insured liability reserves, slot bonus point programs, contingencies and litigation, claims and assessments. Actual results could differ from these estimates.

Recently Issued Accounting Pronouncements

In December 2008, the FASB issued FASB Staff Position ("FSP") FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities.* This FASB FSP amends SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, to require public entities to provide additional disclosures about transfers of financial assets. It also amends FASB Interpretation No. 46 (R), *Consolidation of Variable Interest Entities*, to require public enterprises, including sponsors that have a variable interest in a variable interest entity, to provide additional disclosures about their involvement with variable interest entities. Additionally, this FSP requires certain disclosures to be provided by a public enterprise that is (a) a sponsor of a qualifying special purpose entity ("SPE") that holds a variable interest in the qualifying SPE but was not the transferor of financial assets to the qualifying SPE, and (b) a servicer of a qualifying SPE that holds a significant variable interest in the qualifying SPE but was not the transferor of financial assets to the qualifying SPE. The disclosures required by this FSP are intended to provide greater transparency to financial statement users about a transferor's continuing involvement with transferred financial assets and an enterprise's involvement with variable interest entities and qualifying SPEs. This FSP is effective for the first reporting period ending after December 15, 2008, and shall apply for each annual and interim reporting period thereafter. We believe that the adoption of this FSP will not have a material impact on our consolidated financial statements.

In June 2008, the FASB issued FSP No. EITF 03-6-1, *Determining Whether Instruments Granted In Share-Based Payment Transactions Are Participating Securities*. This FSP concludes that those unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities and must be included in the computation of both basic and diluted earnings per share (the two-class method). This FSP is effective during the three months ending March 31, 2009 and is to be applied on a retrospective basis to all periods presented. The issue is effective for financial statements issued for fiscal years and interim periods within those fiscal years beginning January 1, 2009. The adoption of FSP No. EITF 03-6-1 will not have an impact on our consolidated financial statements, as our current share-based awards do not include dividend rights.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In May 2008, the FASB issued SFAS No.162, *Hierarchy of Generally Accepted Accounting Principles* ("SFAS 162"). This statement is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements of nongovernmental entities that are presented in conformity with GAAP. This statement was effective November 15, 2008. We currently adhere to the hierarchy of GAAP as presented in SFAS 162, and the adoption is not expected to have a material impact on our consolidated financial statements.

In April 2008, the FASB issued FSP No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* ("FSP 142-3"). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*, and requires enhanced related disclosures. FSP 142-3 must be applied prospectively to all intangible assets acquired as of and subsequent to fiscal years beginning after December 15, 2008. We believe that the adoption of FSP 142-3 will not have a material impact on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities — An Amendment of FASB Statement No. 133* ("SFAS 161"). SFAS 161 requires enhanced qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We do not believe that the adoption of SFAS 161 will have a material impact on our consolidated financial statements.

In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which defers the effective date of SFAS No. 157, *Fair Value Measurements*, ("SFAS 157") to fiscal years beginning after November 15, 2008 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Early adoption of SFAS 157 is permitted. We have applied SFAS 157 to recognize the liability related to our derivative instruments at fair value to consider the changes in the creditworthiness of the Company and our counterparties in determining any credit valuation adjustment.

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

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"). SFAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The fair value option established by SFAS 159 permits all companies to choose to measure eligible items at fair value at specified election dates. At each subsequent reporting date, companies must report in earnings any unrealized gains and losses on items for which the fair value option has been elected. SFAS 159 is effective as of the beginning of a company's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the company also elects to apply the provisions of SFAS No. 157, *Fair Value Measurements*. We do not believe that the adoption of SFAS 159 will have a material impact on our consolidated financial statements.

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.

Reclassifications

Certain prior period amounts presented in our consolidated financial statements have been reclassified to conform to the December 31, 2008 presentation. These reclassifications had no effect on our net income as previously reported.

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. In addition, as of the same date, we reclassified the reporting of corporate expense 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 has been presented to include its portion of share-based compensation expense (see Note 17, *Segment Information*). Due to the disposition of Barbary Coast and South Coast, the operating results from these two properties are classified as discontinued operations in our consolidated statements of operations and are excluded from our presentation in the Las Vegas Locals segment. All prior period amounts have been reclassified to conform to the current presentation.

NOTE 2. — PROPERTY AND EQUIPMENT

Property and equipment consists of the following.

	Estimated Life (Years)	December 31, 2008	December 31, 2007
		(In thousands)	
Land	—	$ 686,716	$ 677,314
Buildings and improvements	10-40	1,863,998	1,829,335
Furniture and equipment	3-10	834,391	790,451
Riverboats and barges	10-40	168,427	166,287
Construction in progress	—	820,818	241,241
Total property and equipment		4,374,350	3,704,628
Less accumulated depreciation		1,125,096	988,592
Property and equipment, net		$ 3,249,254	$ 2,716,036

Major items included in construction in progress at December 31, 2008 and 2007 consisted principally of construction costs related to Echelon. In addition, land with a carrying value of approximately $225 million at December 31, 2008 and 2007 is related to our Echelon development project on the Las Vegas Strip (see Note 7, *Commitments and Contingencies – Echelon*).

NOTE 3. — INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES, NET

Borgata Hotel Casino and Spa

We and MGM MIRAGE, through wholly-owned subsidiaries, each have 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. As the managing venturer, we are responsible for the day-to-day operations of Borgata, including the operation and improvement of the facility and business. Borgata employs a management team and full staff to perform these services for the property. We maintain the oversight responsibility for the operations, but do not directly operate Borgata. As such, we do not receive a management fee from Borgata. Borgata's bank credit agreement is secured by substantially all of its real and personal property and is non-recourse to MGM MIRAGE and us.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Summarized financial information of Borgata is as follows.

CONDENSED CONSOLIDATED BALANCE SHEET INFORMATION

	December 31,	
	2008	2007
	(In thousands)	
Assets		
Current assets	$ 110,279	$ 136,145
Property and equipment, net	1,431,118	1,379,932
Other assets, net	36,266	26,004
Total assets	$ 1,577,663	$ 1,542,081
Liabilities and Member Equity		
Current liabilities	$ 103,534	$ 131,719
Long-term debt	740,536	722,700
Other liabilities	22,782	20,981
Member equity	710,811	666,681
Total liabilities and member equity	$ 1,577,663	$ 1,542,081

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS INFORMATION

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Gaming revenue	$ 734,306	$ 748,649	$ 735,145
Non-gaming revenue	310,157	286,030	273,879
Gross revenues	1,044,463	1,034,679	1,009,024
Less promotional allowances	213,974	196,036	195,759
Net revenues	830,489	838,643	813,265
Expenses	633,353	597,127	566,252
Depreciation and amortization	76,096	68,576	63,088
Preopening expenses	5,570	3,116	6,519
Write-downs and other charges, net	162	956	2,418
Operating income	115,308	168,868	174,988
Interest and other expenses, net	(29,049)	(31,194)	(23,271)
Benefit from (provision for) state income taxes	(2,970)	3,658	2,116
Total non-operating expenses	(32,019)	(27,536)	(21,155)
Net income	$ 83,289	$ 141,332	$ 153,833

Our share of Borgata's results has been included in our accompanying consolidated statements of operations for the following periods on the following lines:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Our share of Borgata's operating income	$ 57,654	$ 84,434	$ 87,494
Net amortization expense related to our investment in Borgata	(1,298)	(1,298)	(1,298)
Our share of Borgata's operating income, as reported	$ 56,356	$ 83,136	$ 86,196
Our share of Borgata's non-operating expenses, net	$ (16,009)	$ (13,768)	$ (10,577)

Borgata Tax Credits. Based on New Jersey state income tax rules, Borgata is eligible for a refundable state tax credit under the New Jersey New Jobs Investment Tax Credit ("New Jobs Tax Credit") because it made a qualified investment in a new business facility that created new jobs. The total net credit related to Borgata's original investment was approximately $75 million over a five-year period that ended in 2007. Incremental net credits related to Borgata's public space expansion and The Water Club are estimated to be approximately $8.4 million and $5.2 million, respectively, over five-year periods ending in 2010 and 2012, respectively. Borgata recorded $5.0 million, $17.4 million and $16.9 million, respectively, of net New Jobs Tax Credits in arriving at its state income tax benefit (provision) for the years ended December 31, 2008, 2007 and 2006. Borgata expects to generate net New Jobs Tax Credits of approximately $2.7 million per annum for the years 2009 and 2010 and $1.0 million per annum for the years 2011 and 2012.

Borgata Expansions. Borgata completed its $200 million public space expansion in June 2006 which added both gaming and non-gaming amenities, including additional slot machines, table games, poker tables, restaurants and a nightclub.

On June 27, 2008, Borgata's second hotel, The Water Club, held its grand opening. The Water Club is an 800-room hotel, featuring five swimming pools, a state-of-the-art spa, and additional meeting and retail space. Borgata financed the expansion from its cash flows from operations and from its bank credit facility.

On September 23, 2007, The Water Club sustained a fire that caused damage to property with a carrying value of approximately $11.4 million. Borgata carries insurance policies that management believes will cover most of the replacement costs related to property damage, with the exception of minor amounts principally related to insurance deductibles and certain other limitations. As of December 31, 2008, Borgata has received insurance advances related to property damage totaling $22.4 million. Borgata has recorded a deferred gain of $11.1 million on its consolidated balance sheet at December 31, 2008, representing the amount of insurance advances related to property damage in excess of the $11.3 million net carrying value of assets damaged or destroyed by the fire (after its $0.1 million deductible). The deferred gain, and any other deferred gain that may arise from further advances from insurance recoveries related to property damage, will not be recognized on its consolidated statement of operations until final settlement with its insurance carrier. In addition, Borgata has "delay-in-completion" insurance coverage for The Water Club for certain costs, subject to various limitations and deductibles, which may help offset some of the costs related to the postponement of its opening. Recoveries, if any, from the insurance carrier will be recorded when realized. The management of Borgata continues to work with its insurance carrier on the scope of the claims and can provide no assurance with respect to the ultimate resolution of these matters.

Borgata Distributions. Borgata's amended bank credit agreement allows for certain limited distributions to be made to its partners. Our distributions from Borgata were $19.6 million, $70.6 million and $82.6 million in 2008, 2007 and 2006, respectively. Borgata has significant uses for its cash flows, including maintenance and expansion capital expenditures, interest payments, state income taxes, and the repayment of debt. Borgata's cash flows are primarily used for its business needs and are not generally available, except to the extent those distributions are paid to us, in order to service our indebtedness. In addition, Borgata's amended bank credit facility contains certain covenants, including, without limitation, various covenants (i) requiring the maintenance of a minimum required fixed-charge coverage ratio, (ii) establishing a maximum permitted total leverage ratio, (iii) imposing limitations on the incurrence of additional secured indebtedness, and (iv) imposing restrictions on investments, dividends and certain other payments. In the event that Borgata fails to comply with its covenants, it may be prevented from making any distributions to us during such period of noncompliance.

Other Unconsolidated Entities

We have a 50/50 joint venture with Morgans to develop two hotel properties, the Delano Las Vegas and the Mondrian Las Vegas at Echelon. We currently account for the joint venture under the equity method, as we are not the primary beneficiary of this entity under FIN 46(R). As of December 31, 2008 and 2007, our net investment in and advances to the Morgans joint venture were $17.9 million and $13.1 million, respectively. See Note 7, *Commitments and Contingencies,* for a discussion regarding the September 2008 amendment to this joint venture and the potential for an impairment charge related to our investment in the event that the joint venture is dissolved.

In addition, we have a one-third investment in Tunica Golf Course, L.L.C. (d.b.a. River Bend Links) located in Tunica, Mississippi. We account for our share of the golf course's net loss under the equity method of accounting. At December 31, 2008 and 2007, our net investment in and advances to the golf course were $0.1 million and $0.4 million, respectively, and are presented in investments in and advances to unconsolidated subsidiaries, net, on our consolidated balance sheets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table reconciles our investments in and advances to our unconsolidated subsidiaries.

	December 31,	
	2008	2007
	(In thousands)	
Investment in and advances to Borgata (50%):		
Cash contributions	$ 254,157	$ 254,157
Accumulated amortization of 50% of our unilateral equity contribution	(1,925)	(1,540)
Deferred gain on sale of asset to Borgata, net	(336)	(360)
Capitalized interest, net	32,283	33,219
Equity income	318,865	277,220
Distributed earnings	(202,091)	(182,512)
Other advances, net	369	(44)
Net investment in Borgata	401,322	380,140
Investment in and advances to Morgans Las Vegas, LLC (50%)	17,929	13,105
Investment in and advances to Tunica Golf Course, L.L.C. (33.3%)	138	371
Total investments in and advances to unconsolidated subsidiaries, net	$ 419,389	$ 393,616

Our net investment in Borgata differs from our share of the underlying equity in Borgata. In 2004, pursuant to an agreement with MGM MIRAGE related to the funding of Borgata's project costs, we made a unilateral capital contribution to Borgata of approximately $31 million. We are ratably amortizing $15.4 million (50% of the unilateral contribution, which corresponds to our ownership percentage of Borgata) over 40 years. Also, during Borgata's initial development, construction and preopening phases, we capitalized the interest on our investment and are ratably amortizing our capitalized interest over 40 years. Additionally, we are ratably accreting a $0.4 million deferred gain related to the sale of our airplane to Borgata over the airplane's remaining useful life.

NOTE 4. — INTANGIBLE ASSETS AND GOODWILL

Intangible assets consist of the following.

	December 31,	
	2008	2007
	(In thousands)	
Las Vegas Locals trademarks	$ 50,700	$ 50,700
Las Vegas Locals customer lists	300	300
Midwest and South license rights	405,365	521,217
Midwest and South customer lists	100	100
Total intangible assets	456,465	572,317
Less accumulated amortization:		
License rights	33,939	33,939
Customer lists	363	283
Total accumulated amortization	34,302	34,222
Intangible assets, net	$ 422,163	$ 538,095

The following table sets forth the change in our intangible assets, net during the years ended December 31, 2008 and 2007 (in thousands).

Balance as of January 1, 2007	$506,750
Intangible license right from Dania Jai-Alai acquisition (see Note 11)	35,153
Write-off of Barbary Coast trademark	(3,700)
Write-off of Barbary Coast customer list, net	(28)
Amortization expense	(80)
Balance as of December 31, 2007	538,095
Finalization of Dania Jai-Alai purchase price allocation (see Note 11)	46,648
Write-off of Dania Jai-Alai intangible license right (see Note 9 and Note 11)	(81,800)
Write-down of Blue Chip gaming license right (see Note 9)	(80,700)
Amortization expense	(80)
Balance as of December 31, 2008	$422,163

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

Customer lists are being ratably amortized over a five-year period. For each of the years ended December 31, 2008 and 2007, amortization expense for the customer lists was less than $0.1 million. For the year ending December 31, 2009, amortization expense related to the customer lists is expected to be approximately $0.1 million, at which time the assets are expected to be fully amortized.

Goodwill represents the excess of total acquisition costs over the fair market value of net assets acquired in a business combination and consists of the following:

	December 31,	
	2008	2007
	(In thousands)	
Las Vegas Locals goodwill	$ 212,713	$ 381,024
Downtown Las Vegas goodwill	6,997	6,997
Midwest and South goodwill	—	22,319
Total goodwill	219,710	410,340
Less accumulated amortization	6,134	6,134
Goodwill, net	$ 213,576	$ 404,206

The following table sets forth the change in our goodwill, net, during the year ended December 31, 2008 (in thousands).

Balance as of January 1, 2008	$ 404,206
Resolution of Coast Casinos, Inc. acquisition tax reserves (see Note 14)	(2,832)
Write-down of Coast Casinos, Inc. goodwill	(165,479)
Write-down of Sam's Town Shreveport goodwill	(22,319)
Balance as of December 31, 2008	$ 213,576

Asset Impairment Testing

We have significant amounts of goodwill and indefinite-life intangible assets on our consolidated balance sheets as of December 31, 2008 and 2007. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets,* we perform an annual impairment test of these assets in the second quarter of each year, which resulted in no impairment charge for the years ended December 31, 2008, 2007 and 2006.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In addition, we are required to test these assets for impairment between annual test dates in certain circumstances. As of December 31, 2008, we performed interim impairment tests that resulted in a $165.5 million and $22.3 million non-cash write-down of goodwill related to our 2004 acquisitions of Coast Casinos, Inc. and Sam's Town Shreveport, respectively, and an $80.7 million non-cash write-down of our indefinite-life gaming license right at Blue Chip. The impairment test for these assets was principally due to the decline in our stock price that caused our book value to exceed our market capitalization, which was an indication that these assets may not be recoverable. The primary reason for these impairment charges relates to the ongoing recession, which has caused us to reduce our estimates for projected cash flows, has reduced overall industry valuations, and has caused an increase in discount rates in the credit and equity markets.

The impairment test for goodwill included the income, market and cost approaches, as applicable. The income approach incorporated the use of the discounted cash flow method, whereas the market approach incorporated the use of the guideline company method. In the valuation of the indefinite-lived assets, the income approach was applied, which utilized the relief from royalty and multi-period excess earnings methods.

NOTE 5. — LONG-TERM DEBT

Long-term debt consists of the following.

	December 31,	
	2008	2007
	(In thousands)	
Bank credit facility	$ 1,881,115	$ 1,352,900
7.75% Senior Subordinated Notes Due 2012	203,530	300,000
6.75% Senior Subordinated Notes Due 2014	300,000	350,000
7.125% Senior Subordinated Notes Due 2016	250,000	250,000
Other	13,029	13,658
Total debt outstanding	2,647,674	2,266,558
Less current maturities	(616)	(629)
Total long-term debt	$ 2,647,058	$ 2,265,929

Bank Credit Facility

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

The blended interest rates for outstanding borrowings under our bank credit facility at December 31, 2008 and 2007 were 2.9% and 6.0%, respectively. At December 31, 2008, approximately $1.9 billion was outstanding under our revolving credit facility, with $29.9 million allocated to support various letters of credit, leaving availability under the bank credit facility of approximately $2.1 billion.

The bank credit facility contains certain financial and other covenants, including various covenants (i) requiring the maintenance of a minimum interest coverage ratio of 2.00 to 1.00, (ii) establishing a maximum total leverage ratio (discussed below), (iii) imposing limitations on the incurrence of indebtedness, (iv) imposing limitations on transfers, sales and other dispositions, and (v) imposing restrictions on investments, dividends and certain other payments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The maximum permitted Total Leverage Ratio is calculated as Consolidated Funded Indebtedness to twelve-month trailing Consolidated EBITDA (all capitalized terms are defined in the bank credit facility). The following table provides our maximum Total Leverage Ratio during the remaining term of the bank credit facility.

Four Fiscal Quarters Ending	Maximum Total Leverage Ratio
December 31, 2008	6.00 to 1.00
March 31, 2009 through December 31, 2009	6.50 to 1.00
March 31, 2010	6.75 to 1.00
June 30, 2010	7.00 to 1.00
September 30, 2010	7.25 to 1.00
December 31, 2010	7.50 to 1.00
March 31, 2011	6.50 to 1.00
June 30, 2011 and each quarter thereafter	5.25 to 1.00

We believe we are in compliance with the bank credit facility covenants at December 31, 2008, which includes the Total Leverage Ratio covenant, which is 5.65 to 1.00 at December 31, 2008. During 2009, assuming our current level of Consolidated Funded Indebtedness remains constant, we estimate that a 13% or greater decline in our twelve-month trailing Consolidated EBITDA, as compared to 2008, would cause us to exceed our maximum Total Leverage Ratio covenant for that period. However, in the event that we project that our Consolidated EBITDA may decline by 13% or more, we could implement certain actions in an effort to minimize the possibility of a breach of the Total Leverage Ratio covenant. These actions may include, among others, reducing payroll and certain other operating costs, deferring or eliminating certain maintenance, expansion or other capital expenditures, reducing our outstanding indebtedness through repurchases or redemption, selling assets or issuing equity.

The bank credit facility replaced our previous $1.85 billion bank credit facility. We recorded a $4.4 million non-cash loss on the early retirements of debt during 2007 for the write-off of unamortized debt fees associated with our former bank credit facility.

7.75% Senior Subordinated Notes due December 2012. On December 30, 2002, we issued $300 million principal amount of 7.75% senior subordinated notes due December 2012. The notes require semi-annual interest payments on June 15 and December 15 of each year, through December 2012, 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 December 31, 2008. After December 15, 2007, we may redeem all or a portion of the notes at redemption prices (expressed as percentages of the principal amount) ranging from 103.875% in 2007 to 100% in 2010 and thereafter, plus accrued and unpaid interest.

During the year ended December 31, 2008, we purchased and retired $96.5 million principal amount of our 7.75% senior subordinated notes due December 2012. The total purchase price of the notes was approximately $83.6 million, resulting in a gain of approximately $11.9 million, net of associated deferred financing fees, which is recorded on our consolidated statements of operations for the year ended December 31, 2008. The transactions were funded by availability under our bank credit facility. There were no such transactions during years ended December 31, 2007 or 2006.

6.75% Senior Subordinated Notes due April 2014. 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 Securities and Exchange Commission. 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 December 31, 2008. After 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

During the year ended December 31, 2008, we purchased and retired $50.0 million principal amount of our 6.75% senior subordinated notes due April 2014. The total purchase price of the notes was approximately $32.9 million, resulting in a gain of approximately $16.6 million, net of associated deferred financing fees, which is recorded on our consolidated statements of operations for the year ended December 31, 2008. The transactions were funded by availability under our bank credit facility. There were no such transactions during years ended December 31, 2007 or 2006.

7.125% Senior Subordinated Notes due February 2016. 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 December 31, 2008. At any time prior to February 1, 2009, we may redeem up to 35% of the aggregate principal amount of the outstanding notes with the net proceeds from one or more public equity offerings at a redemption price of 107.125% of the principal amount, plus accrued and unpaid interest, subject to certain conditions. At any time prior to February 1, 2011, we may redeem the notes, in whole or in part, pursuant to a “make-whole” call as provided in the indenture governing the notes, plus accrued and unpaid interest. On or after February 1, 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.

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

Other Debt. In February 2003, we issued a note in the amount of $16 million to finance the purchase of a company airplane. The note bears interest at the rate of 5.7% per annum. The note is payable in 120 equal monthly installments of principal and interest until March 2013, when the remaining balance becomes due and payable. The note is secured by the airplane.

The estimated fair value of our long-term debt at December 31, 2008 was approximately $1.7 billion, versus its book value of $2.6 billion. The estimated fair value of our long-term debt at December 31, 2007 was approximately $2.2 billion, versus its book value of $2.3 billion. The estimated fair value amounts were based on quoted market prices on or about December 31, 2008 and 2007 for our debt securities that are traded. For the debt securities that are not traded, fair value was based on book value due primarily to the short maturities of the debt components.

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

2009	$ 616
2010	652
2011	690
2012	2,085,375
2013	10,341
Thereafter	550,000
Total	$2,647,674

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 6. — DERIVATIVE INSTRUMENTS AND OTHER COMPREHENSIVE INCOME (LOSS)

GAAP requires all derivative instruments to be recognized on the balance sheet at fair value. Derivatives that are not designated as hedges for accounting purposes must be adjusted to fair value through income. We have designated our current interest rate swaps as cash flow hedges and measure 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. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

We utilize derivative instruments to manage certain interest rate risk. The net effect of our floating-to-fixed interest rate swaps resulted in an increase in interest expense of $5.2 million during the year ended December 31, 2008, and reductions in interest expense of $3.5 million and $2.2 million, as compared to the contractual rate of the underlying hedged debt for the years ended December 31, 2007 and 2006, respectively.

The following table reports the effects of the changes in the mark-to-market valuations of our derivative instruments.

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Net gains (losses) from cash flow hedges from:			
Change in value of derivatives excluded from the assessment of hedge ineffectiveness	$ —	$ (3,546)	$ (1,801)
Ineffective portion of change in value of cash flow hedges	425	2,416	—
Increase (decrease) in value of derivative instruments, as reported on our consolidated statements of operations	$ 425	$ (1,130)	$ (1,801)

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

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Derivative instruments fair value adjustment	$ (14,221)	$ (23,001)	$ 558
Tax effect of derivative instruments fair value adjustment	5,118	8,274	(200)
Net derivative instruments fair value adjustment, as reported on our consolidated statements of changes in stockholders' equity	$ (9,103)	$ (14,727)	$ 358

A portion of the net derivative instruments market adjustment included in accumulated other comprehensive loss, net, at December 31, 2008 relates to certain derivative instruments that we de-designated as cash flow hedges in connection with breaking certain LIBOR contracts under our previous bank credit facility during the three months ended June 30, 2007. As a result, we expect $2.1 million of deferred net gain related to these derivative instruments, included in accumulated other comprehensive loss, net, at December 31, 2008, will be accreted as a reduction of interest expense on our consolidated statements of operations during the next twelve months.

In addition, at December 31, 2008 and 2007, we were a party to four floating-to-fixed interest rate swap agreements with an aggregate notional amount of $750 million, whereby we receive payments based upon the three-month LIBOR and make payments based upon a stipulated fixed rate. These derivative instruments are accounted for as cash flow hedges. We have partially adopted SFAS 157, *Fair Value Measurements* (see Note 1, *Summary of Significant Accounting Policies*), which applies to all assets and liabilities that are being measured and reported on a fair value basis. SFAS 157 requires enhanced disclosures about investments that are measured and reported at fair value. SFAS 157 establishes a hierarchal disclosure framework that prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively

quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. This statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

Our derivative instruments are classified as Level 2, as the LIBOR swap rate is observable at commonly quoted intervals for the full term of the interest rate swaps.

We are exposed to credit loss in the event of nonperformance by the counterparties to our interest rate swap agreements; however, we believe that this risk is minimized because we monitor the credit ratings of the counterparties to the agreements. If we had terminated our interest rate swaps as of December 31, 2008 or December 31, 2007, we would have been required to pay a total of $47.9 million or $22.7 million, respectively, based on the mark-to-market values of such derivative instruments. The principal terms of our interest rate swaps at December 31, 2008 and 2007 are presented below (dollars in thousands).

Effective Date	Notional Amount	Fixed Rate Paid	Fair Value of Liability December 31, 2008 (a)	Fair Value of Liability December 31, 2007	Maturity Date
September 28, 2007	$ 100,000	5.13%	$ 6,097	$ 4,073	June 30, 2011
September 28, 2007	200,000	5.14%	12,198	8,156	June 30, 2011
September 28, 2007	250,000	4.62%	3,831	3,025	June 30, 2009
June 30, 2008	200,000	5.13%	12,182	7,404	June 30, 2011
	$ 750,000		$ 34,308	$ 22,658	

(a) The fair value of our derivative instruments at December 31, 2008 incorporates $13.6 million of credit valuation adjustments to reflect the impact of the credit ratings of both the Company and our counterparties, based upon the market value of the credit default swaps of the respective parties, and reduces the fair value of our liability.

NOTE 7. — COMMITMENTS AND CONTINGENCIES

Commitments

Echelon

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. Due to the continued deterioration in credit market conditions and the economic outlook, it is unlikely that we will resume construction in 2009. Nonetheless, we remain committed to having a meaningful presence on the Las Vegas Strip. Over the course of 2009, we intend to prepare alternative development options to consider 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 of December 31, 2008, we have incurred approximately $900 million in capitalized costs related to the Echelon project, including land. As part of our wind-down procedures related to the project, we expect to incur approximately $30 million of capitalized costs, principally related to the offsite fabrication of steel, during 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following information summarizes the contingencies with respect to our various material commitments related to Echelon:

Morgans Las Vegas, LLC – On September 23, 2008, we amended our 50/50 joint venture with Morgans, which provided for the following:

(a) a potential future reduction of each member's ownership interest in the joint venture, possibly through additional third party equity financing;

(b) a reduction in Morgan's capital commitment and in Morgan's and our future pro rata contribution obligations for predevelopment costs to $0.4 million for each member;

(c) an extension of the outside start date for the project to December 31, 2009;

(d) the right of each member to dissolve the joint venture and terminate the joint venture agreement upon twenty (20) days prior written notice at any time prior to the outside start date; and

(e) the deletion of Morgan's construction loan guaranty and obligation to fund cost overruns related to the project.

In the event that the joint venture is dissolved, neither member will be entitled to the use of the architectural plans and designs for the Delano Las Vegas and the Mondrian Las Vegas projects; therefore, all or a portion of our investment in and advances to the joint venture ($17.9 million at December 31, 2008) may be subject to an impairment charge. Furthermore, pursuant to an earlier amendment to the joint venture agreement, Morgans deposited $30 million with us as an advance toward their original capital commitment to the venture. This deposit, plus accrued interest, was included in restricted cash and accrued expenses on our consolidated balance sheet as of December 31, 2007; however, the deposit was returned in conjunction with the amended joint venture agreement. The terms of the management agreement, which provided for a Morgans affiliate to operate the joint venture hotels upon completion, remain unchanged but, pursuant to its original terms, would be terminated in the event of a termination of the joint venture agreement.

Echelon Place Retail Promenade, LLC – On October 1, 2008, GGP exercised its right to require us to purchase its 50% membership interest in the joint venture, while retaining the right to re-enter the venture for one year, based upon the terms of the original joint venture agreement. We purchased GGP's membership interest in October 2008 for $9.7 million, which represents the return of GGP's capital contributions to the joint venture of $9.5 million, plus accrued interest. We retain all architectural plans and designs for the project.

Energy Services Agreement ("ESA") – In April 2007, we entered into an ESA with a third party, Las Vegas Energy Partners, LLC ("LVE"). LVE will design, construct, own (other than the underlying real property which is leased from Echelon), and operate a central energy center and energy distribution system to provide electricity, emergency electricity generation, and chilled and hot water 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, payable for a 25-year period commencing in November 2010.

The central energy center has currently suspended construction while Echelon delays its construction. The delay in construction of Echelon may change LVE's construction cost of the central energy center. We have entered into negotiations with LVE regarding the change in construction cost expected to be incurred as a result of the delay, which may impact the fixed capacity charge portion of the service fee that begins in November 2010. However, we are unable to quantify the new fixed capacity charge portion of the service fee at this time, as the negotiations over the new terms are ongoing with LVE.

Line Extension and Service Agreement ("LEA") – In March 2007, we entered into an LEA with Nevada Power Company (currently known as NV Energy) related to the construction of a substation at Echelon and the delivery of power to Echelon. We have assigned most of our obligations under the LEA to LVE (see *Energy Services Agreement ("ESA")* above), but we have retained an obligation to pay liquidated damages of $5.0 million to NV Energy, in the event that Echelon does not commence commercial operations by January 1, 2012, as may be extended due to "force majeure" or other applicable events. This contingent liability will be recorded and charged to expense on our consolidated statement of operations when, or if, it becomes probable that we will have to make this payment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Shangri-La Hotel Management Agreement – In January 2006, we entered into a management agreement with a subsidiary of Shangri-La to manage Shangri-La Las Vegas, one of our three wholly-owned hotels at Echelon. Under the terms of the agreement, if the hotel does not commence commercial operations by June 2011, Shangri-La has the right to terminate the agreement and receive a termination fee of $3.0 million, which would be charged to expense on our consolidated statement of operations when, or if, Shangri-La exercises its termination right.

Construction Agreements –We have exercised our rights under our standard form construction contracts to terminate our agreements with our contractors. With the exception of certain custom equipment orders, steel fabrication and crane and hoist rentals, all major construction agreements have been terminated and closed-out with final payments made to the contractors in exchange for final releases.

Design Agreements – We are continuing to evaluate design services that remain to be completed. The majority of our design agreements allow us either to suspend performance of the services under these agreements or to terminate these agreements. In each case, we would be required to pay only for those costs incurred through the date of suspension or termination as well as, in certain agreements, the payment for reasonable demobilization and other costs. Demobilization costs include the removal of rental equipment and the associated termination fees, among others. The demobilization and other costs are subject to negotiation; therefore, we are unable to estimate future costs at this time. We have estimated the cost of completion of construction drawings after December 31, 2008 to be between $5.5 million and $6.0 million; however, we can provide no assurances that actual costs will approximate the estimated costs.

Any demobilization, per diem, and related costs incurred related to the suspension or termination of our construction and design contracts will be charged to the project as preopening expense on our consolidated statement of operations in the period incurred. As of December 31, 2008, we incurred $1.3 million of demobilization costs, which is included in preopening expenses on our consolidated statement of operations.

Clark County Fees – In November 2007, we entered into an agreement with Clark County for the development of the project. The agreement requires the payment of approximately $5.2 million, allocated among four annual installments, which commenced in January 2008. We have made the first of those payments. Furthermore, we are also responsible for our share of the cost of new pedestrian bridges that may be constructed by Clark County, of which our share is estimated to be approximately $8 million. In December 2008, Clark County granted us a one year deferral for each of the remaining fixed annual installments due under the development agreement.

Construction Insurance – Effective July 2007, we obtained construction insurance coverage from various insurance carriers for worker's compensation and employer's liability, general liability, excess liability catastrophe, builder's risk, and related coverage. The policies have varying provisions regarding fixed and variable premiums, prepaid and annual premiums, minimum premiums, and cancellation rights. We believe that each of the policies may be terminated by us, and in each case, we are only liable for the earned premium set forth in each of the policies. All premiums have been fully paid through June 2009. The remaining aggregate premium due under each of the policies is $9.3 million, unless terminated.

Employment Contracts – We do not have any contracts with our employees. Due to the delay in the project, we have terminated many of our employees and have paid severance costs that have been included in preopening expense on our consolidated statement of operations for the year ended December 31, 2008, the total amount of which is immaterial.

LEED Tax Credits – We are pursuing Echelon's certification under the Leadership in Energy and Environmental Design ("LEED") Silver Standard for the project as part of the State of Nevada's tax incentive program (the "LEED Program"). The LEED Program allows for Echelon to receive an exemption of 5.75% of the sales and use tax on qualifying construction materials purchased prior to December 31, 2010. As we intend to resume construction of Echelon and qualify for the LEED Silver Standard certification, we will not record a liability for the 5.75% portion of sales and use tax on the qualifying construction materials; however, if Echelon does not open or if it fails to qualify for the LEED Silver Standard certification after its completion, we will accrue and pay the deferral amount of sales and use tax ($6.8 million at December 31, 2008), plus interest at the rate of 6% per annum, which will be recorded as construction in progress on our consolidated balance sheet. We remain eligible for the LEED program, notwithstanding our suspension of the Echelon project.

Other Agreements – Certain other agreements, such as office leases, warehouse leases and certain communications and information technology support services, will be charged to preopening expense as incurred. While we can provide no assurances, we do not believe that any of our other agreements for the project give rise to any material liabilities resulting from the delay of the project. We believe that continuing committed costs under these agreements, on an aggregate basis, approximate $0.4 million per month, until terminated.

Leases

In connection with the July 1, 2004 merger with Coast Casinos, we assumed certain land leases. The Orleans is situated on approximately 77 acres of leased land. The lease had an effective commencement date of October 1, 1995, an initial term of 50 years, and includes an option, exercisable by us, to extend the initial term for an additional 25 years. The lease provides for monthly rental payments of $0.2 million through February 2006 and $0.3 million during the 60-month period thereafter. In March 2011, annual rental payments will increase by a compounding basis at a rate of 3.0% per annum. In addition, we have an option to purchase the real property during the two-year period commencing February 2016.

Suncoast is situated on approximately 49 acres of leased land. The initial term of the land lease expires in December 2055. The lease contains three options to extend the term of the lease for 10 years each. The lease provides for monthly rental payments of approximately $0.2 million in 2004 that increase slightly each year. The landlord has the option to require us to purchase the property at the end of 2014 and each year end through 2018, at the fair market value of the real property at the time the landlord exercises the option, subject to certain pricing limitations. If we do not purchase the property if and when required, we would be in default under the lease agreement.

In addition, we have land leases related primarily to California, Fremont, Sam's Town Tunica, Treasure Chest and Sam's Town Shreveport. Future minimum lease payments required under noncancelable operating leases, of which are primarily land leases, as of December 31, 2008 are as follows (in thousands).

2009	$ 14,969
2010	12,015
2011	11,078
2012	9,409
2013	8,691
Thereafter	432,090
Total	$488,252

Rent expense for the years ended December 31, 2008, 2007 and 2006 was $19.8 million, $22.0 million and $22.3 million, respectively, and is included in selling, general and administrative expenses on the accompanying consolidated statements of operations.

Contingencies

Dania Jai-Alai Slot Initiative

On August 8, 2006, a three-judge panel of the First District Court of Appeals in Broward County, Florida overturned a lower court decision, which, in turn, could lead to the invalidation of a November 2004 initiative approved by Florida voters to operate slot machines at certain pari-mutuel gaming facilities in Broward County. This decision was essentially reaffirmed by the First District Court of Appeals on November 30, 2006, with two questions being certified to the Florida Supreme Court. On March 27, 2007, the Florida Supreme Court accepted jurisdiction to hear the certified questions. On September 27, 2007, the Florida Supreme Court reconsidered its March 27, 2007 decision and declined jurisdiction over the matter. Consequently, the matter has been remanded to the circuit court for a trial on the merits. If the initiative is invalidated, we may never be able to operate slot machines at the Dania Jai-Alai facility, which could materially affect any potential revenue and cash flow expected from the Dania Jai-Alai facility (see Note 11, *Acquisition of Dania Jai-Alai*) if we restore our plans to operate slot machines at the facility.

Copeland

Alvin C. Copeland, the sole shareholder (deceased) of an unsuccessful applicant for a riverboat license at the location of our Treasure Chest Casino, has made several attempts to have the Treasure Chest license revoked and awarded to his company. In 1999 and 2000, Copeland unsuccessfully opposed the renewal of the Treasure Chest license and has brought two separate legal actions against Treasure Chest. In November 1993, Copeland objected to the relocation of Treasure Chest from the Mississippi River to its current site on Lake Pontchartrain. The predecessor to the Louisiana Gaming Control Board allowed the relocation over Copeland's objection. Copeland then filed an appeal of the agency's decision with the Nineteenth Judicial District Court. Through a number of amendments to the appeal, Copeland unsuccessfully attempted to transform the appeal into a direct action suit and sought the revocation of the Treasure Chest license. Treasure Chest intervened in the matter in order to protect its interests. The appeal/suit, as it related to Treasure Chest, was dismissed by the District Court and that dismissal was upheld on appeal by the First Circuit Court of Appeal. Additionally, in 1999, Copeland filed a direct action against Treasure Chest and certain other parties seeking the revocation of Treasure Chest's license, an award of the license to him, and monetary damages. The suit was dismissed by the trial court, citing that Copeland failed to state a claim on which relief could be granted. The dismissal was appealed by Copeland to the Louisiana First Circuit Court of Appeal. On June 21, 2002, the First Circuit Court of Appeal reversed the trial court's decision and remanded the matter to the trial court. On January 14, 2003, we filed a motion to dismiss the matter and that motion was partially denied. The Court of Appeal refused to reverse the denial of the motion to dismiss. In May 2004, we filed additional motions to dismiss on other grounds. There was no activity regarding this matter during 2005 and 2006, and the case was set to be dismissed by the court for failure to prosecute by the plaintiffs in mid-May 2007; however on May 1, 2007, the plaintiff filed a motion to set a hearing date related to the motions to dismiss. The hearing was scheduled for September 10, 2007, at which time all parties agreed to postpone the hearing indefinitely. Mr. Copeland recently passed away and his son, the executor of his estate, has petitioned the court to be substituted as plaintiff in the case. 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.

Legal Matters

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

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 both sales and use tax. On April 24, 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 have paid use tax 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 $15.4 million to $17.6 million, including interest, from January 1, 2000 through December 31, 2008. We have been notified by the Department that they intend to pursue an alternative legal theory through an available administrative process, and they continue to deny our refund claims. Hearings before the Nevada Administrative Law Judge are currently being scheduled and we anticipate a hearing to occur during the summer of 2009. Due to uncertainty surrounding the potential arguments that may be raised in the administrative process, we will not record any gain until the tax refund is realized. For periods subsequent to June 2008, we have not recorded an accrual for sales or use tax on complimentary and employee meals at our Nevada casino properties, as it is not probable that we will owe this tax, given the decision by the Nevada Supreme Court.

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 believe the assessment for the thirty six-month period ended December 31, 2008 could result in a property tax assessment ranging between $6.5 million

and $14 million. We accrued approximately $13 million of property tax liability as of December 31, 2008, 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 2006 assessment, post appeals, as well as the March 1, 2007 and 2008 assessment notices, which have not been received as of December 31, 2008, could result in further adjustment to our estimated property tax liability at Blue Chip.

Treasure Chest

We are required to pay to the City of Kenner, Louisiana, a boarding fee of $2.50 for each passenger boarding our Treasure Chest riverboat casino during the year. The future minimum payment due in 2009 to the City of Kenner, based upon a portion of actual passenger counts from the prior year, is approximately $2.6 million.

Long-Term Management Incentive Plan

Certain of our executive officers participate in a long-term management incentive plan (the "Plan"), which currently extends through December 31, 2009. The components of the Plan cannot be measured until the end of the performance period, as they will not be known until such period ends. As such, we do not accrue for these items over the life of the Plan, but rather accrue for that portion of the Plan when it becomes measurable. The possible future maximum payout is $5.2 million for the year ending December 31, 2009.

NOTE 8. — STOCKHOLDERS' EQUITY AND STOCK INCENTIVE PLANS

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

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Gaming	$ 499	$ 571	$ 732
Food and beverage	90	94	103
Room	52	54	50
Selling, general and administrative	3,183	2,900	4,212
Corporate expense	8,838	11,183	14,248
Preopening expenses	1,362	1,257	1,268
Total share-based compensation expense from continuing operations	14,024	16,059	20,613
Discontinued operations	—	—	205
Total share-based compensation expense	14,024	16,059	20,818
Capitalized share-based compensation	1,398	1,311	830
Total share-based compensation costs	$ 15,422	$ 17,370	$ 21,648

Stock Incentive Plan

On May 15, 2008, at our 2008 Annual Meeting of Stockholders, the Company's stockholders approved an amendment to our 2002 Stock Incentive Plan, increasing the maximum number of shares of Boyd Gaming Corporation's common stock authorized for issuance over the term of such plan by 5 million shares, from 12 million to 17 million shares. Under our 2002 Stock Incentive Plan, approximately 5.4 million shares remain available for grant at December 31, 2008. The number of authorized but unissued shares of common stock under this plan as of December 31, 2008 was approximately 14.8 million shares.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes our share-based compensation costs by award type.

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Stock options	$ 14,041	$ 16,208	$ 20,893
Restricted Stock Units	1,045	848	755
Career Shares	336	314	—
Total share-based compensation costs	15,422	17,370	21,648
Capitalized share-based compensation costs	(1,398)	(1,311)	(830)
Share-based compensation costs recognized as expense	$ 14,024	$ 16,059	$ 20,818

Stock Options

As of December 31, 2008, we had one stock option plan in effect, which has been approved by our shareholders. Stock options awarded under this plan are granted to our employees and board members.

Options granted under the plan generally become exercisable ratably over a three-year period from the date of grant. Options that have been granted under the plan had an exercise price equal to the market price of our common stock on the date of grant and will expire no later than ten years after the date of grant.

Share-based compensation costs related to stock option awards are calculated based on the fair value of each option grant on the date of the grant using the Black-Scholes option pricing model. The following table discloses the weighted-average assumptions used in estimating the fair value of our significant stock option grants during the years ended December 31, 2008, 2007 and 2006.

	Year Ended December 31,		
	2008	2007	2006
Expected stock price volatility	49.5 %	34.3%	38.0%
Annual dividend rate	— %	1.5%	1.4%
Risk-free interest rate	2.2%	3.7%	4.6%
Expected option life (years)	4.3	4.3	4.5
Estimated fair value per share of options granted	$ 2.79	$ 11.62	$ 13.27

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Summarized stock option plan activity for the years ended December 31, 2008, 2007 and 2006 is as follows.

	Options	Weighted Average Option Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (In thousands)
Options outstanding at January 1, 2006	6,587,229	$ 28.71		
Options granted	1,694,000	39.18		
Options cancelled	(463,326)	37.08		
Options exercised	(1,266,116)	15.42		
Options outstanding at December 31, 2006	6,551,787	$ 33.40	7.91	$ 78,280
Options granted	1,918,700	39.66		
Options cancelled	(158,161)	38.03		
Options exercised	(641,076)	24.27		
Options outstanding at December 31, 2007	7,671,250	$ 35.63	7.45	$ 20,398
Options granted	1,396,240	7.08		
Options cancelled	(225,310)	38.68		
Options exercised	(55,700)	8.47		
Options outstanding at December 31, 2008	8,786,480	$ 31.19	7.19	$ 14
Options exercisable at December 31, 2007	4,145,649	$ 32.27	6.87	$ 20,376
Options exercisable at December 31, 2008	5,680,977	$ 34.59	6.17	$ 14

The following table summarizes the information about stock options outstanding and exercisable at December 31, 2008.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$4.35 -$14.23	1,837,561	8.28	$ 8.02	470,321	$ 12.16
14.50 - 36.76	2,110,236	5.18	31.98	2,085,236	31.97
38.11 - 39.00	2,035,503	7.86	38.79	1,200,882	38.88
39.78 - 39.96	2,660,880	7.49	39.88	1,841,269	39.92
41.99 - 52.35	142,300	7.50	47.38	83,269	47.54
$4.35 -$52.35	8,786,480	7.19	31.19	5,680,977	34.59

The total intrinsic value of in-the-money options exercised during the years ended December 31, 2008, 2007 and 2006 was $0.6 million, $15.8 million and $35.0 million, respectively. The total fair value of options vested during the years ended December 31, 2008, 2007 and 2006 was approximately $21.5, $24.8 million and $21.4 million, respectively. As of December 31, 2008, there was approximately $22 million of total unrecognized share-based compensation costs related to unvested stock options, which is expected to be recognized over approximately two years, the weighted-average remaining requisite service period.

Restricted Stock Units

Our amended 2002 Stock Incentive Plan provides for the grant of Restricted Stock Units ("RSUs"). An RSU is an award which may be earned in whole, or in part, upon the passage of time or the attainment of performance criteria and which may be settled for cash, shares, or other securities or a combination of such. The RSUs do not contain voting rights and are not entitled to dividends. The RSUs are subject to the terms and conditions contained in the applicable award agreement and our 2002 Stock Incentive Plan.

We annually award RSUs to certain members of our Board of Directors. Each RSU is fully vested upon grant and is to be paid in shares of common stock upon cessation of service on the Board of Directors. In April 2008, certain of our executive management employees were granted RSUs, totaling approximately 160,000 units. Each of these RSUs represents a contingent right to receive one share of Boyd Gaming Corporation common stock upon vesting. These RSUs will vest in full upon the sooner to occur of (i) April 16, 2013, or (ii) a date after October 16, 2009, upon which the closing price of the Company's common stock is $25.98 (which represents 150% of the closing price of our common stock on April 15, 2008) or greater for twenty consecutive trading days beginning on or after October 16, 2009. In November 2008, certain of our executive management employees were granted RSUs, totaling approximately 346,000 units. Each of these RSUs represents a contingent right to receive one share of Boyd Gaming Corporation common stock upon vesting. These RSUs will vest three years from the date of issuance.

Summarized Restricted Stock Unit activity for the years ended December 31, 2008, 2007 and 2006 is as follows.

	Shares	Weighted Average Grant Date Fair Value
RSUs outstanding at January 1, 2006	—	
RSUs granted	17,500	$ 43.17
RSUs outstanding at December 31, 2006	17,500	
RSUs granted	19,600	$ 43.27
RSUs outstanding at December 31, 2007	37,100	
RSUs granted	547,948	$ 10.67
RSUs cancelled	(1,696)	
RSUs awarded	(11,281)	
RSUs outstanding at December 31, 2008	572,071	
RSUs vested at December 31, 2008	12,549	

As of December 31, 2008, there was approximately $4 million of total unrecognized share-based compensation costs related to unvested RSUs, which is expected to be recognized over approximately four years.

Career Shares

Our Career Shares Program is a stock incentive award program for certain executive officers to provide for additional capital accumulation opportunities for retirement and to reward long-service executives. Our Career Shares Program was adopted in December 2006 as part of the overall update of our compensation programs. The Career Shares Program rewards eligible executives with annual grants of Boyd Gaming Corporation stock units, to be paid out at retirement. The payout at retirement is dependent upon the executive's age at such retirement and the number of years of service with the Company. Executives must be at least 60 years old and have at least 15 years of service to receive a payout at retirement. Career Shares do not contain voting rights and are not entitled to dividends. Career Shares are subject to the terms and conditions contained in the applicable award agreement and our 2002 Stock Incentive Plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Summarized Career Shares activity for the years ended December 31, 2008, 2007 and 2006 is as follows.

	Shares	Weighted Average Grant Date Fair Value
Career Shares outstanding at January 1, 2006	—	
Career Shares granted	25,896	$ 45.95
Career Shares awarded	(898)	
Career Shares cancelled	(1,561)	
Career Shares outstanding at December 31, 2007	23,437	
Career Shares granted	36,665	$ 33.31
Career Shares cancelled	(313)	
Career Shares outstanding at December 31, 2008	59,789	
Career Shares vested at December 31, 2008	10,104	

Subsequent Event – Career Shares

In January 2009, we issued approximately 250,000 Career Shares with a grant date fair value of $5.00 per share and recorded approximately $0.4 million of share-based compensation expense.

Share Repurchase Program

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.

In the future, we may 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.

During the year ended December 31, 2006, we repurchased approximately 3.4 million shares of our common stock at a price per share of $32.4844. These shares were repurchased pursuant to the terms of the Unit Purchase Agreement that we entered into with Michael J. Gaughan in connection with the sale of South Coast and were not purchased as a part of the aforementioned repurchase program. See Note 10, *Assets and Liabilities Held for Sale: - Discontinued Operations: South Coast* for more information related to this sale. We did not repurchase any stock during the years ended December 31, 2008 or 2007.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Dividends

Dividends are declared at our Board's discretion. We are subject to certain limitations regarding the payment of dividends, such as restricted payment limitations related to our outstanding notes and our bank credit facility. The following table sets forth the cash dividends declared and paid during the years ended December 31, 2008, 2007 and 2006.

Payment Date	Record Date	Dividend Per Share
March 1, 2006	February 10, 2006	$0.125
June 1, 2006	May 12, 2006	0.135
September 1, 2006	August 11, 2006	0.135
December 1, 2006	November 10, 2006	0.135
March 1, 2007	February 9, 2007	0.135
June 1, 2007	May 11, 2007	0.150
September 4, 2007	August 17, 2007	0.150
December 3, 2007	November 16, 2007	0.150
March 3, 2008	February 18, 2008	0.150
June 2, 2008	May 14, 2008	0.150

In July 2008, our Board of Directors suspended the quarterly dividend for the current and future periods. Dividends paid during the years ended December 31, 2008, 2007 and 2006 totaled $26.3 million, $51.2 million and $46.7 million, respectively.

NOTE 9. — WRITE-DOWNS AND OTHER CHARGES, NET

Write-downs and other charges, net, are as follows.

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Asset write-downs	$ 382,506	$ 16	$ 31,778
Hurricane and related items	3,015	—	(36,294)
Property closure costs	—	11,141	13,354
Acquisition related expenses	—	944	—
Total write-downs and other charges, net	$ 385,521	$ 12,101	$ 8,838

Asset Write-Downs

In 2008, asset write-downs primarily consist of the following:

- Aggregate $290.2 million non-cash impairment charges to write-down certain portions of our goodwill, intangible assets and other long-lived assets to their fair value at December 31, 2008. The impairment tests for these assets were principally due to the decline in our stock price that caused our book value to exceed our market capitalization, which was an indication that these assets may not be recoverable. The primary reason for these impairment charges relates to the ongoing recession, which has caused us to reduce our estimates for projected cash flows, has reduced overall industry valuations, and has caused an increase in discount rates in the credit and equity markets.

- An $84.0 million non-cash impairment charge, principally related to the write-off of Dania Jai-Alai's intangible license right, following our decision to indefinitely postpone redevelopment plans to operate slot machines at the facility. Our decision to postpone the development is based on numerous factors, including the introduction of expanded gaming at a nearby Native American casino, the potential for additional casino gaming venues in Florida, and the existing Broward County pari-mutuel casinos performing below our expectations for the market (see Note 11, *Acquisition of Dania Jai-Alai* and Note 4, *Intangible Assets and Goodwill*).

Asset write-downs during the year ended December 31, 2006 include $28 million related to the write-off of the net book value of the original Blue Chip gaming vessel, which was replaced with a new gaming vessel in conjunction with our expansion project. After analysis of alternative uses for the original vessel, management decided in June 2006 to permanently retire the asset from further operations, resulting in the write-off. In addition, we recorded a $3.0 million asset write-down during the year ended December 31, 2006 related to land held for sale in Pennsylvania that we previously planned to utilize as a site for a gaming operation. In September 2006, we withdrew our application for gaming approval, which led to our decision to sell the land (see Note 10, *Assets and Liabilities Held for Sale – Land Held for Sale*).

Hurricane and Related Items

Hurricane and related expenses during the year ended December 31, 2008 consist of repair and maintenance charges as a result of Hurricanes Gustav and Ike. The hurricanes directly impacted two of our three Louisiana operations, with the related closures totaling ten days for Treasure Chest and thirteen days for Delta Downs. The properties suffered minor damage from the hurricanes. No insurance claims have been filed, as the damages did not meet our deductibles for either property.

In August 2005, Treasure Chest closed as a result of Hurricane Katrina. The property suffered minor damage from the hurricane and reopened for business on October 10, 2005. In September 2005, Delta Downs closed as a result of Hurricane Rita. Delta Downs reopened for business on November 3, 2005, with limited hours of operation and limited food and beverage outlets. Delta Downs resumed normal operating hours beginning in December 2005 and horse racing resumed in April 2006. In December 2006, we reached a final settlement with our insurance carrier for our coverage at Delta Downs and recognized a gain of $36 million during the year ended December 31, 2006. See Note 12, *Insurance Coverage Related to Hurricane Impacts* for additional information.

Property Closure Costs

In connection with our Echelon development project, we closed the Stardust Hotel and Casino in November 2006 and demolished the property in March 2007. During the year ended December 31, 2007, we recorded $11.1 million in property closure costs related to demolition and rubble removal costs. During the year ended December 31, 2006, we recorded $13.4 million in property closure costs, the majority of which represents exit and disposal costs related to one-time employee termination benefits and contract termination costs.

Acquisition Related Expenses

Acquisition related expenses represent indirect and general costs incurred in connection with our acquisition of Dania Jai-Alai (see Note 11, *Acquisition of Dania Jai-Alai*).

NOTE 10. — ASSETS AND LIABILITIES HELD FOR SALE

Land Held for Sale

On September 5, 2007, we entered into an agreement to sell approximately 125 acres of land that we own in Limerick Township, Pennsylvania for $26.5 million, before selling costs, contingent upon certain conditions. In September 2006, we withdrew our application for gaming approval, which led to our decision to sell the land and record a $3.0 million non-cash write-down of the land to its fair value, less estimated costs to sell. The carrying value of the land was $23.2 million at December 31, 2008 and 2007. On November 3, 2008, the agreement to sell such land was terminated; therefore, the carrying value of the land was reclassified from assets held for sale to property and equipment on our consolidated balance sheet at December 31, 2008, since it no longer meets the criteria to be classified as held for sale.

Discontinued Operations

South Coast

On July 25, 2006, we entered into a Unit Purchase Agreement, as amended, (the "Agreement") to sell South Coast to Michael J. Gaughan for a total purchase price of approximately $513 million. This transaction closed on October 25, 2006.

As consideration for South Coast, Mr. Gaughan:

- paid us the net proceeds from the public offering of his 12,342,504 shares of our common stock and
- applied the principal amount of the term note described below to the purchase price.

A total of 12,342,504 shares of our common stock owned by Mr. Gaughan were sold to a group of underwriters in a registered public offering for $32.4844 per share, or an aggregate of approximately $401 million.

Pursuant to the terms of the Agreement, on August 7, 2006, we repurchased 3,447,501 shares of our common stock from Mr. Gaughan directly. As consideration for the repurchase, we issued a term note to Mr. Gaughan in the aggregate amount of approximately $112 million. In connection with the closing of the transaction, the term note was cancelled on October 25, 2006.

Pursuant to the terms of the Agreement, Mr. Gaughan resigned from his position as a member of our board of directors on September 6, 2006 and ceased to be a Boyd Gaming employee on October 25, 2006. In addition, on August 4, 2006, Mr. Gaughan surrendered all of his options to acquire Boyd Gaming common stock, effectively canceling his vested options to purchase 88,334 shares and forfeiting his unvested options to purchase 176,666 shares.

In connection with the sale of South Coast, we recorded a loss on the sale of approximately $69 million during the year ended December 31, 2006, which is included in the loss from discontinued operations on our consolidated statement of operations.

Barbary Coast

On February 27, 2007, we completed our exchange of the Barbary Coast and its related 4.2 acres of land for a total of approximately 24 acres located north of and contiguous to our Echelon development project on the Las Vegas Strip in a nonmonetary, tax-free transaction with Harrah's Operating Company, Inc., a subsidiary of Harrah's Entertainment, Inc. ("Harrah's"). Harrah's purchased the 24-acre site in October 2006 from unrelated third parties for aggregate cash consideration of approximately $364 million. Upon the closing of this transaction, we recorded a non-cash pre-tax gain of approximately $285 million and wrote-off the $3.7 million carrying value of the Barbary Coast trademark, as we will retain the trademark but no longer have underlying cash flows to support its value.

Summary Financial Information for Discontinued Operations

The operating results of South Coast and Barbary Coast for the years ended December 31, 2007 and 2006 are presented as net income (loss) from discontinued operations on our consolidated statements of operations. The assets held for sale and liabilities related to assets held for sale for South Coast and Barbary Coast are separately presented on our consolidated balance sheet as of December 31, 2006. Included in the income (loss) from discontinued operations is an allocation of interest expense related to the $401 million of debt repaid as a result of the South Coast disposition, as well as other consolidated interest based on the ratio of: (i) the net assets of our discontinued operations less the debt repaid as a result of the South Coast disposition, to (ii) the sum of total consolidated net assets and consolidated debt of the Company, other than the debt repaid as a result of the disposition. The amount of interest expense that was allocated to discontinued operations was $0.6 million and $26.2 million for the years ended December 31, 2007 and 2006, respectively.

Summary operating results for the discontinued operations are as follows.

	Year Ended December 31,	
	2007	2006
	(In thousands)	
Net revenues	$ 10,179	$ 204,819
Asset impairment charges	(3,700)	(65,000)
Loss on disposition of South Coast	—	(3,606)
Operating loss	(2,484)	(42,972)
Gain on disposition of Barbary Coast	285,033	—
Income (loss) from discontinued operations	281,949	(69,219)
Benefit from (provision for) income taxes	(99,822)	24,649
Net income (loss) from discontinued operations	182,127	(44,570)

The major classes of assets and liabilities classified as held for sale as of December 31, 2006 were as follows (in thousands):

Accounts receivable, net	$ 40
Inventories	312
Prepaid expenses and other current assets	—
Property and equipment, net	102,625
Other assets, net	—
Accrued liabilities	2,993

NOTE 11. – ACQUISITION OF DANIA JAI-ALAI

On March 1, 2007, we acquired Dania Jai-Alai and approximately 47 acres of related land located in Dania Beach, Florida. Dania Jai-Alai is one of four pari-mutuel facilities in Broward County approved under Florida law to operate 2,000 Class III slot machines (see Note 7, *Commitments and Contingencies*, for information related to the Broward County slot initiative and the pending challenge to its validity). We purchased Dania Jai-Alai with the intention of redeveloping the property into a casino with slot machines. In March 2007, we paid approximately $81 million to close this transaction, and agreed to pay, in March 2010 or earlier, a contingent payment of an additional $75 million to the seller, plus interest accrued at the prime rate (the "contingent payment"), if certain legal conditions were satisfied. See further discussion below regarding the amendment to the purchase agreement that settled the contingent payment.

The following table sets forth the fair values assigned to the assets and liabilities of Dania Jai-Alai, including all purchase adjustments at the time of acquisition.

	March 1, 2007
	(In thousands)
Current assets, including cash of $780	$ 4,352
Property and equipment	46,000
Intangible gaming license right	81,800
Total assets acquired	132,152
Current liabilities assumed	(3,820)
Non-current contingent liability	(46,648)
Net assets acquired	$ 81,684

During the year ended December 31, 2008, we recorded an $84.0 million non-cash impairment charge to write-off Dania Jai-Alai's intangible license right and write-down its property and equipment to their estimated fair values, following our decision to indefinitely postpone redevelopment plans to operate slot machines at the facility. Our decision to postpone the

development is based on numerous factors, including the introduction of expanded gaming at a nearby Native American casino, the potential for additional casino gaming venues in Florida, and the existing Broward County pari-mutuel casinos performing below our expectations for the market (see Note 9, *Write-Downs and Other Charges, net*).

Subsequent Event – Contingent Liability

The $46.6 million non-current contingent liability represents the excess of the fair value of the net assets acquired over our initial cost paid for Dania Jai-Alai and is included in other liabilities on our consolidated balance sheet at December 31, 2008. In January 2009, we amended the purchase agreement to settle the contingent payment prior to the satisfaction of the legal conditions. The principal terms of the amendment are as follows:

- We paid $9.4 million to the seller in January 2009, plus $9.1 million of interest accrued from the March 1, 2007 date of acquisition.

- We issued an 8% promissory note to the seller in the amount of $65.6 million, plus accrued interest. The terms of the note require principal payments of $9.4 million, plus accrued interest in April 2009 and July 2009 with a final principal payment of $46.9 million, plus accrued interest due in January 2010.

In conjunction with this amendment, we will record the remaining $28.4 million portion of the $75 million contingent liability as an additional cost of the acquisition (goodwill) during the three months ending March 31, 2009. We will test the goodwill for recoverability, and we expect that the test will result in an additional impairment charge during the three months ending March 31, 2009.

NOTE 12. – INSURANCE COVERAGE RELATED TO HURRICANE IMPACTS

Treasure Chest Casino. On August 27, 2005, Treasure Chest Casino in Kenner, Louisiana closed as a result of Hurricane Katrina. The property suffered minor damage from the hurricane and reopened for business on October 10, 2005.

Delta Downs Racetrack Casino & Hotel. On September 22, 2005, Delta Downs Racetrack Casino & Hotel closed as a result of Hurricane Rita. Delta Downs reopened for business on November 3, 2005 with limited hours of operation and limited food and beverage outlets. Delta Downs resumed normal operating hours beginning in December 2005 and horse racing resumed in April 2006.

Property Damage - Delta Downs. Our insurance policy carried on Delta Downs for the policy year ended June 30, 2006 included coverage for replacement costs related to property damage with an associated deductible of $1.0 million and certain other limitations. We have submitted insurance claims for the property damage sustained by Delta Downs from the hurricane because the damage exceeded the related insurance deductible.

During 2006, we completed substantially all of the hurricane reconstruction work at Delta Downs and incurred approximately $42 million of capital expenditures related to this reconstruction project. As of December 31, 2006, we had received insurance advances related to property damage at Delta Downs of $40 million. In December 2006, we reached a final settlement with our insurance carrier and recognized a gain of $36 million on our consolidated statement of operations for the year ended December 31, 2006, of which approximately $33 million of which represents the amount of insurance advances related to property damage in excess of the $7 million net book value of assets damaged or destroyed by the hurricane.

Business Interruption - Delta Downs. For the policy year ended June 30, 2006, Delta Downs maintained business interruption insurance that covers lost profits and continuing normal operating expenses, up to a maximum of $1 million per day. During 2006 and 2005, we had received advances totaling $11.7 million related to business interruption coverage as part of the final settlement from our insurance carrier, approximately $9.1 million of which relates to recoveries of post-closing costs and $2.6 million of which related to lost profits at Delta Downs. The $2.6 million of insurance recoveries related to lost profits has been included in our gain of $36 million on our consolidated statement of operations for the year ended December 31, 2006.

Business Interruption - Treasure Chest. For the policy year ended June 30, 2006, Treasure Chest maintained business interruption insurance that covers lost profits and continuing normal operating expenses, up to a maximum amount of $10 million. This coverage pertains to business interruption due to civil authority, ingress/egress or off-premise utility interruption.

Our insurance carrier has notified us that they are denying our business interruption claim. Therefore, we have not recorded a receivable from our insurance carrier for post-closing expenses as recovery of these amounts currently does not appear to be probable. We intend to pursue our claims under Treasure Chest's insurance policy.

During the year ended December 31, 2008, severe weather associated with Hurricanes Gustav and Ike caused the closures of Treasure Chest and Delta Downs; however, the damages did not exceed their respective insurance deductibles and no claims were filed.

NOTE 13. — EMPLOYEE BENEFIT PLANS

We contribute to multi-employer pension plans under various union agreements. Contributions, based on wages paid to covered employees, totaled approximately $1.0 million, $1.1 million and $2.2 million, respectively, for the years ended December 31, 2008, 2007 and 2006. Our share of the unfunded liability related to multi-employer plans, if any, is not determinable.

We have retirement savings plans under Section 401(k) of the Internal Revenue Code covering our non-union employees. The plans allow employees to defer up to the lesser of the Internal Revenue Code prescribed maximum amount or 100% of their income on a pre-tax basis through contributions to the plans. We expensed our voluntary contributions to the 401(k) profit-sharing plans and trusts of $8.3 million, $8.6 million and $11.7 million for the years ended December 31, 2008, 2007 and 2006, respectively.

NOTE 14. — INCOME TAXES

A summary of the benefit from (provision for) income taxes is as follows.

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Current			
Federal	$ (14,408)	$ (56,669)	$ (81,737)
State	(1,924)	1,207	310
	(16,332)	(55,462)	(81,427)
Deferred			
Federal	43,948	(7,362)	(1,821)
State	(1,085)	(1,203)	(2,243)
	42,863	(8,565)	(4,064)
Benefit from (provision for) income taxes related to continuing operations	$ 26,531	$ (64,027)	$ (85,491)
Income tax benefit (provision) included on the consolidated statements of operations			
Benefit from (provision for) income taxes related to continuing operations	$ 26,531	$ (64,027)	$ (85,491)
Benefit from (provision for) income taxes related to discontinued operations	—	(99,822)	24,649
Total	$ 26,531	$ (163,849)	$ (60,842)

The following table provides a reconciliation between the federal statutory rate and the effective income tax rate from continuing operations where both are expressed as a percentage of income.

	December 31,		
	2008	2007	2006
Tax provision at statutory rate	35.0%	35.0%	35.0%
Goodwill impairment	(23.2)	—	—
Other, net	(1.2)	(0.4)	(0.4)
Total	10.6%	34.6%	34.6%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The tax items comprising our net deferred tax liabilities are as follows.

	December 31,	
	2008	2007
	(In thousands)	
Deferred tax liabilities:		
Difference between book and tax basis of property	$ 309,856	$ 283,789
Difference between book and tax basis of intangible assets	41,897	109,174
Prepaid services and supplies	4,083	4,280
State tax liability, net of federal effect	2,404	4,614
Reserve differential for gaming activities	124	—
Other	1,826	2,234
Gross deferred tax liabilities	360,190	404,091
Deferred tax assets:		
Share-based compensation	15,972	11,510
Derivative instruments market adjustment	11,033	5,916
Reserve for employee benefits	9,406	12,207
Preopening expenses	8,425	5,529
State net operating loss carryforwards, net of federal effect	8,135	8,155
Provision for doubtful accounts	2,134	3,251
Reserve differential for gaming activities	—	733
Other	5,056	4,900
Gross deferred tax assets	60,161	52,201
Valuation allowance	(10,811)	(8,221)
Deferred tax assets, net of valuation allowance	49,350	43,980
Net deferred tax liabilities	$ 310,840	$ 360,111

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

	December 31,	
	2008	2007
	(In thousands)	
Net deferred tax liabilities	$ 310,840	$ 360,111
Current deferred tax asset separately presented	2,903	5,259
Deferred income taxes	$ 313,743	$ 365,370

The Internal Revenue Service is currently examining our federal tax returns filed for the years ended December 31, 2004 and 2003. Additionally, although tax years 2001 and 2002 are closed by statute, the tax returns filed in those years are subject to adjustment to the extent of the net operating loss carry-backs utilized in those years. Statute of limitations expirations related to our federal tax returns for the years ended December 31, 2003 through 2005 have been extended to September 15, 2010. The statute of limitations for our remaining federal tax returns will expire over the period of September 2010 through September 2012.

We are also currently under examination for various state income and franchise tax matters. As it related to our material state returns, the statute of limitations will begin to expire over the period of October 2010 through October 2013. Based on our current expectations for the final resolutions of these matters, we believe that we will have adequately reserved for any tax liability; however, the ultimate resolution of these examinations may result in an outcome that is different from our current expectation. We do not believe that the resolution of these examinations will have a material impact on our consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As of December 31, 2008, we have state net operating loss carry-forwards of approximately $154 million, primarily in the states of Indiana and Louisiana, to reduce future state income taxes. These net operating losses will expire at various dates from December 31, 2013 to December 31, 2028 if not fully utilized. A valuation allowance has been recorded on a material portion of our state net operating losses in Indiana and Louisiana along with other deferred tax assets which are not presently expected to be realized. Certain state net operating losses arising from stock option exercises will result in approximately $1.7 million of additional paid-in capital, if realized. Our valuation allowance also includes amounts related to goodwill acquired in connection with the purchase of one of our operating properties that was closed in 2007. Realization of a tax benefit associated with this attribute is contingent upon the occurrence of future events which, at present, we do not believe likely to occur.

The 2008 tax benefit includes a one-time permanent unfavorable tax adjustment of $3.7 million related to non-recurring state income tax valuation allowances. The 2007 tax provision includes one-time permanent tax benefits of $1.3 million resulting from a charitable contribution and a state income tax benefit. The 2006 tax provision includes a net tax benefit of $0.4 million for tax retention credits related to the hurricanes that impacted our Louisiana operations in 2005.

Other Long-term Tax Liabilities

In July 2008, the FASB issued Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement 109.* FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes.* FIN 48 prescribes a threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

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

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

Reduction in retained earnings (cumulative effect)	$ 105
Additional deferred tax assets	31,639
Increase in income tax liabilities	$31,744

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands).

	December 31,	
	2008	2007
	(In thousands)	
Beginning unrecognized tax benefit	$ 34,750	$ 32,744
Additions based on tax positions related to the current year	2,366	3,164
Reductions for tax positions of prior years	(1,976)	(158)
Reductions for settlements with taxing authorities	(4,655)	(1,000)
Ending unrecognized tax benefit	$ 30,485	$ 34,750

Included in the $30.5 million balance of unrecognized tax benefits at December 31, 2008 are benefits of $5.8 million, net of federal taxes that, if recognized, would impact the effective tax rate. We recognize accrued interest and penalties related to unrecognized tax benefits in our income tax provision. During the year ended December 31, 2008, we recognized accrued interest of $2.0 million. As a result of the closing of the Internal Revenue Service's examination of Coast Casinos Inc., we

released interest receivable of $0.2 million. We recognized an increase of $2.1 million and a reduction of $1.0 million in accrued interest and penalties during the years ended 2007 and 2006, respectively. We recorded $6.8 million and $4.6 million of accrued interest and penalties at December 31, 2008 and 2007, respectively. Upon our adoption of FIN 48 on January 1, 2007, we decreased accrued interest by $0.4 million.

During the year ended December 31, 2008, we closed the audit of our Coast Casinos properties for periods prior to our acquisition on July 1, 2004. As a result, we decreased our unrecognized tax benefits by $4.7 million, none of which impacted our effective tax rate. Pursuant to SFAS No. 141, in connection with the release of the unrecognized tax benefits, we reduced the amount of goodwill that we recorded upon the purchase of Coast Casinos, Inc. by $2.8 million during the year ended December 31, 2008 (see Note 4).

We are in various stages of the examination and appeal process in connection with many of our audits. It is difficult to determine when these examinations will be closed, but we do not expect resolution within the next 12 months, nor do we anticipate any material changes to our unrecognized tax benefits over the next twelve-month period.

NOTE 15. — EARNINGS PER SHARE

Income (loss) from continuing operations and the weighted-average number of common shares and common share equivalents used in the calculation of basic and diluted earnings per share consist of the following.

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Income (loss) from continuing operations	$ (223,005)	$ 120,908	$ 161,348
Weighted-average common shares outstanding	87,854	87,567	88,380
Potential dilutive effect	—	1,041	1,213
Weighted-average common shares and common share equivalents	87,854	88,608	89,593

Due to the loss from continuing operations for the year ended December 31, 2008, all potential common shares were anti-dilutive, and therefore were not included in the computation of diluted earnings per share. Anti-dilutive options excluded from the computation of diluted earnings per share amounted to 2.0 million shares for each of the years ended December 31, 2007 and 2006, respectively.

NOTE 16. — RELATED PARTY TRANSACTIONS

Percentage Ownership

William S. Boyd, our Executive Chairman of the Board of Directors, together with his immediate family, beneficially owned approximately 36% of our outstanding shares of common stock as of December 31, 2008. As such, the Boyd family has the ability to significantly influence our affairs, including the election of members of our Board of Directors and, except as otherwise provided by law, approving or disapproving other matters submitted to a vote of our stockholders, including a merger, consolidation or sale of assets. For each of the three years ended December 31, 2008, there were no related party transactions between the Company and the Boyd family.

South Coast Sale

On July 25, 2006, we entered into the Agreement to sell South Coast to Michael J. Gaughan, who at the time was an Officer and a member of our Board of Directors, for a purchase price equal to the net proceeds from the sale of all 15.8 million shares of Boyd Gaming stock that he owned. The transaction closed in October 2006. See Note 10, *Assets and Liabilities Held For Sale – Discontinued Operations: South Coast* for additional information related to the South Coast sale. Pursuant to the terms of the Agreement, for a period of five years following the closing of the sale of South Coast, Mr. Gaughan cannot sell South Coast to any party other than us, or an affiliate of ours, and for three additional years thereafter, we will have a right of first refusal on any potential sale of South Coast.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

North Las Vegas Land

In February 2006, we purchased a 40-acre, fully entitled casino site in North Las Vegas for approximately $35 million from a group that included the father of Michael J. Gaughan. At the time of the purchase, Michael J. Gaughan was an Officer and a member of our Board of Directors.

NOTE 17. — SEGMENT INFORMATION

We have aggregated certain of our properties in order to present four Reportable Segments: Las Vegas Locals, Downtown Las Vegas, Midwest and South and Borgata, our 50% joint venture in Atlantic City. 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. In addition, we reclassified 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.

Due to the disposition of Barbary Coast and South Coast, the operating results from these two properties are classified as discontinued operations on our consolidated statements of operations and are excluded from our presentation in the Las Vegas Locals segment. In addition, we ceased operations at the Stardust on November 1, 2006, which was an additional Reportable Segment during the year ended December 31, 2006. Results for Downtown Las Vegas include the results of our two travel agencies and our insurance company. The table below lists the classification of each of our properties.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table sets forth, for the periods indicated, certain operating data for our reportable segments. All prior period amounts have been reclassified to conform to the current year's presentation.

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Gross Revenues			
Las Vegas Locals	$ 858,241	$ 943,117	$ 946,176
Downtown Las Vegas	263,005	277,660	278,737
Midwest and South	857,650	993,112	1,074,989
Stardust (1)	—	—	135,019
Reportable Segment Gross Revenues	1,978,896	2,213,889	2,434,921
Other (2)	8,659	8,130	—
Gross Revenues	$ 1,987,555	$ 2,222,019	$ 2,434,921
Reportable Segment Adjusted EBITDA (3)			
Las Vegas Locals	$ 218,591	$ 275,510	$ 273,797
Downtown Las Vegas	40,657	52,127	53,573
Midwest and South (4)	169,063	214,605	257,570
Stardust (1)	—	—	15,403
Our share of Borgata's operating income before net amortization, preopening and other items (3)	60,520	86,470	91,963
Reportable Segment Adjusted EBITDA	488,831	628,712	692,306
Other operating costs and expenses			
Depreciation and amortization (5)	170,295	167,257	189,837
Corporate expense (6)	52,332	60,143	54,229
Preopening expenses	20,265	22,819	20,623
Our share of Borgata's preopening expenses	2,785	1,558	3,260
Our share of Borgata's write-downs and other charges, net	81	478	1,209
Write-downs and other charges, net	385,521	12,101	8,838
Other (7)	10,981	10,124	9,660
Total other operating costs and expenses	642,260	274,480	287,656
Operating income (loss)	(153,429)	354,232	404,650
Other non-operating items			
Interest expense, net (8)	109,076	137,454	145,433
Decrease (increase) in value of derivative instruments	(425)	1,130	1,801
Loss (gain) on early retirements of debt	(28,553)	16,945	—
Our share of Borgata's non-operating expenses, net	16,009	13,768	10,577
Total other non-operating costs and expenses, net	96,107	169,297	157,811
Income (loss) from continuing operations before income taxes	$ (249,536)	$ 184,935	$ 246,839

	December 31,	
	2008	2007
	(In thousands)	
Property and Equipment, Intangible Assets and Goodwill		
Las Vegas Locals	$ 1,288,488	$ 1,471,728
Downtown Las Vegas	118,929	132,022
Midwest and South	1,139,509	1,194,489
Other	37,169	81,647
Total properties' assets	2,584,095	2,879,886
Corporate entities	1,300,898	778,451
Total assets (9)	$ 3,884,993	$ 3,658,337

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Additions to Property and Equipment and Other Assets			
Las Vegas Locals	$ 56,117	$ 69,765	$ 48,716
Downtown Las Vegas	3,266	14,081	22,877
Midwest and South	122,965	72,566	82,059
Stardust	—	—	222
Other	43	1,065	—
Discontinued operations	—	36	59,778
Total properties' additions	182,391	157,513	213,652
Corporate entities	527,508	190,866	113,614
Total additions to property and equipment and other assets	709,899	348,379	327,266
Change in accrued property additions	(42,499)	(51,485)	109,198
Cash-based property additions	$ 667,400	$ 296,894	$ 436,464

(1) We closed the Stardust on November 1, 2006 to make way for Echelon, our multibillion dollar Las Vegas Strip development project.

(2) Other gross revenues are generated from Dania Jai-Alai.

(3) 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, Midwest and South and Stardust segments, and also includes our share of Borgata's operating income before net amortization, preopening and other items. We calculate our segment profitability for Borgata, our 50% joint venture, as follows:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Operating income from Borgata, as reported on our consolidated statements of operations	$ 56,356	$ 83,136	$ 86,196
Add back:			
Net amortization expense related to our investment in Borgata	1,298	1,298	1,298
Our share of Borgata's preopening expenses	2,785	1,558	3,260
Our share of Borgata's write-downs and other charges, net	81	478	1,209
Our share of Borgata's operating income before net amortization, preopening and other items as reported on the accompanying table	$ 60,520	$ 86,470	$ 91,963

(4) Reportable Segment Adjusted EBITDA for the year ended December 31, 2007 includes a $3.2 million retroactive property tax assessment at Blue Chip. Reportable Segment Adjusted EBITDA for the year ended December 31, 2006 includes a $6.7 million retroactive gaming tax assessment at Par-A-Dice.

(5) The following table reconciles the presentation of depreciation and amortization on our consolidated statements of operations to the presentation on the accompanying table.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Depreciation and amortization as reported on our consolidated statements of operations	$ 168,997	$ 165,959	$ 188,539
Net amortization expense related to our investment in Borgata	1,298	1,298	1,298
Depreciation and amortization as reported on accompanying table	$ 170,295	$ 167,257	$ 189,837

(6) 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.

(7) Other operating costs and expenses include Property EBITDA from Dania Jai-Alai, deferred rent, and share-based compensation expense charged to our Reportable Segments.

(8) Interest expense is net of interest income and amounts capitalized.

(9) Total assets represent total property and equipment, intangible assets and goodwill, presented net of accumulated depreciation and amortization. Corporate entities include all entities related to our Echelon development project.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 18. — SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	Year Ended December 31, 2008				
	First	Second	Third	Fourth	Total
	(In thousands, except per share data)				
Net revenues	$ 471,118	$ 460,764	$ 426,455	$ 422,630	$ 1,780,967
Operating income (loss)	(16,285)	64,094	45,750	(246,988)	(153,429)
Net income (loss)	(32,587)	21,658	8,698	(220,774)	(223,005)
Basic and diluted net income (loss) per common share:					
Net income (loss) - basic	(0.37)	0.25	0.10	(2.51)	(2.54)
Net income (loss) - diluted	(0.37)	0.25	0.10	(2.51)	(2.54)

	Year Ended December 31, 2007				
	First	Second	Third	Fourth	Total
	(In thousands, except per share data)				
Net revenues	$ 517,030	$ 511,391	$ 490,055	$ 478,643	$ 1,997,119
Operating income	95,276	87,168	91,051	80,737	354,232
Income from continuing operations	35,105	22,941	31,885	30,977	120,908
Net income (loss) from discontinued operations	182,761	(829)	(57)	252	182,127
Net income	217,866	22,112	31,828	31,229	303,035
Basic and diluted net income per common share:					
Income from continuing operations - basic	$ 0.40	$ 0.26	$ 0.36	$ 0.35	$ 1.38
Income from continuing operations - diluted	0.40	0.26	0.36	0.35	1.36
Income (loss) from discontinued operations - basic	2.10	(0.01)	—	0.01	2.08
Income (loss) from discontinued operations - diluted	2.06	(0.01)	—	—	2.06
Net Income - basic	2.50	0.25	0.36	0.36	3.46
Net Income - diluted	2.46	0.25	0.36	0.35	3.42

(c) Exhibits.

Exhibit Number		Document
2.1		Purchase Agreement, entered into as of June 5, 2006, by and among the Registrant, FGB Development, Inc., Boyd Florida, LLC, The Aragon Group, Inc., Summersport Enterprises, LLLP, the Shareholders of The Aragon Group, Inc., The Limited Partners of Summersport Enterprises, LLLP, and Stephen F. Snyder, individually and as Shareholder Representative With Respect to Dania Jai Alai (incorporated by reference to Exhibit 2.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006).
2.2		Unit Purchase Agreement, dated as of July 25, 2006, as amended, by and among the Registrant, Coast Hotels and Casinos, Inc., Silverado South Strip, LLC, and Michael J. Gaughan (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K, filed with the SEC on October 31, 2006).
2.3		Agreement for Exchange of Assets and Joint Escrow Instructions, dated as of September 29, 2006, entered into by and between Coast Hotels and Casinos, Inc. and Harrah's Operating Company, Inc. (incorporated by reference to Exhibit 2.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006).
2.4		Letter Agreement entered into as of February 26, 2007, by and between Coast Hotels and Casinos, Inc. and Harrah's Operating Company, Inc. amending that certain Agreement for Exchange of Assets and Joint Escrow Instructions previously entered into by and between the parties as of September 29, 2006 (incorporated by reference to Exhibit 2.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007).
2.5		Letter Agreement entered into as of August 11, 2006, by and among the Registrant, FGB Development, Inc., Boyd Florida, LLC, The Aragon Group, Inc., Summersport Enterprises, LLLP, and Stephen F. Snyder, individually and as Shareholder Representative, amending certain provisions of that certain Purchase Agreement previously entered into among the parties as of June 5, 2006 (incorporated by reference to Exhibit 2.3 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006).
2.6	**	Second Amendment to the Purchase Agreement entered into as of February 16, 2007, by and among Boyd Gaming Corporation, the Aragon Group and the other parties thereto (incorporated by reference to Exhibit 2.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007).
2.7		Third Amendment to the Purchase Agreement and Promissory Note related thereto entered into as of January 15, 2009, by and among Boyd Gaming Corporation, the Aragon Group and the other parties thereto.
3.1		Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the SEC on July 14, 2008).
3.2		Amended and Restated Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K, filed with the SEC on May 24, 2006).
4.1		Form of Indenture relating to $250,000,000 aggregate principal amount of 8.75% Senior Subordinated Notes due 2012, dated as of April 8, 2002, by and between the Registrant, as Issuer, and Wells Fargo Bank, National Association, as Trustee, including the Form of Note (incorporated by reference to Exhibit 4.8 of the Registrant's Registration Statement on Form S-4, File No. 333-89774, which was declared effective on June 19, 2002).
4.2		Form of Indenture relating to $300,000,000 aggregate principal amount of 7.75% Senior Subordinated Notes due 2012, dated as of December 30, 2002, by and between the Registrant, as Issuer, and Wells Fargo Bank, National Association, as Trustee, including Form of Note (incorporated by reference to Exhibit 4.10 of the Registrant's Registration Statement on Form S-4, File No. 333-103023, which was declared effective on May 15, 2003).
4.3		Form of Indenture relating to $350,000,000 aggregate principal amount of 6.75% Senior Subordinated Notes due 2014, dated as of April 15, 2004, by and between the Registrant, as Issuer, and the Initial Purchasers, named therein (incorporated by reference to Exhibit 4.8 of the Registrant's Registration Statement on Form S-4, File No. 333-116373, which was declared effective on June 25, 2004).
4.4		Form of Indenture relating to senior debt securities (incorporated by reference to Exhibit 4.4 of the Registrant's Automatic Shelf Registration Statement on Form S-3 dated December 16, 2005).
4.5		Form of Indenture relating to subordinated debt securities (incorporated by reference to Exhibit 4.5 of the Registrant's Automatic Shelf Registration Statement on Form S-3 dated December 16, 2005).
4.6		Form of Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.6 of the Registrant's Automatic Shelf Registration Statement on Form S-3 dated December 16, 2005).

Exhibit Number		Document
4.7		Form of Indenture relating to subordinated debt securities, dated as of January 25, 2006, by and between the Registrant, as Issuer, and the Initial Purchasers, named therein (incorporated by reference to Exhibit 4.9 of the Registrant's Current Report on Form 8-K dated January 25, 2006).
4.8		First Supplemental Indenture with respect to the 7.125% Senior Subordinated Notes due 2016, dated as of January 30, 2006, by and between the Registrant, as Issuer, and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.10 of the Registrant's Current Report on Form 8-K dated January 31, 2006).
10.1		Ninety-Nine Year Lease dated June 30, 1954, by and among Fremont Hotel, Inc., and Charles L. Ronnow and J.L. Ronnow, and Alice Elizabeth Ronnow (incorporated by reference to the Registration Statement on Form S-1, File No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992).
10.2		Lease Agreement dated October 31, 1963, by and between Fremont Hotel, Inc. and Cora Edit Garehime (incorporated by reference to the Registration Statement on Form S-1, File No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992)
10.3		Lease Agreement dated December 31, 1963, by and among Fremont Hotel, Inc., Bank of Nevada and Leon H. Rockwell, Jr. (incorporated by reference to the Registration Statement on Form S-1, File No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992).
10.4		Lease Agreement dated June 7, 1971, by and among Anthony Antonacci, Margaret Fay Simon and Bank of Nevada, as Co-Trustees under Peter Albert Simon's Last Will and Testament, and related Assignment of Lease dated February 25, 1985 to Sam-Will, Inc. and Fremont Hotel, Inc. (incorporated by reference to the Registration Statement on Form S-1, File No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992).
10.5		Lease Agreement dated July 25, 1973, by and between CH&C and William Peccole, as Trustee of the Peter Peccole 1970 Trust (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended June 30, 1995).
10.6		Lease Agreement dated July 1, 1974, by and among Fremont Hotel, Inc. and Bank of Nevada, Leon H. Rockwell, Jr. and Margorie Rockwell Riley (incorporated by reference to the Registration Statement on Form S-1, File No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992).
10.7		Ninety-Nine Year Lease, dated December 1, 1978, by and between Matthew Paratore, and George W. Morgan and LaRue Morgan, and related Lease Assignment dated November 10, 1987, to Sam-Will, Inc., d.b.a. Fremont Hotel and Casino (incorporated by reference to the Registration Statement on Form S-1, File No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992).
10.8		Form of Indemnification Agreement (incorporated by reference to the Registrant's Registration Statement on Form S-1, File No. 33-64006, which was declared effective on October 15, 1993).
10.9	*	1993 Flexible Stock Incentive Plan and related agreements (incorporated by reference to the Registrant's Registration Statement on Form S-1, File No. 33-64006, which was declared effective on October 15, 1993).
10.10	*	1993 Directors Non-Qualified Stock Option Plan and related agreements (incorporated by reference to Exhibit 4.4 of the Registrant's Registration Statement on Form S-8, File No. 333-79895, dated June 3, 1999).
10.11	*	1993 Employee Stock Purchase Plan and related agreement (incorporated by reference to the Registrant's Registration Statement on Form S-1, File No. 33-64006, which was declared effective on October 15, 1993).
10.12		401(k) Profit Sharing Plan and Trust (incorporated by reference to the Registration Statement on Form S-1, File No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992).
10.13	*	2000 Executive Management Incentive Plan (incorporated by reference to Appendix A of the Registrant's Definitive Proxy Statement filed with the Commission on April 21, 2000).
10.14	*	1996 Stock Incentive Plan (as amended on May 25, 2000) (incorporated by reference to Exhibit 10.35 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000).
10.15		Second Amended and Restated Joint Venture Agreement with Marina District Development Company, dated as of August 31, 2000 (incorporated by reference to Exhibit 10.36 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).
10.16		Contribution and Adoption Agreement by and among Marina District Development Holding Co., LLC, MAC, Corp. and Boyd Atlantic City, Inc., effective as of December 13, 2000 (incorporated by reference to Exhibit 10.30 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000).

Exhibit Number		Document
10.17	*	Annual Incentive Plan (incorporated by reference to Exhibit 10.29 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002).
10.18	*	Form of Stock Option Award Agreement under the 1996 Stock Incentive Plan (incorporated by reference to Exhibit 10.37 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008).
10.19	*	Form of Stock Option Award Agreement pursuant to the 2002 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008).
10.20	*	Form of Restricted Stock Unit Agreement and Notice of Award pursuant to the 2002 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008).
10.21	*	The Boyd Gaming Corporation Amended and Restated Deferred Compensation Plan for the Board of Directors and Key Employees (incorporated by reference to Exhibit 10.39 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
10.22	*	Amendment Number 1 to the Amended and Restated Deferred Compensation Plan (incorporated by reference to Exhibit 10.40 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
10.23	*	Amendment Number 2 to the Amended and Restated Deferred Compensation Plan (incorporated by reference to Exhibit 10.41 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
10.24	*	Amendment Number 3 to the Amended and Restated Deferred Compensation Plan (incorporated by reference to Exhibit 10.42 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
10.25	*	Amendment Number 4 to the Amended and Restated Deferred Compensation Plan (incorporated by reference to Exhibit 10.43 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
10.26		Ground Lease dated as of October 1, 1995, between the Tiberti Company and Coast Hotels and Casinos, Inc. (as successor to Gold Coast Hotel and Casino) (incorporated by reference to an exhibit to Coast Resorts, Inc.'s Amendment No. 2 to General Form for Registration of Securities on Form 10 (Commission File No. 000-26922) filed with the Commission on January 12, 1996).
10.27	*	Form of Stock Option Award Agreement Under the Registrant's Directors' Non-Qualified Stock Option Plan (incorporated by reference to Exhibit 10.48 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005).
10.28	*	Boyd Gaming Corporation's 2002 Stock Incentive Plan (as amended and restated on May 15, 2008) (incorporated by reference to Appendix A of the Registrant's Definitive Proxy Statement filed with the Commission on April 2, 2008).
10.29		Joint Venture Agreement dated January 3, 2006, between Morgans/LV Investment LLC and Echelon Resorts Corporation (incorporated by reference to Exhibit 10.51 of the Registrant's Current Report on Form 8-K dated January 3, 2006).
10.30	*	Summary of Compensation Arrangements.
10.31	*	Amendment Number 5 to the Amended and Restated Deferred Compensation Plan (incorporated by reference to Exhibit 10.35 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005).
10.32	*	Amended and Restated 2000 Executive Management Incentive Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed with the SEC on May 24, 2006).
10.33	*	Amended and Restated 2002 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K, filed with the SEC on May 24, 2006).
10.34	*	Form of Award Agreement for Restricted Stock Units under the 2002 Stock Incentive Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006).
10.35		First Amendment to Morgans Las Vegas, LLC Limited Liability Company Agreement, by and between Morgans Las Vegas LLC and Echelon Resorts Corporation, Dated May 15, 2006 (incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006).
10.36		Second Amendment to Morgans Las Vegas, LLC Limited Liability Company Agreement, by and between Morgans Las Vegas LLC and Echelon Resorts Corporation, Dated June 30, 2008 (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed with the SEC on July 1, 2008).

Exhibit Number		Document
10.37		Third Amendment to Morgans Las Vegas, LLC Limited Liability Company Agreement, by and between Morgans Las Vegas LLC and Echelon Resorts Corporation, Dated September 23, 2008 (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed with the SEC on September 25, 2008).
10.38		Letter Agreement to the Morgans Las Vegas, LLC Limited Liability Company Agreement, dated May 15, 2006 (incorporated by reference to Exhibit 10.5 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006).
10.39		First Amended and Restated Credit Agreement, dated as of May 24, 2007, among the Registrant, as Borrower, certain commercial lending institutions as the Lenders, and Bank of America, N.A., as the Administrative Agent and L/C Issuer, Wells Fargo Bank, N.A., as the Syndication Agent and Swing Line Lender, and Citibank, N.A., Deutsche Bank Securities Inc., JPMorgan Chase Bank, N.A., Merrill Lynch Bank USA and Wachovia Bank, National Association, as Co-Documentation Agents (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007).
10.40		Stock Purchase Agreement, entered into as of August 1, 2006, by and between Michael J. Gaughan and the Registrant (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006).
10.41		Form of Term Note issued by the Registrant to Michael J. Gaughan on August 1, 2006 in connection with the Stock Purchase Agreement entered into between the parties on the same date (incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006).
10.42	*	Form of Award Agreement for Restricted Stock Units under the 2002 Stock Incentive Plans (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K dated May 24, 2006).
10.43	*	Form of Career Restricted Stock Unit Award Unit Agreement under the 2002 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K dated December 13, 2006).
10.44	*	Form of Restricted Stock Unit Agreement and Notice of Award Pursuant to the 2002 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 8-Q for the quarter ended June 30, 2007).
10.45	*	Change in Control Severance Plan for Tier I, II and III Executives I incorporated by reference to Exhibit 10.46 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006).
21.1		Subsidiaries of the Registrant.
23.1		Consent of Deloitte & Touche LLP.
23.2		Consent of Deloitte & Touche LLP.
24		Power of Attorney (included in Part IV to this Form 10-K).
31.1		Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a).
31.2		Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a).
32.1		Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act Rule 13a – 14(b) and 18 U.S.C. § 1350.
32.2		Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act Rule 13a – 14(b) and 18 U.S.C. § 1350.
99.1		Governmental Gaming Regulations
99.2		Audited Consolidated Financial Statements of Marina District Development Company, LLC, d.b.a. Borgata Hotel Casino and Spa, as of and for the three years in the period ended December 31, 2008.

* Management contracts or compensatory plans or arrangements.

** Certain portions of this exhibit have been granted confidential treatment by the Securities and Exchange Commission.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 2, 2009.

BOYD GAMING CORPORATION

By: /S/ JEFFREY G. SANTORO
Jeffrey G. Santoro
Senior Vice President and Controller
(Principal Accounting Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Keith E. Smith, Josh Hirsberg and Jeffrey G. Santoro, and each of them, his of her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/S/ WILLIAM S. BOYD William S. Boyd	Executive Chairman of the Board of Directors,	March 2, 2009
/S/ MARIANNE BOYD JOHNSON Marianne Boyd Johnson	Vice Chairman of the Board of Directors, Executive Vice President and Director	March 2, 2009
/S/ KEITH E. SMITH Keith E. Smith	President, Chief Executive Officer and Director (Principal Executive Officer)	March 2, 2009
/S/ JOSH HIRSBERG Josh Hirsberg	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	March 2, 2009
/S/ JEFFREY G. SANTORO Jeffrey G. Santoro	Senior Vice President and Controller (Principal Accounting Officer)	March 2, 2009
/S/ WIILIAM R. BOYD William R. Boyd	Vice President and Director	March 2, 2009
/S/ ROBERT L. BOUGHNER Robert L. Boughner	President and Chief Executive Officer of Echelon Resorts LLC and Director	March 2, 2009
/S/ THOMAS V. GIRARDI Thomas V. Girardi	Director	March 2, 2009
/S/ MICHAEL O. MAFFIE Michael O. Maffie	Director	March 2, 2009
/S/ MAJ. GEN. BILLY G. McCOY, RET. USAF Maj. Gen. Billy G. McCoy, Ret. USAF	Director	March 2, 2009
/S/ FREDERICK J. SCHWAB Frederick J. Schwab	Director	March 2, 2009
/S/ PETER M. THOMAS Peter M. Thomas	Director	March 2, 2009
/S/ VERONICA J. WILSON Veronica J. Wilson	Director	March 2, 2009

EXHIBIT INDEX

2.7		Third Amendment to the Purchase Agreement and Promissory Note related thereto entered into as of January 15, 2009, by and among Boyd Gaming Corporation, the Aragon Group and the other parties thereto.
10.30	*	Summary of Compensation Arrangements.
21.1		Subsidiaries of Registrant.
23.1		Consent of Deloitte & Touche LLP.
23.2		Consent of Deloitte & Touche LLP.
24		Power of Attorney (included in Part IV to this Form 10-K).
31.1		Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a).
31.2		Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a).
32.1		Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act Rule 13a – 14(b) and 18 U.S.C. § 1350.
32.2		Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act Rule 13a – 14(b) and 18 U.S.C. § 1350.
99.1		Governmental Gaming Regulations
99.2		Audited Consolidated Financial Statements of Marina District Development Company, LLC, d.b.a. Borgata Hotel Casino and Spa, as of and for the three years in the period ended December 31, 2008.

* Management contracts or compensatory plans or arrangements.

THIRD AMENDMENT TO PURCHASE AGREEMENT

THIS THIRD AMENDMENT TO PURCHASE AGREEMENT ("Third Amendment") is made and entered into as of January 15, 2009, by and among BOYD GAMING CORPORATION, a Nevada corporation ("Parent"), FGB DEVELOPMENT, INC., a Florida corporation ("Purchaser"), BOYD FLORIDA, LLC, a Mississippi limited liability company ("Purchaser Affiliate"), THE ARAGON GROUP, a Florida general partnership formerly known as The Aragon Group, Inc., a Florida corporation ("Company"), SUMMERSPORT ENTERPRISES, LLC, a Florida limited liability company formerly known as Summersport Enterprises, LLLP, a Florida limited liability limited partnership ("Summersport"), EACH PERSON IDENTIFIED AS "SHAREHOLDER" ON THE SIGNATURE PAGE HEREOF (each a "Shareholder" and collectively, "Shareholders"), EACH PERSON IDENTIFIED AS "PARTNER" ON THE SIGNATURE PAGE HEREOF (each a "Partner" and collectively, "Partners"), and STEPHEN F. SNYDER, as authorized representative of and on behalf of each Shareholder and Partner hereunder (the "Shareholder Representative"). Parent, Purchaser and Purchaser Affiliate are sometimes collectively referred to herein as the "Purchaser Parties" and individually referred to herein as a "Purchaser Party", each of the Shareholders and Partners are sometimes collectively referred to herein as the "Seller Parties" and individually referred to herein as a "Seller Party", and the Purchaser Parties, the Seller Parties, Company, Summersport and the Shareholder Representative are sometimes collectively referred to herein as the "Parties" and individually referred to herein as a "Party".

RECITALS

WHEREAS, the Parties previously entered into that certain Purchase Agreement dated as of June 5, 2006, as amended by (i) that certain letter agreement dated as of August 11, 2006 (the "First Amendment"), and (ii) that certain Second Amendment to Purchase Agreement dated February 16, 2007 (the "Second Amendment") (as so amended, the "Purchase Agreement"), for the purchase and sale of all of the shares of capital stock in Company and all of the partnership interests in Summersport owned by Partners, as applicable, on the terms and conditions set forth in the Purchase Agreement, and for other matters described therein; and

WHEREAS, the Closing occurred on the Closing Date, and in connection therewith, Purchaser and Purchaser Affiliate paid the Remaining Purchase Price Payment, the applicable interest thereon and certain other amounts on the Closing Date in accordance with the Agreement; and

WHEREAS, the Contingent Purchase Price Due Date under Section 1.03(b)(ii) of the Purchase Agreement has not occurred and neither the Contingent Purchase Price nor any interest thereon is currently due or payable; and

WHEREAS, the Parties wish to amend, modify and replace the terms and conditions of the Contingent Purchase Price under the Purchase Agreement (including the terms and conditions for the payment of the Contingent Purchase Price and the Parties' rights and obligations with respect to the Contingent Purchase Price) and amend and modify certain other rights, remedies, liabilities and obligations under the Purchase Agreement, all subject to and upon the terms and conditions set forth in this Third Amendment; and

WHEREAS, unless otherwise defined herein, all capitalized terms shall have the same meaning as set forth in the Purchase Agreement.

AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby conclusively acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1.Incorporation of Recitals. The foregoing recitals are true and correct and are incorporated herein by reference.

2.Amendment No. 1. The Purchase Agreement is hereby amended by deletingSection 1.03(b) of the Purchase Agreement in its entirety and replacing such section with the following newSection 1.03(b):

(b)Contingent Purchase Price.

(i) The Contingent Purchase Price shall be payable as follows: (A) Nine Million Three Hundred Seventy Five Thousand Dollars ($9,375,000) of the Contingent Purchase Price (the "Contingent Purchase Price Cash Payment") shall be payable to the order of the Shareholder Representative, for the benefit and on behalf of the Shareholders and Partners, by wire transfer in immediately available United States funds at the Third Amendment Closing (as such term is defined below) in accordance with and subject to the provisions of Section 1.03(b)(vi); and (B) the balance of the Contingent Purchase Price in the amount of Sixty Five Million Six Hundred Twenty Five Thousand Dollars ($65,625,000) (the "Contingent Purchase Price Balance") shall be payable by delivery to the Shareholder Representative (or to his agent and attorney, Thomas O. Wells, Esq.), for the benefit and on behalf of the Shareholders and Partners, of a promissory note in the principal amount of Sixty Five Million Six Hundred Twenty Five Thousand Dollars ($65,625,000) in the form attached hereto asExhibit 1.03(b)(i) (the "Promissory Note"), with appropriate insertions, to be executed by Parent and made payable to TAGEND LLC and dated as of the Third Amendment Closing Date (as such term is defined below). The Promissory Note shall be delivered to the Shareholder Representative (or to his agent and attorney, Thomas O. Wells, Esq.), for the benefit and on behalf of the Shareholders and Partners, at the Third Amendment Closing in accordance with and subject to the provisions of Section 1.03(b)(iv) and Section 1.03(b)(vi) as payment in full of the Contingent Purchase Price Balance.

(ii) At the Third Amendment Closing, Purchaser and Purchaser Affiliate shall pay to the Shareholder Representative, for the benefit and on behalf of the Shareholders and Partners, interest on the Contingent Purchase Price for the period from March 1, 2007 until the Third Amendment Closing Date in the aggregate total amount of Nine Million

Eighty Thousand Seven Hundred Twenty Nine and 17/100 Dollars ($9,080,729.17) (the "Contingent Purchase Price Interest Payment") by wire transfer in immediately available United States funds at the Third Amendment Closing in accordance with and subject to the provisions of Section 1.03(b)(vi), which interest has been calculated at a rate per annum (computed on the actual number of days elapsed over a 360-day year) equal to the Prime Rate for the period from March 1, 2007 until the Third Amendment Closing Date.

(iii) In accordance with and subject to the provisions of Section 1.03(b)(iv) and Section 1.03(b)(vi), at the Third Amendment Closing, Parent shall deliver to the Shareholder Representative (or to his agent and attorney, Thomas O. Wells, Esq.), for the benefit and on behalf of the Shareholders and Partners, an irrevocable letter of credit in the initial face amount equal to the sum of Sixty Nine Million Nine Hundred Thirty One Thousand Eight Hundred Forty Eight and 90/100 Dollars ($69,931,848.90) (which is equal to the sum of the Contingent Purchase Price Balance and an amount that is equal to the amount of interest that would be payable on the outstanding principal balance under the Promissory Note during the term of the Promissory Note at the annual rate of eight percent (8%) if the Promissory Note is timely paid but not prepaid), in the form attached hereto asExhibit 1.03(b)(iii) to be issued to TAGEND LLC by Bank of America, N.A. or, at the option of Parent, by another bank (in either case, the "Bank") that is acceptable to the Shareholder Representative, in his sole discretion, as designated by Parent (the "Letter of Credit") to secure performance by Parent of its obligations to pay the principal and accrued interest under the Promissory Note on each "Installment Due Date" thereof, as such term is defined in the Promissory Note. The Letter of Credit shall provide for a payment to TAGEND LLC on each Installment Due Date of the applicable amount of principal and accrued interest that is due on such Installment Due Date under the Promissory Note (the "Installment Amount") upon seven (7) days advance written notice by TAGEND LLC to the Bank as described in Exhibit 1.03(b)(iii). The aggregate maximum amount that is available for payments under the Letter of Credit shall not exceed the amount of outstanding and unpaid principal balance under the Promissory Note and all accrued interest thereon, and shall be reduced from time to time upon each payment under the Promissory Note by an amount equal to the amount of principal and accrued interest paid under the Promissory Note (whether such payment results from a payment or prepayment by Parent under the Promissory Note, or as a result of any payment under the Letter of Credit, or otherwise);provided however, that in any event, the amount that is available for payment under the Letter of Credit on any date of payment under the Letter of Credit shall not exceed the Installment Amount that is then due and payable under the Promissory Note on such Installment Due Date. Each of Shareholder Representative, the Shareholders and the Partners acknowledge, covenant and agree (and shall cause TAGEND LLC to acknowledge, covenant and agree) with the Purchaser Parties that (A) in the event that all or any portion of the outstanding principal balance under the Promissory Note is prepaid in accordance with the Promissory Note (a "Prepayment"), then the Shareholder Representative (for the benefit and on behalf of the Shareholders and Partners) and TAGEND LLC will, and the Shareholder Representative (for the benefit and on behalf of the Shareholders and Partners) will cause TAGEND LLC to, promptly return and deliver the original of the Letter of Credit to the Bank together with a joint notice and instruction letter to be

executed by the Shareholder Representative (for the benefit and on behalf of the Shareholders and Partners), TAGEND LLC and Parent in form and substance reasonably acceptable to Parent and the Shareholder Representative (a "Joint Prepayment Notice Letter"), which Joint Prepayment Notice Letter shall inform the Bank about the fact of the Prepayment and instruct the Bank to issue to TAGEND LLC, in exchange for and in lieu of the Letter of Credit, a replacement irrevocable letter of credit (any such letter of credit, a "Replacement Letter of Credit") which shall be substantially in the form of the Letter of Creditexcept that (x) the face amount of such Replacement Letter of Credit shall not exceed the amount equal to the remaining amount of principal and accrued interest that would be payable under the Promissory Note on the remaining Installment Due Dates after giving effect to the Prepayment in accordance with the prepayment provisions of the Promissory Note; and (y) the amount that is available for payment under the Replacement Letter of Credit on any date of payment under the Replacement Letter of Credit shall be revised to reflect, and shall not exceed, the revised Installment Amount that would be due and payable under the Promissory Note on such Installment Due Date after giving effect to the Prepayment in accordance with the prepayment provisions of the Promissory Note; (B) in the event that any amount in excess of the then applicable Installment Amount is paid under the Letter of Credit (whether as a result of a payment or prepayment by Parent under the Promissory Note, or as a result of any payment under the Letter of Credit or any Replacement Letter of Credit, or otherwise), then each of the Shareholder Representative, Shareholder, Partner, and TAGEND LLC will be deemed to have received such excess amount in trust for the benefit of Parent and shall (and shall cause TAGEND LLC to) promptly pay and deliver such amount to Parent in the exact form received (except, if applicable, for any endorsement of instruments in favor of Parent as directed by Parent); and (C) any payment under the Letter of Credit to pay an Installment Amount or any portion thereof shall be deemed to constitute a payment under the Promissory Note in satisfaction of Parent's payment obligations with respect to the Installment Amount and shall reduce the outstanding balance of principal and accrued interest under the Promissory Note by an amount equal to the amount of the Installment Amount that is paid under the Letter of Credit. Upon the issuance of any Replacement Letter of Credit as provided herein, the Letter of Credit shall be automatically canceled and shall automatically have no further force or effect and the Shareholder Representative's, the Shareholders', the Partners' and TAGEND LLC's rights and interests under the Letter of Credit shall automatically terminate and all of the provisions in this Agreement and the Promissory Note relating to the Letter of Credit shall thereupon apply to the Replacement Letter of Credit and the term "Letter of Credit" as used in this Agreement shall thereupon be deemed to be a reference to the Replacement Letter of Credit (unless the context clearly otherwise requires).

(iv) The closing of the transactions contemplated by Section 1.03(b) of this Agreement (the "Third Amendment Closing") shall take place at the offices of Gunster, Yoakley & Stewart, P.A. beginning at 10:00 A.M. Eastern time on January 15, 2009 or at such other time and/or date as Parent and the Shareholder Representative may agree in writing (the "Third Amendment Closing Date").

(v) Upon the full payment of all of the principal and accrued interest under the Promissory Note, the Shareholder Representative's, the Shareholders', the Partners' and TAGEND LLC's rights and interests under the Letter of Credit shall automatically terminate (and neither TAGEND LLC, the Shareholder Representative nor any of the Shareholders or the Partners shall thereupon and thereafter receive any further payments under the Letter of Credit), and the Shareholder Representative and each the Shareholders and the Partners, at the request of Parent, will (and will cause TAGEND LLC to) execute and deliver to Parent a proper instrument or instruments acknowledging the satisfaction, release and termination of the Promissory Note (including any and all liabilities and obligations of Parent thereunder) and the Shareholder Representative's, the Shareholders', the Partners' and TAGEND LLC's rights and interests in the Letter of Credit, and will (and will cause TAGEND LLC to) duly assign, transfer, return and/or deliver, as applicable, to Parent, the Promissory Note and the Letter of Credit.

(vi) Any payment of the Contingent Purchase Price Cash Payment and the Contingent Purchase Price Interest Payment, as applicable, shall be paid to the order of, and shall be received by, the Shareholder Representative for the benefit and on behalf of the Shareholders and Partners in accordance with each Shareholders' and Partners' Allocable Portion of the Contingent Purchase Price Cash Payment and the Contingent Purchase Price Interest Payment, as applicable, and, subject to the next sentence, shall be paid by wire transfer of immediately available funds to the account of TAGEND LLC set forth below. The Shareholders, the Partners and the Shareholder Representative acknowledge and agree that (i) the payment of the Contingent Purchase Price Cash Payment and the Contingent Purchase Price Interest Payment to the following bank account of TAGEND LLC shall satisfy the Purchaser Parties' payment obligations of such amounts under this Agreement and shall be deemed to be a payment made to or to the order of Shareholder Representative for the benefit and on behalf of the Shareholders and Partners, as contemplated under the preceding sentence and various other payment provisions of this Agreement; (ii) the delivery to the Shareholder Representative (or to his agent and attorney, Thomas O. Wells, Esq.) of the Promissory Note made payable to TAGEND LLC shall satisfy the Purchaser Parties' payment obligations of the Contingent Purchase Price Balance under this Agreement and shall be deemed to be a delivery and a payment made to or to the order of Shareholder Representative for the benefit and on behalf of the Shareholders and Partners, as contemplated under the various payment and delivery provisions of this Agreement; (iii) the payment of the applicable amounts under the Promissory Note to the following bank account of TAGEND LLC (whether as a result of a payment or prepayment under the Promissory Note, or as a result of any payment under the Letter of Credit or any Replacement Letter of Credit, or otherwise) shall satisfy Parent's payment obligations of such amounts under the Promissory Note and shall be deemed to be a payment made to or to the order of Shareholder Representative for the benefit and on behalf of the Shareholders and Partners, as contemplated under the preceding sentence and various other payment provisions of this Agreement and the Promissory Note; and (iv) the payment of the Second Amendment Payment and the Remaining Purchase Price Payment, together with payment of applicable interest thereon and prorations and credits pursuant to the Agreement, to the following bank account of TAGEND LLC shall satisfy the Purchaser's and Purchaser Affiliate's payment

obligations of such amounts under Section 1.03(a) and Section 1.04 and shall be deemed to be a payment made to or to the order of Shareholder Representative for the benefit and on behalf of the Shareholders and Partners as contemplated under the Purchase Agreement (and the Parties acknowledge and agree that all such payments were made and such obligations were satisfied on the Closing Date):

Name of Bank: Northern Trust Bank of Florida N.A.
ABA No.: 066009650
For credit to: TAGEND LLC
Account No.: 1710279813

Such wire transfer instructions shall remain in effect until the Shareholder Representative provides written notice to the Purchaser and to the Bank providing a change in such wire transfer instructions (which notice shall be provided at least two (2) Business Days before the due date of any such payment in order for such change to be effective).

(vii) Each Shareholder, Partner and Shareholder Representative represents and warrants to the Purchaser Parties that TAGEND LLC is wholly-owned by such Persons and that each such Person (other than Clinton E. Morris ("Morris")) and TAGEND LLC is each an "accredited investor" as such term is defined in Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act"). Each Shareholder, Partner and Shareholder Representative represents that it understands and acknowledges that (i) the Promissory Note has not been registered under the Securities Act or under applicable state securities laws, (ii) the Promissory Note is being issued to TAGEND LLC pursuant to exemptions from registration requirements under the Securities Act and applicable state securities laws, and (iii) the Purchaser Parties are relying on the Shareholders', the Partners' and the Shareholder Representative's representations set forth in this Agreement. Each Shareholder, Partner and Shareholder Representative understands and acknowledges that no federal or state agency has recommended or endorsed the purchase of the Promissory Note. The Shareholders, Partners and Shareholder Representative represent that they are causing TAGEND LLC to acquire the Promissory Note solely for its own account, for investment, and not with a view to the distribution or resale thereof, and the Shareholders, Partners, Shareholder Representative and TAGEND LLC have no present intention, agreement, understanding or arrangement to (or to cause TAGEND LLC to) sell, assign, transfer, hypothecate or otherwise dispose of all or any part of the Promissory Note or any interest therein. Each of the Shareholders, Partners, and Shareholder Representative represents that they and TAGEND LLC understand that an investment in the Promissory Note involves substantial risks. Each of the Shareholders, Partners, and Shareholder Representative represents that they and TAGEND LLC understand and acknowledge that there will be no public market for the Promissory Note, that there will be restrictions on the transferability of the Promissory Note and that the Shareholders, Partners, Shareholder Representative and TAGEND LLC will not be able to readily liquidate an investment in Promissory Note. Each of the Shareholders, Partners, and Shareholder Representative represents that there has been made available to the Shareholders, Partners, Shareholder Representative

and TAGEND LLC the opportunity to obtain information to evaluate the merits and risks of an investment in the Promissory Note. Each of them and TAGEND LLC has had the opportunity to ask questions of, and has received satisfactory answers from, the Purchaser Parties and their respective representatives concerning Parent and its business, financial condition, operations, assets, activities and commitments. The Shareholders, the Partners and the Shareholder Representative covenant and agree in favor of the Purchaser Parties that until all of the principal and accrued interest under the Promissory Note is paid in full, such Persons shall not sell, transfer, assign, pledge or hypothecate to any Person or otherwise disposed of, in whole or in part, any right, title, interest or benefit in, to and under TAGEND LLC other than testamentary devises or transfers under the laws of descent and distribution upon the death of a Shareholder or Partner.

3.Amendment No. 2. The Purchase Agreement, includingSection 13.01 of the Purchase Agreement, is hereby amended by deleting the following defined terms therefrom: *Change in Control*, *Contingent Purchase Price Due Date, Excess Net Proceeds, FAEG Litigation, Final Favorable Determination, Final Favorable Determination Date, Final Unfavorable Determination, Final Unfavorable Determination Date, Final Validation Determination, Final Validation Determination Date, First DCA Order, Late Payment Fee, Net Proceeds, Repayment Due Date, Sale of the Real Property or Business, Seller's Portion of Excess Net Proceeds, Seller's Portion of Excess Net Proceeds Due Date, Third Anniversary.*

4.Amendment No. 3. The Purchase Agreement is hereby amended by deleting the words "*with respect to all other claims for indemnification on or after the Closing, shall not exceed twenty-five percent (25%) of the amount of the Purchase Price, interest thereon, and the Seller's Portion of Excess Net Proceeds, if applicable, that has been actually paid to or on behalf of the Shareholders and Partners*" that are set forth before the proviso in clause (B) of the first sentence of Section 11.03 of the Purchase Agreement and replacing such words with the following words: "*with respect to all other claims for indemnification on or after the Closing, shall not exceed twenty-five percent (25%) of the amount of the Purchase Price and interest thereon that has been actually paid to or on behalf of the Shareholders and Partners*".

5.Amendment No. 4. The Second Amendment is hereby amended by deleting the last two sentences of Section 7 of the Second Amendment, beginning with the words "*Nothing in Section 11.03 of the Purchase Agreement*" and ending with the words "*in this Second Amendment*", in their entirety.

6.Amendment No. 5. The Second Amendment is hereby amended by deleting the word "*hereunder*" and the words "*or this Second Amendment*" from the first sentence of Section 10 of the Second Amendment. Furthermore, the Second Amendment is hereby amended by replacing the word "herein" in the first sentence and second sentence of Section 10 of the Second Amendment with the words "in the Purchase Agreement". Furthermore, the Second Amendment is hereby amended by inserting the words "*other than principal, interest and/or other amounts that are due and/or payable under the Promissory Note*" immediately before the term "*monetary default*" in the first sentence of Section 10 of the Second Amendment, so that the term "*monetary default*" and the provisions of Section 10 of the Second Amendment shall not apply to any

breach or default under or any failure to pay amounts due under the Promissory Note. The Promissory Note shall set forth the default rate of interest ("Default Interest") and consequences for any failure to pay any principal, interest or other amounts under the Promissory Note.

7. Amendment No. 6. The Second Amendment is hereby amended by deleting the last sentence of Section 10 of the Second Amendment, beginning with the words "*The Parties agree that*" and ending with the words "*provisions of Section 1.03 of this Agreement*", in its entirety.

8. Tax Increase Indemnification.

(a) In the event that the tax rate for long term capital gains under Code Section 1(h) for calendar year 2010 is greater than the same rate for calendar year 2009, and/or the maximum marginal rate of tax on ordinary income under Code Section 1 for calendar year 2010 is greater than the same rate for calendar year 2009, then in addition to amounts payable under the Promissory Note, Parent also agrees to pay to the Shareholder Representative (for the benefit and on behalf of the Shareholders and Partners) an additional amount to compensate for the increase in taxes incurred by the Shareholders and Partners as a result of the receipt of any payment made under the Promissory Note in 2010 rather than such payment being made in 2009 (including an amount necessary to gross-up such payment for the increase in taxes caused by such payment) (the "Tax Increase Payment"). For purposes of determining the Tax Increase Payment, the Seller Parties' applicable Gross Profit Percentage Amount under the Promissory Note is Ninety-Nine and 8279/10000 percent (99.8279%) and the Capital Gain Portion and Ordinary Income Portion are One Hundred percent (100%) and zero percent (0%), respectively.

By way of illustration of the foregoing, if the long term capital gain tax rate under Code §1(h) is increased from 15% for the 2009 tax year to 20% for 2010, and the maximum marginal rate of tax on ordinary income under Code §1 is increased from 35% in 2009 to 38% in 2010 and if the Tax Increase Payment is taxable to the Seller Parties as a purchase price adjustment and a long term capital gain, then the Tax Increase Payment shall be determined as follows:

Total 2010 Payment	*$46,875,000*
Gross Profit Percentage	*99.8279%*
Gross Profit Amount	*$46,794,314*

Capital Gain Portion of Gross Profit Amount	*$46,794,314*
Ordinary Gain Portion of Gross Profit Amount	*$ 0*

Tax Increase Payment would be $3,030,717.99, and would be determined as follows:

(46,875,000 x 99.8279%) x (1.00 – 2009 LTCG%) = [(46,875,000 + X) x 99.8279%] x (1.00-2010 LTCG%)
(46,875,000 x 99.8279%) x 85% = [(46,875,000 + X) x 99.8279%] x 80%
(46,794,314) x 85% = [46,794,314 + .998279X] x 80%
39,855,852.90 = 37,435,451.20 + 0.7986232X
39,855,852.90 – 37435,451.20 = 0.7986232X
2,420,401.70 = 0.7986232X
X = 3,030,717.99

(b) In addition, and solely with respect to Stephen F. Snyder and Robert H. Hubsch, Parent shall also pay to each of them an amount equal to any interest charge imposed on each of them under Code Section 453A(a)(1) for 2009 with respect to their allocable portion of the Promissory Noteplus an additional "gross up" amount to compensate for the tax attributable to such payment (determined in a similar manner as illustrated in paragraph (a) above) (a "Section 453A Payment").

(c) Subject to paragraph (d) below, Parent shall pay the Section 453A Payment to Stephen F. Snyder and Robert H. Hubsch on or before April 15, 2010 and shall pay the Tax Increase Payment to the Shareholder Representative (for the benefit and on behalf of the Shareholders and Partner) on or before April 15, 2010.

(d) In the event that Parent and the Shareholder Representative disagree over the calculation of the amount of the Tax Increase Payment or Section 453A Payment, either party may request that the matter be submitted to a final determination by an independent certified public accountant ("CPA") mutually agreed upon by the parties; provided, however, that if the parties can not agree upon a CPA within thirty (30) days of the request by either party for submission of the matter, then within five (5) days, each party shall designate a certified public accountant and the two designated certified public accountants shall select the CPA to determine that applicable payment amount. Absent manifest error, the determination of the CPA as to the applicable payment amount shall be final and binding on the parties.

(e) Each Shareholder and Partner shall be solely responsible for the timely and proper filing of all necessary documentation and Tax Returns, together with payment of any Taxes, if applicable.

(f) In no event shall Parent be liable to any Shareholder or Partner for any additions to tax, interest, penalties or other amounts with respect to any Shareholder's or Partner's tax liabilities, it being expressly agreed and acknowledged that the obligations of Parent hereunder are solely with respect to the payment of additional amounts under the Purchase Agreement, which amounts may be measured with respect to possible Taxes, but that Parent is not agreeing to the payment of any Shareholder's or Partner's actual Taxes.

(g) For purposes of clarification, the rights and obligations of Shareholders, Partners and Parent pursuant to this Section 8 shall not be subject to the limits contained in Section 11.01(c) or Section 11.02(c) of the Purchase Agreement. The obligations of Parent to make any Section 453A Payment shall expire if request for such payment is not made by either Stephen F. Snyder and Robert H. Hubsch on or before December 31, 2010 and the obligations of Parent to make any Tax Increase Payment shall expire if a request for payment is not made by a Shareholder or Partner on or before December 31, 2011.

9.Representation and Indemnity Regarding Rights. As an inducement to the Purchaser Parties to enter into this Third Amendment and the Promissory Note and to consummate the transactions contemplated hereby and thereby, the Shareholder Representative

and the Seller Parties hereby represent and warrant to the Purchaser Parties as of the date hereof and as of the Third Amendment Closing Date that, (i) neither the Shareholder Representative nor any of the Seller Parties has in any manner voluntarily or involuntarily transferred, assigned, pledged, or hypothecated to any Person or otherwise disposed of, in whole or in part, any right, title, interest or benefit in, to and under the Purchase Agreement, including any right, title, interest or benefit in, to and under the Contingent Purchase Price or interest with respect thereto (the "Contingent Purchase Price Rights"); and (ii) no Person has or has asserted any right, title, claim, equity or interest in, to or respecting the Contingent Purchase Price Rights or any part thereof. Furthermore, the Purchaser Parties, the Shareholder Representative and the Seller Parties hereby acknowledge and agree that (i) as a result of this Third Amendment, the terms and conditions with respect to the Contingent Purchase Price that heretofore existed under the Purchase Agreement (the "Former Contingent Purchase Price Provisions") are no longer valid, binding or effective and the Seller Parties and the Shareholder Representative have no right, title, interest or benefit in, to and under the Former Contingent Purchase Price Provisions, all of which right, title, interest and benefit are hereby forever terminated, discharged and released by the Shareholder Representative and the Seller Parties; and (ii) all Contingent Purchase Price Rights will be fully and finally and automatically discharged, released, settled and satisfied upon payment of the Contingent Purchase Price Cash Payment, the Contingent Purchase Price Interest Payment and the delivery of the Promissory Note as contemplated in Section 1.03(b) of the Purchase Agreement, as amended hereby. The Seller Parties shall indemnify and hold the Purchaser Parties, the Company and Summersport harmless from and against any and all liabilities, losses, damages, and reasonable out-of-pocket expenses and costs (including court costs and reasonable fees of attorneys, paralegals and experts) resulting from, arising out of or relating to, (i) any inaccuracy, breach or default of any of the representations or warranties set forth in the first sentence of this Section 9; and (ii) any breach or default of any of the covenants or agreements set forth in clause (A) or clause (B) of Section 1.03(b)(iii) of the Purchase Agreement, as amended hereby. All claims for indemnification under this Section 9 by a Purchaser Party shall be asserted and resolved in accordance with the procedures set forth in Sections 11.02(a) and 11.02(b) of the Purchase Agreement as though such Sections 11.02(a) and 11.02(b) were set forth herein in full and were deemed to apply to claims and demands for indemnification under this Section 9, and as though such Purchaser Party, the Company and/or Summersport, as applicable, were the "Indemnified Party" and the Seller Parties were the "Indemnifying Party" under such provisions. For purposes of clarification, the rights and obligations of the Seller Parties, the Purchaser Parties, the Shareholder Representative, the Company and Summersport pursuant to this Section 9 shall not be subject to the limits contained in Section 11.01(c), Section 11.02(c) or Section 11.03 of the Purchase Agreement. The representations, warranties, covenants and agreements of the Shareholder Representative and the Seller Parties contained in this Section 9 will survive the Third Amendment Closing indefinitely.

10.Counterparts. This Third Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts and by facsimile signatures, each of which when so executed and delivered shall be an original, but all of the counterparts shall together constitute one and the same instrument.

11.Authority. Each Person who executes and delivers this Third Amendment on behalf of any of the parties hereto represents and warrants that such Person has the full right,

power and authority to execute and deliver this Third Amendment on behalf such party, and each of the parties hereto represents and warrants that it has the full right, power and authority to enter into and be bound by the terms and conditions of this Third Amendment.

12.Conflicts. This Third Amendment constitutes an integral part of the Purchase Agreement. In the event of conflicts or inconsistencies between the provisions of the Purchase Agreement and the provisions of this Third Amendment, this Third Amendment shall control.

13.Full Force and Effect. Except as otherwise modified hereby, the Purchase Agreement shall remain in full force and effect in accordance with its terms.

* * *

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, this Third Amendment to Purchase Agreement has been duly authorized, executed and delivered by the parties hereto as of the date first set forth above.

"PARENT":

BOYD GAMING CORPORATION,
a Nevada corporation

By: _____
Name: Keith E. Smith
Title: Chief Executive Officer

"PURCHASER":

FGB DEVELOPMENT, INC.,
a Florida corporation

By: _____
Name: Keith E. Smith
Title: President

"PURCHASER AFFILIATE":

BOYD FLORIDA, LLC,
a Mississippi limited liability company

By: _____
Name: Keith E. Smith
Title: Manager

[SIGNATURES CONTINUED ON NEXT PAGE]

"COMPANY":

THE ARAGON GROUP,
a Florida general partnership, by its general partners:

FGB Development, Inc., a Florida corporation

By: _____
Name: Keith E. Smith
Title: President

AND

Boyd Florida, LLC, a Mississippi limited liability company

By: _____
Name: Keith E. Smith
Title: Manager

"SUMMERSPORT":

SUMMERSPORT ENTERPRISES, LLC,
a Florida limited liability company

By: _____
Name: Keith E. Smith
Title: President and Manager

[SIGNATURES CONTINUED ON NEXT PAGE]

"SHAREHOLDER":

Allocable Portion: 4.716%

THE 2003 BARRON FREDERICK SNYDER FAMILY TRUST

By: _____
Stephen F. Snyder, as Shareholder Representative

"SHAREHOLDER":

Allocable Portion: 2.467%

JAMIE S. SNYDER IRREVOCABLE TRUST

By: _____
Stephen F. Snyder, as Shareholder Representative

"SHAREHOLDER", "PARTNER" AND "SHAREHOLDER REPRESENTATIVE":

Allocable Portion: 68.169%

_____
STEPHEN F. SNYDER

"SHAREHOLDER" AND "PARTNER":

Allocable Portion: 18.608%

ROBERT H. HUBSCH

By: _____
Stephen F. Snyder, as Shareholder Representative

[SIGNATURES CONTINUED ON NEXT PAGE]

"SHAREHOLDER" AND "PARTNER":

Allocable Portion: 4.026%

T. H. BARKDULL, JR.

By: _____
Stephen F. Snyder, as Shareholder Representative

"SHAREHOLDER" AND "PARTNER":

Allocable Portion: 1.726%

D. R. KNOX

By: _____
Stephen F. Snyder, as Shareholder Representative

"SHAREHOLDER" AND "PARTNER":

Allocable Portion: 0.288%

CLINTON E. MORRIS, JR.

By: _____
Stephen F. Snyder, as Shareholder Representative

EXECUTION COPY

THIS PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THIS PROMISSORY NOTE MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THIS PROMISSORY NOTE UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

PROMISSORY NOTE

$65,625,000 January 15, 2009

FOR VALUE RECEIVED, Boyd Gaming Corporation, a Nevada corporation ("Maker"), promises to pay to TAGEND LLC, a Florida limited liability company ("Payee"), in lawful money of the United States of America, the principal sum of Sixty Five Million Six Hundred Twenty Five Thousand Dollars ($65,625,000), together with interest in arrears from the date hereof on the unpaid principal balance at an annual rate equal to eight percent (8%), in the manner and on the dates provided below. Interest shall be calculated on the basis of a year of 365 days and charged for the actual number of days elapsed.

This Promissory Note has been executed and delivered pursuant to and in accordance with the terms and conditions of that certain Purchase Agreement dated as of June 5, 2006 by and among The Aragon Group, a Florida general partnership formerly known as The Aragon Group, Inc., a Florida corporation, Summersport Enterprises, LLC, a Florida limited liability company formerly known as Summersport Enterprises, LLLP, a Florida limited liability limited partnership, the former shareholders of the Company (the "Shareholders"), the former limited partners of Summersport (the "Partners"), Maker, FGB Development, Inc., a Florida corporation, Boyd Florida, LLC, a Mississippi limited liability company, and Stephen F. Snyder, as the authorized representative of and on behalf of each Shareholder and Partner (the "Shareholder Representative"), as amended by (i) that certain letter agreement dated as of August 11, 2006, (ii) that certain Second Amendment to Purchase Agreement dated February 16, 2007, and (iii) that certain Third Amendment to Purchase Agreement dated as of January 15, 2009 (as so amended, the "Purchase Agreement"), and is subject to the terms and conditions of the Purchase Agreement. Capitalized terms used in this Promissory Note without definition shall have the respective meanings set forth in the Purchase Agreement. This Promissory Note constitutes the "Promissory Note" that is described in the Purchase Agreement.

1. Payments.

1.1 Principal and Interest.

The principal amount of this Promissory Note shall be due and payable in installments as follows: (a) an installment of Nine Million Three Hundred Seventy Five Thousand Dollars ($9,375,000) of principal under this Promissory Note shall be due and payable on April 15, 2009; (b) an installment of Nine Million Three Hundred Seventy Five Thousand Dollars ($9,375,000)

of principal under this Promissory Note shall be due and payable on July 15, 2009; and (c) a final installment of Forty Six Million Eight Hundred Seventy Five Thousand Dollars ($46,875,000) of principal under this Promissory Note (the "Final Installment") shall be due and payable on January 15, 2010 (each such due date, an "Installment Due Date"). Interest on the unpaid principal balance of this Promissory Note as of an Installment Due Date shall be due and payable on such Installment Due Date together with each payment of principal on such date.

1.2 Manner of Payment.

All payments of principal and interest on this Promissory Note shall be made by wire transfer of immediately available funds to the following bank account of Payee or to another account designated in writing to Maker and to the Bank by the Shareholder Representative, as the authorized representative of Payee, for the benefit and on behalf of the Shareholders and Partners, at least two (2) Business Days before the due date thereof:

Name of Bank: Northern Trust Bank of Florida N.A.
ABA No.: 066009650
For credit to: TAGEND LLC
Account No.: 1710279813

The payment of the applicable amounts under this Promissory Note to such account (whether as a result of a payment or prepayment under this Promissory Note, or as a result of any payment under the Letter of Credit or any Replacement Letter of Credit, or otherwise) shall satisfy Maker's payment obligations of such amounts under this Promissory Note and shall also be deemed to be a payment made to or to the order of Shareholder Representative for the benefit and on behalf of the Shareholders and Partners, as contemplated under the Purchase Agreement. If any payment of principal or interest on this Promissory Note is due on a day which is not a Business Day, such payment shall be due on the next succeeding Business Day, and such extension of time shall be taken into account in calculating the amount of interest payable under this Promissory Note.

1.3 Prepayment.

Maker may, without premium or penalty, at any time (but only one (1) time) prepay all or any portion of the outstanding principal balance of the Final Installment due under this Promissory Note, provided that such prepayment is accompanied by accrued interest on the amount of principal prepaid calculated to the date of such prepayment.

2. Defaults.

2.1 Events of Default.

The occurrence of any one or more of the following events with respect to Maker shall constitute an event of default hereunder ("Event of Default"):

(a) If Maker shall fail to pay when due any installment of principal and interest under this Promissory Note and such failure continues for fifteen (15) days after the applicable Installment Due Date thereof (the "Payment Grace Period");provided however that

notwithstanding anything contained in this Promissory Note to the contrary, in the event that the Letter of Credit requires Payee to provide notice to the Bank before payments are made under the Letter of Credit, then the Payment Grace Period shall not commence, and the Default Rate shall not apply to any overdue installment of principal and interest under this Promissory Note, unless (i) Payee provides the required notice to the Bank in accordance with the terms of the Letter of Credit; and (ii) notwithstanding the provision of such notice, the Bank fails to pay the Installment Amount on the due date of such Installment Amount under the Letter of Credit (such date, the "L/C Payment Failure Date"); in which case, the Payment Grace Period shall commence from (but not prior to), and the Default Interest rate shall begin to apply to the overdue Installment Amount from (but not prior to), the applicable L/C Payment Failure Date.

(b) If, pursuant to or within the meaning of the United States Bankruptcy Code or any other federal or state law relating to insolvency or relief of debtors (a "Bankruptcy Law"), Maker shall (i) commence a voluntary case or proceeding; (ii) consent to the entry of an order for relief against it in an involuntary case; (iii) consent to the appointment of a trustee, receiver, assignee, liquidator or similar official; (iv) make an assignment for the benefit of its creditors; or (v) admit in writing its inability to pay its debts as they become due.

(c) If a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (i) is for relief against Maker in an involuntary case, (ii) appoints a trustee, receiver, assignee, liquidator or similar official for Maker or substantially all of Maker's properties, or (iii) orders the liquidation of Maker, and in each case the order or decree is not dismissed within 90 days.

2.2 Remedies.

Upon the occurrence of an Event of Default of a type described under Section 2.1(b) or Section 2.1(c), above (unless such Event of Default has been cured or waived by Payee), Payee may, at its option, (i) by written notice to Maker, declare the entire unpaid principal balance of this Promissory Note, together with all accrued interest thereon, immediately due and payable regardless of any prior forbearance, and (ii) exercise any and all rights and remedies available to it under applicable law, including, without limitation, the right to collect from Maker all sums due under this Promissory Note. However, the foregoing rights and remedies shall not apply to any Event of Default of a type described under Section 2.1(a), above, and notwithstanding any other provision of this Promissory Note, Payee shall have no right to, and shall not seek to, accelerate any amounts under this Promissory Note as a result of an Event of Default of a type described under Section 2.1(a), above (and Payee, by its acceptance of this Promissory Note, hereby irrevocably waives any right that it may have under applicable law or any agreement, document or instrument to accelerate or otherwise collect (other than the Installment Amount and any Default Interest due thereon in the manner described in the following sentence) the principal and/or accrued interest under this Promissory Note as a result of any payment default). Rather, upon the occurrence of an Event of Default of a type described under Section 2.1(a), above (unless such Event of Default has been cured or waived by Payee), Payee may exercise any and all rights and remedies available to it under applicable law to collect from Maker the applicable Installment Amount which is then overdue under this Promissory Note and any Default Interest due thereon. Maker shall pay all reasonable costs and expenses incurred by or on behalf of Payee in connection with Payee's exercise of any or all of its rights and remedies

under this Promissory Note, including, without limitation, reasonable attorneys' fees. Notwithstanding any other provision of this Promissory Note to the contrary, any payment under the Letter of Credit to pay an Installment Amount or any portion thereof shall be deemed to constitute a payment under this Promissory Note in satisfaction of Maker's payment obligations with respect to the Installment Amount and shall reduce the outstanding balance of principal and accrued interest under the Promissory Note by an amount equal to the amount of the Installment Amount that is drawn under the Letter of Credit. If Maker shall fail to pay when due any installment of principal and interest on this Promissory Note, then the principal portion of such installment (and, to the extent not prohibited by applicable law, the interest portion of such installment) shall bear interest for any period during which the same shall be overdue at the rate of fifteen percent (15%) per annum ("Default Interest") in lieu of the annual rate of interest set forth in the first paragraph of this Promissory Note. If any monetary judgment under this Promissory Note is rendered in favor of Payee against Maker, said judgment shall bear interest at the Default Interest rate as permitted in accordance with the last sentence of Section 55.03(a), Florida Statutes, in effect as of the date of this Promissory Note (and no other interest shall accrue on any amount under this Promissory Note that is represented by such judgment).

3. Miscellaneous.

3.1 Waiver.

No waiver by Payee of any right or remedy under this Promissory Note shall be effective unless in a writing signed by Payee, except that the waivers of Payee's rights, remedies and claims that are set forth in this Promissory Note shall be effective without such signed writing. Neither the failure nor any delay in exercising any right, power or privilege under this Promissory Note will operate as a waiver of such right, power or privilege and no single or partial exercise of any such right, power or privilege by Payee will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable law, except for the waivers of Payee's rights, remedies and claims that are set forth in this Promissory Note, (a) no claim or right of Payee arising out of this Promissory Note can be discharged by Payee, in whole or in part, by a waiver or renunciation of the claim or right unless in a writing, signed by Payee; (b) no waiver that may be given by Payee will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on Maker will be deemed to be a waiver of any obligation of Maker or of the right of Payee to take further action without notice or demand as provided in this Promissory Note. Maker hereby waives presentment, demand, protest and notice of dishonor and protest.

3.2 Maximum Interest Rate.

Notwithstanding any other provision of this Promissory Note to the contrary, Payee does not intend to charge and Maker shall not be required to pay any interest or fees or charges in excess of the maximum permitted by applicable law. In the event that Maker makes any payment of interest, fees or other charges, however denominated, pursuant to this Promissory Note, which payment results in the interest paid to Payee to exceed the maximum rate of interest permitted by applicable law, any excess over such maximum shall be applied in reduction of the principal balance owed to Payee as of the date of such payment, or if such excess exceeds the

amount of principal owed to Payee as of the date of such payment, the difference shall be promptly paid by Payee to Maker.

3.3 Notices.

Any notice required or permitted to be given hereunder shall be given in accordance with Section 11.4 of the Purchase Agreement, provided that any notice to Payee shall be addressed to:

TAGEND LLC
c/o Stephen F. Snyder
1 Par Club Circle
Village of Golf, Florida 33436

with a copy to:

Thomas O. Wells, Esq.
Thomas O. Wells, P.A.
40 Biltmore Way
Coral Gables, Florida 33134

3.4 Severability.

If any provision in this Promissory Note is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Promissory Note will remain in full force and effect. Any provision of this Promissory Note held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

3.5 Governing Law.

This Promissory Note will be governed by the laws of the State of Florida without regard to conflicts of laws principles thereof.

3.6 Assignment.

Notwithstanding any other provision of this Promissory Note to the contrary, Payee shall not assign, in whole or in part, by operation of law or otherwise, this Promissory Note, nor any of its rights, title, interests or obligations under this Promissory Note, except, in the event an Event of Default shall have occurred and be continuing, by operation of law.

3.7 Section Headings, Construction.

The headings of Sections in this Promissory Note are provided for convenience only and will not affect its construction or interpretation. All references to "Section" or "Sections" refer to the corresponding Section or Sections of this Promissory Note unless otherwise specified.

All words used in this Promissory Note will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the words "hereof" and

"hereunder" and similar references refer to this Promissory Note in its entirety and not to any specific section or subsection hereof.

3.8 Venue.

Maker and Payee hereby irrevocably submit to the nonexclusive jurisdiction of the courts of the State of Florida located in Broward County, Florida and irrevocably waive any objection which either of them may have at any time to the laying of venue of any suit, action or proceeding arising out of or relating to this Promissory Note brought in any such court, irrevocably waive any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum and further irrevocably waive the right to object, with respect to such claim, suit, action or proceeding brought in any such court, that such court does not have jurisdiction over such party; *provided, however*, that such consent to jurisdiction is solely for the purpose of proceedings arising out of or relating to this Promissory Note and shall not be deemed to be a general submission to the jurisdiction of said courts or in the State of Florida other than for such purpose.

3.9 Waiver of Jury Trial.

Maker and Payee do hereby each and both expressly waive any right which either may have to a jury trial as to any actions which may be brought concerning this Promissory Note.

3.10 Costs, Indemnities and Expenses.

Maker agrees to pay all filing fees and similar charges and all costs incurred by Payee in collecting or securing or attempting to collect amounts that are due and payable under this Promissory Note, including reasonable attorney's fees, whether or not involving litigation and/or appellate, administrative or bankruptcy proceedings. Payee agrees to pay all charges and all costs incurred by Maker if Payee accelerates or collects or attempts to accelerate or collect amounts under this Promissory Note or the Letter of Credit in violation of the provisions set forth in this Promissory Note or Section 1.03 of the Purchase Agreement, including reasonable attorney's fees, whether or not involving litigation and/or appellate, administrative or bankruptcy proceedings. Maker agrees to pay any documentary stamp taxes, intangible taxes or other taxes (except for federal or state income or franchise taxes based on Payee's net income) which may now or hereafter apply to this Promissory Note or any payment made in respect of the Promissory Note, and Maker agrees to indemnify and hold Payee harmless from and against any liability, costs, attorney's fees, penalties, interest or expenses relating to any such taxes, as and when the same may be incurred.

* * *

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, Maker has executed and delivered this Promissory Note as of the date first stated above.

WITNESSES:

BOYD GAMING CORPORATION,
a Nevada corporation

By: _____
Name: Keith E. Smith
Title: Chief Executive Officer

STATE OF_____)
) ss:
COUNTY OF_____)

I HEREBY CERTIFY that on this day before me, personally appeared Keith E. Smith, as the Chief Executive Officer of **Boyd Gaming Corporation**, as Maker of the foregoing Promissory Note, and acknowledged before me that he executed the foregoing Promissory Note in his corporate capacity as an officer of Maker.

WITNESS my hand and official seal in the County and State last aforesaid this____ day of January, 2009.

_____
Signature of Notary Public
Notary Public, State of _____
Print, Type or Stamp Commissioned Name
of Notary Public: _____
Personally Known _____
Produced Identification _____
Type of Identification: _____

[ACCEPTANCE AND RECEIPT BY PAYEE AND SHAREHOLDER REPRESENTATIVE ON NEXT PAGE]

ACCEPTED AND AGREED BY:

TAGEND LLC,
a Florida limited liability company

By: _____
Name: Stephen F. Snyder
Title: Manager

AS OF JANUARY 15, 2009

RECEIVED BY:

SHAREHOLDER REPRESENTATIVE

By: _____
Name: Stephen F. Snyder

AS OF JANUARY 15, 2009

EXHIBIT 10.30

SUMMARY OF COMPENSATION ARRANGEMENTS

Annual Base Salary

Our executive officers are "at will" employees. Currently we have no written or oral employment arrangements with our executive officers. A copy or description of any future such employment arrangement will be filed to the extent required.

The table below summarizes the current annual base salary we have with each of our named executive officers and directors. All of the compensation arrangements we have with our executive officers are reviewed and may be modified from time to time by the Compensation and Stock Option Committee of our Board of Directors.

Name	Annual Base Salary
William S. Boyd Chairman of the Board and Executive Chairman	2009: $ 1,000,000
Robert L. Boughner President and Chief Executive Officer of Echelon Resorts LLC	2009: $ 1,100,000
Keith E. Smith President, Chief Executive Officer and Director	2009: $ 1,100,000
Paul J. Chakmak Executive Vice President and Chief Operating Officer	2009: $ 675,000
Marianne Boyd Johnson Vice Chairman and Executive Vice President	2009: $ 242,000
Josh Hirsberg Senior Vice President, Chief Financial Officer and Treasurer	2009: $ 435,000

Bonus Plans, Director Compensation Arrangements and Other Compensation

The information regarding bonus plans, director compensation arrangements and other compensation is set forth in our most recent definitive Proxy Statement for the Annual Meeting of Stockholders (and any definitive Annual Proxy Statement filed after the date hereof), which information is incorporated herein by reference.

BOYD GAMING CORPORATION

LIST OF SUBSIDIARIES:

California Hotel and Casino
d.b.a. California Hotel and Casino
d.b.a. Sam's Town Hotel, Gambling Hall and Bowling Center
(State of Incorporation or Organization) Nevada
(IRS Employer Identification Number) 88-0121743

Boyd Tunica, Inc.
d.b.a. Sam's Town Hotel and Gambling Hall
(State of Incorporation or Organization) Mississippi
(IRS Employer Identification Number) 64-0829658

Boyd Kenner, Inc.
(State of Incorporation or Organization) Louisiana
(IRS Employer Identification Number) 88-0319489

Sam-Will, Inc.
d.b.a. Fremont Hotel and Casino
(State of Incorporation or Organization) Nevada
(IRS Employer Identification Number) 88-0203673

Eldorado, Inc.
d.b.a. Eldorado Casino
d.b.a. Jokers Wild Casino
(State of Incorporation or Organization) Nevada
(IRS Employer Identification Number) 88-0093922

MSW, Inc.
d.b.a. Main Street Station Hotel, Casino and Brewery
(State of Incorporation or Organization) Nevada
(IRS Employer Identification Number) 88-0310765

Par-A-Dice Gaming Corporation
d.b.a. Par-A-Dice Hotel Casino
(State of Incorporation or Organization) Illinois
(IRS Employer Identification Number) 37-1268902

Boyd Louisiana L.L.C.
(State of Incorporation or Organization) Nevada
(IRS Employer Identification Number) 86-0880651

Treasure Chest Casino, LLC.
d.b.a. Treasure Chest Casino
(State of Incorporation or Organization) Louisiana
(IRS Employer Identification Number) 72-1248550

Blue Chip Casino, LLC.
d.b.a. Blue Chip Hotel, Casino & Spa
(State of Incorporation or Organization) Indiana
(IRS Employer Identification Number) 35-2087676

Boyd Atlantic City, Inc.
(State of Incorporation or Organization) New Jersey
(IRS Employer Identification Number) 93-1221994

California Hotel Finance Co.
(State of Incorporation or Organization) Nevada
(IRS Employer Identification Number) 88-0217850

Boyd Louisiana Racing, Inc.
(State of Incorporation or Organization) Louisiana
(IRS Employer Identification Number) 88-0494602

Boyd Racing, L.L.C.
d.b.a. Delta Downs Racetrack Casino & Hotel
(State of Incorporation or Organization) Louisiana
(IRS Employer Identification Number) 91-2121472

Coast Casinos, Inc.
(State of Incorporation or Organization) Nevada
(IRS Employer Identification Number) 20-0836222

Coast Hotels and Casinos, Inc.
d.b.a. Gold Coast Hotel and Casino
d.b.a. The Orleans Hotel and Casino
d.b.a. Suncoast Hotel and Casino
(State of Incorporation or Organization) Nevada
(IRS Employer Identification Number) 88-0345706

Boyd Shreveport, L.L.C.
(State of Incorporation or Organization) Louisiana
(IRS Employer Identification Number) 20-0635765

Boyd Red River, L.L.C.
(State of Incorporation or Organization) Louisiana
(IRS Employer Identification Number) 20-0635770

Red River Entertainment of Shreveport Partnership in Commendam
d.b.a. Sam's Town Hotel and Casino
(State of Incorporation or Organization) Louisiana
(IRS Employer Identification Number) 20-0753582

Boyd Pennsylvania, Inc.
(State of Incorporation or Organization) Pennsylvania
(IRS Employer Identification Number) 51-0559543

Boyd Pennsylvania Partners, LP
(State of Incorporation or Organization) Pennsylvania
(IRS Employer Identification Number) 20-3944905

Echelon Resorts Corporation
(State of Incorporation or Organization) Nevada
(IRS Employer Identification Number) 32-0163131

Echelon Resorts LLC
(State of Incorporation or Organization) Nevada
(IRS Employer Identification Number) 30-0346702

Boyd Florida LLC
(State of Incorporation or Organization) Mississippi
(IRS Employer Identification Number) 35-2271901

FGB Development, Inc.
(State of Incorporation or Organization) Florida
(IRS Employer Identification Number) 20-2310247

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-17941, 333-79895, 333-68130, 333-90840, 333-119850, 333-129421 and 333-153852 on Form S-8, and No. 333-156096 on Form S-3 of our reports dated March 2, 2009, relating to the consolidated financial statements of Boyd Gaming Corporation and subsidiaries (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the adoption in 2007 of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes -- an interpretation of FASB Statement No. 109*,), and the effectiveness of Boyd Gaming Corporation and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of Boyd Gaming Corporation for the year ended December 31, 2008.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada
March 2, 2009

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-17941, 333-79895, 333-68130, 333-90840, 333-119850, 333-129421 and 333-153852 on Form S-8, and No. 333-156096 on Form S-3 of our reports dated February 27, 2009 relating to the financial statements of Marina District Development Company, LLC and subsidiary appearing in this Annual Report on Form 10-K of Boyd Gaming Corporation and subsidiaries for the years ended December 31, 2008 and 2007.

/S/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
February 27, 2009

Exhibit 31.1

BOYD GAMING CORPORATION

CERTIFICATION

I, Keith E. Smith, certify that:

1. I have reviewed this annual report on Form 10-K of Boyd Gaming Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2009

/s/ Keith E. Smith

Keith E. Smith
President and Chief Executive Officer

Exhibit 31.2

BOYD GAMING CORPORATION

CERTIFICATION

I, Josh Hirsberg, certify that:

1. I have reviewed this annual report on Form 10-K of Boyd Gaming Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2009

/s/ Josh Hirsberg

Josh Hirsberg
Senior Vice President, Chief Financial Officer and Treasurer

Exhibit 32.1

BOYD GAMING CORPORATION

CERTIFICATION

In connection with the periodic report of Boyd Gaming Corporation (the "Company") on Form 10-K for the period ended December 31, 2008 as filed with the Securities and Exchange Commission (the "Report"), I, Keith E. Smith, President and Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: March 2, 2009

/s/ Keith E. Smith

Keith E. Smith
President and Chief Executive Officer

Exhibit 32.2

BOYD GAMING CORPORATION

CERTIFICATION

In connection with the periodic report of Boyd Gaming Corporation (the "Company") on Form 10-K for the period ended December 31, 2008 as filed with the Securities and Exchange Commission (the "Report"), I, Josh Hirsberg, Senior Vice President, Chief Financial Officer and Treasurer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: March 2, 2009

/s/ Josh Hirsberg

Josh Hirsberg
Senior Vice President, Chief Financial Officer and Treasurer

GOVERNMENTAL GAMING REGULATIONS

We are subject to extensive regulation under laws, rules and supervisory procedures primarily in the jurisdictions where our facilities are located or docked. If additional gaming regulations are adopted in a jurisdiction in which we operate, such regulations could impose restrictions or costs that could have a significant adverse effect on us. From time to time, various proposals have been introduced in the legislatures of some of the jurisdictions in which we have existing or planned operations that, if enacted, could adversely affect the tax, regulatory, operational or other aspects of the gaming industry and us. We do not know whether such legislation will be enacted. The federal government has also previously considered a federal tax on casino revenues and the elimination of betting on amateur sporting events and may consider such a tax or eliminations on betting in the future. In addition, gaming companies are currently subject to significant state and local taxes and fees in addition to normal federal and state corporate income taxes, and such taxes and fees are subject to increase at any time. Any material increase in these taxes or fees could adversely affect us.

Some jurisdictions, including Nevada, Illinois, Indiana, Louisiana, Mississippi, New Jersey and Florida, empower their regulators to investigate participation by licensees in gaming outside their jurisdiction and require access to periodic reports respecting those gaming activities. Violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions.

Under provisions of gaming laws in jurisdictions in which we have operations, and under our organizational documents, certain of our securities are subject to restrictions on ownership which may be imposed by specified governmental authorities. The restrictions may require a holder of our securities to dispose of the securities or, if the holder refuses, or is unable, to dispose of the securities, we may be required to repurchase the securities.

The indenture governing our outstanding notes provides that if a holder of a note or beneficial owner of a note is required to be licensed, qualified or found suitable under the applicable gaming laws and is not so licensed, qualified or found suitable within the time period specified by the applicable gaming authority, the holder will be required, at our request, to dispose of its notes within a time period that either we prescribe or such other time period prescribed by the applicable gaming authority, and thereafter, we shall have the right to redeem such holder's notes.

Nevada

The ownership and operation of casino gaming facilities in Nevada are subject to the Nevada Gaming Control Act and the regulations promulgated by the Nevada Gaming Commission thereunder, which we refer to as the Nevada Act, including various local codes and ordinances. Our gaming operations are subject to the licensing and regulatory control of the Nevada Gaming Commission, which we refer to as the Nevada Commission, the Nevada State Gaming Control Board, which we refer to as the Nevada Board, the Clark County Liquor and Gaming Licensing Board, and the City of Las Vegas, which, with the Nevada Commission and the Nevada Board, we collectively refer to as the Nevada Gaming Authorities.

The laws, regulations and supervisory procedures of the Nevada Gaming Authorities are based upon declarations of public policy that are concerned with, among other things:

- the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
- the establishment and maintenance of responsible accounting practices and procedures;
- the maintenance of effective controls over the financial practices of licensees, including establishing minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues;
- providing reliable record keeping and requiring the filing of periodic reports with the Nevada Gaming Authorities;
- the prevention of cheating and fraudulent practices;
- the maintenance of a Gaming Compliance and Reporting Plan, including the establishment of a Gaming Compliance Committee and the retention of a Corporate Compliance Officer; and
- the provision of a source of state and local revenues through taxation and licensing fees.

Changes in such laws, regulations and procedures could have an adverse effect on our gaming operations and our business, financial condition and results of operations.

Corporations that operate casinos in Nevada are required to be licensed by the Nevada Gaming Authorities. A gaming license requires the periodic payment of fees and taxes and is not transferable. We are registered by the Nevada Commission

as a publicly traded corporation, or a Registered Corporation. As a Registered Corporation, we are required periodically to submit detailed financial and operating reports to the Nevada Commission and furnish any other information which the Nevada Commission may require. We have been found suitable by the Nevada Commission to own the stock of California Hotel and Casino and of Coast Casinos, Inc. California Hotel and Casino is licensed by the Nevada Commission to operate non-restricted gaming activities at the California and Sam's Town Las Vegas and is additionally registered as a holding company and approved by the Nevada Gaming Authorities to own the stock of Sam-Will, Inc., the operator of the Fremont, Eldorado, Inc., the operator of the Eldorado Casino and Jokers Wild, and M.S.W., Inc., the operator of Main Street Station. Coast Casinos, Inc. is registered as a holding company and approved by the Nevada Gaming Authorities to own the stock of Coast Hotels and Casinos, Inc., the operator of Gold Coast Hotel and Casino, The Orleans Hotel and Casino, Suncoast Hotel and Casino, and the sports pool only at Renata's Supper Club. In 2003, the Nevada Commission approved Boyd Louisiana Racing Inc. and Boyd Racing L.L.C., d.b.a. Delta Downs Racetrack, Casino & Hotel, to share in the revenue from the conduct of off-track pari-mutuel wagering, under certain conditions, as it pertains to the broadcast of live racing events to licensed Nevada pari-mutuel race books. No person may become a stockholder of, or receive any percentage of profits from, California Hotel and Casino or its subsidiaries or of Coast Casinos, Inc. or its subsidiary without first obtaining licenses and approvals from the Nevada Gaming Authorities, we refer to all of the foregoing entities collectively as the Licensed Subsidiaries. Boyd Gaming and all of its Licensed Subsidiaries have obtained from the Nevada Gaming Authorities the various registrations, approvals, permits and licenses required in order to engage in gaming activities in Nevada.

The Nevada Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with, Boyd Gaming and its Licensed Subsidiaries in order to determine whether such individual is suitable or should be licensed as a business associate of a gaming licensee. Officers, directors and certain key employees of the Licensed Subsidiaries must file applications with the Nevada Gaming Authorities and may be required to be licensed or found suitable by the Nevada Gaming Authorities. Our officers, directors and key employees who are actively and directly involved in gaming activities of the Licensed Subsidiaries may be required to be licensed or found suitable by the Nevada Gaming Authorities. The Nevada Gaming Authorities may deny an application for licensing for any cause which they deem reasonable. A finding of suitability is comparable to licensing, and both require submission of detailed personal and financial information followed by a thorough investigation. The applicant for licensing or a finding of suitability must pay all the costs of the investigation. Changes in licensed positions must be reported to the Nevada Gaming Authorities within 30 days as proscribed by law and, in addition to their authority to deny an application for a finding of suitability or licensure, the Nevada Gaming Authorities have jurisdiction to disapprove a change in a corporate position.

If the Nevada Gaming Authorities were to find an officer, director or key employee unsuitable for licensing or unsuitable to continue having a relationship with us or any of our Licensed Subsidiaries, the companies involved would have to sever all relationships with such person. In addition, the Nevada Commission may require Boyd Gaming or any of its Licensed Subsidiaries to terminate the employment of any person who refuses to file appropriate applications. Determinations of suitability or questions pertaining to licensing are not subject to judicial review in Nevada.

Boyd Gaming and its Licensed Subsidiaries are required to submit detailed financial and operating reports to the Nevada Commission. Substantially all material loans, leases, sales of securities and similar financing transactions by the Licensed Subsidiaries must be reported to, and/or approved by, the Nevada Commission.

If it were determined that the Nevada Act was violated by any of the Licensed Subsidiaries, the gaming licenses they hold could be limited, conditioned, suspended or revoked, subject to compliance with certain statutory and regulatory procedures. In addition, Boyd Gaming and the persons involved could be subject to substantial fines for each separate violation of the Nevada Act or Regulations at the discretion of the Nevada Commission. Further, a supervisor could be nominated by the Nevada Commission for court appointment to operate our gaming properties and, under certain circumstances, earnings generated during the supervisor's appointment (except for reasonable rental value of our gaming properties) could be forfeited to the State of Nevada. Limitation, conditioning or suspension of any gaming license or the appointment of a supervisor could (and revocation of any gaming license would) materially adversely affect our gaming operations and our business, financial condition and results of operations.

Any beneficial holder of our voting securities, regardless of the number of shares owned, may be required to file an application, be investigated and have his suitability reviewed as a beneficial holder of our voting securities if the Nevada Commission has reason to believe that such ownership would otherwise be inconsistent with the declared policies of the State of Nevada. The applicant must pay all costs of investigation incurred by the Nevada Gaming Authorities in conducting any such investigation.

The Nevada Act requires any person who acquires more than 5% of our voting securities to report the acquisition to the Nevada Commission. The Nevada Act requires that beneficial owners of more than 10% of our voting securities apply to the Nevada Commission for a finding of suitability within 30 days after the Chairman of the Nevada Board mails the written

notice requiring such filing. Under certain circumstances, an "institutional investor," as defined in the Nevada Act, which acquires more than 10%, but not more than 15%, of our voting securities may apply to the Nevada Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes only. An institutional investor shall not be deemed to hold voting securities for investment purposes unless the voting securities were acquired and are held in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of the members of our board of directors, any change in our corporate charter, bylaws, management, policies or operations, or any of our gaming affiliates, or any other action which the Nevada Commission finds to be inconsistent with holding our voting securities for investment purposes only. Activities that are not deemed to be inconsistent with holding voting securities for investment purposes include only:

- voting on all matters voted on by stockholders;
- making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in our management, policies or operations; and
- such other activities as the Nevada Commission may determine to be consistent with such investment intent.

If the beneficial holder of voting securities who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information including a list of beneficial owners. The applicant is required to pay all costs of investigation.

Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Nevada Commission or the Chairman of the Nevada Board, may be found unsuitable. The same restrictions apply to a record owner if the record owner, after request, fails to identify the beneficial owner. Any stockholder found unsuitable and who holds, directly or indirectly, any beneficial ownership of the common stock of a Registered Corporation beyond such period of time as may be prescribed by the Nevada Commission may be guilty of a criminal offense. We are subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us, or any of our Licensed Subsidiaries, we:

- pay that person any dividend or interest upon voting securities of Boyd Gaming;
- allow that person to exercise, directly or indirectly, any voting right conferred through securities held by the person;
- pay remuneration in any form to that person for services rendered or otherwise; or
- fail to pursue all lawful efforts to require such unsuitable person to relinquish their voting securities for cash at fair market value.

Additionally, the Clark County Liquor and Gaming Licensing Board has taken the position that it has the authority to approve all persons owning or controlling the stock of any corporation controlling a gaming license.

The Nevada Commission may, at its discretion, require the holder of any debt security of a Registered Corporation to file applications, be investigated and be found suitable to own the debt security of a Registered Corporation. If the Nevada Commission determines that a person is unsuitable to own such security, then pursuant to the Nevada Act, the Registered Corporation can be sanctioned, including the loss of its approvals, if without the prior approval of the Nevada Commission, it:

- pays to the unsuitable person any dividend, interest, or any distribution whatsoever;
- recognizes any voting right by such unsuitable person in connection with such securities;
- pays the unsuitable person remuneration in any form; or
- makes any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation, or similar transaction.

We are required to maintain a current stock ledger in Nevada which may be examined by the Nevada Gaming Authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Nevada Gaming Authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. We are also required to render maximum assistance in determining the identity of the beneficial owner.

We may not make a public offering of our securities without the prior approval of the Nevada Commission if the securities or the proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for such purposes. Any representation to the contrary is unlawful. In September 2007, the Nevada Commission granted us two years, the maximum time permitted, in which to make public offerings of debt or equity. This two-year approval or continuous or delayed public offering approval, also known as a shelf approval, is subject to certain conditions and expires in September 2009, at which time we will seek to renew the approval. The Nevada Commission's approval may be rescinded for good cause without prior notice upon the issuance of an interlocutory stop order by the Chairman of the Nevada Board.

Changes in control of Boyd Gaming through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or any act or conduct by a person whereby he obtains control, may not occur without the prior approval of the Nevada Commission. Entities seeking to acquire control of a Registered Corporation must satisfy the Nevada Gaming Authorities in a variety of stringent standards prior to assuming control of such Registered Corporation. The Nevada Commission may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

The Nevada legislature has declared that some corporate acquisitions opposed by management, repurchase of voting securities and corporate defense tactics affecting Nevada gaming licensees, and Registered Corporations that are affiliated with those licensees, may be injurious to stable and productive corporate gaming. The Nevada Commission has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Nevada's gaming industry and to further Nevada's policy to:

- assure the financial stability of corporate gaming operators and their affiliates;
- preserve the beneficial aspects of conducting business in the corporate form; and
- promote a neutral environment for the orderly governance of corporate affairs.

Approvals are, in certain circumstances, required from the Nevada Commission before we can make exceptional repurchases of voting securities above the current market price thereof and before a corporate acquisition opposed by management can be consummated. As a Registered Corporation, the Nevada Act also requires prior approval of a plan of recapitalization proposed by our board of directors in response to a tender offer made directly to our stockholders for the purposes of acquiring control of us.

License fees and taxes, computed in various ways depending on the type of gaming or activity involved, are payable to the State of Nevada, Clark County and the City of Las Vegas. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly, quarterly or annually and are based upon:

- a percentage of the gross revenues received;
- the number of gaming devices operated; or
- the number of table games operated.

An excise tax is also paid by casino operations upon admission to certain facilities offering live entertainment, including the selling of food, refreshment and merchandise in connection therewith.

Any person who is licensed, required to be licensed, registered, required to be registered, or is under common control with such persons, which we refer to as Licensees, and who proposes to become involved in a gaming venture outside of Nevada is required to deposit with the Nevada Board, and thereafter maintain, a revolving fund in the amount of $10,000 to pay the expenses of investigation of the Nevada Board of their participation in such foreign gaming. The revolving fund is subject to increase or decrease in the discretion of the Nevada Commission. Thereafter, Licensees are required to comply with certain reporting requirements imposed by the Nevada Act. Licensees are also subject to disciplinary action by the Nevada Commission if they knowingly violate any laws of the foreign jurisdiction pertaining to the foreign gaming operation, fail to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations, engage in activities that are harmful to the State of Nevada or its ability to collect gaming taxes and fees, or employ a person in the foreign operation who has been denied a license or finding of suitability in Nevada on the ground of personal unsuitability.

The sale of food or alcoholic beverages at our Nevada casinos is subject to licensing, control and regulation by the applicable local authorities. All licenses are revocable and are not transferable. The agencies involved have full power to limit, condition, suspend or revoke any such license, and any such disciplinary action could, and a revocation would, have a significant adverse effect upon the operations of the affected casino or casinos.

Illinois

We are subject to the jurisdiction of the Illinois gaming authorities as a result of our ownership and operation of Par-A-Dice Hotel Casino in East Peoria, Illinois.

In February 1990, the State of Illinois legalized riverboat gambling. The Illinois Riverboat Gambling Act, which we refer to as the initial Illinois Act, authorizes the five-member Illinois Gaming Board, which we refer to as the Illinois Board,

to issue up to ten riverboat gaming owners' licenses on navigable streams within or forming a boundary of the State of Illinois except for Lake Michigan and any waterway in Cook County, which includes Chicago. Pursuant to the initial Illinois Act, a licensed owner who holds greater than a 10% interest in one riverboat operation, could hold no more than a 10% interest in any other riverboat operation. In addition, the initial Illinois Act restricted the location of certain of the ten owners' licenses. Four of the licenses were to be located on the Mississippi River, one license was to be at a location on the Illinois River south of Marshall County and one license had to be located on the Des Plaines River in Will County. The remaining licenses were not restricted as to location. Currently, nine owners' licenses are in operation, including one license in each of Alton, Aurora, East Peoria, East St. Louis, Elgin, Metropolis, Rock Island and two licenses in Joliet.

The tenth license that was initially granted to Emerald Casino Inc. – an operator in East Dubuque which we refer to as Emerald Casino – was not renewed by the Illinois Board and was the subject of protracted litigation that concluded. Various appeals in the Illinois Appellate Court for the First and Fourth Districts followed the Illinois Board's denial of Emerald Casino's request for renewal of the tenth license on March 6, 2001 and subsequent revocation of the license in December 2005. Although the Illinois Appellate Court ultimately ordered the Illinois Board to issue Emerald Casino's license for renewal, the Illinois Appellate Court also affirmed the Illinois Board's decision to revoke that license. The Illinois Supreme Court refused Emerald Casino's request to review the latter decision, and Emerald Casino announced that it would not pursue any additional appeals in the matter. As a result, the Board has authorized a bid process to issue the tenth license to a new operator. On December 6, 2007, the Illinois Department of Central Management Services issued a Request for Proposal to receive bids from investment banking firms to oversee the bid process. Credit Suisse was the successful bidder and oversaw the bid process for the tenth Illinois gaming license. Seven bids were submitted to the Illinois Board to provide gaming operations in Waukegan, Rosemont, Des Plaines, Stickney, Country Club Hills, Calumet City, and Harvey. The Illinois Board selected the Waukegan, Rosemont and Des Plaines sites as the three finalists. On December 22, 2008, the Illinois Board announced that it awarded the tenth Illinois gaming license to Midwest Gaming & Entertainment LLC, which will develop and operate a casino in Des Plaines. The effect of the tenth Illinois license gaming operation on the Par-A-Dice Casino is unknown at this time.

Furthermore, under the initial Illinois Act, no gambling could be conducted while a riverboat was docked. A gaming excursion could last no more than four hours, and a gaming excursion was deemed to have started when the first passenger boarded a riverboat. Gaming could continue during passenger boarding for a period of up to 30 minutes. Gaming was also allowed for a period of up to 30 minutes after the gangplank or its equivalent was lowered, thereby allowing passengers to exit the riverboat. During the 30-minute exit time period, new passengers were not allowed to board the riverboat. Although riverboats were mandated to cruise, there were certain exceptions. If a riverboat captain reasonably determined that either it was unsafe to transport passengers on the waterway due to inclement weather or the riverboat had been rendered temporarily inoperable by unforeseeable mechanical or structural difficulties or river icing, the riverboat could remain dockside or return to the dock. In those situations, a gaming excursion could commence or continue while the gangplank or its equivalent was raised and remained raised, in which event the riverboat was not considered docked. If a gaming excursion had to begin or continue with the gangplank or its equivalent raised, and the riverboat did not leave the dock, entry of new patrons on to the riverboat was prohibited until the completion of the excursion.

In June of 1999, amendments to the Illinois Act, which we refer to as the Amended Illinois Act, were passed by the legislature and signed into law by the Governor. The Amended Illinois Act redefined the conduct of gaming in the state. Pursuant to the Amended Illinois Act, riverboats can conduct gambling without cruising, and passengers can enter and leave a riverboat at any time. In addition, riverboats may now be located upon any water within Illinois, and not just navigable waterways. There is no longer any prohibition of a riverboat being located in Cook County. Riverboats are now defined as self-propelled excursion boats or permanently moored barges. The Amended Illinois Act requires that only three, rather than four, owners' licenses, be located on the Mississippi River. The 10% ownership prohibition has also been removed. Therefore, subject to certain Illinois Board rules, individuals or entities could own more than one riverboat operation.

The Amended Illinois Act also allows for the relocation of a riverboat home dock. A licensee that was not conducting riverboat gambling on January 1, 1998, may apply to the Illinois Board for renewal and approval of relocation to a new home dock and the Illinois Board shall grant the application and approval of the new home dock upon the licensee providing to the Illinois Board authorization from the new dockside community. Any licensee that relocates in accordance with the provisions of the Amended Illinois Act must attain a level of at least 20% minority ownership of such a gaming operation.

The initial Illinois Act strictly regulates the facilities, persons, associations and practices related to gaming operations. The initial Illinois Act grants the Illinois Board specific powers and duties, and all other powers necessary and proper to fully and effectively execute the initial Illinois Act for the purpose of administering, regulating and enforcing the system of riverboat gaming. The Illinois Board has authority over every person, association, corporation, partnership and trust involved in riverboat gaming operations in the State of Illinois.

The initial Illinois Act requires the owner of a riverboat gaming operation to hold an owner's license issued by the Illinois Board. Each owner's license permits the holder to own up to two riverboats, however, gaming participants are limited to 1,200 for any owner's license. The number of gaming participants will be determined by the number of gaming positions available. Gaming positions are counted as follows:

- electronic gaming devices positions will be determined as 90% of the total number of devices available for play;
- craps tables will be counted as having ten gaming positions; and
- games utilizing live gaming devices, except for craps, will be counted as having five gaming positions.

Each owner's license initially runs for a period of three years. Thereafter, the license must be renewed annually. Under the Amended Illinois Act, the Board may renew an owner's license for up to four years. An owner licensee is eligible for renewal upon payment of the applicable fee and a determination by the Illinois Board that the licensee continues to meet all of the requirements of the initial Illinois Act and Illinois Board rules. The owner's license for Par-A-Dice Riverboat Casino initially expired in February 1995. Since that time the license has been renewed every four years, the maximum time permitted by the Illinois Act. An ownership interest in an owner's license may not be transferred or pledged as collateral without the prior approval of the Illinois Board.

Pursuant to the Amended Illinois Act, which removed the 10% ownership prohibition, the Illinois Board established certain rules to effectuate this statutory change. In deciding whether to approve direct or indirect ownership or control of an owner's license, the Illinois Board shall consider the impact of any economic concentration of the ownership or control. No direct or indirect ownership or control shall be approved which will result in undue economic concentration of the ownership of riverboat gambling operations in Illinois. Undue economic concentration means that a person or entity would have actual or potential domination of riverboat gambling in Illinois sufficient to:

- substantially impede or suppress competition among holders of owners' licenses;
- adversely impact the economic stability of the riverboat casino industry in Illinois; or
- negatively impact the purposes of the initial Illinois Act, including tourism, economic development, benefits to local communities, and State and local revenues.

The Illinois Board will consider the following criteria in determining whether the approval of the issuance, transfer or holding of a license will create undue economic concentration:

- the percentage share of the market presently owned or controlled by the person or entity;
- the estimated increase in the market share if the person or entity is approved to hold the owner's license;
- the relative position of other persons or entities that own or control owners' licenses in Illinois;
- the current and projected financial condition of the riverboat gaming industry;
- the current market conditions, including proximity and level of competition, consumer demand, market concentration, and any other relevant characteristics of the market;
- whether the license to be approved has separate organizational structures or other independent obligations;
- the potential impact on the projected future growth and development of the riverboat gambling industry, the local communities in which licenses are located, and the State of Illinois;
- the barriers to entry into the riverboat gambling industry and if the approval of the license will operate as a barrier to new companies and individuals desiring to enter the market;
- whether the approval of the license is likely to result in enhancing the quality and customer appeal of products and services offered by riverboat casinos in order to maintain or increase their respective market shares;
- whether a restriction on the approval of the additional license is necessary in order to encourage and preserve competition in casino operations; and
- any other relevant information.

The initial Illinois Act does not limit the maximum bet or per patron loss. Minimum and maximum wagers on games are set by the owner licensee. Wagering may not be conducted with money or other negotiable currency. No person under the age of 21 is permitted to wager and wagers may only be received from a person present on the riverboat. With respect to electronic gaming devices, the payout percentage may not be less than 80% nor more than 100%.

An admission tax is imposed on the owner of a riverboat operation. Effective July 1, 2003, additional amendments to the Amended Illinois Act were passed by the legislature and signed into law by the Governor, which we refer to as the Second Amended Illinois Act. Under the Second Amended Illinois Act, for an owner licensee that admitted 2,300,000 persons or fewer in the previous calendar year, the admission tax is $4.00 per person and for a licensee that

admitted more that 2,300,000 persons in the previous calendar year, the admission tax is $5.00. Additionally, a wagering tax is imposed on the adjusted gross receipts, as defined in the initial Illinois Act, of a riverboat operation. As of July 1, 2003, pursuant to the

Second Amended Illinois Act, the wagering tax was increased as follows: 15% of annual adjusted gross receipts up to and including $25 million; 27.5% of annual adjusted gross receipts in excess of $25 million but not exceeding $37.5 million; 32.5% of annual adjusted gross receipts in excess of $37.5 million but not exceeding $50 million; 37.5% of annual adjusted gross receipts in excess of $50 million but not exceeding $75 million; 45% of annual adjusted gross receipts in excess of $75 million but not exceeding $100 million; 50% of annual adjusted gross receipts in excess of $100 million but not exceeding $250 million; and 70% of annual adjusted gross receipts in excess of $250 million. The owner licensee is required, on a daily basis, to wire the wagering tax payment to the Illinois Board. The wagering tax as outlined in the Second Amended Illinois Act shall no longer be imposed beginning on the earlier of (i) July 1, 2005; (ii) the first date after the effective date of the Second Amended Illinois Act that riverboat gambling operations are conducted pursuant to the dormant tenth license or (iii) the first day that riverboat gambling operations are conducted under the authority of an owner's license that is in addition to the ten owners' licenses authorized by the Initial Act. Thereafter, the tax will roll back to the rates as outlined in the Amended Illinois Act.

Effective July 1, 2005, additional amendments to the Second Amended Act were passed by the legislature and signed into law by the Governor, which we refer to as the Third Amended Illinois Act. Under the Third Amended Act, for an owner that admitted 1,000,000 persons or fewer in calendar year 2004, the admission tax is $2.00 and for all other licensees it is $3.00 per person admitted. Additionally, the wagering tax provisions were "rolled back" to the rates as defined in the Amended Illinois Act. Thus, the effective wager tax rates are: 15% of annual adjusted gross receipts up to and including $25 million; 22.5% of annual adjusted gross receipts in excess of $25 million but not exceeding $50 million; 27.5% of annual adjusted gross receipts in excess of $50 million but not exceeding $75 million; 32.5% of annual adjusted gross receipts in excess of $75 million but not exceeding $100 million; 37.5% of annual adjusted gross receipts in excess of $100 million but not exceeding $150 million; 45% of annual adjusted gross receipts in excess of $150 million but not exceeding $200 million; and $50% of annual adjusted gross receipts in excess of $200 million, which we refer to as the Privilege Tax. In addition to payment of the above listed amounts, by June 15 of each year, each owner (other than an owner that admitted 1,000,000 or fewer persons in calendar year 2004) must pay to the Illinois Board the amount, if any, by which the base amount for the licensed owner exceeds the amount of tax paid pursuant to the Third Amended Act. The base amount for a riverboat in East Peoria is $43 million. This obligation terminates on the earliest of (i) July 1, 2007, (ii) the first day after the effective date of the Third Amended Act that riverboat gambling operations are conducted pursuant to a dormant license, (iii) the first day that riverboat gambling operations are conducted under the authority of an owner's license that is in addition to the ten owners' licenses initially authorized, or (iv) the first day that a licensee under the Illinois Horse Racing Act of 1975 conducts gaming operations with slot machines or other electronic gaming devices. The obligation to meet these base amount requirements terminated on July 1, 2007.

The Illinois Board has the authority to reduce the above mentioned wagering tax obligation imposed under the Third Amended Act by an amount the Board deems reasonable for acts of God, terrorism, bioterrorism or a condition beyond the control of the owner licensee. There can be no assurance that the Illinois legislature will not enact additional legislation regarding admission and wagering tax rates.

Effective May 26, 2006, additional amendments to the Third Amended Act were passed by the legislature and signed into law by the Governor, which we refer to as the Fourth Amended Act. Under the Fourth Amended Act, and for a period of two (2) years beginning May 26, 2006, owner licensees that operate a riverboat with adjusted gross receipts in 2004 greater than $200 million paid – in addition to the amounts referenced above – an amount equal to 3% of the adjusted gross receipts received into the Horse Racing Equity Trust Fund, which we refer to as the Surcharge. This provision affected four owner licensees, but did not apply to Par-A-Dice Hotel Casino in East Peoria, Illinois.

On May 30, 2006, four days after the Fourth Amended Act was signed into law, the four casinos affected by the Surcharge filed a lawsuit in the Circuit Court of the Twelfth Judicial Circuit in Will County, Illinois against the Treasurer of the State of Illinois and the Illinois Racing Board. The four-count Complaint sought a declaratory judgment that the Fourth Amended Act's Surcharge was unconstitutional and a permanent injunction against its enforcement. On March 26, 2007, the Illinois circuit court granted summary judgment in favor of the four casinos for violation of the Illinois Constitution's Uniformity Clause, but in favor of the defendants and the racetracks that later intervened on the remaining claims in the complaint. The defendants and the racetracks filed an appeal with the Illinois Supreme Court, which reversed the lower court's decision and ruled in favor of the State. The affected casinos are in the process of appealing this decision to the US Supreme Court. Effective December 15, 2008, the legislature passed and the Governor signed into law amendments that re-enact similar provisions of the Fourth Amended Act, which require the same casinos to pay the Surcharge until the earliest of the following occurs: (i) December 15, 2011; (ii) any organization licensee begins to operate a slot machine or video game of chance under the Illinois Horse Racing Law of 1975 or the initial Illinois Act; (iii) payments begin under subsection (c-5) of Section 13 of the initial Illinois Act or (iv) the wagering tax imposed under Section 13 of the initial Illinois Act is increased to reflect a tax rate that is at least as stringent or more stringent than the wagering tax imposed under the Second Amended Act described above. It is expected that the affected casinos will again file a lawsuit contesting the Surcharge. The new law does not apply to the Par-A-Dice Hotel and Casino.

Effective June 6, 2006, additional amendments to the Fourth Amended Act were passed by the legislature and signed into law by the Governor, which we refer to as the Fifth Amended Act to restate and clarify the Third Amended Act as to the amount of payments an owner licensee is required to make to the Illinois Board. The Fifth Amended Act now provides that – in addition to any amounts due pursuant to the Privilege Tax – each owner licensee (other than an owner that admitted 1,000,000 or fewer persons in calendar year 2004) must pay to the Illinois Board the amount by which its pre-determined base amount exceeds the amount of "net privilege tax" remitted. The Fifth Amended Act defines "net privilege tax" as all Privilege Taxes paid by a licensed owner to the Illinois Board, less the amount equal to 5% of the adjusted gross receipts generated by an owner licensee that is paid from the State Gaming Fund to the unit of local government designated as the home dock of the owner licensee's riverboat. As stated above, the requirement to pay the difference between pre-determined base amounts and "net privilege taxes" terminated on July 1, 2007.

In addition to owner's licenses, the Illinois Board also requires licensing for all vendors of gaming supplies and equipment and for all employees of a riverboat gaming operation. The Illinois Board is authorized to conduct investigations into the conduct of gaming and into alleged violations of the Illinois Act and the Illinois Board rules. Employees and agents of the Illinois Board have access to and may inspect any facilities relating to the riverboat gaming operation.

A holder of any license is subject to the imposition of fines, suspension or revocation of such license, or other action for any act or failure to act by himself or his agents or employees, that is injurious to the public health, safety, morals, good order and general welfare of the people of the State of Illinois, or that would discredit or tend to discredit the Illinois gaming industry or the State of Illinois. Any riverboat operations not conducted in compliance with the initial Illinois Act may constitute an illegal gaming place and consequently may be subject to criminal penalties, which penalties include possible seizure, confiscation and destruction of illegal gaming devices and seizure and sale of riverboats and dock facilities to pay any unsatisfied judgment that may be recovered and any unsatisfied fine that may be levied. The initial Illinois Act also provides for civil penalties, equal to the amount of gross receipts derived from wagering on the gaming, whether unauthorized or authorized, conducted on the day of any violation. The Illinois Board may revoke or suspend licenses, as the Illinois Board may see fit and in compliance with applicable laws of the State of Illinois regarding administrative procedures and may suspend an owner's license, without notice or hearing, upon a determination that the safety or health of patrons or employees is jeopardized by continuing a riverboat's operation. The suspension may remain in effect until the Illinois Board determines that the cause for suspension has been abated and it may revoke the owner's license upon a determination that the owner has not made satisfactory progress toward abating the hazard.

If the Illinois Board has suspended, revoked or refused to renew the license of an owner or if a riverboat gambling operation is closing and the owner is voluntarily surrendering its owner's license, the Illinois Board may petition the local circuit court, which we refer to as the Court, in which the riverboat is situated for appointment of a receiver. The court will have sole jurisdiction over any and all issues pertaining to the appointment of a receiver. The Illinois Board will specify the specific powers, duties and limitations for the receiver, including but not limited to the authority to:

- hire, fire, promote and discipline personnel and retain outside employees or consultants;
- take possession of any and all property, including but not limited to its books, records, and papers;
- preserve or dispose of any and all property;
- continue and direct the gaming operations under the monitoring of the Illinois Board;
- discontinue and dissolve the gaming operation;
- enter into and cancel contracts;
- borrow money and pledge, mortgage or otherwise encumber the property;
- pay all secured and unsecured obligations;
- institute or defend actions by or on behalf of the holder of an owner's license; and
- distribute earnings derived from gaming operations in the same manner as admission and wagering taxes are distributed under Sections 12 and 13 of the initial Illinois Act.

The Illinois Board will submit at least three nominees to the Court. The nominees may be individuals or entities selected from an Illinois Board approved list of pre-qualified receivers who meet the same criteria for a finding of preliminary suitability for licensure under Sections 3000.230(c)(2)(B) and (C) of the rules promulgated by the Illinois Board. In the event that the Illinois Board seeks the appointment of a receiver on an emergency basis, the Illinois Board will submit at least two nominees selected from the Illinois Board approved list of pre-qualified receivers to the Court and will issue a Temporary Operating Permit to the receiver appointed by the Court. A receiver, upon appointment by the court, will before assuming his or her duties, execute and post the same bond as an owner licensee pursuant to Section 10 of the initial Illinois Act.

The receiver will function as an independent contractor, subject to the direction of the Court. However, the receiver will also provide to the Illinois Board regular reports and provide any information deemed necessary for the Illinois Board to ascertain the receiver's compliance with all applicable rules and laws. From time to time, the Illinois Board may, at its sole discretion, report to the Court on the receiver's level of compliance and any other information deemed appropriate for disclosure to the Court. The term and compensation of the receiver shall be set by the Court. The receiver will provide to the Court and the Illinois Board at least 30 days written notice of any intent to withdraw from the appointment or to seek modification of the appointment. Except as otherwise provided by action to the Illinois Board, the gaming operation will be deemed a licensed operation subject to all rules of the Illinois Board during the tenure of any receivership.

The Illinois Board requires that a "Key Person" of an owner licensee submit a Personal Disclosure or Business Entity Form and be investigated and approved by the Illinois Board. The Illinois Board shall certify for each applicant for or holder of an owner's license each position, individual or Business Entity that is to be approved by the Illinois Board and maintain suitability as a Key Person. With respect to an applicant for or the holder of an owner's license, Key Person shall include:

- any Business Entity and any individual with an ownership interest or voting rights of more than 5% in the licensee or applicant, and the trustee of any trust holding such ownership interest or voting rights;

- the directors of the licensee or applicant and its chief executive officer, president and chief operating officer, or their functional equivalents; and

- all other individuals or Business Entities that, upon review of the applicant's or licensee's Table of Organization, Ownership and Control (as discussed below), the Illinois Board determines hold a position or a level of ownership, control or influence that is material to the regulatory concerns and obligations of the Illinois Board for the specified licensee or applicant.

In order to assist the Illinois Board in its determination of Key Persons, applicants for or holders of an owner's license shall provide to the Illinois Board a Table of Organization, Ownership and Control, which we refer to as the Table. The Table will identify in sufficient detail the hierarchy of individuals and Business Entities that, through direct or indirect means, manage, own or control the interest and assets of the applicant or license holder. If a Business Entity identified in the Table is a publicly -traded company, the following information must be provided in the Table:

- the name and percentage of ownership interest of each individual or Business Entity with ownership of more than 5% of the voting shares of the entity, to the extent such information is known or contained in Schedules 13D or 13G filed with the Securities and Exchange Commission;

- to the extent known, the names and percentage of interest of ownership of persons who are relatives of one another and who together (as individuals or through trusts) exercise control over or own more than 10% of the voting shares of the entity; and

- any trust holding more than 5% of the ownership or voting interest in the entity, to the extent such information is known or contained in Schedules 13D or 13G filed with the Securities and Exchange Commission. The Table may be disclosed under the Freedom of Information Act.

Each owner licensee must provide a means for the economic disassociation of a Key Person in the event such economic disassociation is required by an order of the Illinois Board. Based upon findings from an investigation into the character, reputation, experience, associations, business probity and financial integrity of a Key Person, the Illinois Board may enter an order upon the licensee or require the economic disassociation of such Key Person.

Furthermore, each applicant or owner licensee must disclose the identity of every person, association, trust or corporation having a greater than 1% direct or indirect pecuniary interest in an owner licensee or in the riverboat gaming operation with respect to which the license is sought. The Illinois Board may also require an applicant or owner licensee to disclose any other principal or investor and require the investigation and approval of such individuals.

The Illinois Board (unless the investor qualifies as an Institutional Investor) requires a Personal Disclosure Form from any person or entity who or which, individually or in association with others, acquires directly or indirectly, beneficial ownership of more than 5% of any class of voting securities or non-voting securities convertible into voting securities of a publicly-traded corporation which holds an ownership interest in the holder of an owner's license. If the Illinois Board denies an application for such a transfer and if no hearing is requested, the applicant for the transfer of ownership interest must promptly divest those shares in the publicly-traded parent corporation. The holder of an owner's license would not be able to distribute profits to a publicly-traded parent corporation until such shares have been divested. If a hearing is requested, the shares need not be divested and profits may be distributed to a publicly-held parent corporation pending the issuance of a final order from the Illinois Board.

An Institutional Investor that, individually or jointly with others, cumulatively acquires, directly or indirectly, 5% or more of any class of voting securities of a publicly-traded licensee or a licensee's publicly-traded parent corporation shall, within no less than ten days after acquiring such securities, notify the administrator of the Illinois Board, who we refer to as

the Administrator, of such ownership and shall provide any additional information as may be required. If an Institutional Investor (as specified above) acquires 10% or more of any class of voting securities of a publicly-traded licensee or a licensee's publicly-traded parent corporation, then it shall file an Institutional Investor Disclosure Form within 45 days after acquiring such level of ownership interest. The owner licensee shall notify the Administrator as soon as possible after it becomes aware that it or its parent is involved in an ownership acquisition by an Institutional Investor. The Institutional Investor also has an obligation to notify the Administrator of its ownership interest.

In addition to Institutional Investor Disclosure Forms, certain other forms may be required to be submitted to the Illinois Board. An owner- licensee must submit a Marketing Agent Form to the Illinois Board for each Marketing Agent with whom it intends to do business. A Marketing Agent is a person or entity, other than a junketeer or an employee of a riverboat gaming operation, who is compensated by the riverboat gaming operation in excess of $100 per patron per trip for identifying and recruiting patrons. Key Persons of owner- licensees must submit Trust Identification Forms for trusts, excluding land trusts, for which they are a grantor, trustee or beneficiary each time such a trust relationship is established, amended or terminated.

Applicants for and holders of an owner's license are required to obtain formal approval from the Illinois Board for changes in the following areas:

- Key Persons;
- type of entity;
- equity and debt capitalization of the entity;
- investors or debt holders;
- source of funds;
- applicant's economic development plan;
- riverboat capacity or significant design change;
- gaming positions;
- anticipated economic impact; or
- agreements, oral or written, relating to the acquisition or disposition of property (real or personal) of a value greater than $1 million.

A holder of an owner's license is allowed to make distributions to its stockholders only to the extent that such distribution would not impair the financial viability of the gaming operation. Factors to be considered by the licensee include, but are not limited to, the following:

- cash flow, casino cash and working capital requirements;
- debt service requirements, obligations and covenants associated with financial instruments;
- requirements for repairs and maintenance and capital improvements;
- employment or economic development requirements of the Amended Illinois Act; and
- a licensee's financial projections.

The Illinois Board may waive any licensing requirement or procedure provided by rule if it determines that such waiver is in the best interests of the public and the gaming industry. Also, the Illinois Board may, from time to time, amend or change its rules. In general, uncertainty exists regarding the Illinois gaming regulatory environment due to limited experience in interpreting the Illinois Act.

From time to time, various proposals have been introduced in the Illinois legislature that, if enacted, would affect the taxation, regulation, operation or other aspects of the gaming industry or Boyd Gaming. Some of this legislation, if enacted, could adversely affect the gaming industry or Boyd Gaming, and no assurances can be given as to whether such legislation or similar legislation will be enacted.

One such piece of legislation that may affect the profitability of the gaming industry in Illinois is the Smoke Free Illinois Act, which became effective on January 1, 2008 and bans smoking in nearly all public places in Illinois, including bars, restaurants, work places, schools and casinos. Senate Bill 890, which we refer to as Bill SB890, was introduced on May 25, 2007 in an attempt to exempt the casinos – including Boyd's Par-A-Dice riverboat casino in East Peoria, Illinois – from the Smoke Free Illinois Act for a period of five years. Although the Senate Executive Committee voted 9-4 to approve a casino exemption on May 30, 2007, the Illinois Senate ultimately voted down Bill SB890 on June 1, 2007. The effect the Smoke Free Illinois Act has had on the profitability of the gaming industry, and our Par-A-Dice casino in particular, remains unclear.

A potential piece of legislation that may have affected the gaming industry in Illinois is House Bill 4194, which we refer to as Bill 4194 that was introduced to the Illinois General Assembly on December 11, 2007. Bill 4194 was an attempt

to expand gaming in Illinois by introducing one additional riverboat license, a land-based casino located in Chicago, Illinois, the ability of existing and new casinos to purchase additional gaming positions, and the ability of Illinois horse race tracks to operate slot machines and video poker upon the payment of a per-position fee. Bill 4194 also called for the formation of a new Gaming Board appointed by the Governor and a new Gaming Enforcement Division to monitor gaming operations, conduct background checks, conduct investigations and investigate violations of the Illinois Gaming Act. Although Bill 4194 was not enacted, it is expected that a gaming expansion bill may be introduced in 2009 that will provide similar terms to expand gaming in Illinois. The terms and any affect of such expansion on the Par-A-Dice Casino is unknown at this time.

The issue of keeping minors and self-excluded patrons out of Illinois casinos has prompted the Illinois Board to consider issuing a requirement that each Illinois casino check the identification of all patrons entering the casinos' gaming areas. The Illinois Board held a special meeting on December 3, 2007 to allow the public and industry representatives to speak on the issue. The Illinois Board also conducted studies at selected casinos during which the identification of all patrons was checked for a specific period of time. Although the Illinois Board decided to not make identification checks mandatory, it is anticipated that the issue will continue to be of interest to the Illinois Board. Industry leaders in Illinois have expressed concern that mandatory identification checks may adversely affect gaming revenues, as such checks not only invoke privacy concerns, but may affect the number of patrons visiting Illinois casinos by causing some of them to visit casinos in neighboring states that do not perform such checks.

New Jersey

On June 11, 2003 the New Jersey Casino Control Commission, or NJCCC, found that Marina District Development Company, LLC, a New Jersey limited liability company, which we refer to as the Operating Company, complied with all the requirements of the Casino Control Act for the issuance of a casino license to own and operate Borgata. The effective date of the license was July 2, 2003, the date the NJCCC Commission issued the Operating Company with an Operation Certificate. Such casino license was valid for a one year period and was renewed in June of 2004 for an additional one year period. On June 30, 2005 the casino license of the Operating Company was renewed for a five year period and is subject to successive five year renewal periods thereafter.

MDDC is a wholly-owned subsidiary of Marina District Development Holding Company, LLC, which we refer to as the Holding Company, i.e. the Holding Company is the sole member of the Operating Company. Boyd Atlantic City, Inc., or BAC and MAC Corp., a wholly-owned subsidiary of Mirage Resorts, Inc., or MAC, are members of the Holding Company and have 50% ownership interests therein, and BAC is the Managing Member of the Holding Company.

The ownership and operation of casino gaming facilities in New Jersey are subject to the Casino Control Act. In general, the Casino Control Act and the regulations promulgated thereunder contain detailed provisions concerning, among other things:

- the granting of casino licenses;
- the suitability of the approved hotel facility and the amount of authorized casino space and gaming units permitted therein;
- the qualification of natural persons and entities related to the casino licensee;
- the licensing and registration of employees and vendors of casino licensees;
- the rules of the games;
- the selling and redeeming of gaming chips;
- the granting and duration of credit and the enforceability of gaming debts;
- the management control procedures, accountability, and cash control methods and reports to gaming agencies;
- the security standards;
- the manufacture and distribution of gaming equipment;
- the equal opportunity for employees and casino operators, contractors of casino facilities, and others; and
- the advertising, entertainment, and alcoholic beverages.

The NJCCC is empowered under the Casino Control Act to regulate a wide spectrum of gaming and non-gaming related activities and to approve the form of ownership and financial structure of not only a casino licensee, but also its entity qualifiers and intermediary and holding companies.

No casino hotel facility may operate unless the appropriate license and approvals are obtained from the NJCCC, which has broad discretion with regard to the issuance, renewal, revocation, and suspension of such licenses and approvals, which are nontransferable. The qualification criteria with respect to the holder of a casino license include the following:

- its financial stability, integrity and responsibility;
- the integrity and adequacy of its financial resources which bear any relation to the casino project;

- its good character, honesty, and integrity; and
- the sufficiency of its business ability and casino experience to establish the likelihood of creation and maintenance of a successful, efficient casino operation.

The NJCCC may reopen licensing hearings at any time and must reopen a licensing hearing at the request of the New Jersey Division of Gaming Enforcement, or the NJDGE.

To be considered financially stable, a licensee must demonstrate the following ability:

- to pay winning wagers when due;
- to achieve a gross operating profit;
- to pay all local, state, and federal taxes when due;
- to make necessary capital and maintenance expenditures to insure that it has a superior first-class facility; and
- to pay, exchange, refinance or extend debts which will mature and become due and payable during the license term.

In the event a licensee fails to demonstrate financial stability, the NJCCC may take such action as it deems necessary to fulfill the purposes of the Casino Control Act and protect the public interest, including:

- issuing conditional license approvals or determinations;
- establishing an appropriate cure period;
- imposing reporting requirements;
- placing restrictions on the transfer of cash or the assumption of liability;
- requiring reasonable reserves or trust accounts;
- denying licensure; or
- appointing a conservator.

Pursuant to the Casino Control Act, NJCCC regulations and precedent, no entity may hold a casino license unless:

- each officer, director, principal employee, person who directly or indirectly holds any beneficial interest or ownership in the licensee;
- each person who in the opinion of the NJCCC has the ability to control or elect a majority of the board of directors of the licensee (other than a banking or other licensed lending institution which makes a loan or holds a mortgage or other loan acquired in the ordinary course of business); and
- any lender, whom the NJCCC may consider appropriate, obtains and maintains qualification approval from the NJCCC. Qualification approval means qualification requirements as a casino key employee, as described below.

An entity qualifier or intermediary or holding company is required to register with the NJCCC and meet the same basic standards for approval as a casino licensee; provided, however, that the NJCCC, with the concurrence of the Director of the NJDGE, may waive compliance by a publicly-traded corporate holding company as to any officer, director, lender, underwriter, agent or employee thereof, or person directly or indirectly holding a beneficial interest or ownership of the securities of such company, where the NJCCC and the Director of the NJDGE are satisfied that such persons are not significantly involved in the activities of the corporate licensee, and in the case of security holders, do not have the ability to control the publicly-traded corporation or elect one or more of its directors.

The NJCCC may require all financial backers, investors, mortgagors, bond holders and holders of notes or other evidence of indebtedness, either in effect or proposed, which bears any relation to the casino project, publicly-traded securities of an entity which holds a casino license or is an entity qualifier, subsidiary, or holding company of a casino licensee (a Regulated Company), to qualify as financial sources.

An Institutional Investor is defined by the Casino Control Act as any:

- retirement fund administered by a public agency for the exclusive benefit of federal, state, or local public employees;
- investment company registered under the Investment Company Act of 1940;
- collective investment trust organized by banks under Part Nine of the Rules of the Comptroller of the Currency;

- closed end investment trust;
- chartered or licensed life insurance company or property and casualty insurance company;
- banking and other chartered or licensed lending institution;
- investment advisor registered under the Investment Advisers Act of 1940; and
- such other persons as the NJCCC may determine for reasons consistent with the policies of the Casino Control Act.

An Institutional Investor is granted a waiver by the NJCCC from financial source or other qualification requirements applicable to a holder of publicly-traded securities, in the absence of a prima facie showing by the NJDGE that there is any cause to believe that the Institutional Investor may be found unqualified, on the basis of NJCCC findings that:

- its holdings were purchased for investment purposes only and, upon request by the NJCCC, it files a certified statement to the effect that is has no intention of influencing or affecting the affairs of the issuer, the casino licensee or its holding or intermediary companies; provided, however, that the Institutional Investor will be permitted to vote on matters put to the vote of the outstanding security holders; and

- if the securities are debt securities of a casino licensee's holding or intermediary companies or another subsidiary company of the casino licensee's holding or intermediary companies which is related in any way to the financing of the casino licensee and represent either:

    - 20% or less of the total outstanding debt of the company; or

    - 50% or less of any issue of outstanding debt of the company;

- the securities are under 10% of the equity securities of a casino licensee's holding or intermediary companies; or

- if the securities so held exceed such percentages, upon a showing of good cause. The NJCCC may grant a waiver of qualification to an Institutional Investor holding a higher percentage of such securities upon a showing of good cause and if the conditions specified above are met.

Generally, the NJCCC requires each institutional holder seeking waiver of qualification to execute a certification to the effect that:

- the holder has reviewed the definition of Institutional Investor under the Casino Control Act and believes that it meets the definition of Institutional Investor;

- the securities are those of a publicly-traded corporation;

- the holder purchased the securities for investment purposes only and holds them in the ordinary course of business;

- the holder has no involvement in the business activities of, and no intention of influencing or affecting the affairs of the issuer, the casino licensee, or any affiliate; and

- if the holder subsequently determines to influence or affect the affairs of the issuer, the casino licensee or any affiliate, will provide not less than 30 days' prior notice of such intent and will file with the NJCCC an application for qualification before taking any such action.

If an Institutional Investor changes its investment intent, or if the NJCCC finds reasonable cause to believe that it may be found unqualified, the Institutional Investor may take no action with respect to the security holdings, other than to divest itself of such holdings, until it has applied for interim casino authorization and has executed a trust agreement pursuant to such an application.

The Casino Control Act imposes certain restrictions upon the issuance, ownership, and transfer of securities of a Regulated Company, and defines the term "security" to include instruments which evidence a direct or indirect beneficial ownership or creditor interest in a Regulated Company including, but not limited to, mortgages, debentures, security agreements, notes and warrants.

If the NJCCC finds that a holder of such securities is not qualified under the Casino Control Act, it has the right to take any remedial action it may deem appropriate, including the right to force divestiture by such disqualified holder of such securities. In the event that certain disqualified holders fail to divest themselves of such securities, the NJCCC has the power to revoke or suspend the casino license affiliated with the Regulated Company which issued the securities. If a holder is found unqualified, it is unlawful for the holder:

- to exercise, directly or through any trustee or nominee, any right conferred by such securities; or

- to receive any dividends or interest upon any such securities or any remuneration, in any form, from its affiliated casino licensee for services rendered or otherwise.

With respect to non-publicly-traded securities, the Casino Control Act and NJCCC regulations require that the corporate charter or partnership agreement of a Regulated Company establish:

- a right in the NJCCC of prior approval with regard to transfers of securities, shares and other interests; and

- an absolute right in the Regulated Company to repurchase at the market price or the purchase price, whichever is the lesser, any such security, share, or other interest in the event that the NJCCC disapproves a transfer.

With respect to publicly-traded securities, such corporate charter or partnership agreement is required to establish that any such securities of the entity are held subject to the condition that, if a holder thereof is found to be disqualified by the NJCCC, such holder shall dispose of such securities.

Whenever any person enters into a contract to transfer any property which relates to an on-going casino operation, including a security of the casino licensee or a holding or intermediary company or entity qualifier, under circumstances which would require that the transferee obtain licensure or be qualified under the Casino Control Act, and that person is not already licensed or qualified, the transferee is required to apply for interim authorization. Furthermore, the closing or settlement date in the contract may not be earlier than the 121st day after the submission of a complete application for licensure or qualification together with a fully executed trust agreement in a form approved by the NJCCC. If, after the report of the NJDGE and a hearing by the NJCCC, the NJCCC grants interim authorization, the property will be subject to a trust. If the NJCCC denies interim authorization, the contract may not close or settle until the NJCCC makes a determination on the qualifications of the applicant. If the NJCCC denies qualification, the contract will be terminated for all purposes, and there will be no liability on the part of the transferor.

If, as the result of a transfer of publicly-traded securities of a Regulated Company or a financing entity of a Regulated Company, any person is required to qualify under the Casino Control Act, that person is required to file an application for licensure or qualification within 30 days after the NJCCC determines that qualification is required or declines to waive qualification.

The application must include a fully executed trust agreement in a form approved by the NJCCC, or in the alternative, within 120 days after the NJCCC determines that qualification is required, the person whose qualification is required must divest such securities as the NJCCC may require in order to remove the need to qualify.

The NJCCC may grant interim casino authorization where it finds by clear and convincing evidence that:

- statements of compliance have been issued pursuant to the Casino Control Act;
- the casino hotel is an approved hotel in accordance with the Casino Control Act;
- the trustee satisfies qualification criteria applicable to casino key employees, except for residency; and
- interim operation will best serve the interests of the public.

When the NJCCC finds the applicant qualified, the trust will terminate. If the NJCCC denies qualification to a person who has received interim casino authorization, the trustee is required to endeavor, and is authorized, to sell, assign, convey, or otherwise dispose of the property subject to the trust to such persons who are licensed or qualified or shall themselves obtain interim casino authorization.

Where a holder of publicly-traded securities is required, in applying for qualification as a financial source or qualifier, to transfer such securities to a trust in application for interim casino authorization and the NJCCC thereafter orders that the trust become operative:

- during the time the trust is operative, the holder may not participate in the earnings of the casino hotel or receive any return on its investment or debt security holdings; and
- after disposition, if any, of the securities by the trustee, proceeds distributed to the unqualified holder may not exceed the lower of their actual cost to the unqualified holder or their value calculated as if the investment had been made on the date the trust became operative.

The NJCCC may permit a licensee to increase its casino space if the licensee agrees to add a prescribed number of qualifying sleeping units within two years after the commencement of gaming operations in the additional casino space. However, if the casino licensee does not fulfill such agreement due to conditions within its control, the licensee will be required to close the additional casino space, or any portion of thereof that the NJCCC determines should be closed.

The NJCCC is authorized to establish annual fees for the renewal of casino licenses. The renewal fee is based upon the cost of maintaining control and regulatory activities prescribed by the Casino Control Act, and may not be less than $100,000 for a one-year casino license nor less than $200,000 for a four-year casino license. Additionally, casino licenses are subject to potential assessments to fund any annual operating deficits incurred by the NJCCC or the NJDGE. There is also an annual license fee of $500 for each slot machine maintained for use or in use in any casino as well as a tax of 8% on multi-progressive slot machine revenue. Additionally, each casino licensee is also required to pay an annual tax of 8% on its gross casino revenues. Furthermore, there is a $3.00 room tax fee on all rooms, including complimentary rooms, the proceeds of which, commencing in fiscal year 2007, will be primarily deposited into a special fund for use by the Casino Reinvestment Development Authority. There is also a tax of 3.18755% on the value of complimentary or reduced price rooms, food, beverages and entertainment.

Each party to an agreement for the management of a casino is required to hold a casino license, and the party who is to manage the casino must own at least 10% of all the outstanding equity securities of the casino licensee. Such an agreement shall provide for:

- the complete management of the casino;

- the sole and unrestricted power to direct the casino operations; and

- a term long enough to ensure the reasonable continuity, stability, independence and management of the casino.

An investment alternative tax imposed on the gross casino revenues of each licensee in the amount of 2.5% is due and payable on the last day of April following the end of the calendar year. A licensee is obligated to pay the investment alternative tax for a period of 30 years. This investment alternative tax may be offset by investment tax credits equal to 1.25% of gross gaming revenue, which are obtained by purchasing bonds issued by, or investing in housing or other development projects approved by, the Casino Reinvestment Development Authority.

If, at any time, it is determined that a Regulated Company has violated the Casino Control Act, or that any such entity cannot meet the qualification requirements of the Casino Control Act, such entity could be subject to fines or the suspension or revocation of its license or qualification. If a Regulated Company's license is suspended for a period in excess of 120 days or revoked, or upon the failure or refusal to renew a casino license, the NJCCC could appoint a conservator to operate or dispose of such entity's casino hotel facilities. The conservator would be required to act under the direct supervision of the NJCCC and would be charged with the duty of conserving, preserving and, if permitted, continuing the operation of such casino hotel. During the period of true conservatorship, a former or suspended casino licensee is entitled to a fair rate of return out of net earnings, if any, on the property retained by the conservator. The NJCCC may also discontinue any conservatorship action and direct the conservator to take such steps as are necessary to affect an orderly transfer of the property of a former or suspended casino licensee.

Casino employees are subject to more stringent requirements than non-casino employees and must meet applicable standards pertaining to financial stability, responsibility, good character, honesty, integrity and New Jersey residency. These requirements have resulted in significant competition among Atlantic City casino operators for the services of qualified employees.

Casinos must follow certain procedures which are outlined in the Casino Control Act when granting gaming credit and recording counter checks which have been exchanged, redeemed or consolidated. Gaming debts arising in Atlantic City in accordance with applicable regulations are enforceable in the courts of the State of New Jersey.

On January 15, 2006, the New Jersey State Legislature enacted the Smoke-Free Air Act that became effective April 15, 2006. This law called for smoke-free environments in essentially all indoor workplaces and places open to the public including places of business and service-related activities. The law contains several exceptions including an exemption for all casino floor space and 20% of a hotel's designated hotel rooms. On February 15, 2007, Atlantic City promulgated a local ordinance that is more restrictive than the aforementioned state law. Specifically this ordinance reduced the casino floor exemption to 25% of a casino's floor space. As such, smoking will be prohibited on 75% of a casino's floor space and permitted on 25% of a casino's floor space subject to the following conditions:

- By April 15, 2007, casinos were required to limit smoking to 25% of their casino floor space, which areas initially were not required to be enclosed and separately ventilated.

- Ultimately, the 25% of the casino floor in which smoking would be permissible was required to be enclosed and separately ventilated. Casinos had five months from April 15, 2007 to submit construction plans for such enclosures to applicable authorities for the issuance of building permits and related required approvals. Once permits were issued, the casinos had 90 days to commence construction of the enclosures. Borgata has set aside special enclosed smoking lounges in order to comply with Atlantic City's partial smoking ban.

- In April 2008, Atlantic City voted to completely ban smoking on the casino floor, to take effect in October 2008; however, as a consequence of the economic downturn, in October 2008, Atlantic City voted to overturn the temporary smoking ban, returning to the 2007 law restricting smoking to no more than twenty-five percent of the casino floor.

Under the Atlantic City ordinance, smoking will remain permissible in 20% of a hotel's designated hotel rooms, consistent with state law.

Louisiana

In the State of Louisiana, we, through our wholly owned subsidiaries, own and operate three gaming properties: Treasure Chest Casino in Kenner, Delta Downs Racetrack, Casino & Hotel in Vinton and Sam's Town Hotel and Casino in Shreveport. The operation and management of riverboat casinos, slot machine operations at certain racetracks and live racing facilities in Louisiana are subject to extensive state regulation. The Louisiana Riverboat Economic Development and Gaming Control Act, or the Riverboat Act, became effective on July 19, 1991. The Louisiana Pari-Mutuel Live Racing Facility Economic Redevelopment and Gaming Control Act, or the Slots Act, became effective on July 9, 1997. The statutory scheme regulating live and off-track betting, or the Horse Racing Act, has been in existence for decades.

The Riverboat Act states, among other things, that certain of the policies of the State of Louisiana are:

- to develop a historic riverboat industry that will assist in the growth of the tourism market;
- to license and supervise the riverboat industry from the period of construction through actual operation;
- to regulate the operators, manufacturers, suppliers and distributors of gaming devices; and
- to license all entities involved in the riverboat gaming industry.

The Slots Act states, among other things, that certain policies of the State of Louisiana are:

- to revitalize and rehabilitate pari-mutuel racing facilities through the allowance of slot machine operations at certain racetracks; and
- to regulate and license owners of such facilities.

The Horse Racing Act states, among other things, that certain policies of the State of Louisiana are:

- to encourage the development of horse racing with pari-mutuel wagering on a high plane;
- to encourage the development and ownership of race horses;
- to regulate the business of racing horses and to provide the orderly conduct of racing;
- to provide financial assistance to encourage the business of racing horses; and
- to provide a program for the regulation, ownership, possession, licensing, keeping, breeding and inoculation of horses.

Both the Riverboat Act and the Slots Act make it clear, however, that no holder of a license or permit possesses any vested interest in such license or permit and that the license or permit may be revoked at any time.

In a special session held in April 1996, the Louisiana legislature passed the Louisiana Gaming Control Act, or the Gaming Control Act, which created the Louisiana Gaming Control Board, or the Gaming Control Board. Pursuant to the Gaming Control Act, all of the regulatory authority, control and jurisdiction of licensing for both riverboats and slot facilities was transferred to the Gaming Control Board. The Gaming Control Board came into existence on May 1, 1996 and is made up of nine members and two ex-officio members (the Secretary of Revenue and Taxation and the superintendent of Louisiana State Police). It is domiciled in Baton Rouge and regulates riverboat gaming, the land-based casino in New Orleans, racetrack slot facilities and video poker. The Attorney General acts as legal counsel to the Gaming Control Board. Any material alteration in the method whereby riverboat gaming or slot facilities is regulated in the State of Louisiana could have an adverse effect on the operations of the Treasure Chest, Delta Downs and Sam's Town Shreveport.

Riverboats

The Louisiana legislature also passed legislation requiring each parish (county) where riverboat gaming is currently authorized to hold an election in order for the voters to decide whether riverboat gaming will remain legal in that parish. Treasure Chest is located in Jefferson Parish, Louisiana. Jefferson Parish approved riverboat gaming at a special election held on November 6, 1996. Sam's Town Shreveport is located in Caddo Parish, Louisiana which approved riverboat gaming at the special election held on November 6, 1996.

The Riverboat Act approved the conducting of gaming activities on a riverboat, in accordance with the Riverboat Act, on twelve separate waterways in Louisiana. The Riverboat Act allows the Gaming Control Board to issue up to fifteen licenses to operate riverboat gaming projects within the state, with no more than six in any one parish. There are presently fifteen licenses issued and thirteen riverboats operating currently. Two riverboats are not operational due to recent storms. Harrah's sold both of the entities which once owned riverboats in Lake Charles to Pinnacle Entertainment. Pinnacle plans to move one riverboat adjacent to its existing property in Lake Charles and move the other to Baton Rouge.

Pursuant to the Riverboat Act and the regulations promulgated thereunder, each applicant which desired to operate a riverboat casino in Louisiana was required to file a number of separate applications for a Certificate of Preliminary Approval, all necessary gaming licenses and a Certificate of Final Approval. No final Certificate was issued without all necessary and proper certificates from all regulatory agencies, including the U.S. Coast Guard, the U.S. Army Corps of Engineers, local port authorities and local levee authorities.

Both the Treasure Chest project and the Sam's Town Shreveport project applications for a Certificate of Preliminary Approval were properly filed and each received a Certificate of Preliminary Approval in 1993 (at that time Sam's Town Shreveport was owned by Harrah's Entertainment) and both received their original license in 1994. These licenses have been renewed and are subject to certain general operational conditions and are subject to revocation pursuant to applicable laws and regulations.

We and certain of our directors and officers and certain of our key personnel were found suitable to operate riverboat gaming in the State of Louisiana. New directors, officers and certain key employees associated with gaming must also be found suitable by the Gaming Control Board prior to working in gaming-related areas. These approvals may be immediately revoked for a number of causes as determined by the Gaming Control Board. The Gaming Control Board may deny any application for a certificate, permit or license for any cause found to be reasonable by the Gaming Control Board. The Gaming Control Board has the authority to require us to sever our relationships with any persons for any cause deemed reasonable by the Gaming Control Board or for the failure of that person to file necessary applications with the Gaming Control Board.

The current Louisiana riverboat gaming license of Treasure Chest was valid for five years and was to expire on May 18, 2005. An application for renewal was filed and on January 18, 2005, the renewal was approved by the Gaming Control Board for an additional five-year period; the license is set to expire on May 18, 2010. The Sam's Town Shreveport license was to expire in March of 2005 and on January 18, 2005, the renewal was approved by the Gaming Control Board for an additional five-year period; the license is set to expire on March 8, 2010.

We are involved in legal proceedings with an unsuccessful applicant for the original Treasure Chest riverboat license in Louisiana.

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

Annual fees are currently charged to each riverboat project as follows:

- $50,000 per year for the first year and $100,000 for each year thereafter; and
- 21.5% of net gaming proceeds.

Additionally, each local government may charge a boarding fee or admissions tax. Treasure Chest pays the City of Kenner a fee of $2.50 per passenger boarding the vessel. Sam's Town Shreveport pays admission taxes of 4.75% of adjusted gross receipts to various local governmental bodies. Any increase in these fees or taxes could have a material and detrimental effect on the operations of Treasure Chest and Sam's Town.

Slot Facilities

The Slots Act allows for three separate "eligible facilities" to operate slot machines at live horse racing pari-mutuel facilities (one each in Calcasieu Parish, St. Landry Parish and Bossier Parish). Each facility may, upon proper licensure, operate slot machines in up to 15,000 square feet of gaming space.

Gaming licenses and approvals are issued by the Gaming Control Board, and are subject to revocation for any cause deemed reasonable by the Gaming Control Board. Our operation of slot machines at Delta Downs is subject to strict regulation by the Gaming Control Board and the Louisiana State Police. Extensive regulations concerning accounting, internal controls, underage patrons and other aspects of slot machine operations have been promulgated by the Gaming

Control Board. Failure to adhere to these rules and regulations can result in substantial fines and the suspension or revocation of the license to conduct slot machine operations. Any failure to comply with the Louisiana Gaming Control Board's rules or regulations in the future could ultimately result in the revocation of our license to operate slot machines at Delta Downs.

Annual Fees and taxes currently charged Delta Downs under the Slots Acts are as follows:

- 15% of the annual net slot machine proceeds are dedicated to supplement purses of the live horse race meets held at the facility;
- 3% of the annual net slot machine proceeds dedicated to horse breeders associations;
- 18.5% taxable net slot machine proceeds are paid to the state;
- $0.25 per person attending live racing and off-track betting facilities during those periods when it is conducting race meetings, only on those days when there are scheduled live races at its racetrack (currently Thursdays through Sundays) from the hours of 6:00 p.m. until 12:00 a.m. and during those periods when it is not conducting live racing (i.e., between race meetings) only on Thursdays through Mondays from the hours of 12:00 p.m. until 12:00 a.m. Delta Down's current license is valid through October of 2011.

Gaming Control Board

At any time, the Gaming Control Board may investigate and require the finding of suitability of any stockholder, beneficial stockholder, officer or director of Boyd Gaming or of any of its subsidiaries. The Gaming Control Board requires all holders of more than a 5% interest in the license holder to submit to suitability requirements. Additionally, if a shareholder who must be found suitable is a corporate or partnership entity, then the shareholders or partners of the entity must also submit to investigation. The sale or transfer of more than a 5% interest in any riverboat or slot project is subject to Gaming Control Board approval.

Pursuant to the regulations promulgated by the Gaming Control Board, all licensees are required to inform the Gaming Control Board of all debt, credit, financing and loan transactions, including the identity of debt holders. Our subsidiaries, Treasure Chest Casino, L.L.C., Boyd Racing, L.L.C., and Red River Entertainment of Shreveport Partnership in Commendam (Sam's Town Shreveport) are licensees and are subject to these regulations. In addition, the Gaming Control Board, in its sole discretion, may require the holders of such debt securities to file applications and obtain suitability certificates from the Gaming Control Board. Although the Riverboat Act and the Slots Act do not specifically require debt holders to be licensed or to be found suitable, the Gaming Control Board retains the discretion to investigate and require that any holders of debt securities be found suitable under the Riverboat Act or the Slots Act. Additionally, if the Gaming Control Board finds that any holder exercises a material influence over the gaming operations, a suitability certificate will be required. If the Gaming Control Board determines that a person is unsuitable to own such a security or to hold such an indebtedness, the Gaming Control Board may propose any action which it determines proper and necessary to protect the public interest, including the suspension or revocation of the license. The Gaming Control Board may also, under the penalty of revocation of license, issue a condition of disqualification naming the person(s) and declaring that such person(s) may not:

- receive dividends or interest in debt or securities;
- exercise directly or through a nominee a right conferred by the securities or indebtedness;
- receive any remuneration from the licensee;
- receive any economic benefit from the licensee; or
- continue in an ownership or economic interest in a licensee or remain as a manager, director or partner of a licensee.

Any violation of the Riverboat Act, the Slots Act or the rules promulgated by the Gaming Control Board could result in substantial fines, penalties (including a revocation of the license) and criminal actions. Additionally, all licenses and permits issued by the Gaming Control Board are revocable privileges and may be revoked at any time by the Gaming Control Board.

Live Horse Racing

Pari-mutuel betting and the conducting of live horse race meets in Louisiana are strictly regulated by the Louisiana State Racing Commission, which we refer to as the Racing Commission. The Racing Commission is comprised of ten members and is domiciled in New Orleans, Louisiana. In order to be approved to conduct a live race meet and to operate pari-mutuel wagering (including off-track betting), an applicant must show, among other things:

- racing experience;
- financial qualifications;
- moral and financial qualifications of applicant and applicant's partners, officers and officials;
- the expected effect on the breeding and horse industry;

- the expected effect on the State's economy; and

- the hope of financial success.

In May 2001, a subsidiary of Boyd Gaming applied for and received approval from the Racing Commission to buy Delta Downs. Approval was also granted to conduct live race meets and to operate pari-mutuel wagering at the Delta Downs facility and to conduct off-track wagering at Delta Downs. The term of these licenses is ten years.

Any alteration in the regulation of riverboat casinos, slot machine operations at certain racetracks, or live racing facilities could have a material adverse effect on the operations of Treasure Chest, Delta Downs, or Sam's Town Shreveport.

Mississippi

The ownership and operation of casino gaming facilities in the State of Mississippi, such as those at Sam's Town Tunica, are subject to extensive state and local regulation, but primarily the licensing and regulatory control of the Mississippi Gaming Commission, or the Mississippi Commission.

The Mississippi Gaming Control Act, or the Mississippi Act, is similar to the Nevada Gaming Control Act. The Mississippi Commission has adopted regulations that are also similar in many respects to the Nevada gaming regulations.

The laws, regulations and supervisory procedures of the Mississippi Commission are based upon declarations of public policy that are concerned with, among other things:

- the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;

- the establishment and maintenance of responsible accounting practices and procedures;

- the maintenance of effective controls over the financial practices of licensees, including the establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues, providing for reliable record keeping and requiring the filing of periodic reports with the Mississippi Commission;

- the prevention of cheating and fraudulent practices;

- providing a source of state and local revenues through taxation and licensing fees; and

- ensuring that gaming licensees, to the extent practicable, employ Mississippi residents.

The regulations are subject to amendment and interpretation by the Mississippi Commission. We believe that our compliance with the licensing procedures and regulatory requirements of the Mississippi Commission will not affect the marketability of our securities. Changes in Mississippi laws or regulations may limit or otherwise materially affect the types of gaming that may be conducted and such changes, if enacted, could have an adverse effect on us and our business, financial condition and results of operations.

The Mississippi Act provides for legalized gaming in each of the fourteen counties that border the Gulf Coast or the Mississippi River, but only if the voters in the county have not voted to prohibit gaming in that county.

Currently, gaming is permissible in nine of the fourteen eligible counties in the state and gaming operations have commenced in seven counties. Traditionally, Mississippi law required gaming vessels to be located on the Mississippi River or on navigable waters in eligible counties along the Mississippi River, or in the waters lying south of the counties along the Mississippi Gulf Coast. Recently, however, the Mississippi Legislature amended the Mississippi Act to permit licensees in the three counties along the Gulf Coast to establish land-based casino operations provided the gaming areas do not extend more than 800 feet beyond the nineteen-year mean high water line, except in Harrison County where the 800-foot limit can be extended as far as the southern boundary of Highway 90.

Our Sam's Town Tunica casino is located on barges situated in a specially constructed basin several hundred feet inland from the Mississippi River. In the past, whether basins such as the one in which our casino barges are located constituted "navigable waters" suitable for gaming under Mississippi law was a controversial issue. The Mississippi Attorney General issued an opinion in July 1993 addressing legal locations for gaming vessels under the Mississippi Act and the Mississippi Commission later approved the location of the casino barges on the Sam's Town Tunica site as legal under the opinion of the Mississippi Attorney General. Although a competitor requested the Mississippi Commission to review and reconsider its decision, the Mississippi Commission declined to do so and since that date has issued or renewed licenses to Sam's Town Tunica on several separate occasions. Continued licensing of Sam's Town Tunica requires demonstration of compliance with the Mississippi Attorney General's "navigable waters" opinion, a requirement which has been imposed on many Tunica County licensees. We believe that Sam's Town Tunica is in compliance with the Mississippi Act and the Mississippi Attorney General's "navigable waters" opinion. However, no assurance can be given that a court ultimately would conclude that our casino barges at Sam's Town Tunica are located on navigable waters within the meaning of

Mississippi law. If the basin in which our Sam's Town Tunica casino barges presently are located was not deemed navigable waters within the meaning of Mississippi law, such a decision would have a significant adverse effect on us and our business, financial condition and results of operations.

The Mississippi Act permits unlimited stakes gaming on a 24-hour basis and does not restrict the percentage of space which may be utilized for gaming. The Mississippi Act permits substantially all traditional casino games and gaming devices.

We and any subsidiary of ours that operates a casino in Mississippi, which we refer to as a Gaming Subsidiary, are subject to the licensing and regulatory control of the Mississippi Commission. We are registered under the Mississippi Act as a publicly traded corporation, or a Registered Corporation, of Boyd Tunica, Inc., the owner and operator of Sam's Town Tunica, a licensee of the Mississippi Commission. As a Registered Corporation, we are required periodically to submit detailed financial and operating reports to the Mississippi Commission and furnish any other information the Mississippi Commission may require. If we are unable to continue to satisfy the registration requirements of the Mississippi Act, we and any Gaming Subsidiary cannot own or operate gaming facilities in Mississippi. No person may become a stockholder of or receive any percentage of profits from a licensed subsidiary of a Registered Corporation without first obtaining licenses and approvals from the Mississippi Commission. We have obtained such approvals in connection with the licensing of Sam's Town Tunica.

A Gaming Subsidiary must maintain a gaming license from the Mississippi Commission to operate a casino in Mississippi. Such licenses are issued by the Mississippi Commission subject to certain conditions, including continued compliance with all applicable state laws and regulations. There are no limitations on the number of gaming licenses that may be issued in Mississippi. Gaming licenses require the payment of periodic fees and taxes, are not transferable, are issued for a three-year period (and may be continued for two additional three-year periods) and must be renewed periodically thereafter. Sam's Town Tunica's current gaming license expires in December of 2010.

Certain of our officers and employees and the officers, directors and certain key employees of Sam's Town Tunica must be found suitable or approved by the Mississippi Commission. We believe that we have obtained, applied for or are in the process of applying for all necessary findings of suitability with respect to Boyd Gaming or Sam's Town Tunica, although the Mississippi Commission, in its discretion, may require additional persons to file applications for findings of suitability. In addition, any person having a material relationship or involvement with us may be required to be found suitable, in which case those persons must pay the costs and fees associated with such investigation. The Mississippi Commission may deny an application for a finding of suitability for any cause that it deems reasonable. Changes in certain licensed positions must be reported to the Mississippi Commission. In addition to its authority to deny an application for a finding of suitability, the Mississippi Commission has jurisdiction to disapprove a change in any corporate position or title and such changes must be reported to the Mississippi Commission. The Mississippi Commission has the power to require us and our Mississippi Gaming Subsidiary to suspend or dismiss officers, directors and other key employees or sever relationships with other persons who refuse to file appropriate applications or whom the authorities find unsuitable to act in such capacities. Determination of suitability or questions pertaining to licensing are not subject to judicial review in Mississippi.

At any time, the Mississippi Commission has the power to investigate and require the finding of suitability of any record or beneficial stockholder of Boyd Gaming. The Mississippi Act requires any person who acquires more than five percent of any class of voting securities of a Registered Corporation, as reported to the Securities and Exchange Commission, or SEC, to report the acquisition to the Mississippi Commission, and such person may be required to be found suitable. Also, any person who becomes a beneficial owner of more than ten percent of any class of voting securities of a Registered Corporation, as reported to the SEC, must apply for a finding of suitability by the Mississippi Commission and must pay the costs and fees that the Mississippi Commission incurs in conducting the investigation. If a stockholder who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information including a list of beneficial owners.

The Mississippi Commission generally has exercised its discretion to require a finding of suitability of any beneficial owner of more than five percent of any class of voting securities of a Registered Corporation. However, under certain circumstances, an "institutional investor," as defined in the Mississippi Commission's regulations, which acquires more than ten percent, but not more than fifteen percent, of the voting securities of a Registered Corporation may apply to the Mississippi Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes only. An institutional investor shall not be deemed to hold voting securities for investment purposes unless the voting securities were acquired and are held in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of the members of the board of directors of the Registered Corporation, any change in the corporate charter, bylaws, management, policies or operations, or any of its gaming affiliates, or any other action which the Mississippi Commission finds to be inconsistent with holding the voting securities for investment purposes only. Activities which are not deemed to be inconsistent with holding voting securities for investment purposes include:

- voting on all matters voted on by stockholders;

- making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in management, policies or operations; and

- such other activities as the Mississippi Commission may determine to be consistent with such investment intent.

Any person who fails or refuses to apply for a finding of suitability or a license within thirty days after being ordered to do so by the Mississippi Commission may be found unsuitable. The same restrictions apply to a record owner if the record owner, after request, fails to identify the beneficial owner. Any person found unsuitable and who holds, directly or indirectly, any beneficial ownership of our securities beyond such time as the Mississippi Commission prescribes, may be guilty of a misdemeanor. We may be subject to disciplinary action if, after receiving notice that a person is unsuitable to be a stockholder or to have any other relationship with us or any Gaming Subsidiary owned by us, the company involved:

- pays the unsuitable person any dividend or other distribution upon such person's voting securities;

- recognizes the exercise, directly or indirectly, of any voting rights conferred by securities held by the unsuitable person;

- pays the unsuitable person any remuneration in any form for services rendered or otherwise, except in certain limited and specific circumstances; or

- fails to pursue all lawful efforts to require the unsuitable person to divest himself of the securities, including, if necessary, the immediate purchase of the securities for cash at a fair market value.

We may be required to disclose to the Mississippi Commission, upon request, the identities of the holders of our debt or other securities. In addition, under the Mississippi Act, the Mississippi Commission, in its discretion, may require the holder of any debt security of a Registered Corporation to file an application, be investigated and be found suitable to own the debt security if the Mississippi Commission has reason to believe that the ownership of the debt security by the holder would be inconsistent with the declared policies of the State of Mississippi.

Although the Mississippi Commission generally does not require the individual holders of obligations such as notes to be investigated and found suitable, the Mississippi Commission retains the discretion to do so for any reason, including but not limited to, a default, or where the holder of the debt instruments exercises a material influence over the gaming operations of the entity in question. Any holder of debt securities required to apply for a finding of suitability must pay all investigative fees and costs of the Mississippi Commission in connection with such an investigation.

If the Mississippi Commission determines that a person is unsuitable to own a debt security, then the Registered Corporation may be sanctioned, including the loss of its approvals, if without the prior approval of the Mississippi Commission, it:

- pays to the unsuitable person any dividend, interest, or any distribution whatsoever;

- recognizes any voting right by the unsuitable person in connection with those securities;

- pays the unsuitable person remuneration in any form; or

- makes any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation, or similar transaction.

Each Mississippi Gaming Subsidiary must maintain in Mississippi a current ledger with respect to the ownership of its equity securities and we must maintain in Mississippi a current list of our stockholders which must reflect the record ownership of each outstanding share of any class of our equity securities. The ledger and stockholder lists must be available for inspection by the Mississippi Commission at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Mississippi Commission. A failure to make such disclosure may be grounds for finding the record holder unsuitable. We must also render maximum assistance in determining the identity of the beneficial owner.

The Mississippi Act requires that the certificates representing securities of a Registered Corporation bear a legend indicating that the securities are subject to the Mississippi Act and the regulations of the Mississippi Commission. We have received from the Mississippi Commission a waiver of this legend requirement. The Mississippi Commission has the power to impose additional restrictions on the holders of our securities at any time.

Substantially all material loans, leases, sales of securities and similar financing transactions by a Registered Corporation or a Gaming Subsidiary must be reported to or approved by the Mississippi Commission. A Mississippi Gaming Subsidiary may not make a public offering of its securities but may pledge or mortgage casino facilities. A Registered

Corporation may not make a public offering of its securities without the prior approval of the Mississippi Commission if any part of the proceeds of the offering is to be used to finance the construction, acquisition or operation of gaming facilities in Mississippi or to retire or extend obligations incurred for those purposes. Such approval, if given, does not constitute a recommendation or approval of the investment merits of the securities subject to the offering. We have received a waiver of the prior approval requirement with respect to public offerings and private placements of securities, subject to certain conditions, including the ability of the Mississippi Commission to issue a stop order with respect to any such offering if the staff determines it would be necessary to do so.

Under the regulations of the Mississippi Commission, a Gaming Subsidiary may not guarantee a security issued by an affiliated company pursuant to a public offering, or pledge its assets to secure payment or performance of the obligations evidenced by the security issued by the affiliated company, without the prior approval of the Mississippi Commission. A pledge of the stock of a Gaming Subsidiary and the foreclosure of such a pledge are ineffective without the prior approval of the Mississippi Commission. Moreover, restrictions on the transfer of an equity security issued by a Gaming Subsidiary or its holding companies and agreements not to encumber such securities are ineffective without the prior approval of the Mississippi Commission. We have obtained approvals from the Mississippi Gaming Commission for such guarantees, pledges and restrictions in connection with offerings of securities, subject to certain restrictions, but we must obtain separate prior approvals from the Mississippi Commission for pledges and stock restrictions in connection with certain financing transactions. Moreover, the regulations of the Mississippi Commission require us to file a Loan to Licensees report with the Mississippi Gaming Commission within thirty (30) days following certain financing transactions and the offering of certain debt securities. If the Mississippi Commission were to deem it appropriate, the Mississippi Commission could order such transaction rescinded.

Changes in control of us through merger, consolidation, acquisition of assets, management or consulting agreements or any act or conduct by a person by which he or she obtains control, may not occur without the prior approval of the Mississippi Commission. Entities seeking to acquire control of a Registered Corporation must satisfy the Mississippi Commission in a variety of stringent standards prior to assuming control of the Registered Corporation. The Mississippi Commission also may require controlling stockholders, officers, directors, and other persons having a material relationship or involvement with the entity proposing to acquire control to be investigated and licensed as part of the approval process relating to the transaction.

The Mississippi legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities and other corporate defense tactics that affect corporate gaming licensees in Mississippi and Registered Corporations may be injurious to stable and productive corporate gaming. The Mississippi Commission has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Mississippi's gaming industry and further Mississippi's policy to:

- assure the financial stability of corporate gaming operators and their affiliates;
- preserve the beneficial aspects of conducting business in the corporate form; and
- promote a neutral environment for the orderly governance of corporate affairs.

Approvals are, in certain circumstances, required from the Mississippi Commission before a Registered Corporation may make exceptional repurchases of voting securities (such as repurchases which treat holders differently) in excess of the current market price and before a corporate acquisition opposed by management can be consummated. Mississippi's gaming regulations also require prior approval by the Mississippi Commission of a plan of recapitalization proposed by the Registered Corporation's board of directors in response to a tender offer made directly to the Registered Corporation's shareholders for the purpose of acquiring control of the Registered Corporation.

Neither we nor any Gaming Subsidiary may engage in gaming activities in Mississippi while also conducting gaming operations outside of Mississippi without approval of, or a waiver of such approval by, the Mississippi Commission. The Mississippi Commission may require determinations that, among other things, there are means for the Mississippi Commission to have access to information concerning the out-of-state gaming operations of us and our affiliates. We previously have obtained, or otherwise qualified for, a waiver of foreign gaming approval from the Mississippi Commission for operations in other jurisdictions in which we conduct gaming operations and will be required to obtain approval or a waiver of such approval from the Mississippi Commission prior to engaging in any additional future gaming operations outside of Mississippi; provided, however, that such a waiver shall be automatically granted under the Mississippi Commission's regulations in connection with foreign gaming activities (except for internet gaming activities) conducted (i) within the fifty (50) states or any territory of the United States, (ii) on board any cruise ship embarking from a port located therein, and (iii) in any other jurisdiction in which a casino operator's license or its equivalent is not required in order to legally conduct gaming operations.

If the Mississippi Commission were to determine that we or Sam's Town Tunica had violated a gaming law or regulation, the Mississippi Commission could limit, condition, suspend or revoke our approvals and the license of Sam's Town Tunica, subject to compliance with certain statutory and regulatory procedures. In addition, we, Sam's Town Tunica and the persons involved could be subject to substantial fines for each separate violation. Because of such a violation, the Mississippi Commission could attempt to appoint a supervisor to operate the casino facilities. Limitation, conditioning or suspension of any gaming license or approval or the appointment of a supervisor could (and revocation of any gaming license or approval would) materially adversely affect us and our business, financial condition and results of operations.

License fees and taxes, computed in various ways depending on the type of gaming or activity involved, are payable to the State of Mississippi and to the counties and cities in which a Gaming Subsidiary's operations are conducted. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly, quarterly or annually. Gaming taxes are based upon the following:

- a percentage of the gross gaming revenues received by the casino operation;
- the number of gaming devices operated by the casino; or
- the number of table games operated by the casino.

The license fee payable to the State of Mississippi is based upon "gaming receipts" (generally defined as gross receipts less payouts to customers as winnings) and the current maximum tax rate imposed is eight percent of all gaming receipts in excess of $134,000 per month. The foregoing license fees we pay are allowed as a credit against our Mississippi income tax liability for the year paid. The gross revenues fee imposed by Tunica County in which Sam's Town Tunica is located equals approximately four percent of the gaming receipts.

The Mississippi Commission's regulations require as a condition of licensure or license renewal that an existing licensed gaming establishment's plan include adequate parking facilities in close proximity to the casino complex and infrastructure facilities, such as hotels, which amount to at least 100% of the casino cost. The Mississippi Commission's current infrastructure requirement applies to new casinos or acquisitions of closed casinos. Sam's Town Tunica was grandfathered under a prior version of that regulation that required the infrastructure investment to equal only 25% of the casino's cost.

The sale of alcoholic beverages by Sam's Town Tunica is subject to licensing, control and regulation by both the local jurisdiction and the Alcoholic Beverage Control Division, or ABC, of the Mississippi State Tax Commission. Sam's Town Tunica is in an area designated as special resort area, which allows Sam's Town Tunica to serve alcoholic beverages on a 24-hour basis. If the ABC laws are violated, the ABC has the full power to limit, condition, suspend or revoke any license for the serving of alcoholic beverages or to place such licensee on probation with or without conditions. Any such disciplinary action could (and revocation would) have a significant adverse effect upon us and our business, financial condition and results of operations. Certain of our officers and managers at Sam's Town Tunica must be investigated by the ABC in connection with our liquor permits and changes in certain key positions must be approved by the ABC.

Indiana

The Indiana Riverboat Gaming Act, or the Indiana Act, was passed in 1993 and authorized the issuance of up to eleven Riverboat Owner's Licenses to be operated from counties that are contiguous to the Ohio River, Lake Michigan and Patoka Lake. Five riverboats operate from counties contiguous to the Ohio River and five operate from counties contiguous to Lake Michigan. Subsequent legislation has amended or modified the Indiana Act, including:

- Legislation adopted in May 2003 that eliminated the Riverboat Owner's License for a riverboat to be docked in a county contiguous to Patoka Lake. However, the General Assembly authorized the Indiana Gaming Commission to enter into a contract pursuant to which an Operating Agent can operate a riverboat in Orange County, which is contiguous to Patoka Lake, on behalf of the Indiana Gaming Commission. This contract was awarded to Blue Sky Casino, LLC, which commenced operations on November 3, 2006.
- Legislation enacted in April 2007 specified a riverboat cannot be moved from the county in which it was docked on January 1, 2007, to another county.
- In May 2008 the horse track located in Anderson, Indiana commenced slot operations and in June 2008 the horse track located in Shelbyville, Indiana commenced slot operations. Each horse track may install up to 2,000 slot machines. The Indiana Gaming Commission may authorize the installation of additional slot machines.

The Indiana Act and rules promulgated thereunder provide for the strict regulation of the facilities, persons, associations and practices related to gaming operations. The Indiana Act vests the seven member Indiana Gaming

Commission with the power and duties of administering, regulating and enforcing riverboat gaming in Indiana. In 2005 the Indiana Act was amended to change the residency requirements of Indiana Gaming Commission members requiring only one member, rather than three, reside in counties contiguous to Lake Michigan and to the Ohio River. The Indiana Gaming Commission's jurisdiction extends to every person, association, corporation, partnership and trust involved in any riverboat gaming operation located in the State of Indiana.

The Indiana Act requires that the owner of a riverboat gambling operation hold a Riverboat Owner's License issued by the Indiana Gaming Commission. The applicants for a Riverboat Owner's License must submit a comprehensive application and the substantial owners and key persons must submit personal disclosure forms. The company, substantial owners and key persons must undergo an exhaustive background investigation prior to the issuance of a Riverboat Owner's License. A person who owns or will own five percent of a Riverboat Owner's License must automatically undergo the background investigation. The Indiana Gaming Commission may investigate any person with any level of ownership interest. The Operating Agent of an Orange County riverboat will undergo the same background investigation as a Riverboat Licensee. If the holder of a Riverboat license, the Riverboat Licensee or the Operating Agent is a publicly-traded corporation, its Articles of Incorporation must contain language concerning transfer of ownership, suitability determinations and possible divestiture of ownership if a shareholder is found unsuitable.

A Riverboat Owner's License and Operating Contract entitle the licensee or the Operating Agent to operate one riverboat. The Indiana Act was amended in May 2003 to allow a person to hold up to one hundred percent of two individual Riverboat Owner's Licenses. In addition, a transfer fee of two million dollars will be imposed on a Riverboat Licensee who purchases or otherwise acquires a controlling interest in a second Indiana Riverboat Owner's License.

All riverboats must comply with applicable federal and state laws including, but not limited to, U.S. Coast Guard regulations. Each riverboat must be certified to carry at least five hundred passengers and be at least one hundred fifty feet in length. Those riverboats located in counties contiguous to the Ohio River must replicate historic Indiana steamboat passenger vessels of the nineteenth century. The Indiana Act does not limit the number of gaming positions allowed on each riverboat. The only limitation on the number of permissible patrons allowed is established by the U.S. Coast Guard Certificate of Inspection in the specification of the riverboat's capacity. In 2005 the Indiana Act was amended to allow the Indiana Gaming Commission to adopt an alternative certification process if the U.S. Coast Guard discontinues issuing Certifications of Inspections to Indiana riverboats. On June 7, 2007, the Indiana Gaming Commission adopted the Guide for Alternate Certification of Continuously Moored, Self-Propelled, Riverboat Gaming Vessels in the State of Indiana. Vessels with an existing Certificate of Inspection operating as a dockside riverboat casino will be accepted as-is into the Alternative Certification program, subject to satisfactory completion of the United States Coast Guard procedures for becoming a Permanently Moored Vessel and a satisfactory inspection by ABS Consulting. Upon surrendering the United States Coast Guard Certificate of Inspection rules and regulation of the Occupational Health and Safety Administration will apply to the vessel and its crew, including casino personnel.

The Indiana Gaming Commission, after consultation with the Corps, may determine those navigable waterways located in counties contiguous to Lake Michigan or the Ohio River that are suitable for riverboats. If the Corps rescinds approval for the operation of a riverboat gambling facility, the Riverboat Owner's License issued by the Indiana Gaming Commission is void and the Riverboat Licensee may not commence or must cease conducting gambling operations.

The initial Riverboat Owner's License runs for a period of five years. Thereafter, the license is subject to renewal on an annual basis upon a determination by the Indiana Gaming Commission that it continues to be eligible to hold a Riverboat Owner's License pursuant to the Indiana Act and rules promulgated thereunder. After the expiration of the initial license, the Riverboat Owner's License must be renewed annually with each Riverboat Licensee undergoing a complete reinvestigation every three years. The Indiana Gaming Commission reserves the right to investigate Riverboat Licensees at any time it deems necessary. The initial license was issued to Blue Chip Casino, Inc., the predecessor to Blue Chip Casino, LLC, in August of 1997. Blue Chip underwent a reinvestigation in 2008 and its license was renewed. The license is good for a period of one year and must be renewed annually. Blue Chip's next requisite reinvestigation will occur in August 2011. The Operating Contract for an Orange County riverboat is valid for a period of twenty years. However, the Operating Agent is to be reinvestigated every three years to determine continued suitability. In addition, the Indiana Gaming Commission has the right to reinvestigate the Operating Agent at any time it deems necessary. Slot track licenses must be renewed annually with a reinvestigation every three years. All licensees must apply for and hold all other licenses necessary for the operation of a riverboat gambling operation, including, but not limited to, alcoholic beverage licenses and food preparation licenses.

Neither the Riverboat Owner's License nor the Operating Contract may be leased, hypothecated or have money borrowed or loaned against it. An ownership interest in a Riverboat Owner's License or an Operating Contract may only be transferred in accordance with the Indiana Act and rules promulgated thereunder.

The Indiana Act does not limit the amount a patron may bet or lose. Minimum and maximum wagers for each game are set by the Riverboat Licensee or an Operating Agent. Wagering may not be conducted with money or other negotiable currency. No person under the age of 21 is permitted to wager on or be present on a riverboat. Wagers may only be taken from a person present on the riverboat. All electronic gaming devices must pay out between eighty and one hundred percent of the amount wagered. In addition, in May 2003, the Indiana General Assembly adopted legislation authorizing twenty-four hour operation for all Indiana riverboats upon application to, and approval by, the Indiana Gaming Commission. The Indiana Gaming Commission had previously allowed only twenty-one hour gaming. As a result of the legislative change and upon receipt of the requisite approval, Blue Chip commenced twenty-four hour gaming on August 1, 2003.

Pursuant to legislation adopted in May 2003, the Indiana Gaming Commission adopted rules to establish and implement a voluntary exclusion program that requires, among other things, (i) that persons who participate in the voluntary exclusion program be included on a list of persons excluded from all Indiana riverboats, (ii) that persons who participate in the voluntary exclusion program may not seek readmittance to Indiana riverboats, (iii) Riverboat Licensees and Operating Agents must make reasonable efforts, as determined by the Indiana Gaming Commission, to cease all direct marketing efforts to a person participating in the voluntary exclusion program, and (iv) a Riverboat Licensee or Operating Agent may not cash a check of, or extend credit to, a person participating in the voluntary exclusion program. The voluntary exclusion program does not preclude a Riverboat Licensee or Operating Agent from seeking payment of a debt accrued by a person before entry into the voluntary exclusion program. The Indiana Gaming Commission has commenced the voluntary exclusion program and, as of December 2008, 2,921 individuals had requested voluntary exclusion from Indiana riverboats for at least a one year period. Of that number, 2,588 of the individuals were active participants in the program as of December 2008.

The Indiana General Assembly amended the Indiana Act in 2002 to allow riverboats to choose between continuing to conduct excursions or operate dockside. The Indiana Gaming Commission authorized riverboats to commence dockside operations on August 1, 2002. Blue Chip opted to operate dockside and commenced dockside operations on August 1, 2002. Pursuant to the legislation, the tax rate was increased from 20% to 22.5% during any time an Indiana riverboat does not operate dockside. For those riverboats that operate dockside, the following graduated tax rate is applicable: (i) 15% of the first $25 million of adjusted gross receipts, which we refer to as AGR; (ii) 20% of AGR in excess of $25 million, but not exceeding $50 million; (iii) 25% of AGR in excess of $50 million, but not exceeding $75 million; (iv) 30% of AGR in excess of $75 million, but not exceeding $150 million; and (v) 35% of AGR in excess of $150 million, but not exceeding $600 million; (vi) 40% of AGR in excess of $600 million. AGR is based on Indiana's fiscal year (July 1 of one year through June 30 of the following year). The Operating Agent in Orange County will pay the wagering tax on the same basis as the other ten Indiana riverboats. The Indiana Act requires that Riverboat Licensees pay a $3.00 admission tax for each person. A riverboat that opts to continue excursions pays the admission tax on a per excursion basis while a riverboat that operates dockside pays the admission tax on a per entry basis. Legislation enacted in April 2007 provides the Indiana Gaming Commission with the authority to adopt rules to determine the point at which a patron is considered admitted to a riverboat. The Orange County Operating Agent must pay a $4.00 admission tax for each person that enters the riverboat. Slot Track Licensees must pay the following graduated wagering tax: (i) 25% of the first $100 million; (ii) 30% of AGR in excess of $100 million, but not exceeding $150 million; (iii) 35% of AGR in excess of $150 million, but not exceeding $600 million; (iv) 40% of AGR in excess of $600 million. The Indiana Act provides for the suspension or revocation of a license whose owner does not timely submit the wagering or admission tax. Slot track licensees must also pay (i) a 3% county slot machines wagering fee not to exceed $8 million in a fiscal year; (ii) an annual $500,00 problem gambling fee; (iii) 15% of its respective AGR to horsemen's purses, horsemen's associations and the gaming integrity fee; and (iv) an annual supplemental fee of 1% AGR to the Operating Agent for the first five years of operation and, thereafter, an annual renewal fee of $100 per slot machine.

In April 2007 the Indiana General Assembly amended the manner in which riverboats are to be taxed for property tax purposes. Retroactive to March 1, 2006, riverboats are to be taxed based on the lowest valuation as determined by an application of each of the following methodologies: (i) cost approach; (ii) sales comparison approach; and (iii) income capitalization approach. Alternatively the Riverboat Licensee and the respective Township Assessor may reach an agreement regarding the value of the riverboat. All Indiana state excise taxes, use taxes and gross retail taxes apply to sales made on a riverboat. In 2004 the Indiana Supreme Court ruled that vessels purchased out of the State of Indiana and brought into the State of Indiana would be subject to Indiana sales tax. Additionally, the Supreme Court declined to hear an Indiana Tax Court case that determined wagering tax payments made by a riverboat could not be deducted from the riverboat's adjusted gross income.

The Indiana Gaming Commission is authorized to conduct investigations into gambling games, the maintenance of equipment, and violations of the Indiana Act as it deems necessary. The Indiana Gaming Commission may subject a Riverboat Licensee, an Operating Agent or a Slot Track Licensee to fines, suspension or revocation of its license or Operating Contract for any conduct that violates the Indiana Act, rules promulgated thereunder or that constitutes a fraudulent act.

A Riverboat Licensee, Operating Agent and Slot Track Licensee must post a bond during the period of the initial five-year license in an amount the Indiana Gaming Commission deems will secure the obligations of a Riverboat Licensee for infrastructure and other facilities associated with the riverboat gambling operation and that may be used as payment to the local community, the state and other aggrieved parties. The bond must be payable to the Indiana Gaming Commission as obligee. The initial bond posted by Blue Chip has been reduced as Blue Chip met its obligations to the local community and the State. As a condition of relicensure, Blue Chip must maintain a bond in the amount of $1 million to meet general legal and financial obligations to the local community and the State. The Riverboat Licensee, Operating Agent and Slot Track Licensee must carry insurance in types and amounts as required by the Indiana Gaming Commission.

By rule promulgated by the Indiana Gaming Commission, neither a Riverboat Licensee, Operating Agent nor a Slot Track Licensee may enter into or perform any contract or transaction in which it transfers or receives consideration that is not commercially reasonable or that does not reflect the fair market value of goods and services rendered or received. All contracts are subject to disapproval by the Indiana Gaming Commission and contracts should reflect the potential for disapproval.

The Indiana Act places special emphasis on minority and women business enterprise participation in the riverboat industry. The Indiana Gaming Commission recently hired consultants who performed a Statistical Analysis of the Utilization of minority and women business enterprises by Riverboat Licensees and the Operating Agents. Based on the results of that Statistical Analysis Riverboat Licensees, Operating Agents and Slot Track Licensees must establish goals of expending ten and nine-tenths percent of the total dollars spent on construction expenditures with women business enterprises. The Indiana Gaming Commission encourages the purchase of goods and services in the following categories from minority and women business enterprises based on the capacity measurement determined by the Statistical Analysis: (i) Twenty-three and two-tenths percent with minority-owned construction firms; (ii) four and two-tenths percent with minority-owned procurement firms; (iii) two and five-tenths percent with women-owned procurement firms; (iv) eleven and two-tenths percent with minority-owned professional services firms; (v) seven and eight-tenths percent with women-owned professional services firms; (vi) two and nine-tenths percent of other expenditures with minority-owned firms; and (vii) one and eight-tenths percent with other women-owned firms. Riverboat Licensees, Operating Agents and Slot Track Licensees may be subject to a disciplinary action for failure to meet the minority and women business enterprise expenditure goals.

By rule promulgated by the Indiana Gaming Commission, a Riverboat Licensee or affiliate may not enter into a debt transaction in excess of $1 million without the prior approval of the Indiana Gaming Commission. A debt transaction is any transaction that will result in the encumbrance of assets. Unless waived, approval of debt transactions requires consideration by the Indiana Gaming Commission at two business meetings. The Indiana Gaming Commission, by resolution, has authorized the Executive Director, subject to subsequent approval by the Indiana Gaming Commission, to approve debt transactions after a review of the documents and consultation with the Chair and the Indiana Gaming Commission's outside financial analyst.

A rule promulgated by the Indiana Gaming Commission requires the reporting of currency transactions to the Indiana Gaming Commission after the transactions are reported to the federal government. Indiana rules also require that Riverboat Licensees track and maintain logs of transactions that exceed $3,000. The Indiana Gaming Commission has promulgated a rule that prohibits distributions, excluding distributions for the payment of taxes, by a Riverboat Licensee to its partners, shareholders, itself or any affiliated entity if the distribution would impair the financial viability of the riverboat gaming operation. The Indiana Gaming Commission has also promulgated a rule mandating Riverboat Licensees to maintain a cash reserve to protect patrons against defaults in gaming debts. The cash reserve is to be equal to a Riverboat Licensee's average payout for a three-day period based on the riverboat's performance the prior calendar quarter. The cash reserve can consist of cash on hand, cash maintained in Indiana bank accounts and cash equivalents not otherwise committed or obligated.

The Indiana Act prohibits contributions to a candidate for a state legislative or local office or to a candidate's committee or to a regular party committee by:

- a person who owns at least one percent of a Riverboat Licensee, Operating Agent or Slot Track Licensee;
- a person who is an officer of a Riverboat Licensee, Operating Agent or Slot Track Licensee;
- a person who is an officer of a person that owns at least one percent of a Riverboat Licensee, Operating Agent or Slot Track Licensee; or
- a person who is a political action committee of a Riverboat Licensee, Operating Agent, or Slot Track Licensee.

The prohibition against political contributions extends for three years following a change in the circumstances that resulted in the prohibition.

Individuals employed on a riverboat and in certain positions must hold an occupational license issued by the Indiana Gaming Commission. Suppliers of gaming equipment and gaming or revenue tracking services must hold a supplier's license

issued by the Indiana Gaming Commission. By rule promulgated by the Indiana Gaming Commission, Riverboat Licensees, Operating Agents (and it is anticipated Slot Track Licensees) who employ non-licensed individuals in positions requiring licensure or who purchase supplies from a non-licensed entity may be subject to a disciplinary action.

Florida

In the State of Florida, we, through wholly owned subsidiaries, own and operate one gaming facility, the Dania Jai-Alai Fronton in Dania, Broward County, Florida. Jai-Alai is a Spanish ball game that under Florida law allows the operator of the Fronton, to accept pari-mutuel wagers on the outcome of the game. Pari-mutuel wagering on Jai-Alai games is subject to extensive state regulation under Chapter 550 of the Florida Statutes and Chapter 61D of the Florida Administrative Code. The statutory scheme regulating the conduct of Jai-Alai games has been in existence since the 1930s.

Two separate pari-mutuel permits operate at the Dania Jai-Alai Fronton. The main Jai-Alai permit, presently owned by our subsidiary, The Aragon Group, Inc., which we refer to as Aragon, was issued by the State of Florida in 1953; and under law, that permit was originally authorized to operate only during the winter tourist season, running from December 1 through the following April 30. In 1980, the Florida legislature enacted a law that allowed for the creation of a summer Jai-Alai permit in both Miami-Dade and Broward Counties, which permit was authorized to operate from May 1 through November 30. After passage of the law authorizing summer Jai-Alai activities, a summer Jai-Alai license was issued by the State of Florida to the predecessor to the current owner of the permit, Summersport Enterprises, Ltd., which we refer to as Summersport. Summersport is one of our subsidiaries. By holding both permits, year round Jai-Alai operations were authorized for the Dania Jai-Alai Fronton. Through subsequent legislative changes, the restriction on the number of days the Jai-Alai permit owned by Aragon could operate was lifted, thereby allowing year round operation under that permit. The restriction on the operational days for the summer Jai-Alai permit was not lifted, however, and therefore remains in effect. Presently, we own and operate under both of the permits.

In addition to conducting pari-mutuel wagering on Jai-Alai games, the following additional forms of gaming are authorized at the Dania Jai-Alai Fronton:

- simulcast wagering on pari-mutuel events, including wagering on all of the other pari-mutuel sports authorized under Florida law, such as thoroughbred and harness horse racing and greyhound racing;
- poker and dominoes under a special cardroom license held by certain Florida pari-mutuel permitholders including Aragon and Summersport; and
- slot machine gaming under a special slot machine gaming license held by a limited number of Florida pari-mutuel permitholders including Aragon.

Jai-Alai and other pari-mutuel wagering activities

Conducting Jai-Alai games and accepting pari-mutuel wagering on those games is strictly regulated by the Florida Division of Pari-Mutuel Wagering, which we refer to as the Pari-Mutuel Division. The Pari-Mutuel Division is an executive branch administrative agency, with the director serving at the pleasure of the Governor. All actions taken by the Pari-Mutuel Division are subject to the provisions of the Florida Administrative Procedures Act as contained in Chapter 120 of the Florida Statutes.

The Pari-Mutuel Division's authority is granted under Chapter 550 of the Florida Statutes. Chapter 550 of the Florida Statutes imposes a number of statutory duties on the Pari-Mutuel Division, including the duty to:

- adopt rules for the control, supervision and direction over all applicants, permitholders and licensees and over the conduct of all pari-mutuel activities and events to assure compliance with the provisions of Chapter 550 and to otherwise protect the interest of the public by assuring the integrity of the outcome of the pari-mutuel events;
- oversee the making and distribution of all pari-mutuel pools;
- collect taxes and require compliance with all financial reporting requirements; and
- conduct investigations of applicants for permits and licenses to assure compliance with the moral and financial qualifications set forth in Chapter 550.

Other provisions of Chapter 550 grant Jai-Alai permitholders, including Aragon and Summersport, the right to accept pari-mutuel wagers on other pari-mutuel events that are conducted live at other pari-mutuel facilities within and without the State of Florida. The foregoing sections, which grant additional rights to pari-mutuel wagering, list many exceptions to the

general rule authorizing the simulcasting of signals. These exceptions include restrictive provisions designed to protect a permitholder's live meet from the forced transmission of a simulcast signal within the live permitholder's "market area." Nonetheless, both Aragon and Summersport are actively engaged in the business of accepting wagers on simulcast events conducted by consenting facilities that have elected not to enforce the "market area" restrictions or which are conducted by consenting facilities outside of the "market area."

Poker and domino activities under Cardroom license

In 1996, the Florida legislature first authorized the issuance of Cardroom licenses to the holders of pari-mutuel permits, subject to a local option approval by the county commission in the Florida county where the pari-mutuel permitholder conducted its business. Section 849.086 of the Florida Statutes contains the statutory authority for cardroom activities and also contains the applicable regulatory framework. Cardroom activity was authorized by the Broward County Commission in 1996 and shortly thereafter both Aragon and Summersport applied for and received from the Pari-Mutuel Division Cardroom licenses. Initially, poker games only were authorized under section 849.086, however, during the 2007 session of the legislature, this section was expanded to include dominoes as an authorized game. In addition, the 2007 legislation made other important changes to the regulatory scheme under which cardrooms operate, including increasing the maximum bet to $5.00 with three raises per round, modifying the days of operation of cardrooms so that cardroom activities may now occur on days when no live pari-mutuel activities are being conducted, loosening the limitations on tournament play, authorizing giveaways and jackpots and increasing the annual license fee per table to $1,000.

The legislative changes to Section 849.086 discussed in the preceding paragraph became effective on July 1, 2007.

Slot Machine Gaming

In November 2004, voters in the State of Florida amended the Constitution of the State of Florida to allow the voters of Miami-Dade and Broward Counties to decide whether to approve slot machine gaming within existing pari-mutuel facilities in their respective county. Our Fronton is located in Broward County and therefore met the initial qualification threshold contained in the constitutional amendment. Broward County voters approved the local referendum in March 2005. Accordingly, slot machine gaming may be lawfully conducted at the facility known as the Dania Jai-Alai Fronton.

The regulatory scheme for slot machine gaming is contained within Chapter 551 of the Florida Statutes, which law became effective on January 4, 2006. Although there are pari-mutuel facilities in numerous other counties in the State of Florida, the legislation, tracking the constitutional amendment, also restricted slot machine gaming to pari-mutuel facilities in Miami-Dade and Broward Counties. Further, only existing pari-mutuel facilities can be approved locations for slot machine gaming.

The 2006 law governing slot machine gaming included the following material features:

- the facility may be operated 365 days per year, 16 hours per day;
- the maximum number of machines is 1,500 Vegas-style (Class III) slot machines per facility;
- the annual license fee is $3 million;
- the tax payable to the State of Florida is 50% of net slot revenue;
- the machines will not accept coins or currency, but are ticket in/ticket out;
- the minimum age to play the machines is 21 years;
- ATMs are not permitted within the facility; and
- the Pari-Mutuel Division is required to enforce the provisions of Chapter 551, including through use of its investigatory and police powers.

Beginning in late 2006, slot machine gaming began at other pari-mutuel facilities in Broward County, with Gulfstream Park, a thoroughbred racing facility located in Hallandale, Florida, which opened in October 2006; Mardi Gras Gaming, a greyhound racing facility also located in Hallandale, Florida, which opened in December 2006; and Pompano Park, a harness horse racing facility located in Pompano Beach, Florida, which opened in April 2007. In March, 2007, Aragon was granted a slot machine license by the Pari-Mutuel Division.

Based upon the initial activity at the other facilities, the legislature in 2007 made several amendments to Chapter 551, including:

- the increase of authorized slot machines to 2,000 per facility;

- allowing ATMs to be placed within the pari-mutuel wagering areas of the facility;
- authorizing off-site storage facilities for slot machines; and
- increasing the hours of operation to 18 hours per weekday and 24 hours per weekend day.

The foregoing described legislative changes became effective on June 27, 2007.

In October 2004, a group of plaintiffs brought suit in the Circuit Court in Leon County, Florida, against a group of defendants, including the Florida Secretary of State among others, seeking to permanently enjoin a proposed ballot measure to amend the Florida Constitution to allow Florida voters to approve slot machines at certain pari-mutuel gaming facilities in Miami-Dade and Broward Counties, which we refer to as the Slot Initiative. The plaintiffs in this action claim that the Slot Initiative was improperly placed on the ballot because a portion of the required signatures needed to place it on the ballot were forged. The relief sought in this action included an injunction to prevent inclusion of the Slot Initiative in the ballot for Florida's 2004 general election. Prior to the issuance of a final order from the Circuit Court, the Slot Initiative was approved by the electorate in November 2004.

In January 2005, the Circuit Court dismissed the complaint with prejudice, citing among other reasons that the approval of the voters had cured the alleged procedural deficiencies identified by the plaintiffs. The District Court of Appeal for Florida's First Appellate District reversed the ruling of the Circuit Court, holding that procedural deficiencies identified in a lawsuit initiated before an election are not cured by the election and therefore the plaintiffs should be given the opportunity to prove in court whether the allegations of their complaint are true. The District Court, recognizing the potential impact of its decision, certified to the Florida Supreme Court the following two questions: (1) whether validations of signatures by supervisors of elections can be challenged based on allegations of fraud after certifications of signatures have been accepted by the Secretary of State and the ballot printed and absentee voting commenced in accordance with Florida law; and (2) whether an amendment to the Florida Constitution that is approved by the vote of the electors may be subsequently invalidated if, in an action filed before the election, there is a showing made after the election that necessary signatures on the petition proposing the amendment were fraudulently obtained.

On March 27, 2007, the Florida Supreme Court accepted jurisdiction to hear the certified questions. If the Circuit Court decision is upheld by the Supreme Court, then the case will be deemed dismissed with prejudice and the constitutional amendment will continue in effect. If the District Court of Appeal's decision is upheld by the Supreme Court, then the matter will be returned to the Circuit Court for a trial on the plaintiffs' allegations, with the burden of proof on the plaintiffs to prove than the petition supporting inclusion of the Slot Imitative on the 2004 ballot was supported by an insufficient number of valid signatures. If the matter is tried and the plaintiffs are unsuccessful, then the amendment will continue in effect. If the matter is tried and the plaintiffs are successful, then it is likely that the amendment will be invalidated.

If the amendment is invalidated, it is unclear whether the result will require a cease to slot machine gaming in Florida as such activity currently is authorized in Florida under a validly enacted statute through which slot machine gaming was specifically authorized by the Florida Legislature and approved by the then sitting Governor. We cannot assure you as to the outcome of this litigation, or the subsequent interpretation of the validity of the statute authorizing slot machine gaming.

Marina District Development Company, LLC and Subsidiary

(A Wholly-Owned Subsidiary of Marina District Development Holding Co., LLC)

Consolidated Financial Statements

for the Years Ended December 31, 2008, 2007 and 2006

and Report of Independent Registered Public Accounting Firm

Marina District Development Company, LLC and Subsidiary

(A Wholly-Owned Subsidiary of Marina District Development Holding Co., LLC)

Index to Consolidated Financial Statements

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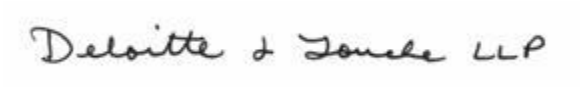
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Member of
Marina District Development Company, LLC and subsidiary
Atlantic City, New Jersey

We have audited the accompanying consolidated balance sheets of Marina District Development Company, LLC and subsidiary (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of operations, changes in member equity and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Marina District Development Company, LLC and subsidiary at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.



February 27, 2009

Member of
Deloitte Touche Tohmatsu

(A Wholly-Owned Subsidiary of Marina District Development Holding Co., LLC)

Consolidated Balance Sheets
(In thousands)

	December 31, 2008	December 31, 2007
Assets		
Current assets		
Cash and cash equivalents	$ 43,690	$ 52,866
Accounts receivable, net	35,145	39,195
Income tax receivable	15,633	26,380
Insurance receivable	—	4,265
Inventories	5,499	4,386
Prepaid expenses	9,128	7,802
Deferred income taxes	1,184	1,251
Total current assets	**110,279**	**136,145**
Property and equipment, net	1,431,118	1,379,932
Investment in ACES	5,888	2,251
Deferred financing fees, net	8,323	6,188
Other assets, net	22,055	17,565
Total assets	**$ 1,577,663**	**$ 1,542,081**
Liabilities and Member Equity		
Current liabilities		
Accounts payable	$ 10,490	$ 6,049
Construction payables	3,378	39,173
Income taxes payable	3,323	3,109
Accrued payroll and related	21,728	25,425
Accrued interest	1,640	5,750
Accrued gaming liabilities	20,334	21,681
Accrued and other liabilities	31,509	30,532
Deferred gain from insurance proceeds	11,132	—
Total current liabilities	**103,534**	**131,719**
Long-term debt	740,536	722,700
Deferred income taxes	8,963	7,289
Other long-term tax liabilities	10,171	9,704
Other liabilities	3,648	3,988
Commitments and contingencies (Note 8)		
Member equity	710,811	666,681
Total liabilities and member equity	**$ 1,577,663**	**$ 1,542,081**

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

(A Wholly-Owned Subsidiary of Marina District Development Holding Co., LLC)

Consolidated Statements of Operations
(In thousands)

	Year Ended December 31,		
	2008	2007	2006
Revenues			
Gaming	$ 734,306	$ 748,649	$ 735,145
Food and beverage	147,334	141,061	133,700
Room	110,616	100,898	97,646
Other	52,207	44,071	42,533
Gross revenues	**1,044,463**	**1,034,679**	**1,009,024**
Less promotional allowances	213,974	196,036	195,759
Net revenues	**830,489**	**838,643**	**813,265**
Costs and expenses			
Gaming	311,387	304,984	289,749
Food and beverage	66,494	61,012	56,333
Room	13,863	12,436	11,417
Other	39,784	33,218	32,805
Selling, general and administrative	130,503	123,873	119,267
Maintenance and utilities	71,322	61,604	56,681
Depreciation and amortization	76,096	68,576	63,088
Preopening expenses	5,570	3,116	6,519
Write-downs and other charges, net	162	956	2,418
Total	**715,181**	**669,775**	**638,277**
Operating income	**115,308**	**168,868**	**174,988**
Interest expense, net of amounts capitalized	29,049	31,194	23,271
Income before provision for (benefit from) state income taxes	**86,259**	**137,674**	**151,717**
Provision for (benefit from) state income taxes	2,970	(3,658)	(2,116)
Net income	**$ 83,289**	**$ 141,332**	**$ 153,833**

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

(A Wholly-Owned Subsidiary of Marina District Development Holding Co., LLC)

Consolidated Statements of Changes in Member Equity
For The Years Ended December 31, 2008, 2007 and 2006
(In thousands)

	Capital Contributions	Retained Earnings	Total Member Equity
Balances, January 1, 2006	**$ 477,507**	**$ 200,600**	**$ 678,107**
Distributions	—	(165,207)	(165,207)
Net income	—	153,833	153,833
Balances, December 31, 2006	**477,507**	**189,226**	**666,733**
Cumulative effect of a change in accounting principle	—	(244)	(244)
Distributions	—	(141,140)	(141,140)
Net income	—	141,332	141,332
Balances, December 31, 2007	**477,507**	**189,174**	**666,681**
Distributions	—	(39,159)	(39,159)
Net income	—	83,289	83,289
Balances, December 31, 2008	**$ 477,507**	**$ 233,304**	**$ 710,811**

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

(A Wholly-Owned Subsidiary of Marina District Development Holding Co., LLC)

Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2008	2007	2006
Cash Flows from Operating Activities			
Net income	$ 83,289	$ 141,332	$ 153,833
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	76,096	68,576	63,088
Amortization of deferred financing fees	2,216	2,057	1,959
Deferred income taxes	2,208	5,788	2,056
Provision for doubtful accounts	4,643	5,866	7,287
Other operating activities	117	812	2,418
Changes in operating assets and liabilities			
Accounts receivable	(593)	(4,742)	(13,744)
Income tax receivable / payable	10,961	(2,299)	(10,248)
Inventories	(1,113)	(324)	(955)
Prepaid expenses	(1,326)	(3,794)	521
Other assets	(5,692)	(3,749)	(7,272)
Other current liabilities	(3,736)	(4,272)	12,959
Other long-term tax liabilities	467	4,917	4,543
Other liabilities	(807)	(5,525)	(2,987)
Net Cash provided by Operating Activities	**166,730**	**204,643**	**213,458**
Cash Flows from Investing Activities			
Acquisition of property and equipment	(161,876)	(237,313)	(255,509)
Insurance proceeds for replacement assets	15,397	7,000	—
Investment in ACES	(3,753)	(1,929)	(400)
Net Cash used in Investing Activities	**(150,232)**	**(232,242)**	**(255,909)**
Cash Flows from Financing Activities			
Financing fees	(4,351)	(302)	(1,283)
Borrowings under bank credit agreements	1,815,596	843,000	778,500
Payments under bank credit agreements	(1,797,760)	(674,900)	(565,600)
Distributions paid	(39,159)	(141,140)	(165,207)
Net Cash provided by (used in) Financing Activities	**(25,674)**	**26,658**	**46,410**
Net (decrease) increase in cash and cash equivalents	(9,176)	(941)	3,959
Cash and cash equivalents, beginning of year	52,866	53,807	49,848
Cash and cash equivalents, end of year	**$ 43,690**	**$ 52,866**	**$ 53,807**
Supplemental Disclosure of Cash Flow Information			
Cash paid for interest, net of amounts capitalized	$ 30,522	$ 26,988	$ 18,454
Cash paid (refunded) for income taxes, net	$ (10,199)	$ (7,146)	$ 5,952
Supplemental Schedule of Non-Cash Investing Activities			
Payables for capital expenditures	$ 3,378	$ 39,173	$ 18,139

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

(A Wholly-Owned Subsidiary of Marina District Development Holding Co., LLC)

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of Marina District Development Company, LLC, d.b.a. Borgata, ("MDDC, LLC") and Marina District Finance Company, Inc. ("MDFC"), its wholly-owned subsidiary, collectively referred to herein as the "Company", "we", or "us". The Company is a wholly-owned subsidiary of Marina District Development Holding Co., LLC ("Holding Company" or "Parent"). Holding Company is jointly owned by MAC, Corp. ("MAC"), a wholly-owned subsidiary of MGM MIRAGE, and Boyd Atlantic City, Inc. ("BAC"), a wholly-owned subsidiary of Boyd Gaming Corporation. Our purpose is to develop, own, and operate a hotel casino and spa facility at Renaissance Pointe in Atlantic City, New Jersey.

We opened Borgata on July 3, 2003 with approximately 2,000 hotel rooms, a 125,000 square foot casino, and other amenities. On June 30, 2006, we opened our first expansion ("Public Space Expansion"). The Public Space Expansion consists of approximately 35,000 square feet of additional casino space and substantial additions of non-gaming amenities including three additional fine dining restaurants, a second nightclub, and a multi-concept quick service dining facility. In June 2008, operations commenced related to our second expansion ("Rooms Expansion"). The centerpiece of the Rooms Expansion is a new hotel tower, The Water Club, a signature hotel by Borgata, containing approximately 800 guest rooms and suites, built on a portion of the existing surface parking lot, near the existing porte cochere. In addition to the hotel, which has access separate from our existing hotel tower, the Rooms Expansion includes a new spa, additional meeting room space, and a new parking structure. BAC and MAC did not make further capital contributions to us for the expansion projects as we financed the projects from our cash flow from operations and from our bank credit facility.

Pursuant to the Joint Venture Agreement (the "JV Agreement"), BAC, as the managing venturer of the Holding Company, has oversight responsibility for the management of Borgata which includes the design, development, and construction as well as the day-to-day operations. We do not record a management fee to BAC, as our management team directly performs these services or negotiates contracts to provide for these services. As a result, the costs of these services are directly borne by the Company and are reflected in our accompanying consolidated financial statements.

Cash and Cash Equivalents

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

Accounts Receivable, net

Accounts receivable consist primarily of casino, hotel and other receivables, net of an allowance for doubtful accounts of $21.3 million and $19.7 million at December 31, 2008 and 2007, respectively. The allowance for doubtful accounts is estimated based upon our collection experience and the age of the receivables.

Inventories

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

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets (see Note 2). Costs of major improvements are capitalized, while costs of normal repairs and maintenance are charged to expense as incurred. Losses on disposal of assets are recognized when such assets are impaired while gains are recognized as realized.

Capitalized Interest

Interest costs, primarily associated with our expansion projects, are capitalized as part of the cost of our constructed assets. Interest costs, which include commitment fees, letter of credit fees and the amortized portion of deferred financing fees, are capitalized on amounts expended for the respective projects using our weighted-average cost of borrowing. Capitalization of interest will cease when the respective project, or discernible portions of the projects, are substantially complete. We amortize capitalized interest over the estimated useful life of the related asset. Capitalized interest for the years ended December 31, 2008, 2007 and 2006 was $8.8 million, $12.6 million and $6.5 million, respectively.

Deferred Financing Fees

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

Revenue and Promotional Allowances

Gaming revenue represents the net win from gaming activities, which is the difference between gaming wins and losses. All other revenue is recognized as the service is provided. 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. Gross revenues include the estimated retail value of rooms, food and beverage, and other goods and services provided to customers on a complimentary basis. Such amounts are then deducted as promotional allowances. The estimated costs and expenses of providing these promotional allowances are charged to the gaming department in the following amounts (in thousands):

	Year Ended December 31,		
	2008	2007	2006
Room	$ 23,876	$ 17,801	$ 17,641
Food and beverage	51,148	49,728	51,381
Other	17,247	12,656	9,947
Total	**$ 92,271**	**$ 80,185**	**$ 78,969**

Promotional allowances also include incentives such as cash, goods and services (such as complimentary rooms and food and beverages) earned in our slot club and other gaming programs. We reward customers, through the use of loyalty programs, with points based on amounts wagered that can be redeemed for a specified period of time, principally for restricted free play slot machine credits and complimentary goods or services. We record the estimated retail value of these incentives as revenue and then deduct them as a promotional allowance. For the years ended December 31, 2008, 2007 and 2006, these incentives were $63.3 million, $60.4 million and $62.8 million, respectively.

Income Taxes

We are treated as a partnership for federal income tax purposes; therefore, federal income taxes are the responsibility of MAC and BAC. In New Jersey, casino partnerships are subject to state income taxes under the Casino Control Act; therefore, we are required to record New Jersey state income taxes (see Note 7). In 2004, we were granted permission by the state of New Jersey, pursuant to a ruling request, to file a consolidated New Jersey corporation business tax return with MAC and BAC. The amounts reflected in our consolidated financial statements are on a stand-alone basis; however, we file a state consolidated tax return with MAC and BAC. The amounts due to MAC and BAC are a result of the tax attributes MAC and BAC have contributed to the consolidated state tax return. A reconciliation of the components of our stand-alone state income taxes payable is presented below (in thousands):

	December 31,	
	2008	2007
Amounts receivable – state	$ (650)	$ (718)
Amounts payable to MAC and BAC	3,973	3,827
Income taxes payable	$ 3,323	$ 3,109

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes. Significant estimates incorporated into our accompanying consolidated financial statements include the estimated useful lives for depreciable and amortizable assets, the estimated allowance for doubtful accounts receivable, the estimate for available tax credits, the estimated insurance receivable related to The Water Club fire, the estimated liabilities for our self-insured medical plan, slot club programs, contingencies and litigation, claims and assessments. Actual results could differ from those estimates and assumptions.

Preopening Expenses

We expense certain costs of start-up activities as incurred. Preopening expenses were $5.6 million for the year ended December 31, 2008, consisting primarily of payroll related expenses and ground lease expenses related to our expansion project. These expenses were $3.1 million and $6.5 million for the year ended December 31, 2007 and 2006, respectively.

Advertising Expense

Advertising costs are expensed the first time such advertising appears. Total advertising costs, included in selling, general and administrative expenses on the accompanying consolidated statements of operations, were $13.5 million, $10.6 million and $14.2 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Employee Benefit Plans

We contribute to pension plans under various union agreements. Contributions, based on wages paid to covered employees, totaled approximately $6.0 million, $5.9 million and $4.6 million for the years ended December 31, 2008, 2007 and 2006, respectively.

We have a retirement savings plan under Section 401(k) of the Internal Revenue Code covering our non-union employees. The plan allows employees to defer up to the lessor of the Internal Revenue Code prescribed maximum amount or 100% of their income on a pre-tax basis through contributions to the plan. We expensed our voluntary contributions to the 401(k) plan of $3.3 million, $3.4 million and $3.1 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Self Insurance

We are currently self insured up to $75 million, $1 million, $0.3 million, and $0.3 million with respect to each catastrophe related property damage claim, non-catastrophe related property damage claim, general liability claim, and non-union employee medical case, respectively. We have accrued $4.3 million and $3.9 million for such claims at December 31, 2008 and 2007, respectively, and incurred expenses of approximately $18.1 million, $14.9 million and $11.2 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Recently Issued Accounting Standards

In May 2008, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 162, *Hierarchy of Generally Accepted Accounting Principles* (“SFAS 162”). This statement is intended to improve financial reporting by identifying a consistent

framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements of nongovernmental entities that are presented in conformity with GAAP. This statement was effective November 15, 2008. Although we can provide no assurances, we do not believe that the adoption of SFAS 162 will have a material impact on our consolidated financial statements.

In April 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* ("FSP 142-3"). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*, and requires enhanced related disclosures. FSP 142-3 must be applied prospectively to all intangible assets acquired as of and subsequent to fiscal years beginning after December 15, 2008. We believe that the adoption of FSP 142-3 will not have a material impact on our consolidated financial statements.

In February 2008, the FASB issued FSP No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which defers the effective date of SFAS No. 157, *Fair Value Measurements* ("SFAS 157") to fiscal years beginning after November 15, 2008 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. We are currently evaluating whether to adopt the fair value option under SFAS No. 157 and evaluating what impact such adoption would have on our consolidated financial statements.

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.

Note 2. Property and Equipment

Property and equipment consists of the following (in thousands):

	Estimated Life (Years)	December 31, 2008	December 31, 2007
Land	—	$ 87,301	$ 87,301
Building and improvements	3-40	1,380,474	996,607
Furniture and equipment	3-7	276,877	228,841
Construction in progress	—	16,596	326,986
Total		1,761,248	1,639,735
Less accumulated depreciation		330,130	259,803
Property and equipment, net		**$ 1,431,118**	**$ 1,379,932**

Depreciation expense was $74.9 million, $67.9 million and $62.4 million for the years ended December 31, 2008, 2007 and 2006, respectively. At December 31, 2008, construction in progress in the above table consists of various maintenance capital projects currently in process. At December 31, 2007, our Rooms Expansion was in process (see Note 1). The majority of the total expenditures for this project as of December 31, 2007 are classified as construction in progress in the above table.

Note 3. Write-downs and Other Charges, net

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

	Year Ended December 31,		
	2008	2007	2006
Loss on disposal of assets	$ 1	$ 607	$ 2,418
Fire related write-downs and other charges, net	161	349	—
Total write-downs and other charges, net	**$ 162**	**$ 956**	**$ 2,418**

On September 23, 2007, The Water Club, our 800-room boutique hotel expansion then under construction, sustained a fire that caused damage to property with a carrying value of approximately $11.4 million. We carry insurance policies that we believe will cover most of the replacement costs related to property damage, with the exception of minor amounts principally related to insurance deductibles and certain other limitations. As of December 31, 2008, we have received insurance advances related to property damage totaling $22.4 million. We have recorded a deferred gain of $11.1 million on our consolidated balance sheet at December 31, 2008, representing the amount of insurance advances related to property damage in excess of the $11.3 million carrying value of assets damaged or destroyed by the fire (after our $0.1 million deductible). The deferred gain, and any other deferred gain that may arise from further advances from insurance recoveries related to property damage, will not be recognized on our consolidated statement of operations until final settlement with our insurance carrier. In addition, we have "delay-in-completion" insurance coverage for The Water Club for certain costs, subject to various limitations and deductibles, which may help to offset some of the costs related to the postponement of its opening. Recoveries, if any, from the insurance carrier will be recorded when earned and realized. We continue to work with our insurance carrier on the scope of the claims and can provide no assurance with respect to the ultimate resolution of these matters.

Note 4. Investment in ACES

In 2006, we entered into an agreement with two other Atlantic City casinos to form Atlantic City Express Service, LLC ("ACES"). With each member having a 33.3% interest, this New Jersey limited liability company was formed for the purpose of contracting with New Jersey Transit to operate express rail service between Manhattan and Atlantic City. Each member has guaranteed, jointly and severally, liability for all terms, covenants and conditions of the ACES agreement consisting primarily of the necessary operating and capital expenses of ACES. The responsibilities of the managing member will rotate annually among the members. Our anticipated investment in ACES will be approximately $6.5 million. ACES commenced operations in February 2009.

We account for our share of ACES under the equity method of accounting. As of December 31, 2008 and 2007, we made capital contributions totaling $5.7 million and $2.3 million, respectively, which is included on the accompanying consolidated balance sheets. Our share of ACES' net loss was approximately $0.1 million for the years ended December 31, 2008 and 2007, respectively, and is included in preopening expenses on the accompanying consolidated statements of operations. There were no such expenses incurred during the year ended December 31, 2006.

Note 5. Related Parties

Pursuant to the JV Agreement, MAC is solely responsible for any investigation, analyses, clean-up, detoxification, testing, monitoring, or remediation related to Renaissance Pointe. MAC is also responsible for their allocable share of expenses related to master plan and government improvements at Renaissance Pointe. The related amounts due from MAC for these types of expenditures incurred by us were less than $0.1 million at December 31, 2008 and 2007, respectively. Reimbursable expenditures incurred were $0.6 million, $0.5 million and $0.7 million for the years ended December 31, 2008, 2007 and 2006, respectively.

In 2005, we entered into a series of ground lease agreements with MAC related to our expansion projects which increased our leased premises from a total of 15.5 acres to a total of 19.0 acres (see Note 8). These new ground lease agreements and the modified existing employee parking garage ground lease agreement provide the land on which our existing employee parking garage, the Public Space Expansion, the Rooms Expansion, and a modified surface parking lot reside. The lease terms extend until December 31, 2070 with the exception of the surface parking lot lease which could be terminated by either party upon 18 months written notice. MAC has provided us with written notice to terminate this lease effective April 2009; however, it is the intent of the Company and MAC to renegotiate the terms of this lease which includes the retraction of the termination notice. The related amounts due to MAC for these types of expenditures were $0 at December 31, 2008 and 2007. Related rent incurred was $6.1 million, $6.0 million and $5.5 million for the years ended December 31, 2008, 2007 and 2006, respectively, portions of which were included in preopening expense in the accompanying consolidated statements of operations.

Pursuant to the ground lease agreements, we are responsible for reimbursing MAC for related property taxes paid on our behalf. The related amounts due to MAC for these types of expenditures were $0 at December 31, 2008 and 2007, respectively. Related property tax incurred was $11.7 million, $6.2 million and $3.7 million for the years ended December 31, 2008, 2007 and 2006, respectively, portions of which were capitalized on the accompanying consolidated balance sheets and portions of which were included in the accompanying consolidated statements of operations.

We reimburse BAC for compensation paid to employees performing services for us on a full-time basis and for out-of-pocket costs and expenses incurred related to travel. BAC is also reimbursed for various payments made on our behalf, primarily related to third party legal fees, insurance, investigative fees and other. The related amounts due to BAC for these types of expenditures paid by BAC were $0.5 million and $0.1 million for the years ended December 31, 2008 and 2007, respectively. Reimbursable expenditures during the years ended December 31, 2008, 2007 and 2006 were $9.2 million, $10.9 million and $11.0 million, respectively, which were included in the accompanying consolidated statements of operations.

The related party balances are non-interest bearing and are included in either accounts receivable or accrued and other liabilities on the accompanying consolidated balance sheets.

Note 6. Debt

Amounts outstanding under our bank credit agreement are as follows (in thousands):

	December 31,	
	2008	2007
Revolving line of credit	$ 740,536	$ 722,700
Less current maturities	—	—
Total long-term debt	**$ 740,536**	**$ 722,700**

On February 15, 2006, the First Amendment was made to our First Amended and Restated Credit Agreement among MDFC, MDDC, Canadian Imperial Bank of Commerce and certain other financial institutions (the "Credit Parties"). The amended bank credit agreement modified our existing amended bank credit agreement and consists of a $750 million revolving credit facility that matures on January 31, 2011. Availability under the revolving credit facility was used to repay in full the outstanding term loan component of the previous bank credit agreement. On February 27, 2007, we increased the revolving credit facility to $850 million. On December 10, 2008, the Second Amendment was made to our First Amended and Restated Credit Agreement among the Credit Parties. The amended bank agreement modified our existing amended bank credit agreement and provides for adjustments to certain financial covenants. The Second Amendment also reduced the revolving credit facility to $800 million with further reductions of $10 million per quarter commencing on March 31, 2009 and ending on December 31, 2010 resulting in the revolving credit facility of $720 million maturing on January 31, 2011. At December 31, 2008, $740.5 million was outstanding under the revolving credit facility and $0.1 million was allocated to support a letter of credit, leaving availability under the bank credit facility of $59.3 million. The carrying amount of debt approximates its fair value at December 31, 2008 and 2007.

The interest rate on the revolving credit facility is based upon either (i) the agent bank's quoted base rate or (ii) the Eurodollar rate, plus an applicable margin. The applicable margin is a percentage per annum (which ranges from 1.00% to 2.50% if we elect to use the base rate and 2.25% to 3.75% if we elect to use the Eurodollar rate) determined in accordance with a specified pricing grid based upon our predefined leverage ratio. In addition, we incur a commitment fee on the unused portion of the revolving credit facility that ranges from 0.25% to 0.5% per annum. The blended interest rates for outstanding borrowings under the bank credit agreements at December 31, 2008 and 2007 were 4.2% and 6.5%, respectively. The bank credit agreement is secured by substantially all of our real and personal property and is non-recourse to MAC and BAC.

The bank credit agreement contains certain financial and other covenants, including, without limitation, various covenants (i) establishing a maximum permitted total leverage ratio, (ii) establishing a minimum required fixed charge coverage ratio, (iii) imposing limitations on the incurrence of additional secured indebtedness, and (iv) imposing restrictions on investments, dividends and certain other payments. We believe that we are in compliance with the covenants related to the bank credit agreement at December 31, 2008.

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

2009	$ —
2010	—
2011	740,536
Total	**$740,536**

Note 7. Income Taxes

A summary of the provision for (benefit from) state income taxes is as follows (in thousands):

	Year Ended December 31,		
	2008	2007	2006
State			
Current	$ 762	$ (9,446)	$ (4,172)
Deferred	2,208	5,788	2,056
Provision for (benefit from) state income taxes	**$ 2,970**	**$ (3,658)**	**$ (2,116)**

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

	Year Ended December 31,		
	2008	2007	2006
Tax provision at state statutory rate	9.0%	9.0%	9.0%
New jobs investment tax credit	(5.8)	(12.7)	(11.2)
Adjusted net profits tax	0.0	0.0	1.3
Adjusted net profits tax credit	0.0	0.0	(0.6)
Other, net	0.2	1.0	0.1
Total state income tax provision (benefit)	**3.4%**	**(2.7)%**	**(1.4)%**

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

	December 31,	
	2008	2007
Deferred state tax assets:		
Provision for doubtful accounts	$ 1,918	$ 1,774
State tax credit carryforwards	1,395	1,658
Gaming taxes	1,099	1,575
Reserve for employee benefits	250	261
Preopening expense	—	543
Other	1,282	1,075
Gross deferred state tax asset	5,944	6,886
Deferred state tax liabilities:		
Difference between book and tax basis of property	12,817	12,253
Reserve differential for gaming activities	87	19
Other	819	652
Gross deferred state tax liability	13,723	12,924
Net deferred state tax liability	**$ (7,779)**	**$ (6,038)**

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

	December 31,	
	2008	2007
Current deferred income tax asset	$ 1,184	$ 1,251
Non-current deferred income tax liability	(8,963)	(7,289)
Net deferred state tax liability	**$ (7,779)**	**$ (6,038)**

Adjusted Net Profits Tax

Pursuant to an amendment to the Casino Control Act, effective July 1, 2003, we were subject to a 7.5% Adjusted Net Profits Tax which was imposed on a casino's adjusted net income as defined in the Casino Control Commission regulations. This tax of $3.8 million per year was based on our adjusted net income for our first twelve months of operations ended on June 30, 2004 and was imposed for each of the three fiscal years ending June 30, 2004 through June 30, 2006. We were entitled to a 50% credit against our Adjusted Net Profits Tax if we made qualifying capital expenditures, as defined by statute. In connection with our Public Space Expansion project, we made qualifying expenditures that allowed us to recognize tax credits of $1.0 million in arriving at our state tax benefit on the accompanying consolidated statements of operations for the year ended December 31, 2006.

New Jersey New Jobs Investment Tax Credit

Based on New Jersey state income tax rules, we are eligible for a refundable state tax credit under the New Jersey New Jobs Investment Tax Credit ("New Jobs Tax Credit") because we made a qualified investment in a new business facility that created new jobs. The total net credit related to our original investment was approximately $75 million over a five-year period that ended in 2007. Incremental net credits related to our Public Space Expansion and our Rooms Expansion are estimated to be approximately $8.4 million and $5.2 million, respectively, over five-year periods ending in 2010 and 2012, respectively. We have

recorded $5.0 million, $17.4 million and $16.9 million of net New Jobs Tax Credits in arriving at our state income tax benefit (provision) on the accompanying consolidated statements of operations for the years ended December 31, 2008, 2007 and 2006, respectively. We expect to generate net New Jobs Tax Credits of approximately $2.7 million per year for years 2009 through 2010 and $1.0 million per year for years 2011 and 2012.

In connection with our formation in 2000, MAC contributed assets consisting of land and South Jersey Transportation Authority bonds with a tax basis of approximately $9.2 million and $13.8 million, respectively. The recorded book value of those assets was $90 million. Pursuant to the Joint Venture and Tax Sharing Agreements between MAC and BAC, any subsequent gain or loss associated with the sale of the MAC contributed property would be allocated directly to MAC for both state and federal income tax purposes. As such, no state deferred tax liability has been recorded in connection with the book and tax basis differences related to the MAC contributed property.

Adoption of FIN 48

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

The total amount of unrecognized tax benefits upon our early adoption of FIN 48 on January 1, 2007 was $6.5 million. As a result of the implementation of FIN 48, we recognized a $2.0 million increase in the liability for unrecognized tax benefits which was accounted for as follows (in thousands):

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

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

	2008	2007
Unrecognized tax benefit, January 1	$ 8,220	$ 6,523
Additions based on tax positions related to the current year	252	1,684
Additions based on tax positions related to prior years	55	26
Reductions based on tax positions related to prior years	(738)	(13)
Unrecognized tax benefit, December 31	$ 7,789	$ 8,220

Included in the $7.8 million balance of unrecognized tax benefits at December 31, 2008 are $5.6 million of tax benefits that, if recognized, would affect the effective tax rate and $2.2 million of tax benefits that, if recognized, would result in adjustments to other tax accounts, primarily deferred taxes.

We recognize accrued interest and penalties related to unrecognized tax benefits in the income tax provision. During the years ended December 31, 2008, 2007 and 2006, we recognized accrued interest and penalties of approximately $0.9 million, $1.0 million, and $0.2 million, respectively. We had $2.6

million and $1.7 million for the payment of interest and penalties accrued at December 31, 2008 and 2007, respectively. Upon adoption of FIN 48 on January 1, 2007, we increased our accrual for interest and penalties to $0.7 million.

We are subject to state taxation in New Jersey and our state tax returns are subject to examination for tax years ended on or after December 31, 2001. Our state tax return for the year ended December 31, 2001 is open to the extent of a net operating loss carryforward utilized in subsequent years. Statute expirations, related to state income tax returns filed for years prior to December 31, 2004 have been extended to December 31, 2009. The statute of limitations for all remaining state income tax returns will begin to expire over the period October 2010 though October 2013. As we are a partnership for federal income tax purposes, we are not subject to federal income tax. The federal tax liabilities of MAC and BAC would be affected by any tax adjustments resulting from federal audits.

We are currently under examination for federal income tax purposes related to the tax returns filed for the years ended December 31, 2004 and 2003. Any adjustments related to the federal examination would affect MAC and BAC, as we are not subject to federal income tax. Additionally, New Jersey state income tax returns for the years ended December 31, 2003 through December 31, 2006 are under audit by the New Jersey Division of Taxation. As the Division of Taxation has not started field work in connection with their audit, it is difficult to determine when these examinations will be closed. As it relates to years under audit and unaudited open years, we do not anticipate any material changes, over the next 12 month period, to our unrecognized tax benefits as of December 31, 2008.

Note 8. Commitments and Contingencies

Future Minimum Lease Payments

Future minimum lease payments required under noncancelable operating leases (principally for land, see Note 5) as of December 31, 2008 are as follows (in thousands):

2009	$ 6,889
2010	6,536
2011	5,859
2012	5,501
2013	5,226
Thereafter	297,869
Total	**$327,880**

For the years ended December 31, 2008, 2007 and 2006, total rent expense was $13.8 million, $13.5 million and $11.9 million, respectively, portions of which were capitalized on the accompanying consolidated balance sheets and portions of which were included in the accompanying consolidated statements of operations.

Utility Contract

In 2005, we amended our executory contracts with a wholly-owned subsidiary of a local utility company extending the end of the terms to 20 years from the opening of our Rooms Expansion. The utility company provides us with electricity and thermal energy (hot water and chilled water). Obligations under the thermal energy executory contract contain both fixed fees and variable fees based upon usage rates. The fixed fee components under the thermal energy executory contract are currently estimated at approximately $11.2 million per annum. We also committed to purchase a certain portion of our electricity demand at essentially a fixed rate which is estimated at approximately $4.8 million per annum. Electricity demand in excess of the commitment is subject to market rates based on our tariff class.

Investment Alternative Tax

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

Our CRDA obligations for the years ended December 31, 2008, 2007 and 2006 were $9.2 million, $9.4 million and $9.2 million, respectively, of which valuation provisions of $5.8 million, $5.3 million and $4.3 million, respectively, are included in selling general and administrative expenses on the accompanying consolidated statements of operations due to the respective underlying agreements.

Grant and Donations Agreement

In June 2004, Borgata and the eleven other casinos in the Atlantic City gaming market (collectively, the "Casinos") entered into a Grant and Donations Agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") and the CRDA in the interest of deferring or preventing the proliferation of competitive gaming at New Jersey racing tracks through January 1, 2009.

Under the terms of the Grant and Donations Agreement, the Casinos paid to the NJSEA $34 million to be used for certain authorized purposes as defined by the Grant and Donations Agreement. The $34 million was paid by the Casinos over a four-year period as follows: $7 million was paid October 15, 2004; $8 million was paid October 15, 2005; $9 million was paid on October 15, 2006; and $10 million was paid on October 15, 2007. For each year, each casino's share of the $34 million equated to a percentage representing its gross gaming revenue for the twelve months ending June 30th prior to the October 15 payment date compared to the gross gaming revenues for that period for all Casinos. The Casinos, individually and collectively, were responsible for the payment of all amounts due. As a result, we expense our pro rata share of the $34 million totaling $4.7 million on a straight-line basis over the applicable term of the Grant and Donations Agreement. Based upon the gross gaming revenues for all Casinos for the twelve months ended June 30, 2007, our share of the $10 million paid on October 15, 2007 was approximately 14.5%, or $1.5 million. Based upon the gross gaming revenues for all Casinos for the twelve months ended June 30, 2006, our share of the $9 million paid on October 15, 2006 was approximately 13.9%, or $1.3 million. Based upon the gross gaming revenues for all Casinos for the twelve months ended June 30, 2005, our share of the $8 million paid on October 15, 2005 was approximately 13.9%, or $1.1 million. Based upon the gross gaming revenues for all Casinos for the twelve months ended June 30, 2004, our share of the $7 million paid on October 15, 2004 was

approximately 12.0%, or $0.8 million. We recorded an expense of $1.0 million for each of the years ended December 31, 2008, 2007 and 2006, respectively, which is included in selling general and administrative expenses on the accompanying consolidated statements of operations.

Also under the terms of the Grant and Donations Agreement, the CRDA approved donations in the aggregate amount of $62 million from the Casino's North Jersey Obligations (pursuant to the New Jersey Casino Control Act) for certain uses as defined by the Grant and Donations Agreement including casino projects approved pursuant to rules of the CRDA. The CRDA shall credit 100% of the donations received from each casino against that casino's obligation to purchase bonds. The donation shall provide that each casino's share of the $62 million will equate to a percentage representing its gross gaming revenue for the twelve months ended June 30, 2004 compared to the gross gaming revenues for that period for all Casinos. Each casino's respective annual donation shall be made first from uncommitted current and future funds in the North Jersey Project Fund established in accordance with the CRDA Urban Revitalization Act of that Casino and shall be credited as fulfilling said obligation on behalf of the particular casino making the payment. To the extent such North Jersey Project funds of that casino are not adequate to pay a Casino's share of the required donations, then that casino's other uncommitted current and future North Jersey Obligations shall be utilized. As a result, we will expense our pro rata share of the $62 million on a straight-line basis over the applicable term of the Grant and Donations Agreement; however, our Rooms Expansion project qualified, pursuant to rules of the CRDA, for eligibility to receive future credits of approximately $6.8 million under this Grant and Donations Agreement. Based upon the gross gaming revenues for all Casinos for the twelve months ended June 30, 2004, our share of the $62 million was approximately 12.0%, or $7.4 million. We recorded an expense of $1.6 million for each of the years ended December 31, 2008, 2007 and 2006, which is included in selling general and administrative expenses on the accompanying consolidated statements of operations. Based on current gross gaming revenue projections, we expect it will take approximately 10 to 12 years to fully fund this obligation as the third quarter of 2006 was the first quarter we were subject to fund North Jersey Obligations.

Purse Enhancement Agreement

In August 2008, Borgata and the ten other casinos in the Atlantic City gaming market (collectively, the "Casinos") entered into a Purse Enhancement Agreement with the NJSEA and the CRDA in the interest of further deferring or preventing the proliferation of competitive gaming at New Jersey racing tracks through December 31, 2011. In addition to the continued prohibition of casino gaming in New Jersey outside of Atlantic City, legislation was enacted to provide for the deduction of certain promotional gaming credits from the calculation of the tax on casino gross revenue.

Under the terms of the Purse Enhancement Agreement, the Casinos shall make scheduled payments to the NJSEA totaling $90 million to be used for certain authorized purposes (the "Authorized Uses") as defined by the Purse Enhancement Agreement. In the event any of the $90 million is not used by NJSEA for the Authorized Uses by January 1, 2012, the unused funds shall be returned by NJSEA to the Casinos pro rata based upon the share each casino contributed. For each year, each casino's share of the scheduled payments will equate to a percentage representing its gross gaming revenue for the prior calendar year compared to the gross gaming revenues for that period for all Casinos. Each casino, solely and individually, shall be responsible for its respective share of the scheduled amounts due. In the event that any casino shall fail to make its payment as required, the remaining Casinos shall have the right, but not the obligation, to cure a payment delinquency. As a result, we will expense our pro rata share of the $90 million, estimated to be approximately $14.4 million in total using our actual and forecasted market share of gross gaming revenue, on a straight line basis over the applicable term of the Purse Enhancement Agreement.

Legal Matters

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