BOYD GAMING CORP
Form 10-Q
November 09, 2007

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

FORM 10-Q

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

For the quarterly period ended September 30, 2007

OR

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

For the transition period from ________to _________

Commission file number: : 1-12882

Boyd Gaming Corporation

(Exact name of Registrant as Specified in its Charter)

Nevada	**88-0242733**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

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

(Address of Principal Executive Offices including 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 reports), and (2) has been subject to such filing requirements for the past 90 days.
YES x NO ¨

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

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

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

Class	Outstanding
Common stock, $.01 par value	87,745,013

Note: PDF provided as a courtesy

BOYD GAMING CORPORATION

QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED SEPTEMBER 30, 2007

TABLE OF CONTENTS

PART II. OTHER INFORMATION

Part I. Financial Information

Item 1. *Unaudited Condensed Consolidated Financial Statements*

BOYD GAMING CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(In thousands, except share data)

	September 30, 2007
ASSETS	
Current assets	
Cash and cash equivalents	$ 152,845
Restricted cash	57,512
Accounts receivable, net	24,979
Inventories	10,067
Prepaid expenses and other current assets	37,075
Assets held for sale, net of cash	23,188
Income taxes receivable	682
Deferred income taxes	1,596
Total current assets	307,944
Property and equipment, net	2,634,073
Investments in and advances to unconsolidated subsidiaries, net	398,158
Other assets, net	88,449
Intangible assets, net	538,115
Goodwill, net	404,206
Total assets	$ 4,370,945
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities	
Current maturities of long-term debt	$ 574
Accounts payable	51,097
Construction payables	48,791
Accrued liabilities	
Payroll and related	67,658
Interest	23,169
Gaming	67,644
Accrued expenses and other	105,731
Liabilities related to assets held for sale	--
Total current liabilities	364,664
Long-term debt, net of current maturities	2,207,378
Deferred income taxes	353,299
Other long-term tax liabilities	37,899
Other liabilities	35,997
Commitments and contingencies (Note 15)	
Stockholders' equity	
Preferred stock, $.01 par value, 5,000,000 shares authorized	--
Common stock, $.01 par value, 200,000,000 shares authorized, 87,710,181 and 87,105,106 shares outstanding	877

Additional paid-in capital	594,298
Retained earnings	777,626
Accumulated other comprehensive income (loss), net	(1,093)
Total stockholders' equity	1,371,708
Total liabilities and stockholders' equity	$ 4,370,945

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

BOYD GAMING CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In thousands, except per share data)

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006		
Revenues				
Gaming	$ 413,523	$ 440,957	$ 1,271,125	$ 1,382,244
Food and beverage	68,277	76,520	205,538	232,311
Room	37,529	42,400	116,657	133,844
Other	29,155	33,867	95,122	107,495
Gross revenues	548,484	593,744	1,688,442	1,855,894
Less promotional allowances	58,429	63,058	169,966	184,096
Net revenues	490,055	530,686	1,518,476	1,671,798
Costs and expenses				
Gaming	182,777	208,491	576,024	637,769
Food and beverage	40,013	46,352	122,510	143,062
Room	11,775	13,936	35,137	42,657
Other	22,093	25,905	70,554	81,263
Selling, general and administrative	81,164	77,809	239,115	236,270
Maintenance and utilities	26,091	27,733	72,519	77,294
Depreciation and amortization	41,440	47,273	123,989	144,915
Corporate expense	14,371	13,679	43,186	40,768
Preopening expenses	5,107	3,235	15,619	16,329
Write-downs and other charges, net	1,112	5,990	12,092	38,730
Total costs and expenses	425,943	470,403	1,310,745	1,459,057
Operating income from Borgata	26,939	25,409	65,764	68,809
Operating income	91,051	85,692	273,495	281,550
Other income (expense)				
Interest income	--	36	110	108
Interest expense, net of amounts capitalized	(34,490)	(37,503)	(104,835)	(108,627)
Loss on early retirements of debt	--	--	(16,945)	--
Decrease in value of derivative instruments	(3,532)	(1,755)	(1,007)	(1,755)
Other non-operating expenses from Borgata, net	(3,402)	(3,182)	(10,777)	(7,477)
Total	(41,424)	(42,404)	(133,454)	(117,751)
Income from continuing operations before provision for income taxes	49,627	43,288	140,041	163,799
Provision for income taxes	(17,742)	(15,212)	(50,110)	(58,088)
Income from continuing operations	31,885	28,076	89,931	105,711
Discontinued operations:				
Income (loss) from discontinued operations (including a gain on disposition of $285,033 during the nine months ended September 30, 2007 and an impairment loss of $65,000 in 2006)	(88)	(63,569)	281,584	(70,221)
(Provision for) benefit from income taxes	31	22,563	(99,709)	24,980
Net income (loss) from discontinued operations	(57)	(41,006)	181,875	(45,241)
Net income (loss)	$ 31,828	$ (12,930)	$ 271,806	$ 60,470

BOYD GAMING CORPORATION AND SUBSIDIARIES

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

(In thousands, except per share data)

	Three Months Ended September 30,	
	2007	2006

Basic net income (loss) per common share: Income from continuing operations $ 0.36 $ 0.32 $ 1.03 $ 1.19 Net income (loss) from discontinued operations -- (0.47) 2.08 (0.51) ------------ ------------ ------------ ------------ Net income (loss) $ 0.36 $ (0.15) $ 3.11 $ 0.68 ============ ============ ============ ============ Weighted average basic shares outstanding 87,739 87,774 87,494 88,900 ============ ============ ============ ============ Diluted net income (loss) per common share: Income from continuing operations $ 0.36 $ 0.32 $ 1.01 $ 1.17 Net income (loss) from discontinued operations -- (0.47) 2.06 (0.50) ------------ ------------ ------------ ------------ Net income (loss) $ 0.36 $ (0.15) $ 3.07 $ 0.67 ============ ============ ============ ============ Weighted average diluted shares outstanding 88,885 88,607 88,639 90,181 ============ ============ ============ ============ Dividends declared per common share $ 0.15 $ 0.135 $ 0.45 $ 0.395 ============ ============ ============ ============

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

BOYD GAMING CORPORATION AND SUBSIDIARIES

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

For the nine months ended September 30, 2007

(In thousands, except share data)

	Common Stock		Additional Paid-in	Retained
	Shares	Amount	Capital	Earnings

Balances, January 1, 2007 87,105,106 $ 871 $ 561,298 $ 544,080 $ 3,703 $ 1,109,952 Cumulative effect of a change in accounting for uncertainty in income taxes -- -- -- (105) -- (105) Our share of Borgata's cumulative effect of a change in accounting for uncertainty in income taxes -- -- -- (122) -- (122) Net income -- -- -- 271,806 -- 271,806 Derivative instruments market adjustment, net of taxes of $2,809 -- -- -- -- (4,905) (4,905) Restricted available for sale securities market adjustment, net of taxes of $60 -- -- -- -- 109 109 Stock options and awards exercised 605,075 6 14,370 -- -- 14,376 Tax benefit from share-based compensation arrangements -- -- 4,942 -- -- 4,942 Share-based compensation costs -- -- 13,688 -- -- 13,688 Dividends paid on common stock -- -- -- (38,033) -- (38,033) ------------ --------- ------------ ---------- --------------- ------------ Balances, September 30, 2007 87,710,181 $ 877 $ 594,298 $ 777,626 $ (1,093) $ 1,371,708 ============ ========= ============ ========== =============== ============

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

BOYD GAMING CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(In thousands)

```
 Three Months Ended
   September 30,
-------------------------  -
    2007        2006
------------  ------------  -
```

Net income (loss) $ 31,828 $ (12,930) $ 271,806 $ 60,470 Derivative instruments market adjustment, net of tax (5,415) (3,705) (4,905) 463 Restricted available for sale securities market adjustment, net of tax 15 40 109 3 ------------ ------------ ------------ ------------ Comprehensive income (loss) $ 26,428 $ (16,595) $ 267,010 $ 60,936 ============ ============ ============ ============

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

BOYD GAMING CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)

CASH FLOWS FROM OPERATING ACTIVITIES Net income $ 271,806 $ 60,470 Adjustments to reconcile net income to net cash provided by operating activities: Depreciation and amortization 123,989 164,563 Amortization of debt issuance costs 3,736 3,352 Deferred income taxes 54,497 (22,187) Operating and non-operating income from Borgata (54,987) (61,332) Distributions of earnings received from Borgata 46,709 60,052 Share-based compensation expense 12,806 17,182 Excess tax benefit from share-based compensation arrangements (4,651) (6,304) Gain on disposition of Barbary Coast (285,033) -- Loss on early retirements of debt 16,945 -- Decrease in value of derivative instruments 1,007 1,755 Non-cash asset write-downs 3,744 97,135 Other (825) -- Changes in operating assets and liabilities: Restricted cash (13,872) (10,768) Accounts receivable, net 1,690 (1,802) Insurance receivable -- 4,313 Inventories 1,099 1,293 Prepaid expenses and other 8,736 (7,287) Income taxes receivable 12,255 (8,587) Other assets (6,472) (2,200) Other current liabilities (17,213) 35,190 Other liabilities 4,736 3,387 Other long-term tax liabilities 37,794 -- ------------ ------------ Net cash provided by operating activities 218,496 328,225 ------------ ------------ CASH FLOWS FROM INVESTING ACTIVITIES Capital expenditures (203,714) (367,044) Net cash paid for Dania Jai-Alai (80,904) -- Investments in and advances to unconsolidated subsidiaries (4,251) -- Proceeds from sale of assets 7,596 -- Insurance recoveries for replacement assets -- 27,000 ------------ ------------ Net cash used in investing activities (281,273) (340,044) ------------ ------------ CASH FLOWS FROM FINANCING ACTIVITIES Payments on long-term debt (408) (544) Borrowings under bank credit facilities 652,700 400,600 Payments under bank credit facilities (331,800) (633,150) Payments on retirement of long-term debt (260,938) -- Proceeds from termination of derivative instruments 5,718 -- Net proceeds from issuance of long-term debt -- 246,300 Proceeds from exercise of stock options 14,335 9,064 Excess tax benefit from share-based compensation arrangements 4,651 6,304 Dividends paid on common stock (38,033) (34,926) ------------ ------------ Net cash provided by (used in) financing activities 46,225 (6,352) ------------ ------------ Net decrease in cash and cash equivalents (16,552) (18,171) Cash and cash equivalents, beginning of period 169,397 188,406 ------------ ------------ Cash and cash equivalents, end of period $ 152,845 $ 170,235 ============ ============

BOYD GAMING CORPORATION AND SUBSIDIARIES

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

(In thousands)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION Cash paid for interest, net of amounts capitalized $ 99,074 $ 110,487 Cash paid for income taxes, net of refunds 44,982 63,883 SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES Payables for capital expenditures $ 49,553 $ 25,167 Restricted cash received as a deposit for Morgans Las Vegas, LLC joint venture 31,036 -- Restricted cash proceeds from maturities of restricted investments 7,390 500 Restricted cash used to purchase restricted investments 6,765 -- Restricted cash proceeds from sales of restricted investments 8,589 -- Land acquired in exchange for Barbary Coast 364,000 -- Non-monetary portion of land exchange 18,177 -- Repurchase of common stock for issuance of note payable to related party -- 111,990 Transfer of land held for sale from property and equipment, net to assets held for sale, net of cash -- 26,188 Acquisition of Dania Jai-Alai Fair value of non-cash assets acquired $ 84,724 $ -- Net cash paid (80,904) -- ------------ ------------ Liabilities assumed $ 3,820 $ -- ============ ============

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

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. Summary of Significant Accounting Policies

Principles of Consolidation

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

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

We are developing Echelon, our Las Vegas Strip development project, which we expect to open in the third quarter of 2010, and have entered into two joint ventures associated with Echelon:

Morgans Las Vegas, LLC

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

Echelon Place Retail Promenade, LLC

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

Basis of Presentation

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

Use of Estimates

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

Capitalized Interest

Interest costs associated with major construction projects are capitalized as part of the cost of the constructed assets. When no debt is incurred specifically for a project, interest is capitalized on amounts expended for the project using our weighted average cost of borrowing. Capitalization of interest ceases when the project (or discernible portions of the project) is substantially complete. We amortize capitalized interest over the estimated useful life of the related assets. Capitalized interest for the three and nine months ended September 30, 2007 was $5.3 million and $11.6 million, respectively. Capitalized interest for the three and nine months ended September 30, 2006 was $1.6 million and $5.8 million, respectively.

Preopening Expenses

We expense certain costs of start-up activities as incurred. During the three and nine months ended September 30, 2007, we expensed $5.1 million and $15.6 million, respectively, in preopening costs that primarily related to our Echelon development project on the Las Vegas Strip and our Dania Jai-Alai development project. During the three and nine months ended September 30, 2006, we expensed $3.2 million and $16.3 million, respectively, in preopening costs that primarily related to Echelon, the opening of our new gaming vessel at Blue Chip in January 2006, our Dania Jai-Alai development project and casino development opportunities in other jurisdictions.

Recently Issued Accounting Pronouncements

In February 2007, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities,"* SFAS No. 159 permits companies to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The fair value option established by SFAS No. 159 permits all companies to choose to measure eligible items at fair value at specified election dates. At each subsequent reporting date, companies shall report in earnings any unrealized gains and losses on items for which the fair value option has been elected. SFAS No. 159 is effective as of the beginning of a company's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the company also elects to apply the provisions of SFAS No. 157, *"Fair Value Measurements"* (see below). We are currently evaluating whether to adopt the fair value option under SFAS No. 159 and evaluating what impact such adoption would have on our condensed consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *"Fair Value Measurements,"* which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently evaluating the impact that the adoption of SFAS No. 157 will have on our condensed consolidated financial statements.

Note 2. Restricted Investments

Pursuant to our investment policy related to customer payments for advanced bookings with our Hawaii travel agency, we invest in certain financial instruments. Hawaii regulations require us to maintain a separate charter tour client trust account solely for the purpose of the travel agency's charter tour business. Our investment policy generally allowed us to invest these restricted funds in investments with a maximum maturity of three years and with certain credit ratings as determined by specified rating agencies; however, in April 2007, we amended our investment policy to allow these restricted funds to be invested in investments that have a maximum maturity of 90 days.

At December 31, 2006, our restricted investments consisted of domestic fixed income U.S. Treasury bonds maturing through November 2008. We have classified these investments as available for sale. The table below sets forth certain information about our restricted investments:

		Gross Unrealized		
	Cost	Gains	Losses	Market Value
	(In thousands)			
December 31, 2006	$ 10,029	$ 5	$ (174)	$ 9,860

We have classified the portions of the fair market value of these restricted investments on our accompanying condensed consolidated balance sheet at December 31, 2006 based upon the maturities of the investments. Investments maturing in less than one year have been presented in prepaid expenses and other current assets, while all other long-term investments have been presented in other assets. Net unrealized holding gains and losses have been recorded in accumulated other comprehensive income (loss), net of taxes, on the accompanying condensed consolidated balance sheets.

During the three and nine months ended September 30, 2007, we sold certain of our restricted investments and recorded proceeds of approximately $8.0 million and $8.6 million, respectively, which approximated our cost basis in these investments as determined by specific identification. There were no sales of our restricted investments during the three and nine months ended September 30, 2006.

Note 3. Intangible Assets

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

	September 30, 2007	December 31, 2006
	(In thousands)	
License rights	$ 521,217	$ 486,064
Trademarks	50,700	54,400
Customer lists	400	450
Total intangible assets	572,317	540,914
Less accumulated amortization:		
License rights	33,939	33,939
Customer lists	263	225
Intangible assets, net	$ 538,115	$ 506,750

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

Balance as of January 1, 2007	$ 506,750
Intangible license right from Dania Jai-Alai acquisition (see Note 13)	35,153
Write-off of Barbary Coast trademark (see Note 11)	(3,700)
Write-off of Barbary Coast customer list, net	(28)
Amortization expense	(60)
Balance as of September 30, 2007	$ 538,115

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

Customer lists are being ratably amortized over a five-year period. For each of the three and nine months ended September 30, 2007 and 2006, amortization expense for the customer lists was less than $0.1 million. We estimate that the remaining amortization expense related to the customer lists will be approximately $0.1 million for the years ending December 31, 2008 and 2009.

Note 4. Property and Equipment

Property and equipment consists of the following:

	Estimated Life (Years)	September 30, 2007	December 31, 2006
		(In thousands)	
Land	--	$ 639,542	$ 261,428
Buildings and improvements	10-40	1,789,338	1,939,611
Furniture and equipment	3-10	761,975	718,647
Riverboats and barges	10-40	166,287	165,362
Construction in progress	--	228,263	95,556
Total		3,585,405	3,180,604
Less accumulated depreciation		951,332	1,051,159
Property and equipment, net		$ 2,634,073	$ 2,129,445

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

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

	September 30, 2007	December 31, 2006
	(In thousands)	
Net investment in and advances to Borgata (50%)	$ 389,141	$ 382,192
Advances to Morgans Las Vegas, LLC (50%)	8,598	2,966
Investment in and advances to Tunica Golf Course, L.L.C. (33.3%)	419	593
Total investments in and advance to unconsolidated subsidiaries, net	$ 398,158	$ 385,751

Borgata Hotel Casino and Spa

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

On September 23, 2007, The Water Club, an 800-room boutique hotel expansion project currently under construction at Borgata, sustained a fire that caused approximately $12 million in property damage, based on current estimates. Borgata carries insurance policies that management believes will cover most of the replacement costs related to the property damage, with the exception of minor amounts principally related to insurance deductibles and certain other limitations. During the three months ended September 30, 2007, Borgata incurred $0.2 million of expenses related to the fire, which is included in "write-downs and other charges, net" on its condensed consolidated statement of operations. Although the fire damage will delay its opening, management currently believes The Water Club will be able to open prior to summer 2008; however, we can provide no assurances that it will open by that time, that insurance will cover the total replacement cost of the property damage, or that the costs related to the property damage will not increase above current estimates. In addition, Borgata has "delay-in-completion" insurance coverage for The Water Club for certain costs totaling up to $40 million, subject to various limitations and deductibles, which management believes may help to offset some of the costs related to the postponement of its opening. In addition, Borgata maintains business interruption insurance that covers certain lost profits; however, Borgata has not pursued a possible claim at this time. As such, Borgata's insurance carrier has yet to confirm or deny coverage. Recoveries, if any, from the insurance carrier for lost profits will be recorded by Borgata when earned and realized.

Summarized financial information of Borgata is as follows:

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS INFORMATION (Unaudited)

	Three Months Ended September 30,			
	2007	2006		
		(In thous		
Gaming revenue	$ 203,885	$ 215,480	$ 569,120	$ 562,591
Non-gaming revenue	79,376	81,344	217,799	201,727
Gross revenues	283,261	296,824	786,919	764,318
Less promotional allowances	53,173	59,339	151,002	149,893
Net revenues	230,088	237,485	635,917	614,425
Expenses	157,500	166,521	448,297	420,572
Depreciation and amortization	17,348	16,922	51,080	46,193
Preopening expenses	480	836	2,498	5,981
Write-downs and other charges, net	234	1,740	568	2,115
Operating income	54,526	51,466	133,474	139,564
Interest expense, net	(7,908)	(7,319)	(23,424)	(15,672)
Benefit from income taxes	1,104	956	1,870	719
Total non-operating expenses	(6,804)	(6,363)	(21,554)	(14,953)
Net income	$ 47,722	$ 45,103	$ 111,920	$ 124,611

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

	Three Months Ended September 30,		
	2007	**2006**	
		(In thousan	
Our share of Borgata's operating income	$ 27,263	$ 25,733	$
Net amortization expense related to our investment in Borgata	(324)	(324)	
Operating income from Borgata, as reported on our condensed consolidated statements of operations	$ 26,939	$ 25,409	$
Other non-operating expenses from Borgata, as reported on our condensed consolidated statements of operations	$ (3,402)	$ (3,182)	$

Note 6. Long-term Debt

Long-term debt consists of the following:

	September 30, 2007	**December 31, 2006**
	(In thousands)	

Bank credit facilities	$ 1,294,200	$ 973,300
8.75% Senior Subordinated Notes due 2012	--	250,000
7.75% Senior Subordinated Notes due 2012	300,000	300,000
6.75% Senior Subordinated Notes due 2014	350,000	350,000
7.125% Senior Subordinated Notes due 2016	250,000	250,000
Other	13,752	14,160
Total long-term debt	2,207,952	2,137,460
Less current maturities	(574)	(5,550)
Market value adjustment related to interest rate swap	--	1,106
Total	$ 2,207,378	$ 2,133,016

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

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

The bank credit facility replaced our previous $1.85 billion bank credit facility. We recorded a $4.4 million non-cash loss on early retirement of debt for the nine months ended September 30, 2007 for the write-off of unamortized debt fees associated with our former bank credit facility.

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

Note 7. Derivative Instruments and Other Comprehensive Income (Loss)

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

During the three and nine months ended September 30, 2007 and 2006, we utilized derivative instruments to manage interest rate risk. The net effect of our interest rate swaps resulted in a reduction of interest expense of $0.9 million and $2.4 million for the three and nine months ended September 30, 2007, respectively, and $0.8 million and $1.5 million for the three and nine months ended September 30, 2006, respectively, as compared to the contractual rate of the underlying debt for the three and nine months ended September 30, 2007 and 2006.

The following tables report the effects of the mark-to-market valuations of our derivative instruments:

	Three Months Ended September 30,	
	2007	2006
	(In thousan	
Net gains (losses) from cash flow hedges from:		
Change in value of derivatives excluded from the assessment of hedge ineffectiveness	$ (3,546)	$ (1,755) $
Net gain from ineffective portion of change in value of cash flow hedges	14	--
Decrease in value of derivative instruments, as reported on our condensed consolidated statements of operations	$ (3,532)	$ (1,755) $
Derivative instruments market adjustment	$ (8,513)	$ (5,758) $
Tax effect of derivative instruments market adjustment	3,098	2,053
Net derivative instruments market adjustment, as reported on our condensed consolidated statements of comprehensive income	$ (5,415)	$ (3,705) $

A portion of the net derivative instruments market adjustment included in other comprehensive income (loss) at September 30, 2007 relates to certain derivative instruments that we de-designated as cash flow hedges in connection with breaking certain LIBOR contracts under our previous bank credit facility (see Note 6, *"Long-term Debt"*). As a result, we expect the $3.9 million of deferred net gain included in other comprehensive income (loss) at September 30, 2007 related to these derivative instruments will be accreted as a reduction of interest expense on our condensed consolidated statement of operations during the next twelve months.

In addition, at September 30, 2007, we were a party to four interest rate swap agreements with an aggregate notional amount of $750 million. If we had terminated our interest rate swaps as of September 30, 2007, we would have been required to pay a total of $7.9 million based on the fair values of these derivative instruments. These derivative instruments are accounted for as cash flow hedges. The principal terms of these interest rate swaps are as follows (in thousands):

Effective Date	Notional Amount	Fair Value Liability	Maturity Date
September 28, 2007	$ 100,000	$ 1,579	June 30, 2011
September 28, 2007	200,000	3,168	June 30, 2011
September 28, 2007	250,000	292	June 30, 2009
June 30, 2008	200,000	2,828	June 30, 2011
	$ 750,000	$ 7,867	

Note 8. Other Long-term Tax Liabilities

On July 13, 2006, the FASB issued Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement 109,*" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement 109, "*Accounting for Income Taxes,*" and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return.

Under FIN 48, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 was effective for fiscal years beginning after December 15, 2006.

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

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

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

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

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

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

Note 9. Share-Based Employee Compensation Plans

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

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

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

	Three Months Ended September 30,	
	2007	2006
	(In thousan	
Gaming	$ 140	$ 186
Food and beverage	24	29
Room	14	13
Selling, general and administrative	631	1,046
Corporate expense	2,700	3,666
Preopening expenses	279	89
Total share-based compensation expense from continuing operations	3,788	5,029
Discontinued operations	--	56
Total share-based compensation expense	3,788	5,085
Capitalized share-based compensation	309	367
Total share-based compensation costs	$ 4,097	$ 5,452

The total income tax benefit recognized in income resulting from share-based compensation expense was $1.3 million and $4.5 million, respectively, for the three and nine months ended September 30, 2007. The total income tax benefit recognized in income resulting from share-based compensation expense was $1.8 million and $6.1 million, respectively, for the three and nine months ended September 30, 2006.

Stock Options

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

	Options	Weighted Average Option Price
Options outstanding at January 1, 2007	6,551,787	$ 33.40
Options granted	78,200	47.28
Options canceled	(102,996)	38.59

Options exercised	(604,177)	23.73
Options outstanding at September 30, 2007	5,922,814	$ 34.48
Options exercisable at September 30, 2007	2,651,366	$ 28.63
Shares available for grant at September 30, 2007	3,933,011	

Subsequent Event

On November 7, 2007, we granted employee stock options to purchase an aggregate of approximately 1.4 million shares of our common stock with an exercise price of $39.78, representing the closing market price of our common stock on that date.

Restricted Stock Units

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

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

Career Shares

In January 2007, we issued 26,000 Career Shares to certain of our executive management employees. The Career Shares reward eligible executives with annual grants of Boyd Gaming Corporation stock units, to be paid out at retirement. The payout at retirement is dependent upon the respective executive's age at retirement and the number of years of service with the Company. Executives must be at least 60 years old and have at least 15 years of service to receive a payout at retirement. We recorded $0.3 million of share-based compensation expense related to the issuance of these Career Shares during the nine months ended September 30, 2007. There were no career shares issued during the nine months ended September 30, 2006.

Note 10. Earnings per Share

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

	Three Months Ended September 30,		
	2007	**2006**	
		(In thousan	
Income from continuing operations	$ 31,885	$ 28,076	$

Weighted average common shares outstanding	87,739	87,774
Dilutive effect of stock options	1,146	833
Weighted average common and potential shares outstanding	88,885	88,607

Anti-dilutive options not included in the computation of diluted earnings per share amounted to 1.8 million shares and 3.6 million shares for the three months ended September 30, 2007 and 2006, respectively, and 1.8 million shares and 1.9 million shares for each of the respective nine months ended September 30, 2007 and 2006.

Note 11. Assets and Liabilities Held for Sale

Discontinued Operations

South Coast

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

Barbary Coast

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

Summary Financial Information for Discontinued Operations

The operating results of South Coast and Barbary Coast for the three and nine months ended September 30, 2007 and 2006 are presented as net income (loss) from discontinued operations on our condensed consolidated statements of operations. The assets held for sale and the liabilities related to assets held for sale for South Coast and Barbary Coast are separately presented on our condensed consolidated balance sheet as of December 31, 2006. Included in the income (loss) from discontinued operations is an allocation of interest expense related to the $401 million of debt repaid as a result of the South Coast disposal transaction, as well as other consolidated interest based on the ratio of: (i) the net assets of our discontinued operations less the debt repaid as a result of the South Coast disposal transaction, to (ii) the sum of total consolidated net assets and consolidated debt of the Company, other than the debt repaid as a result of the disposal transaction. The amount of interest expense allocated to discontinued operations was $0.6 million for the nine months ended September 30, 2007. The amount of interest expense allocated to discontinued operations was $8.3 million and $23.3 million for the three and nine months ended September 30, 2006, respectively.

Summary operating results for the discontinued operations are as follows:

	Three Months Ended September 30,	
	2007	**2006**
		(In thousan
Net revenues	$ --	$ 59,503
Asset impairment charges	--	(65,000)
Operating loss	(88)	(55,250)

Gain on disposition of Barbary Coast	--	--
Income (loss) from discontinued operations	(88)	(63,569)
(Provision for) benefit from income taxes	31	22,563
Net income (loss) from discontinued operations	(57)	(41,006)

Land Held for Sale

In September 2006, we made the decision to sell land that we own in Pennsylvania that we previously planned to utilize as a site for a gaming operation. We withdrew our application for gaming approval, which led to our decision to sell the land and record a $3.0 million non-cash write-down of the land to its fair value less estimated costs to sell. The remaining $23.2 million carrying value of the land is classified as held for sale on our accompanying condensed consolidated balance sheets. On September 5, 2007 (the "effective date"), we entered into an agreement to sell the land for $26.5 million, before selling costs, contingent upon certain conditions. As of the date of this filing, the sale has not closed; however, the closing date of the sale must occur no later than fifteen months after the effective date. The closing of the transaction is subject to various conditions; therefore, we can provide no assurances that the transaction will close on time, if at all. The expected gain will be recognized on our condensed consolidated statement of operations if and when the sale is closed.

Note 12. Write-downs and Other Charges, Net

Write-downs and other charges, net include the following for the three and nine months ended September 30, 2007 and 2006:

	Three Months Ended September 30,	
	2007	2006
	(In thousan	
Property closure costs	$ 1,112	$ 3,388
Asset write-downs	--	3,000
Acquisition related expenses	--	--
Hurricane and related expenses, net	--	(398)
Total write-downs and other charges, net	$ 1,112	$ 5,990

Property Closure Costs

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

Asset Write-Downs

During the three months ended September 30, 2006, we recorded a $3.0 million asset write-down related to land held for sale in Pennsylvania that we previously planned to utilize as a site for a gaming operation (see Note 11, "*Assets and Liabilities Held for Sale*"). In September 2006, we withdrew our application for gaming approval, which led to our decision to sell the land. Asset write-downs during the nine months ended September 30, 2006 also include $28 million related to the write-off of the net book value of the original Blue Chip gaming vessel, which was replaced with a new gaming vessel in conjunction with our expansion project. After analysis of alternative uses for the original vessel, management decided in June 2006 to permanently retire the asset from further operations, resulting in the write-off.

Acquisition Related Expenses

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

Note 13. Acquisition of Dania Jai-Alai

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

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

The following table sets forth the preliminary allocation of the purchase price:

	March 1, 2007
	(In thousands)
Current assets, including cash of $780	$ 4,351
Property and equipment	46,000
Intangible license right	35,153
Total assets acquired	85,504
Current liabilities assumed	(3,820)
Net assets acquired	$ 81,684

The intangible license right is not subject to amortization as we have determined that it has an indefinite useful life.

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

Note 14. Related Party Transactions

Percentage Ownership

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

Note 15. Commitments and Contingencies

Commitments

Echelon

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

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

Contingencies

Dania Jai-Alai Slot Initiative

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

Copeland

Alvin C. Copeland, the sole shareholder of an unsuccessful applicant for a riverboat license at the location of our Treasure Chest Casino, has made several attempts to have the Treasure Chest license revoked and awarded to his company. In 1999 and 2000, Copeland unsuccessfully opposed the renewal of the Treasure Chest license and has brought two separate legal actions against us. In November 1993, Copeland objected to the relocation of Treasure Chest Casino from the Mississippi River to its current site on Lake Pontchartrain. The predecessor to the Louisiana Gaming Control Board allowed the relocation over Copeland's objection. Copeland then filed an appeal of the agency's decision with the Nineteenth Judicial District Court. Through a number of amendments to the appeal, Copeland unsuccessfully attempted to transform the appeal into a direct action suit and sought the revocation of the Treasure Chest license. Treasure Chest intervened in the matter in order to protect its interests. The appeal/suit, as it related to Treasure Chest Casino, was dismissed by the District Court and that dismissal was upheld on appeal by the First Circuit Court of Appeal. Additionally, in 1999, Copeland filed a direct action against Treasure Chest and certain other parties seeking the revocation of Treasure Chest's license, an award of the license to him and monetary damages. The suit was dismissed by the trial court citing that Copeland failed to state a claim on which relief could be granted. The dismissal was appealed by Copeland to the Louisiana First Circuit Court of Appeal. On June 21, 2002, the First Circuit Court of Appeal reversed the trial court's decision and remanded the matter to the trial court. On January 14, 2003, we filed a motion to dismiss the matter and that motion was partially denied. The Court of Appeals refused to reverse the denial of the motion to dismiss. In May 2004, we filed additional motions to dismiss on other grounds. There was no activity regarding this matter during 2005 and 2006, but the plaintiff recently filed a motion to set a hearing date related to the motions to dismiss, which hearing has not yet been scheduled. 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.

Blue Chip Property Taxes

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

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

Note 16. Segment Information

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

Las Vegas Locals	Downtown Las Vegas

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

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

	Three Months Ended September 30,	
	2007	**2006**
		(In thousan
Gross Revenues		
Las Vegas Locals	$ 228,838	$ 225,506
Downtown Las Vegas	64,821	63,447
Midwest and South	254,825	268,306
Stardust	--	36,485
Total gross revenues	$ 548,484	$ 593,744
Adjusted EBITDA (1)		
Las Vegas Locals	$ 61,313	$ 56,217
Downtown Las Vegas	10,336	9,536
Midwest and South	56,432	64,456
Stardust	--	2,683
Wholly-owned property Adjusted EBITDA	128,081	132,892
Corporate expense (2)	(11,671)	(10,013)

Wholly-owned Adjusted EBITDA	116,410	122,879	
Our share of Borgata's operating income before net amortization, preopening and other items (3)	27,620	27,021	
Adjusted EBITDA	144,030	149,900	
Other operating costs and expenses			
Deferred rent	1,130	1,158	
Depreciation and amortization (4)	41,764	47,597	
Preopening expenses	5,107	3,235	
Our share of Borgata's preopening expenses	240	418	
Our share of Borgata's write-downs and other charges, net	117	870	
Share-based compensation expense	3,509	4,940	
Write-downs and other charges, net	1,112	5,990	
Total other operating costs and expenses	52,979	64,208	
Operating income	91,051	85,692	
Other non-operating costs and expenses			
Interest expense, net (5)	34,490	37,467	
Loss on early retirements of debt	--	--	
Decrease in value of derivative instruments	3,532	1,755	
Our share of Borgata's non-operating expenses, net	3,402	3,182	
Total other non-operating costs and expenses	41,424	42,404	
Income from continuing operations before provision for income taxes	49,627	43,288	
Provision for income taxes	(17,742)	(15,212)	
Income from continuing operations	$ 31,885	$ 28,076	$

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

and other charges, net.

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

	Three Months Ended September 30, 2007	2006
		(In t
Corporate expense as reported on our condensed consolidated statements of operations	$ 14,371	$ 13,
Corporate share-based compensation expense	(2,700)	(3,
Corporate expense as reported on accompanying table	$ 11,671	$ 10,

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

	Three Months Ended September 30, 2007	2006
		(In t
Operating income from Borgata, as reported on our condensed consolidated statements of operations	$ 26,939	$ 25,
Add back:		
Net amortization expense related to our investment in Borgata	324	
Our share of Borgata's preopening expenses	240	
Our share of Borgata's write-downs and other charges, net	117	
Our share of Borgata's operating income before net amortization, preopening and other items as reported on the accompanying table	$ 27,620	$ 27,

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

	Three Months Ended September 30, 2007	2006
		(In t
Depreciation and amortization as reported on our condensed consolidated statements of operations	$ 41,440	$ 47,
Net amortization expense related to our investment in Borgata	324	
Depreciation and amortization as reported on accompanying table	$ 41,764	$ 47,

(5) Net of interest income and amounts capitalized.

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

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

Beginning in 2007, with our acquisition of Dania Jai-Alai, we renamed what we previously referred to as the Central Region, as the Midwest and South segment. Due to the dispositions of the South Coast on October 25, 2006 and the Barbary Coast on February 27, 2007, the operating results from these two properties are classified as discontinued operations in our condensed consolidated statements of operations. For further information related to our segment information, including the property compositions of each segment, the definition of Adjusted EBITDA and reconciliations of certain financial information, see Note 16, *"Segment Information,"* to the accompanying unaudited condensed consolidated financial statements.

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

Overall Outlook

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

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

We are currently focused on future expansion projects at several of our properties, such as Echelon, our Las Vegas Strip development, which we expect to open in the third quarter of 2010, and our hotel tower at Blue Chip, which we expect to open in late 2008. See *"Other Items Affecting Liquidity"* and *"Other Opportunities"* below for a more comprehensive description of our expansion projects.

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

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

Summary Financial Results

	Three Months Ended September 30,	
	2007	2006
	(In thousan	
Gross revenues		
Las Vegas Locals	$ 228,838	$ 225,506
Downtown Las Vegas	64,821	63,447
Midwest and South	254,825	268,306
Stardust	--	36,485
Total gross revenues	$ 548,484	$ 593,744
Operating income	$ 91,051	$ 85,692
Income from continuing operations	$ 31,885	$ 28,076

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

- The opening of the Four Winds Casino in New Buffalo, Michigan (which is located approximately fifteen miles from Blue Chip) in August 2007.
- A decline in 2007 operating results at Treasure Chest, reflecting normalization of its results as the Gulf Coast continued to rebuild and other forms of entertainment have reopened after the impact of Hurricane Katrina.
- A $28 million charge during the nine months ended September 30, 2006 to write-off the net book value of the original Blue Chip gaming vessel, which was replaced with a new gaming vessel in connection with our 2006 expansion project.
- The closing of the Stardust on November 1, 2006 to make way for the development of Echelon on the Las Vegas Strip.
- The addition of a new property by a major competitor in the Las Vegas Locals market in April 2006.
- A $16.9 million loss on early retirements of our $250 million principal amount 8.75% senior subordinated notes and our former bank credit facility during the nine months ended September 30, 2007.

Adjusted EBITDA

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

	Three Months Ended September 30,	
	2007	2006
	(In thousan	
Adjusted EBITDA		
Las Vegas Locals	$ 61,313	$ 56,217
Downtown Las Vegas	10,336	9,536
Midwest and South	56,432	64,456
Stardust	--	2,683

Our share of Borgata's operating income before net amortization, preopening and other items	27,620	27,021

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

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

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

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

	Three Months Ended September 30,	
	2007	2006
	(In thousan	
Gross revenues	$ 283,261	$ 296,824 $
Operating income	54,526	51,466
Total non-operating expenses	(6,804)	(6,363)
Net income	47,722	45,103

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

	Three Months Ended September 30,	
	2007	2006
	(In thousan	
Operating income from Borgata, as reported on our condensed consolidated statements of operations	$ 26,939	$ 25,409 $
Net amortization expense related to our investment in Borgata	324	324
Our share of Borgata's operating income	27,263	25,733
Our share of Borgata's preopening expenses	240	418
Our share of Borgata's write-downs and other charges, net	117	870

Our share of Borgata's operating income before net amortization, preopening and other items	$ 27,620	$ 27,021	$

Our share of Borgata's operating income before net amortization, preopening and other items decreased $5.6 million during the nine months ended September 30, 2007 as compared to 2006. This decline is mainly attributable to the heightened competitive environment in Atlantic City as a result of new competition from surrounding jurisdictions, as well as higher fixed costs associated with Borgata's public space expansion that opened in June 2006.

Operating Results-Discussion of Certain Charges

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

	Three Months Ended September 30,		
	2007	2006	
		(In thousan	
Depreciation and amortization	$ 41,764	$ 47,597	$
Preopening expenses	5,107	3,235	
Write-downs and other charges, net	1,112	5,990	

Depreciation and Amortization.

The decline in depreciation and amortization expense during the three and nine months ended September 30, 2007 as compared to the same periods in 2006 is principally due to the closure of the Stardust on November 1, 2006. Additionally, in connection with the planned closure of the Stardust, the useful lives of the depreciable assets residing on the land associated with our Las Vegas Strip development project, including our corporate office building, were re-evaluated. During the three and nine months ended September 30, 2006, we recorded $4.3 million and $9.6 million, respectively, in accelerated depreciation related to those assets.

Preopening Expenses.

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

- $3.1 million and $11.1 million for our Echelon development project;
- $1.8 million and $3.5 million for our Dania Jai-Alai development project; and
- $0.2 million and $1.0 million for other projects.

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

- $1.8 million and $9.4 million for our Echelon development project;
- $0.4 million and $1.1 million for our Dania Jai-Alai development project;
- $0.0 million and $2.6 million for our Blue Chip expansion project, which opened on January 31, 2006; and
- $1.0 million and $3.2 million for other projects.

Write-downs and Other Charges, Net

.

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

- In connection with our Echelon development project on the Las Vegas Strip, we closed the Stardust on November 1, 2006 and demolished the property in 2007. During the three and nine months ended September 30, 2007, we recorded $1.1 million and $11.1 million, respectively, in property closure costs, the majority of which represents demolition and rubble removal costs. During the three and nine months ended September 30, 2006, we incurred $3.4 million and $6.8 million, respectively, in property closure costs related to one-time termination benefits to our Stardust employees.
- During the three months ended September 30, 2006, we recorded a $3.0 million asset write-down related to land held for sale in Pennsylvania that we previously planned to utilize as a site for a gaming operation. In September 2006, we withdrew our application for gaming approval, which led to our decision to sell the land.
- During the nine months ended September 30, 2006, we recorded a $28 million non-cash charge to write off the net book value of the original Blue Chip gaming vessel, which was replaced with a new gaming vessel in conjunction with our expansion project. After analysis of alternative uses for the original vessel, management decided in June 2006 to permanently retire the asset from further operations.

Other Operating Items

Asset Impairment

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

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

Dania Jai-Alai

On March 1, 2007, we acquired Dania Jai-Alai and approximately 47 acres of related land located in Dania Beach, Florida. Dania Jai-Alai is one of four pari-mutuel facilities approved under Florida law to operate 2,000 Class III slot machines (see Note 15, "*Commitments and Contingencies,"* to the accompanying unaudited condensed consolidated financial statements for information related to the Broward County slot initiative). We paid approximately $81 million to close this transaction, and, if certain conditions are satisfied, we will be required to pay an additional $75 million, plus interest accrued at the prime rate, in March 2010 or earlier. We continue to develop our plans for the addition of a casino and other amenities at Dania Jai-Alai; however, we can provide no assurances as to when, if at all, our plans will result in the construction or opening of additional operations or amenities to the existing facility.

We review our goodwill, intangible and other long-lived assets for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. In the future, should we decide to significantly modify our plans for Dania Jai-Alai, we may be subject to testing its intangible and other long-lived assets for recoverability, which could result in a non-cash write- down of its assets resulting in a material impact to our condensed consolidated statement of operations.

Blue Chip

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

Borgata

On September 23, 2007, The Water Club, an 800-room boutique hotel expansion project currently under construction at Borgata, sustained a fire that caused approximately $12 million in property damage, based on current estimates. Borgata carries insurance policies that management believes will cover most of the replacement costs related to the property damage, with the exception of minor amounts principally related to insurance deductibles and certain other limitations. During the three months ended September 30, 2007, Borgata incurred $0.2 million of expenses related to the fire, which is included in "write-downs and other charges, net" on its condensed consolidated statement of operations. Although the fire damage will delay its opening, management currently believes The Water Club will be able to open prior to summer 2008; however, we can provide no assurances that it will open by that time, that insurance will cover the total replacement cost of the property damage, or that the costs related to the property damage will not increase above current estimates. In addition, Borgata has "delay-in-completion" insurance coverage for The Water Club for certain costs totaling up to $40 million, subject to various limitations and deductibles, which management believes may help to offset some of the costs related to the postponement of its opening. In addition, Borgata maintains business interruption insurance that covers certain lost profits; however, Borgata has not pursued a possible claim at this time. As such, Borgata's insurance carrier has yet to confirm or deny coverage. Recoveries, if any, from the insurance carrier for lost profits will be recorded by Borgata when earned and realized.

Share-based Compensation Expense

Generally, we have granted options to certain of our employees during the fourth quarter of each year; therefore, we anticipate that options granted or to be granted during the quarter ending December 31, 2007, combined with unvested options previously granted, will result in approximately $4 million of share-based compensation expense for that period.

Other Non-Operating Costs and Expenses

Interest Costs

	Three Months Ended September 30,			
	2007	2006		
	(In thousan			
Interest costs	$ 39,824	$ 47,391	$ 117,057	$ 137,711
Less capitalized interest	(5,334)	(1,569)	(11,622)	(5,799)
Less interest costs related to discontinued operations	--	(8,319)	(600)	(23,285)
Less interest income	--	(36)	(110)	(108)
Interest expense, net	$ 34,490	$ 37,467	$ 104,725	$ 108,519
Weighted average debt balance	$ 2,197,197	$ 2,652,363	$ 2,172,401	$ 2,615,299
Weighted average interest rate	7.3 %	7.2 %	7.2 %	7.0 %

Interest costs decreased for the three and nine months ended September 30, 2007 as compared to the same periods in the prior year principally due to a decrease in the average levels of debt outstanding as a result of the $401 million of cash proceeds we received from the sale of South Coast in October 2006. Capitalized interest increased during the three and nine months ended September, 30, 2007 as compared to the same periods in the prior year due primarily to an increase in capital spending on our Echelon development project. We expect interest costs and capitalized interest to increase during the remainder of 2007 and in 2008 due primarily to expected increases in capital spending on our Echelon and Dania Jai-Alai development projects and our new hotel tower at Blue Chip.

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

Loss on Early Retirements of Debt

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

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

Decrease in Value of Derivative Instruments

During the three and nine months ended September 30, 2007 and 2006, we had certain interest rate swaps that we did not designate or qualify for hedge accounting; therefore, the decline in the fair value of these interest rate swaps was recorded on our condensed consolidated statements of operations. During the three months ended September 30, 2007, we terminated all of our interest rate swaps that we did not designate or qualify for hedge accounting. In addition, we entered into forward-starting interest rate swaps with an aggregate notional amount of $750 million to hedge the variability in the cash flows of our floating rate borrowings through June 30, 2011 (see Note 7, *"Derivative Instruments and Other Comprehensive Income,"* to the accompanying unaudited condensed consolidated financial statements). We have designated and qualified these forward starting swaps as cash flow hedges in an effort to limit the impact of the change in the market value of these interest rate swaps on our future operating results.

Provision for Income Taxes

The effective tax rate for continuing operations was 35.8% for the three months ended September 30, 2007 as compared to 35.1% for the three months ended September 30, 2006. The effective tax rate for continuing operations for the nine months ended September 30, 2007 was 35.8% compared to 35.5% for the nine months ended September 30, 2006.

Income from Continuing Operations

As a result of the factors discussed above, we reported income from continuing operations of $31.9 million and $28.1 million, respectively, for the three months ended September 30, 2007 and 2006, and $89.9 million and $105.7 million, respectively, for the nine months ended September 30, 2007 and 2006.

Liquidity and Capital Resources

Cash Flows Summary

Net cash provided by operating activities $ 218,496 $ 328,225 ------------ ------------ Cash flows from investing activities: Capital expenditures (203,714) (367,044) Net cash paid for Dania Jai-Alai (80,904) -- Insurance recoveries for replacement assets -- 27,000 Other 3,345 -- ------------ ------------ Net cash used in investing activities (281,273) (340,044) ------------ ------------ Cash flows from financing activities: Net borrowings (payments) under bank credit facilities 320,900 (232,550) Payments on retirement of long-term debt (260,938) -- Net proceeds from issuance of long-term debt -- 246,300 Dividends paid on common stock (38,033) (34,926) Proceeds from exercise of stock options 14,335 9,064 Other 9,961 5,760 ------------ ------------ Net cash provided by (used in) financing activities 46,225 (6,352) ------------ ------------ Net decrease in cash and cash equivalents $ (16,552) $ (18,171) ============ ============

Cash Flows from Operating Activities and Working Capital

For the nine months ended September 30, 2007, we generated operating cash flow of $218 million compared to $328 million for the nine months ended September 30, 2006. The primary reason for the decrease in operating cash flows was due to a decline in operating results in our Midwest and South segment, as well as the sale of the South Coast on October 25, 2006, the closure of the Stardust on November 1, 2006 and the exchange of the Barbary Coast on February 27, 2007. In addition, our distributions from Borgata declined from $60.1 million during the nine months ended September 30, 2006 to $46.7 million during the nine months ended September 30, 2007 primarily due to a decline in Borgata's operating results. Borgata has significant uses for its cash flows, including maintenance and expansion capital expenditures, interest payments, state income taxes and the repayment of debt. Borgata's cash flows are primarily used for its business needs and are not generally available (except to the extent distributions are paid to us) to service our indebtedness.

Due to the sale of South Coast, the closure of the Stardust and the exchange of the Barbary Coast, we anticipate that our remaining 2007 cash flows from operating activities will continue to decline from comparative 2006 levels without the future operating results from these properties.

As of September 30, 2007 and 2006, we had balances of cash and cash equivalents of $153 million and $170 million, respectively. We had a working capital deficit of $56.7 million as of September 30, 2007. Working capital as of September 30, 2006 was $445 million.

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

Cash Flows from Investing Activities

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

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

Spending on these and other expansion projects totaled $122 million. We also paid $82 million for maintenance capital expenditures during the nine months ended September 30, 2007. In addition, we paid approximately $81 million for our acquisition of Dania Jai-Alai.

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

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

Spending on these and other expansion projects totaled $256 million for the nine months ended September 30, 2006. We also paid $111 million for maintenance capital expenditures and received $27 million of property insurance recoveries as a reimbursement of our capital spending related to our hurricane restoration project at Delta Downs.

Cash Flows from Financing Activities

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

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

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

During 2007, we have paid a quarterly cash dividend of $0.15 per share on March 1, 2007, June 1, 2007 and September 4, 2007. During the nine months ended September 30, 2007, the total amount paid for dividends was $38.0 million. In October 2007, our Board of Directors declared a dividend of $0.15 per share, payable on December 3, 2007 to shareholders of record on November 16, 2007. During the nine months ended September 30, 2006, we paid a quarterly cash dividend of $0.125 on March 1, 2006 and $0.135 on each of June 1, 2006 and September 1, 2006. The total amount paid for dividends during the nine months ended September 30, 2006 was $34.9 million. Dividends are declared at the discretion of our Board of Directors. We are subject to certain limitations regarding the payment of dividends, such as restricted payment limitations related to our outstanding notes and our bank credit facility.

As a result of the items discussed above, we incurred $321 million in net borrowings on our bank credit facilities during the nine months ended September 30, 2007. We made net payments on our bank credit facility of $233 million during the nine months ended September 30, 2006.

Other Items Affecting Liquidity

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

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

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

Echelon will also include approximately 30 dining, nightlife and beverage venues in addition to an approximately 5.5 acre multi-level swimming pool and recreation deck.

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

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

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

Blue Chip.

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

Dania Jai-Alai.

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

Pennsylvania Land.

On September 5, 2007 (the "effective date"), we entered into an agreement to sell approximately 125 acres of land that we own in Pennsylvania for $26.5 million, before selling costs, contingent upon certain conditions. As of the date of this filing, the sale has not closed; however, the closing date of the sale must occur no later than fifteen months after the effective date. We expect to use the net proceeds from the sale of the land to reduce our outstanding balance under our revolving bank credit facility. The closing of this transaction is subject to various conditions; therefore, we can provide no assurances that the transaction will close on time, if at all.

Other Opportunities

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

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

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

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

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

Indebtedness

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

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

The bank credit facility replaced our previous $1.85 billion bank credit facility. We recorded a $4.4 million non-cash loss on early retirement of debt for the nine months ended September 30, 2007 for the write-off of unamortized debt fees associated with our former bank credit facility.

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

Bank Credit Facility Covenants.

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

Notes.

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

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

Recently Issued Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities"*. SFAS No. 159 permits companies to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The fair value option established by SFAS No. 159 permits all companies to choose to measure eligible items at fair value at specified election dates. At each subsequent reporting date, companies shall report in earnings any unrealized gains and losses on items for which the fair value option has been elected. SFAS No. 159 is effective as of the beginning of a company's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the company also elects to apply the provisions of SFAS No. 157, *"Fair Value Measurements"* (see below). We are currently evaluating whether to adopt the fair value option under SFAS No. 159 and evaluating what impact such adoption would have on our condensed consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *"Fair Value Measurements"*, which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently evaluating the impact that the adoption of SFAS No. 157 will have on our condensed consolidated financial statements.

Critical Accounting Policies

A description of our critical accounting policies can be found in our Annual Report on Form 10-K for the year ended December 31, 2006. There have been no material changes to our critical accounting polices during the nine months ended September 30, 2007.

Important Information Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements contain words such as "may," "will," "might," "expect," "believe," "anticipate," "could," "would," "estimate," "continue," "pursue," or the negative thereof or comparable terminology, and may include (without limitation) information regarding our expectations, hopes or intentions regarding the future, including but not limited to statements regarding our expectations regarding the availability of insurance coverage with respect to the fire damage sustained at The Water Club and the approximate cost of such damage, our expectations regarding the treatment of certain deferred net gains on derivative instruments, our expectations regarding our levels of recorded unrecognized tax benefits, our expectations regarding property tax assessments at Blue Chip, our expectations regarding our level of interest costs and capitalized interest during the remainder of 2007 and 2008, our operating foundation and growth strategies, our current focus on expansion and development projects, including our Echelon, Blue Chip, and Dania Jai-Alai projects, and the timing and source of funds for such projects and any additional expansion projects, our regular evaluations of growth opportunities through operations development and acquisitions, our competition, including the impact of increased competition in the Las Vegas Locals segment, our expectation that our remaining 2007 cash flows from operating activities will decline from comparative 2006 levels due to the sale of the South Coast and the closure of the Stardust, our ability to effect strategic growth, indebtedness, financing, revenue, adjusted EBITDA, amortization expense, tax benefits, estimated share-based compensation expenses and other effects of our adoption of SFAS 123R, including the effect of additional share-based payment awards in 2007, depreciation recorded in connection with our Echelon development plan, our estimates regarding the expected amenities, timing and cost of our Echelon development plan and the related Morgans and GGP joint ventures, our expectations regarding the anticipated amenities, timing and cost of our Blue Chip development project, the effects on Dania Jai-Alai if the Florida slot initiative is overturned, our valuation estimate of Dania Jai-Alai assets and liabilities, our continued monitoring of the performance of Sam's Town Tunica, our beliefs regarding the sufficiency of our bank credit facility and cash flows from operating activities to meet our projected expenditures (including operating and maintenance capital expenditures) and costs associated with certain of our projects over the next twelve months, our expectations regarding the sources of funds for our development projects, estimated asset and liability values, our beliefs relating to our credit facility and notes covenant compliance, the estimated rates relating to our derivative instruments, our need and ability to refinance all or a portion of our indebtedness at each maturity, risk of counterparty nonperformance, our legal strategies and the potential effect of pending legal claims on our business and financial condition, declaration of future dividends, and the effects of the adoption of various accounting pronouncements.

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

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

Additional factors that could cause actual results to differ are discussed in Part II, Item 1A. under the heading *"Risk Factors"* in our Quarterly Report on Form 10-Q for the period ended June 30, 2007 and in our other current and periodic reports filed from time to time with the SEC. All forward-looking statements in this document are made as of the date hereof, based on information available to us as of the date hereof, and we assume no obligation to update any forward-looking statement.

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

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

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

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

Item 4. *Controls and Procedures*

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

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

PART II. Other Information

Item 1. *Legal Proceedings*

Copeland

Alvin C. Copeland, the sole shareholder of an unsuccessful applicant for a riverboat license at the location of our Treasure Chest Casino, has made several attempts to have the Treasure Chest license revoked and awarded to his company. In 1999 and 2000, Copeland unsuccessfully opposed the renewal of the Treasure Chest license and has brought two separate legal actions against us. In November 1993, Copeland objected to the relocation of Treasure Chest Casino from the Mississippi River to its current site on Lake Pontchartrain. The predecessor to the Louisiana Gaming Control Board allowed the relocation over Copeland's objection. Copeland then filed an appeal of the agency's decision with the Nineteenth Judicial District Court. Through a number of amendments to the appeal, Copeland unsuccessfully attempted to transform the appeal into a direct action suit and sought the revocation of the Treasure Chest license. Treasure Chest intervened in the matter in order to protect its interests. The appeal/suit, as it related to Treasure Chest Casino, was dismissed by the District Court and that dismissal was upheld on appeal by the First Circuit Court of Appeal. Additionally, in 1999, Copeland filed a direct action against Treasure Chest and certain other parties seeking the revocation of Treasure Chest's license, an award of the license to him and monetary damages. The suit was dismissed by the trial court citing that Copeland failed to state a claim on which relief could be granted. The dismissal was appealed by Copeland to the Louisiana First Circuit Court of Appeal. On June 21, 2002, the First Circuit Court of Appeal reversed the trial court's decision and remanded the matter to the trial court. On January 14, 2003, we filed a motion to dismiss the matter and that motion was partially denied. The Court of Appeals refused to reverse the denial of the motion to dismiss. In May 2004, we filed additional motions to dismiss on other grounds.

There was no activity regarding this matter during 2005 and 2006, but the plaintiff recently filed a motion to set a hearing date related to the motions to dismiss, which hearing has not yet been scheduled. We currently are vigorously defending the lawsuit. If this matter ultimately results in the Treasure Chest license being revoked, it could have a significant adverse effect on our business, financial condition and results of operations.

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

Item 1A. *Risk Factors*

There have been no material changes with respect to the risk factors disclosed in Part I, Item 1A, in our Annual Report on Form 10-K for the year ended December 31, 2006 except as updated and disclosed in Part II, Item 1A in our Quarterly Report on Form 10-Q for the period ended June 30, 2007. We encourage investors to review the risk factors and uncertainties relating to our business disclosed in that Form 10-Q, as well as those contained under *"Management's Discussion and Analysis of Financial Condition and Results of Operations-Important Information Regarding Forward-Looking Statements"* in Part I above.

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

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

Item 6. *Exhibits*

(a) Exhibits

3.1	Amendment to Bylaws (incorporated by reference to Exhibit 3.1 in the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 1, 2007).
31.1	Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act Rule 13a- 14(a).
31.2	Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act Rule 13a- 14(a).
32.1	Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. 1350.
32.2	Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. 1350.

SIGNATURES

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

BOYD GAMING CORPORATION	

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