BOYD GAMING CORP
Form 10-Q
May 04, 2012

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

OR

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

For the transition period from to

Commission file number: 1-12882

BOYD GAMING CORPORATION
(Exact name of registrant as specified in its charter)

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

3883 Howard Hughes Parkway, Ninth Floor, Las Vegas, NV 89169
(Address of principal executive offices) (Zip Code)
(702) 792-7200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

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

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

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

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

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

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

Item 1. Financial Statements

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

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

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

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

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

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

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

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BOYD GAMING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
for the three months ended March 31, 2012 and 2011

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

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

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BOYD GAMING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
for the three months ended March 31, 2012 and 2011

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

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

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

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

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

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

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

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

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

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

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

NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

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

Hawaiian Operations

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

Dania Jai-Alai

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

Echelon Development

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

Basis of Presentation

Interim Condensed Consolidated Financial Statements

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

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

Principles of Consolidation

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

Acquisition of IP

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

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

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

Consolidation of Borgata

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

Consolidation of LVE

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

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

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

Property and Equipment, Net

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

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

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

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

Assets Held for Development

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

Interest costs associated with major construction projects are capitalized as part of the cost of the constructed assets. When no debt is incurred specifically for a project, interest is capitalized on amounts expended for the project using our weighted-average cost of borrowing. Capitalization of interest ceases when the project (or discernible portions of the project) is substantially complete. If substantially all of the construction activities of a project are suspended, capitalization of interest will cease until such activities are resumed. Interest capitalized during the three months ended March 31, 2012 was $0.4 million. There was no interest capitalized during the three months ended March 31, 2011.

Debt Financing Costs

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

Restricted Investments

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

Intangible Assets

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

Amortizing Intangible Assets

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

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

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

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

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

Noncontrolling Interest

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

Revenue Recognition

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

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

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

Promotional Allowances

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

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

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

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

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

Gaming Taxes

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

Earnings per Share

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

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

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

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

Comprehensive Income

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates incorporated into our condensed consolidated financial statements include the estimated allowance for doubtful accounts receivable, the estimated useful lives for depreciable and amortizable assets, recoverability of assets held for development, measurement of the fair value of our controlling interest and the noncontrolling interest in Borgata, fair values of acquired assets and liabilities, estimated cash flows in assessing the recoverability of long-lived assets and assumptions relative to the valuation and impairment of goodwill and intangible assets, estimated valuation allowances for deferred tax assets, slot bonus point programs, certain tax liabilities and uncertain tax positions, self-insured liability reserves, share-based payment valuation assumptions, fair values of assets and liabilities measured at fair value, fair values of assets and liabilities disclosed at fair value, fair values of derivative instruments, contingencies and litigation, claims and assessments. Actual results could differ from these estimates.

NOTE 2. ASSET ACQUISITIONS

IP Casino Resort Spa

Overview

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

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

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

Condensed Statement of Operations

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

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

Other Acquisitions

Development Agreement

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

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

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

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

NOTE 3. CONSOLIDATION OF CERTAIN INTERESTS

Controlling Interest

Borgata Hotel Casino and Spa

Overview

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

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

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

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

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

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

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

The gain was computed as follows:

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

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

Variable Interest

LVE Energy Partners, LLC

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

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

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

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

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

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

NOTE 5. ASSETS HELD FOR DEVELOPMENT

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

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

Echelon Project Infrastructure

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

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

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

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

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

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

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

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

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

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

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

Central Energy Facility

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

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

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

NOTE 6. INTANGIBLE ASSETS

Intangible assets consist of the following:

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

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

Amortizing Intangible Assets

Customer Relationships

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

Favorable Lease Rates

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

Development Agreements

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

Indefinite Lived Intangible Assets

Trademarks

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

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

Gaming License Rights

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

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

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

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

Future Amortization

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

| Customer Relationships | Favorable Lease Rates | Development Agreement | Total |
|---|---|---|---|

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

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

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

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

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

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

| | March 31, 2012 | December 31, 2011 |
|---|---|---|

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

NOTE 8. NON-RECOURSE OBLIGATIONS OF VARIABLE INTEREST ENTITY

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

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

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

Construction and Term Loan Facility

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

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

Tax-exempt Variable Rate Bonds

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

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

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

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

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

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

NOTE 9. LONG-TERM DEBT
Long-term debt, net of current maturities consists of the following:

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

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

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

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

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

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

Extended Revolving Facility

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

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

Initial Term Loan

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

Incremental Term Loan

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

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

Guarantees

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

Financial and Other Covenants

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

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

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

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

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

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

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

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

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

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

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

Borgata Debt
Borgata Bank Credit Facility

Significant Terms

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

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

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

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

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

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

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

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

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

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

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

Borgata Senior Secured Notes

9.875% Senior Secured Notes Due 2018

Significant Terms

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

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

Original Issue Discount

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

Indenture

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

NOTE 10. DERIVATIVE INSTRUMENTS

We have utilized derivative instruments to manage interest rate risk.

Interest Rate Swap Agreements

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

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

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

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

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

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

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

NOTE 11.

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

Contingencies
Copeland
Alvin C. Copeland, the sole shareholder (deceased) of an unsuccessful applicant for a riverboat license at the location of our Treasure Chest Casino ("Treasure Chest"), has made several attempts to have the Treasure Chest license revoked

and awarded to his company. In 1999 and 2000, Copeland unsuccessfully opposed the renewal of the Treasure Chest license and has brought two separate legal actions against Treasure Chest. In November 1993, Copeland objected to the relocation of Treasure Chest from the Mississippi River to its current site on Lake Pontchartrain. The predecessor to the Louisiana Gaming Control Board allowed the relocation over Copeland's objection. Copeland then filed an appeal of the agency's decision with the Nineteenth Judicial District Court. Through a number of amendments to the appeal, Copeland unsuccessfully attempted to transform the appeal into a direct action suit and sought the revocation of the Treasure Chest license. Treasure Chest intervened in the matter in order to protect its interests. The appeal/suit, as it related to Treasure Chest, was dismissed by the District Court and that dismissal was upheld on appeal by the First Circuit Court of Appeal. Additionally, in 1999, Copeland filed a direct action against Treasure Chest and certain other parties seeking the revocation of Treasure Chest's license, an award of the license to him, and monetary damages. The suit was dismissed by the trial court, citing that Copeland failed to state a claim on which relief could be granted. The dismissal was appealed by Copeland to the Louisiana First Circuit Court of Appeal. On June 21, 2002, the First Circuit Court of Appeal reversed the trial court's decision and remanded the matter to the trial court. On January 14, 2003, we filed a motion to dismiss the matter and that motion was partially denied. The Court of Appeal refused to reverse the denial of the motion to dismiss. In May 2004, we filed additional motions to dismiss on other grounds. There was no activity regarding this matter during 2005 and 2006, and the case was set to be dismissed by the court for failure to prosecute by the plaintiffs in mid-May 2007; however on May 1, 2007, the plaintiff filed a motion to set a hearing date related to the motions to dismiss. The hearing was scheduled for September 10, 2007, at which time all parties agreed to postpone the hearing indefinitely. The hearing has not yet been rescheduled. Mr. Copeland has since passed away and his son, the executor of his estate, has petitioned the court to be substituted as plaintiff in the case. On June 9, 2009, the plaintiff filed to have the exceptions set for hearing. The parties decided to submit the exceptions to the court on the previously filed briefs. The court issued a ruling denying the exceptions on August 9, 2010. Copeland's counsel indicated a desire to move forward with the litigation and requested that the parties respond to outstanding discovery. Subsequently, on August 11, 2010, Robert J. Guidry, the co-defendant, filed a third party demand against the U.S. Attorney's Office seeking enforcement of Guidry's plea agreement which would limit Guidry's exposure in the case. On September 9, 2010, the U.S. Attorney's Office removed the suit to the U.S. District Court, Middle District of Louisiana. Pending before the District Court are a motion to dismiss for failing to state a cause of action filed by Guidry, asserting the same arguments he tried in state court, which the Company joined, and a motion to dismiss for lack of subject matter jurisdiction filed by the U.S. Attorney, which may result in the case being remanded to state court. The U.S. District Court heard the motions on March 16, 2011. A ruling has not yet been issued. On April 1, 2011, the U.S. Attorney's Office moved for summary judgment, maintaining its jurisdictional argument as well as seeking substantive relief. On September 2, 2011, the judge issued an Order stating that the case should be remanded to state district court but allowed for additional filings by September 13, 2011. A Remand Order was issued on September 15, 2011, sending the case back to the 19 th Judicial District Court, East Baton Rouge Parish, State of Louisiana. Guidry filed a motion for partial summary judgment on November 14, 2011 to limit the damages in the case. Treasure Chest also filed a motion for protective order on November 18, 2011. Pending motions has been continued without a future date for the hearing. We currently are vigorously defending the lawsuit. If this matter ultimately results in the Treasure Chest license being revoked, it could have a significant adverse effect on our business, financial condition and results of operations.

Nevada Use Tax Refund Claims

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

Blue Chip Property Taxes

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

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

### Legal Matters

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

## NOTE 12. STOCKHOLDERS' EQUITY AND STOCK INCENTIVE PLANS

### Share Repurchase Program

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

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

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

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

### Dividends

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

Share-Based Compensation

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

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

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

NOTE 13. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

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

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

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

NOTE 14. NONCONTROLLING INTEREST

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

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

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

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

LVE

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

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

These derivatives were de-designated in July 2011.

## NOTE 15. FAIR VALUE MEASUREMENTS

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

These inputs create the following fair value hierarchy:

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

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

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

| | March 31, 2012 | | | |
|---|---|---|---|---|
| | Balance | Level 1 | Level 2 | Level 3 |

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

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

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

Balances Disclosed at Fair Value

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

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

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

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

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

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

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

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

## NOTE 16. OTHER OPERATING CHARGES, NET

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

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

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

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

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

Flood Expenses, Net of Recoveries

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

Measurement Period Adjustments

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

NOTE 17. SEGMENT INFORMATION

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

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

Results of Operations - Adjusted EBITDA

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

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

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

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

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

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

Total Assets

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

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

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

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## NOTE 18. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

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

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

Condensed Consolidating Balance Sheets

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

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

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Condensed Consolidating Balance Sheets

| | December 31, 2011 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries (100% Owned) | Non-Guarantor Subsidiaries (Not 100% Owned) | Eliminations | Consolidated |
| | | | (In thousands) | | | |
| Assets | | | | | | |
| Cash and cash equivalents | $364 | $128,185 | $3,944 | $46,263 | $— | $178,756 |
| Other current assets | 29,818 | 70,448 | 13,459 | 50,413 | — | 164,138 |
| Property and equipment, net | 115,346 | 2,120,227 | 75,739 | 1,230,796 | — | 3,542,108 |
| Assets held for development | — | 926,013 | — | 163,806 | — | 1,089,819 |
| Investments in subsidiaries | 3,777,298 | 353,740 | 32 | — | (4,131,070) | — |
| Intercompany receivable | — | 187,911 | — | — | (187,911) | — |
| Other assets, net | 28,501 | 15,068 | 5,993 | 71,077 | — | 120,639 |
| Intangible assets, net | — | 487,907 | 21,374 | 64,737 | — | 574,018 |
| Goodwill, net | — | 212,794 | 782 | — | — | 213,576 |
| Total assets | $3,951,327 | $4,502,293 | $121,323 | $1,627,092 | $(4,318,981) | $5,883,054 |
| Liabilities and Stockholders' Equity | | | | | | |
| Current maturities of long-term debt | $42,500 | $730 | $— | $— | $— | $43,230 |
| Non-recourse debt | — | — | — | 29,686 | — | 29,686 |
| Current liabilities | 146,054 | 152,437 | 16,725 | 102,484 | (18,596) | 399,104 |
| Intercompany payable | 455 | — | 216,211 | — | (216,666) | — |
| Long-term debt, net of current maturities | 2,527,076 | 10,341 | — | 809,809 | — | 3,347,226 |
| Other long-term liabilities | 33,150 | 404,463 | 1,537 | 57,599 | — | 496,749 |
| Non-recourse debt | — | — | — | 192,980 | — | 192,980 |
| Preferred stock | — | — | — | — | — | — |
| Common stock | 863 | 31,128 | 32 | — | (31,160) | 863 |
| Additional paid-in capital | 644,174 | 2,984,250 | 41,724 | 476,733 | (3,502,707) | 644,174 |
| Retained earnings (deficit) | 557,055 | 918,944 | (154,906) | (42,199) | (721,839) | 557,055 |
| Total Boyd Gaming Corporation stockholders' equity (deficit) | 1,202,092 | 3,934,322 | (113,150) | 434,534 | (4,255,706) | 1,202,092 |
| Noncontrolling interest | — | — | — | — | 171,987 | 171,987 |
| Total stockholders' equity (deficit) | 1,202,092 | 3,934,322 | (113,150) | 434,534 | (4,083,719) | 1,374,079 |
| | $3,951,327 | $4,502,293 | $121,323 | $1,627,092 | $(4,318,981) | $5,883,054 |

Total liabilities and stockholders' equity

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Condensed Consolidating Statements of Operations

| | Three Months Ended March 31, 2012 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries (100% Owned) | Non-Guarantor Subsidiaries (Not 100% Owned) | Eliminations | Consolidated |
| | | | (In thousands) | | | |
| Net revenues | $37,457 | $442,064 | $14,869 | $176,151 | $(37,458) | $633,083 |
| Costs and expenses | | | | | | |
| Operating | — | 237,448 | 15,359 | 90,422 | — | 343,229 |
| Selling, general and administrative | — | 74,079 | 3,095 | 32,543 | — | 109,717 |
| Maintenance and utilities | — | 23,948 | 508 | 14,307 | — | 38,763 |
| Depreciation and amortization | 2,130 | 32,061 | 693 | 15,130 | — | 50,014 |
| Corporate expense | 25,184 | 77 | 278 | — | (12,668) | 12,871 |
| Preopening expenses | 124 | 4,128 | — | (2,592) | — | 1,660 |
| Other operating charges, net | 29 | 246 | — | (28) | — | 247 |
| Total costs and expenses | 27,467 | 371,987 | 19,933 | 149,782 | (12,668) | 556,501 |
| Equity in earnings of subsidiaries | 26,465 | 5,759 | — | — | (32,224) | — |
| Operating income | 36,455 | 75,836 | (5,064) | 26,369 | (57,014) | 76,582 |