BOYD GAMING CORP
Form 424B2
January 25, 2006
Table of Contents

The information contained in this prospectus supplement and the accompanying prospectus is not complete and may be changed. An automatic shelf registration statement relating to these securities has been filed with the Securities and Exchange Commission. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(2)

Registration No. 333-130404

SUBJECT TO COMPLETION, DATED JANUARY 25, 2006

Prospectus Supplement

(To Prospectus Dated December 16, 2005)

$250,000,000

Boyd Gaming Corporation

% Senior Subordinated Notes due 2016

Boyd Gaming Corporation is offering $250.0 million aggregate principal amount of % senior subordinated notes due 2016. Interest on the notes will be paid semi-annually in arrears on and of each year, beginning on , 2006. The notes will mature on , 2016.

The notes will be our general unsecured obligations, will rank junior to all of our existing and future senior debt and will rank equally with all of our existing and future senior subordinated debt. In addition, the notes will be effectively subordinated to all of the existing and future debt and other liabilities of our subsidiaries.

This prospectus supplement includes additional information on the terms of the notes, including redemption and repurchase prices, covenants and transfer restrictions. See Description of Notes beginning on page S-54.

Investing in the notes involves a high degree of risk. See Risk Factors beginning on page S-8.

	Per Note	Total
Public Offering Price(1)	%	$
Underwriting Commissions	%	$
Proceeds to Boyd Gaming Corporation, before expenses(1)	%	$

(1) Plus accrued interest, if any, from January , 2006, if settlement occurs after that date.

None of the Securities and Exchange Commission, any state securities commission, any state gaming commission or any other gaming authority or other regulatory agency has approved or disapproved of the notes or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the notes to investors on or about January , 2006.

Joint Book-Running Managers

Banc of America Securities LLC **Deutsche Bank Securities**

The date of this prospectus supplement is January , 2006.

Table of Contents

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of the respective document.

Information contained on or accessible through our Internet site does not constitute part of this prospectus supplement or the accompanying prospectus.

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document has two parts. The first part consists of this prospectus supplement, which describes the specific terms of this offering and the notes offered. The second part, the accompanying prospectus, provides more general information, some of which may not apply to this offering. If there is any inconsistency between the information in this prospectus supplement and the information in the accompanying prospectus, you should rely on the information in this prospectus supplement.

The registration statement of which this prospectus supplement is a part, including the exhibits to that registration statement, provides additional information about us and the securities offered under this prospectus supplement. We have filed and plan to continue to file other documents with the Securities and Exchange Commission, or the SEC, that contain information about us and our business. Also, we will file legal documents that control the terms of the securities offered by this prospectus supplement as exhibits to one or more reports that we file with the SEC and that are incorporated herein by reference. The registration statement and other reports can be read at the SEC Internet site at http://www.sec.gov or at the SEC offices noted under the heading Available Information.

Before purchasing any notes, you should carefully read both this prospectus supplement and the accompanying prospectus, together with the additional information incorporated into this prospectus supplement by reference as described under the heading Incorporation of Certain Documents by Reference.

Unless the context otherwise indicates, and except with respect to any description of the notes, references to we, us, our and Boyd Gaming are t Boyd Gaming Corporation and its subsidiaries, taken as a whole.

FORWARD-LOOKING STATEMENTS

This prospectus supplement, including the documents we incorporate by reference into it, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Such statements include, without limitation, statements regarding our expectations, hopes or intentions regarding the future. Forward looking statements can often be identified by their use of words such as expect, believe, anticipate, outlook, cou target, project, intend, plan, seek, estimate, should, may and assume, as well as variations of such words and similar expressions future. Forward-looking statements in this prospectus supplement include, among other things, statements regarding our plans and expectations regarding our current and anticipated expansion, development and joint venture projects at Echelon Place, South Coast, Borgata, Blue Chip and our project in Pennsylvania, including but not limited to the cost, timing, financing, anticipated features and joint venture partners, as applicable, in connection with those projects.

Forward-looking statements involve certain risks and uncertainties, many of which are beyond our control. If any of those risks and uncertainties materialize, actual results could differ materially from those discussed in any such forward-looking statement. Among the factors that could cause actual results to differ materially from those discussed in forward-looking statements are those described under the heading Risk Factors as well as in our other reports filed from time to time with the SEC that are incorporated by reference into this prospectus supplement. See Available Information and Incorporation of Certain Information by Reference for information about how to obtain copies of those documents.

All forward-looking statements in this prospectus supplement and the documents incorporated by reference into it are made only as of the date of the document in which they are contained, based on information available to us as of the date of that document, and we caution you not to place undue reliance on forward-looking statements in light of the risks and uncertainties associated with them. We assume no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents

SUMMARY

The following summary contains basic information about us, this offering and the principal terms of the notes. It does not contain all of the information that is important to you in connection with this offering and the terms of the notes. You should also read this entire prospectus supplement and the accompanying prospectus, especially the description of the terms and conditions of the notes discussed under Description of Notes and the risks of investing in the notes discussed under Risk Factors in this prospectus supplement, as well as the documents we have incorporated by reference.

Boyd Gaming Corporation

We are a multi-jurisdictional gaming company that has been operating for over 30 years. Our 18 wholly-owned casino facilities, which we operate, are located in nine distinct gaming markets in five states. We currently own and operate twelve properties in or near Las Vegas, Nevada, including the South Coast Hotel and Casino, which opened on December 22, 2005, and six properties outside the state of Nevada. We and MGM MIRAGE each own 50% of a limited liability company that owns and operates Borgata Hotel Casino & Spa, located at Renaissance Pointe in Atlantic City, New Jersey. In July 2004, we consummated a $1.3 billion merger with Coast Casinos, Inc., pursuant to which Coast became a wholly-owned subsidiary of Boyd Gaming Corporation. As of September 30, 2005, our wholly-owned properties contained an aggregate of approximately 889,500 square feet of casino space with 24,388 slot machines and 571 table games, and Borgata contained approximately 124,000 square feet of casino space with 3,572 slot machines and 134 table games.

The following table sets forth certain information regarding our wholly-owned properties (listed by the segment in which each such property is reported) and Borgata as of September 30, 2005:

	State	Facility Type	Year Opened or Acquired	Casino Space (Sq. Ft.)	Slot Machines	Table Games	Hotel Rooms	Land (Acres)
BOULDER STRIP								
Sam s Town Hotel and Gambling Hall	Nevada	Land-based	1979	133,000	3,032	37	648	63
Eldorado Casino	Nevada	Land-based	1993	16,000	496	6		4
Jokers Wild Casino	Nevada	Land-based	1993	22,500	518	7		14
COAST CASINOS								
Barbary Coast Hotel and Casino	Nevada	Land-based	2004	30,000	575	36	197	4
Gold Coast Hotel and Casino	Nevada	Land-based	2004	87,000	2,066	50	711	26
The Orleans Hotel and Casino	Nevada	Land-based	2004	135,000	3,094	68	1,885	77
Suncoast Hotel and Casino	Nevada	Land-based	2004	82,000	2,437	52	419	49
STARDUST								
Stardust Resort and Casino	Nevada	Land-based	1985	75,000	1,323	57	1,552	72
DOWNTOWN PROPERTIES								
California Hotel and Casino	Nevada	Land-based	1975	36,000	1,110	34	781	16
Fremont Hotel and Casino	Nevada	Land-based	1985	32,000	1,101	25	447	2
Main Street Station Casino, Brewery and Hotel	Nevada	Land-based	1993	28,500	898	19	406	15
CENTRAL REGION								
Sam s Town Hotel and Gambling Hall	Mississippi	Dockside	1994	75,000	1,363	39	1,070	272
Par-A-Dice Hotel Casino	Illinois	Dockside	1996	26,000	1,126	24	208	20
Treasure Chest Casino	Louisiana	Dockside	1997	24,000	970	40		14
Blue Chip Hotel and Casino	Indiana	Dockside	1999	42,500	1,719	47	188	37
Delta Downs Racetrack, Casino & Hotel	Louisiana	Land-based	2001	15,000	1,462		206	211

Sam s Town Hotel and Casino	Louisiana	Dockside	2004	30,000	1,098	30	514	18
Total				889,500	24,388	571	9,232	914
Borgata Hotel Casino and Spa	New Jersey	Land-based	2003	124,000	3,572	134	2,000	42

Our principal executive office is located at 2950 Industrial Road, Las Vegas, Nevada 89109, and our telephone number is (702) 792-7200.

Table of Contents

Recent Developments

Stardust Redevelopment Plan

On January 4, 2006, we announced that we plan to redevelop the 63-acres we own on the Las Vegas Strip on which the Stardust Resort and Casino is located. Our plans for the redevelopment project, which we refer to as Echelon Place, include a wholly-owned resort hotel, casino and spa and additional hotel and retail joint ventures between us and strategic partners. We expect to include four hotels in the project: Echelon Resort, the Shangri-La Hotel Las Vegas, Delano Las Vegas and Mondrian Las Vegas.

We anticipate that Echelon Resort will be wholly-owned and principally operated by us and will include two upscale hotel towers with an aggregate of approximately 3,300 guest rooms and suites and approximately 175,000 square feet of meeting space. We expect that each hotel tower will contain its own spa and will connect directly to extensive public areas containing an approximate 140,000 square foot casino, approximately 25 restaurants and bars, and pool and garden areas. We also plan to build an approximate 4,000 seat theater with a large stage and stadium seating designed to accommodate major concerts and production shows, as well as an approximate 1,500 seat theater to house smaller shows and touring acts.

Our plans for Echelon Place also include the Shangri-La Hotel Las Vegas, which will be located within a portion of one of the upscale hotel towers at Echelon Resort. The Shangri-La Hotel Las Vegas is expected to include approximately 400 guest rooms and suites, an approximate 20,000 square foot spa, two restaurants and meeting space. While we plan to own this hotel, we have entered into a management agreement with Shangri-La Hotels and Resorts for its management.

We have also entered into a 50/50 joint venture agreement with Morgans Hotel Group LLC for the development of two additional hotels within Echelon Place: Delano Las Vegas and Mondrian Las Vegas, which we expect will include approximately 600 and 1,000 guest rooms and suites, respectively. We anticipate that Delano Las Vegas will also feature a nightclub, spa, lobby bar and restaurant, and a private pool and recreation area. We expect that Mondrian Las Vegas will also feature a distinctive bar and restaurant, meeting and conference space, and a private pool and recreation area. Morgans Hotel Group LLC will manage both Delano Las Vegas and Mondrian Las Vegas pursuant to a management agreement.

The redevelopment plan also includes the Las Vegas ExpoCenter at Echelon Place, which will feature approximately 650,000 square feet of exhibition and pre-function space and approximately 175,000 square feet of meeting and conference space. In addition, Echelon Place is expected to include over 350,000 square feet of shopping, dining, nightlife and cultural space within the Retail Promenade, which we plan to develop with a joint venture partner. We also plan to reserve a three acre parcel within Echelon Place for future development.

We anticipate that the total cost of Echelon Place, including both our wholly-owned portions and the joint venture portions, will be approximately $4.0 billion. We expect our wholly-owned portions of Echelon Place, which include Echelon Resort and the Las Vegas ExpoCenter, to cost approximately $2.9 billion. We intend to finance our portion of Echelon Place project costs primarily with cash flow from operations, borrowings under our bank credit facility and equity or debt financings. We expect that, in conjunction with our joint venture with Morgans Hotel Group LLC, we will contribute approximately 6.5 acres of land (valued at approximately $15.0 million per acre) and Morgans Hotel Group LLC will contribute approximately $97.5 million to the venture, and that the venture will arrange non-recourse project financing to develop the two hotel properties, for a total project cost of approximately $700.0 million.

We plan to develop Echelon Place in one phase and to open it in early 2010. We intend to continue to operate the Stardust through 2006 as we move forward with Echelon Place s planning, design and permitting process, and thereafter to raze and dispose of the Stardust as we commence construction of Echelon Place. In this

Table of Contents

regard, we expect to record a non-cash, pre-tax impairment charge for the fourth quarter of 2005 in the approximate range of $50 million to $60 million.

South Coast Hotel and Casino

On December 22, 2005, we opened South Coast, a new hotel-casino that is located on approximately 53 acres on Las Vegas Boulevard South, adjacent to Interstate 15 and approximately five miles south of Mandalay Bay Resort and Casino. A second hotel tower at South Coast is currently under construction and we expect it to open during the second quarter of 2006. South Coast features 647 guest rooms and suites in the current hotel tower, and approximately 700 additional guest rooms and suites rooms will be added upon completion of the second hotel tower. South Coast also features a spa and fitness center (scheduled to open during the second quarter of 2006), approximately 2,378 slot machines, 52 table games, eight restaurants, a 16-screen movie theater, 64-lane bowling center, race and sports books, bingo, an approximate 4,400-seat equestrian events arena, an approximate 80,000-square foot exhibit hall adjacent to the arena, including approximately 20,000 square feet of pre-function and meeting space (both of which are scheduled to open during the first quarter of 2006) and approximately 50,000 square feet of convention and meeting space adjacent to the casino. Based upon the current construction plans, the total development is expected to cost approximately $600.0 million. At July 1, 2004, the date of our merger with Coast Casinos, Coast had incurred approximately $30.0 million in project costs for South Coast. From July 1, 2004 through September 30, 2005, we paid approximately $259 million of capital expenditures related to this project.

Borgata Hotel, Casino and Spa

In July 2004, we announced that Borgata, our joint venture with MGM MIRAGE, had commenced planning and design work for substantial additions of both gaming and non-gaming amenities, including additional slot machines, table games, poker tables, restaurants and nightclubs. Construction on a public space expansion continues on budget and on schedule for a second quarter 2006 opening. The total estimated cost of the public space expansion is approximately $200.0 million.

In October 2004, we announced that Borgata was in the planning phases for a further expansion involving a new hotel tower, a new spa and additional meeting room space. Borgata recently began construction of its second hotel and spa at the property, with an opening of the estimated $325.0 million expansion expected in the fourth quarter of 2007. Borgata expects to finance the expansions from Borgata s cash flow from operations and from Borgata s bank credit facility. We do not expect to make further capital contributions to Borgata for these projects.

Blue Chip Hotel and Casino

Construction is nearing completion for an expansion at our Blue Chip Hotel and Casino. We are building a new boat, which will allow for more gaming positions and for the casino to be located on one floor instead of multiple floors as is the case on the three-story boat now in operation. As part of this expansion, we constructed a new parking structure that was completed in July 2005, and we are also in the process of reconfiguring and refurbishing the existing pavilion, portions of which have been completed. With this project, we intend to better position ourselves in the current market environment with an improved facility and to be prepared to compete more effectively if a land-based casino operation is developed in our area in the future. The project is expected to cost approximately $170.0 million and commence operations on January 31, 2006, pending final regulatory approvals. As of September 30, 2005, we paid approximately $108 million of capital expenditures related to this project.

Application for Pennsylvania Gaming License

In November 2005, the partnership formed for our development project in Pennsylvania, in which we have an indirect ownership interest of 90%, acquired property near Philadelphia and, in December 2005, submitted an

Table of Contents

application for a gaming license from the Pennsylvania Gaming Control Board. The 125-acre site is part of a 260-acre planned retail and commercial property development. If we are selected to receive a gaming license, we plan to invest approximately $400.0 million in the initial phase of a casino entertainment facility. Of this amount, approximately $26 million was paid for the land and we posted a $50.0 million letter of credit in December 2005 in connection with our application for the gaming license. The first phase of the project will be designed to include approximately 3,000 slot machines, a 200-room hotel, three restaurants and other amenities. Although we expect to own a substantial majority of and control the project, we plan to develop the project in conjunction with a group of limited partners consisting of local business and professional leaders.

Settlement of Collective Bargaining Matters.

Four of our subsidiaries that operate the Stardust, Fremont, Main Street and Eldorado properties, and Barbary Coast are parties to collective bargaining agreements with the Local Joint Executives Board of Las Vegas (Culinary Union and Bartenders Union) (collectively, the Union) affiliated with the Hotel and Restaurant Employees International Union. Officials of the Union believe that the Union has organization rights at the non-union properties of Coast Casinos: The Orleans, Gold Coast and Suncoast. On August 12, 2004, the Union filed an action in U.S. District Court to attempt to force us to arbitrate the Union s claim that the Stardust contract with the Union requires us to take a positive approach to unionization of employees at The Orleans, Gold Coast and Suncoast, as well as to recognize the Union at those properties and to extend the Stardust contract to each of those hotel-casinos and Barbary Coast. We have filed unfair labor practice charges against the Union with the National Labor Relations Board, alleging that the Union s lawsuit was filed for an illegal purpose and that the provisions of the Stardust agreement on which the Union relies are unlawful.

On January 11, 2006, the parties entered into a memorandum of agreement to settle the outstanding claims described above. Pursuant to this agreement, among other things, the Union agreed to withdraw the outstanding litigation against us, and we agreed to withdraw the unfair labor practice charges that we previously brought against the Union.

Table of Contents

The Offering

Issuer	Boyd Gaming Corporation.
Securities Offered	$250.0 million aggregate principal amount of % senior subordinated notes due 2016.
Maturity	, 2016.
Interest Rate	% per year, calculated using a 360-day year.
Interest Payment Dates	Each and , beginning , 2006. Interest will accrue from the issue date of the notes.
Ranking	The notes will be our general unsecured obligations, will rank junior to all of our existing and future senior debt and will rank equally with all of our existing and future senior subordinated debt. In addition, the notes will be effectively subordinated to all of the existing and future debt and other liabilities of our subsidiaries. See Description of Notes Subordination. We and our subsidiaries had $1.491 billion and $1.657 billion of senior debt (which amounts exclude approximately $3.8 million and $53.8 million, respectively, that was allocated to support various letters of credit), all of which was secured, and $900.0 million of debt which ranked equally with the notes being offered pursuant to this prospectus supplement, as of September 30, 2005 and December 31, 2005, respectively. In addition, approximately $379.2 million and $161.9 million was available for borrowing under our bank credit facility as of September 30, 2005 and December 31, 2005, respectively. See Capitalization and Description of Other Indebtedness Bank Credit Facility.
Optional Redemption	On or after , 2011, we may redeem some or all of the notes at the redemption prices listed in the Description of Notes section under the heading Optional Redemption, plus accrued and unpaid interest. At any time before , 2011, we may redeem the notes, in whole or in part, pursuant to a make-whole call as specified in the Description of Notes section under the heading Optional Redemption, plus accrued and unpaid interest. In addition, at any time before , 2009, we can choose to redeem up to 35% of the outstanding notes with money that we raise in one or more public equity offerings, as long as: we pay % of the principal amount of the notes, plus accrued and unpaid interest to the date of redemption; we redeem the notes within 45 days of closing the public equity offering; and at least 65% of the aggregate principal amount of notes issued remains outstanding afterwards (excluding notes held by Boyd Gaming and its subsidiaries).

Table of Contents

	See Description of Notes Optional Redemption.
Redemption Based Upon Gaming Laws	The notes are subject to redemption requirements imposed by gaming laws and regulations of gaming authorities in jurisdictions in which we conduct gaming operations. See Description of Notes Mandatory Disposition or Redemption Pursuant to Gaming Laws.
Change of Control Offer	If a change of control of our company occurs, in certain instances, we must give holders of the notes the opportunity to sell us their notes at 101% of their principal amount, plus accrued and unpaid interest.
Asset Sale or Event of Loss Proceeds	If we or certain of our subsidiaries engage in asset sales or suffer certain events of loss, we generally must either invest the net cash proceeds from such asset sales or events of loss in our business within a specified period of time, prepay debt or make an offer to purchase a principal amount of the notes equal to the excess net cash proceeds. The purchase price of the notes would be 100% of their principal amount, plus accrued and unpaid interest.
Certain Indenture Provisions	The indenture governing the notes will contain covenants limiting our (and our restricted subsidiaries) ability to: incur additional debt; pay dividends or distributions on our capital stock or repurchase our capital stock; make certain investments; create liens on our assets to secure debt; enter into transactions with affiliates; merge or consolidate with another company; and transfer and sell assets. These covenants are subject to a number of important limitations and exceptions.
Listing	The notes will not be listed on any national securities exchange.
Risk Factors	Investing in the notes involves substantial risks. See the section entitled Risk Factors beginning on page S-8 for a description of certain of the risks you should consider before investing in the notes.

Table of Contents

RISK FACTORS

You should carefully consider the following risks and all other information contained in this prospectus supplement and the accompanying prospectus, as well as the documents we incorporate by reference, before purchasing any notes.

Risks Related to Boyd Gaming and the Gaming Industry

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

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

In recent years, with fewer new markets opening for development, competition in existing markets has intensified. We and many other casino operators have invested in expanding existing facilities, developing new facilities, such as South Coast Hotel and Casino, and acquiring established facilities in existing markets, such as our acquisitions of Coast Casinos, Inc. in July 2004 and Sam s Town Shreveport in May 2004. This expansion of existing casino entertainment properties, the increase in the number of properties and the aggressive marketing strategies of many of our competitors has increased competition in many markets in which we compete, and this intense competition can be expected to continue.

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

We also compete with legalized gaming from casinos located on Native American tribal lands. A proliferation of Native American gaming in areas located near our properties, or in areas in or near those from which we draw our customers, could have an adverse effect on our operating results.

In Michigan, the Pokagon Band of Potawatomi Indians, a federally recognized Native American tribe, announced, in 1994, its intentions to construct a land-based gaming operation in or near New Buffalo, Michigan, which is located less than fifteen miles from our Blue Chip Hotel and Casino. In August 2004, the Pokagons received a favorable ruling from the Michigan Supreme Court regarding the validity of their compact with the State of Michigan. In March 2005, the Pokagons received a favorable ruling from the U.S. District Court for the District of Columbia regarding their application for land in trust. This decision was the subject of an appeal, which was recently unanimously upheld by the United States Court of Appeals for the District of Columbia Circuit, in favor of the Pokagons. The Pokagons land has not yet been taken into trust by the federal government, whose actions were deferred during the pendency of this appeal. After the land is taken into trust, the Pokagons may

have other legal and regulatory issues to resolve prior to construction of the proposed gaming facility. If their facility is constructed and begins operations, it could have a material adverse impact on the operations of Blue Chip.

Table of Contents

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

We regularly evaluate expansion, development and renovation opportunities. For example, on January 4, 2006, we announced our planned redevelopment of the property located on the Las Vegas Strip on which the Stardust and our executive offices are presently located into a new resort complex, which will be the largest and most expensive development project we have undertaken to date. Additionally, we are nearing the completion of an expansion of our Blue Chip property and we recently opened a new property, the South Coast, in Las Vegas, Nevada. An equestrian and events center, as well as a second hotel tower, are under construction at the South Coast and are scheduled to open in the first and second quarters of 2006, respectively. In addition, a partnership in which we have an indirect 90% ownership interest has applied for a gaming permit for a potential future casino entertainment facility near Philadelphia, Pennsylvania. Furthermore, Borgata is nearing completion of a public space expansion and recently began construction of a new hotel tower and spa.

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

shortages of materials;

shortages of skilled labor or work stoppages;

unforeseen construction scheduling, engineering, environmental, permitting, construction or geological problems;

weather interference, floods, fires or other casualty losses; and

unanticipated delays and cost increases.

Our anticipated costs and construction period for projects are based upon budgets, conceptual design documents and construction schedule estimates prepared by us in consultation with our architects and contractors. The cost of any project may vary significantly from initial expectations, and we may have a limited amount of capital resources to fund cost overruns. If we cannot finance cost overruns on a timely basis, the completion of one or more projects may be delayed until adequate funding is available. The completion dates of any of our projects could also differ significantly from expectations for construction-related or other reasons. We cannot assure you that any project will be completed, if at all, on time or within established budgets, or that any project will commence operations as expected or include all of the anticipated amenities, features or facilities. In addition, if any of our projects are completed, we cannot assure you that they will achieve market acceptance, or will result in increased earnings, if any, to us. Significant delays, cost overruns, or failures of our projects to achieve market acceptance could have a material adverse effect on our business, financial condition and results of operations. Furthermore, our projects may not help us compete with new or increased competition in our markets.

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

Table of Contents

In addition, although we design our projects for existing facilities to minimize disruption of existing business operations, expansion and renovation projects require, from time to time, portions of the existing operations to be closed or disrupted. Any significant disruption in operations could have a material adverse effect on our business, financial condition and results of operations.

We face risks associated with growth and acquisitions.

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

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

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

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

Alvin C. Copeland is the sole shareholder of an entity that applied in 1993 for a riverboat license at the location of our Treasure Chest Casino. Copeland was unsuccessful in the application process and has made several attempts to have the Treasure Chest license revoked and awarded to his company. 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 denied. The Court of Appeal refused to reverse the denial of the motion to dismiss. In May 2004, we filed additional motions to dismiss on other grounds, which motions are currently pending. It is not possible to determine the likely date of trial, if any, at this time. We intend to vigorously defend the lawsuit. If this matter ultimately results in the Treasure Chest license being revoked, it would have a significant adverse effect on our business, financial condition and results of operations.

Table of Contents

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

We are subject to a variety of gaming regulations in the jurisdictions in which we operate. Regulatory authorities at the federal, state and local levels have broad powers with respect to the licensing of casino operations and may revoke, suspend, condition or limit our gaming or other licenses, impose substantial fines and take other actions, any one of which could have a significant adverse effect on our business, financial condition and results of operations. A more detailed description of the regulations to which we are subject is contained under the heading Governmental Gaming Regulation in this prospectus supplement.

If additional gaming regulations are adopted in a jurisdiction in which we operate, such regulations could impose restrictions or costs that could have a significant adverse effect on us. From time to time, various proposals are introduced in the legislatures of some of the jurisdictions in which we have existing or planned operations that, if enacted, could adversely affect the tax, regulatory, operational or other aspects of the gaming industry and our company. Legislation of this type may be enacted in the future. The federal government has also previously considered a federal tax on casino revenues and may consider such a tax in the future. In addition, gaming companies are currently subject to significant state and local taxes and fees in addition to normal federal and state corporate income taxes, and such taxes and fees are subject to increase at any time. If there is any material increase in state and local taxes and fees, our business, financial condition and results of operations could be adversely affected.

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

In addition to gaming regulations, we are also subject to other federal, state and local laws and regulations. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, environmental matters, employees, currency transactions, taxation, zoning and building codes, and marketing and advertising. Such laws and regulations could change or could be interpreted differently in the future, or new laws and regulations could be enacted. Material changes, new laws or regulations, or material differences in interpretations by courts or governmental authorities could adversely affect our business and our operating results.

Certain of our facilities are located in areas that experience extreme weather conditions.

Certain of our facilities are located in areas that experience extreme weather conditions, including, but not limited to, hurricanes. Extreme weather conditions may interrupt our operations, damage our properties and reduce the number of customers who visit our facilities in the affected areas. For example, our Treasure Chest Casino, which is located near New Orleans, Louisiana, suffered minor damage and was closed for 44 days in 2005 as a result of Hurricane Katrina, and has since reopened with limited hours of operation and limited food and beverage outlets. Additionally, our Delta Downs Racetrack, Casino & Hotel, which is located in southwest Louisiana, suffered significant property damage and closed for 42 days in 2005 as a result of Hurricane Rita, and has since reopened with limited hours of operation and limited food and beverage outlets. Races at Delta Downs are scheduled to resume in April 2006. While we maintain insurance that may cover some of the costs we incur as a result of some extreme weather conditions, our coverage is subject to deductibles and limits on maximum benefits. There can be no assurance that we will be able to fully collect, if at all, on any claims resulting from extreme weather conditions, including claims we have submitted in connection with the damage sustained at our Delta Downs property. We did not submit insurance claims in connection with the hurricane damage sustained by our Treasure Chest property in part because the amount of property damage did not exceed our insurance deductible. If these or any of our other properties are damaged or if their operations are disrupted as a result of extreme weather in the future, or if extreme weather adversely impacts general economic or other conditions in

Table of Contents

the areas in which our properties are located or from which they draw their patrons, our business and operating results could be materially adversely affected.

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

In addition to being in areas that are often subject to extreme weather conditions, gaming operations conducted on riverboat casinos or at dockside facilities could be lost from service for a variety of other reasons, including casualty, forces of nature, mechanical failure or extended or extraordinary maintenance.

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

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

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

We draw a significant percentage of our customers from limited geographic regions. Events adversely impacting the economy or these regions, including terrorism and extreme weather, may also impact our business.

Our California Hotel and Casino, Fremont Hotel and Casino and Main Street Station Casino, Brewery and Hotel draw a substantial portion of their customers from the Hawaiian market. For the nine months ended September 30, 2005, patrons from Hawaii comprised approximately 68% of the room nights sold at the California, 59% at the Fremont and 57% at Main Street Station. An increase in fuel costs or transportation prices, a decrease in airplane seat availability, or a deterioration of relations with tour and travel agents, particularly as they affect travel between the Hawaiian market and our facilities, could adversely affect our business, financial condition and results of operations.

Our Las Vegas properties also draw a substantial number of customers from certain other specific geographic areas, including Southern California, Arizona, Las Vegas and the Midwest. Native American casinos in California and other parts of the United States have diverted some

potential visitors away from Nevada, which has had and could continue to have a negative affect on Nevada gaming markets. In addition, due to our significant concentration of properties in Nevada, any terrorist activities or disasters in or around Nevada, or the areas from which we draw customers for our Las Vegas properties, could have a significant adverse effect on our business, financial condition and results of operations. Each of our other properties located outside of Nevada

Table of Contents

depends primarily on visitors from their respective surrounding regions and are subject to comparable risks. The outbreak of public health threats at any of our properties or in the areas in which they are located, or the perception that such threats exist, as well as adverse economic conditions that affect the national or regional economies, whether resulting from war, terrorist activities, other geopolitical conflict, weather or other factors, could have a significant adverse effect on our business, financial condition and results of operations.

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

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

Our casino properties use significant amounts of electricity, natural gas and other forms of energy. In addition, our Hawaiian air charter operation uses a significant amount of jet fuel. While no shortages of energy or fuel have been experienced to date, substantial increases in energy and fuel prices in the United States have negatively affected and may continue to negatively affect, our operating results. The extent of the impact is subject to the magnitude and duration of the energy and fuel price increases, but this impact could be material. In addition, energy and gasoline price increases in cities that constitute a significant source of customers for our properties could result in a decline in disposable income of potential customers and a corresponding decrease in visitation and spending at our properties, which would negatively impact revenues.

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

William S. Boyd, our Chairman and Chief Executive Officer, together with his immediate family, beneficially owned approximately 35% of our outstanding shares of common stock as of September 30, 2005. Michael J. Gaughan, the Chief Executive Officer of Coast Casinos, Inc., a subsidiary of Boyd Gaming, beneficially owned approximately 17% of our outstanding shares of common stock as of September 30, 2005. As a result, the Boyd family and/or Mr. Gaughan have the ability to significantly influence our affairs, including the election of our directors and, except as otherwise provided by law, approving or disapproving other matters submitted to a vote of our stockholders, including a merger, consolidation or sale of assets.

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

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

Risks Related to Our Indebtedness

Our substantial indebtedness could adversely affect our operations and financial results and prevent us from fulfilling our obligations under these notes.

We have now, and after the offering will continue to have, a significant amount of indebtedness. We had approximately $2.391 billion and $2.557 billion of long-term debt, including current maturities and excluding carrying value adjustments for the market value of related interest rate swaps at September 30, 2005 and

Table of Contents

December 31, 2005, respectively. As of September 30, 2005, we had stockholders equity of approximately $1.082 billion.

We expect that our long-term indebtedness will substantially increase in connection with the capital expenditures we anticipate making as a result of our planned expansion, development and renovation projects. Our substantial indebtedness could have important consequences to you. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to these notes;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, which would reduce the availability of our cash flow to fund working capital, capital expenditures, expansion efforts and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds. Failure to comply with these covenants could result in an event of default which, if not cured or waived, could have a significant adverse effect on us.

In addition, following the announcement of our plans regarding Echelon Place, Standard & Poor s Rating Services revised its outlook on Boyd Gaming to stable from positive and affirmed our credit ratings. Moody s Investor Services revised its outlook on Boyd Gaming to positive from stable and affirmed our credit ratings following the same announcement. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization. Changes to our business and the incurrence of additional indebtedness in the future could cause downgrading of our credit rating, which could have a material adverse effect on our business, financial condition and results of operations as well as on our ability to raise additional indebtedness.

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

Our ability to make payments on and to refinance our indebtedness, including these notes, and to fund planned capital expenditures and expansion efforts will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

It is unlikely that our business will generate sufficient cash flow from operations, or that future borrowings will be available to us under our bank credit facility, in amounts sufficient to enable us to pay our indebtedness, including these notes, as such indebtedness matures and to fund our other liquidity needs. We believe that we will need to refinance all or a portion of our indebtedness, at maturity, and cannot assure you that we will be able to refinance any of our indebtedness, including our bank credit facility and these notes, on commercially reasonable terms, or at all.

We could have to adopt one or more alternatives, such as reducing or delaying planned expenses and capital expenditures, selling assets, restructuring debt, or obtaining additional equity or debt financing or joint venture partners. These financing strategies may not be effected on satisfactory terms, if at all. In addition, certain states laws contain restrictions on the ability of companies engaged in the gaming business to undertake certain financing transactions. Some restrictions may prevent us from obtaining necessary capital.

Table of Contents

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

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. The terms of the indenture governing these notes will not fully prohibit us or our subsidiaries from doing so. Approximately $379.2 million and $161.9 million was available for borrowing under our bank credit facility as of September 30, 2005 and December 31, 2005, respectively. All of those borrowings would be effectively senior to the notes. If new debt is added to our or our subsidiaries current debt levels, the related risks that we or they now face could intensify.

Risks Related to this Offering

Your right to receive payments on these notes will be junior to our senior debt, including our bank credit facility, equal with our other senior subordinated debt, and effectively subordinated to the existing and future debt and other liabilities of our subsidiaries.

These notes are unsecured and will be junior to all of our existing and future senior debt, including any amounts we may borrow under our bank credit facility entered into on May 20, 2004, as amended effective as of June 30, 2005, or the bank credit facility. In addition, the notes will be effectively subordinated to all of the existing and future debt and other liabilities (including trade payables) of our subsidiaries. In the event of a bankruptcy, liquidation or reorganization or similar proceeding involving us, or our subsidiaries, our assets and those of our subsidiaries that serve as collateral will be available to satisfy the obligations under any secured debt, as well as any senior debt, before any payments are made on the notes.

All payments on the notes will be blocked in the event of a payment default on our senior debt and may be blocked for up to 179 consecutive days in the event of certain non-payment defaults on our senior debt.

In the event of bankruptcy, liquidation or reorganization or similar proceeding relating to us, holders of the notes will participate with trade creditors and all other holders of our subordinated indebtedness in the assets remaining after we have paid all of our senior debt. However, because the indenture will require that amounts otherwise payable to holders of the notes in a bankruptcy or similar proceeding be paid to holders of senior debt instead, holders of the notes being offered pursuant to this prospectus supplement may receive less, ratably, than holders of trade payables in any such proceeding. In any of these cases, we may not have sufficient funds to pay all of our creditors, and holders of notes may receive less, ratably, than the holders of our senior debt.

We and our subsidiaries had $1.491 billion and $1.657 billion of senior debt (which amounts exclude approximately $3.8 million and $53.8 million, respectively, that was allocated to support various letters of credit), all of which was secured as of September 30, 2005 and December 31, 2005, respectively. In addition, approximately $379.2 million and $161.9 million was available for borrowing under our bank credit facility as of September 30, 2005 and December 31, 2005, respectively.

We are a holding company and depend on the business of our subsidiaries to satisfy our obligations under the notes.

We are a holding company. Our subsidiaries conduct substantially all of our consolidated operations and own substantially all of our consolidated assets. None of our subsidiaries will guarantee the notes being offered pursuant to this prospectus supplement. Consequently, our cash flow and our ability to pay our debts depends on our subsidiaries cash flow and their payment of funds to us. Our subsidiaries are not obligated to make funds available to us for payment on the notes or otherwise. In addition, our subsidiaries ability to make any payments to us will depend on their earnings, the terms of their indebtedness, business and tax considerations, legal and regulatory restrictions, and economic conditions. The ability of our subsidiaries to make payments to us is also governed by the gaming laws of certain jurisdictions, which place limits on the amount of funds which may be

Table of Contents

transferred to us and may require prior or subsequent approval for any payments to us. Payments to us are also subject to legal and contractual restrictions. The terms of the credit agreement for the entity that owns the Borgata limits the amount of funds that can be distributed to us. The funds generated by Borgata are primarily used to service its own indebtedness and are not generally available (except to the extent distributions are allowed to be paid to us) to service our indebtedness. Furthermore, our subsidiaries will be permitted under the terms of the indenture governing these notes to incur additional indebtedness that may severely restrict or prohibit the making of distributions, the payment of dividends or the making of loans by such subsidiaries to us. We cannot assure you that the agreements governing the current and future indebtedness of our subsidiaries will ever permit our subsidiaries to provide us with sufficient dividends, distributions or loans to fund payments on the notes when due. See Description of Other Indebtedness.

We may not have the ability to raise the funds necessary to finance the change of control offer required by the indenture.

Upon the occurrence of certain specific kinds of change of control events, we will be required to offer to repurchase all outstanding notes. However, it is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of notes or that restrictions in our bank credit facility will not allow such repurchases.

Our failure to repurchase the notes would be a default under the indenture and also our bank credit facility. In addition, events constituting a change of control and certain asset sales would generally require us to offer to repurchase our 8.75% senior subordinated notes due 2012, of which an aggregate principal amount of $250.0 million is outstanding, our 7.75% senior subordinated notes due 2012, of which an aggregate principal amount of $300.0 million is outstanding, and our 6.75% senior subordinated notes due 2014, of which an aggregate principal amount of $350.0 million is outstanding. It is possible that we will not have sufficient funds at such time to make the required repurchase of notes or that restrictions in our bank credit facility will not allow such repurchases.

In addition to being junior to our bank credit facility and our existing and future senior debt, the notes will not be secured by any of our assets and your right to enforce remedies will be limited by the rights of holders of secured debt and the rights of our subsidiaries creditors.

In addition to being subordinated to all of our existing and future debt, other than trade payables and any debt that expressly provides that it ranks equal with or junior in right of payment of the notes, the notes will not be secured by any of our assets. Our obligations under our bank credit facility are secured by liens on substantially all of our assets (other than stock and other equity interests). If we become insolvent or are liquidated, or if payment under our bank credit facility is accelerated, the agent under our bank credit facility will be entitled to exercise the remedies available to a secured lender under applicable law and the bank credit facility. Accordingly, the lenders under our bank credit facility will have a prior claim with respect to such assets and there may not be sufficient assets remaining to pay amounts due on the notes then outstanding. In addition, the notes will be effectively subordinated to all of the existing and future debt and other liabilities of our subsidiaries. As a result, holders of notes sold in this offering may receive less, ratably, than holders of debt that ranks senior to the notes.

Table of Contents

An active trading market may not develop for the notes.

The notes will be new securities for which there currently is no trading market. Although we have been informed by the underwriters that they intend to make a market in the notes after this offering is completed, they have no obligation to do so and may discontinue market-making at any time without notice. In addition, market-making activities will be subject to limits imposed by the Securities Act and the Exchange Act. The liquidity of the trading market for the notes, if one develops, and the market price quoted for the notes, may be adversely affected by:

- changes in the overall market for high yield securities;
- changes in our financial performance or prospects;
- the prospects for companies in our industry generally;
- the number of holders of the notes;
- the interest of securities dealers in making a market for the notes; and
- prevailing interest rates.

As a result, you cannot be sure that an active trading market will develop for the notes. We do not intend to list the notes on any national securities exchange or to seek the admission thereof to trading in the Nasdaq National Market. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

You may have to dispose of the notes if your ownership of the notes is determined to be harmful to us.

If the ownership of any of the notes by any person or entity will preclude, interfere with, threaten or delay the issuance, maintenance, existence or reinstatement of any gaming or liquor license, permit or approval, or result in the imposition of burdensome terms or conditions on such license, permit or approval, as determined by any governmental authority or our board of directors, the holder must dispose of the notes within a specified time. If the holder of the notes fails to dispose of them within such time, we have the right to redeem the notes at a price, without accrued interest, if any, equal to the lowest of the holder s cost, the principal amount of such notes or the average of the current market prices of such notes.

Table of Contents

USE OF PROCEEDS

We expect that the net proceeds to us from this offering will be approximately $247.3 million, after deducting underwriting discounts and estimated offering expenses. We intend to apply the full amount of the net proceeds from this offering to repay a portion of the outstanding balance on the revolving portion of our bank credit facility, which amounts may be reborrowed. However, we could also use a portion of the net proceeds from this offering for general corporate purposes, including capital expenditures, pending which such proceeds would be held in highly liquid investments.

Approximately $967.0 million and $1.134 billion was outstanding under the revolving portion of our bank credit facility, as of September 30, 2005 and December 31, 2005, respectively, which has an aggregate revolving commitment of $1.35 billion. The revolving portion of the bank credit facility matures in June 2010. The interest rate on the revolving credit facility is based upon either the agent bank s quoted base rate or the eurodollar rate, plus an applicable margin that is determined by the level of a predefined financial leverage ratio. In addition, we incur commitment fees on the unused portion of the revolving credit facility that range from 0.20% to 0.375% per annum. The blended interest rate for outstanding borrowings under the bank credit facility was 5.3% at September 30, 2005 and 5.7% at December 31, 2005.

CAPITALIZATION

The following table sets forth our cash position and our consolidated capitalization:

as of September 30, 2005; and

as adjusted to give effect to the completion of this offering (and the application of the net proceeds therefrom), as if such transactions occurred on September 30, 2005.

	As of September 30, 2005	
	Actual	As adjusted for this offering
	(In millions)	
Cash and cash equivalents	$ 139.8	139.8
Long-term debt (including current maturities)(1):		
Bank credit facility		
Revolver	$ 967.0	$ 719.7
Term loan(s)	493.8	493.8
8.75% senior subordinated notes due 2012	250.0	250.0
7.75% senior subordinated notes due 2012	300.0	300.0
6.75% senior subordinated notes due 2014	350.0	350.0
% senior subordinated notes due 2016(2)		250.0
Other	30.4	30.4

Total long-term debt	2,391.2	2,393.9
Stockholders equity	1,082.0	1,082.0
Total capitalization	$ 3,473.2	$ 3,475.9

(1) Long-term debt excludes $1.9 million of carrying value adjustments for the market value of Boyd Gaming s related interest rate swaps at September 30, 2005.
(2) If the amount of the notes we issue in this offering is greater or less than $250.0 million, the amount of indebtedness repaid under the revolver portion of our bank credit facility would correspondingly increase or decrease.

Table of Contents

GOVERNMENTAL GAMING REGULATION

We are subject to extensive regulation under laws, rules and supervisory procedures primarily in the jurisdictions where our facilities are located or docked. If additional gaming regulations are adopted in a jurisdiction in which we operate, such regulations could impose restrictions or costs that could have a significant adverse effect on us. From time to time, various proposals have been introduced in the legislatures of some of the jurisdictions in which we have existing or planned operations that, if enacted, could adversely affect the tax, regulatory, operational or other aspects of the gaming industry and us. We do not know whether such legislation will be enacted. The federal government has also previously considered a federal tax on casino revenues and the elimination of betting on NCAA events and may consider such a tax or eliminations on betting in the future. In addition, gaming companies are currently subject to significant state and local taxes and fees in addition to normal federal and state corporate income taxes, and such taxes and fees are subject to increase at any time. Any material increase in these taxes or fees could adversely affect us.

Some jurisdictions, including Nevada, Illinois, Indiana, Louisiana, Mississippi and New Jersey, empower their regulators to investigate participation by licensees in gaming outside their jurisdiction and require access to periodic reports respecting those gaming activities. Violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions.

Under provisions of gaming laws in jurisdictions in which we have operations, and under our organizational documents, certain of our securities are subject to restrictions on ownership which may be imposed by specified governmental authorities. The restrictions may require a holder of our securities to dispose of the securities or, if the holder refuses, or is unable, to dispose of the securities, we may be required to repurchase the securities.

The indenture governing the notes will provide that if a holder of a note or beneficial owner of a note is required to be licensed, qualified or found suitable under the applicable gaming laws and is not so licensed, qualified or found suitable within any time period specified by the applicable gaming authority, the holder will be required, at our request, to dispose of its notes within a time period that either we prescribe or such other time period prescribed by the applicable gaming authority, and thereafter, we shall have the right to redeem such holder s notes. See Description of Notes Mandatory Disposition or Redemption Pursuant to Gaming Laws.

Nevada

The ownership and operation of casino gaming facilities in Nevada are subject to the Nevada Gaming Control Act and the regulations promulgated thereunder, which we refer to as the Nevada Act, and various local regulations. Our gaming operations are subject to the licensing and regulatory control of the Nevada Gaming Commission, which we refer to as the Nevada Commission, the Nevada State Gaming Control Board, which we refer to as the Nevada Board, and the Clark County Liquor and Gaming Licensing Board, which, with the Nevada Commission and the Nevada Board, we collectively refer to as the Nevada Gaming Authorities.

The laws, regulations and supervisory procedures of the Nevada Gaming Authorities are based upon declarations of public policy which are concerned with, among other things:

- the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;

the establishment and maintenance of responsible accounting practices and procedures;

the maintenance of effective controls over the financial practices of licensees, including establishing minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues;

providing reliable record keeping and requiring the filing of periodic reports with the Nevada Gaming Authorities;

Table of Contents

the prevention of cheating and fraudulent practices; and

the provision of a source of state and local revenues through taxation and licensing fees.

Changes in such laws, regulations and procedures could have an adverse effect on our gaming operations and our business, financial condition and results of operations.

Corporations that operate casinos in Nevada are required to be licensed by the Nevada Gaming Authorities. A gaming license requires the periodic payment of fees and taxes and is not transferable. We are registered by the Nevada Commission as a publicly traded corporation, or a Registered Corporation. As a Registered Corporation, we are required periodically to submit detailed financial and operating reports to the Nevada Commission and furnish any other information which the Nevada Commission may require. We have been found suitable by the Nevada Commission to own the stock of California Hotel and Casino and of Coast Casinos, Inc., or Coast Casinos. California Hotel and Casino is licensed by the Nevada Commission to operate non-restricted gaming activities at the California and Sam s Town Las Vegas and is additionally registered as a holding corporation and approved by the Nevada Gaming Authorities to own the stock of Mare-Bear, Inc., the operator of the Stardust, Sam-Will, Inc., the operator of the Fremont, Eldorado, Inc., the operator of the Eldorado and Jokers Wild, and M.S.W., Inc., the operator of Main Street Station. Coast Casinos is registered as a holding company and approved by the Nevada Gaming Authorities to own the stock of Coast Hotels and Casinos, Inc., the operator of Gold Coast Hotel and Casino, Barbary Coast Hotel and Casino, The Orleans Hotel and Casino, and Suncoast Hotel and Casino. No person may become a stockholder of, or receive any percentage of profits from, California Hotel and Casino or its subsidiaries or of Coast Casinos or its subsidiary without first obtaining licenses and approvals from the Nevada Gaming Authorities (all of the foregoing entities are collectively referred to as the Licensed Subsidiaries). Boyd Gaming and all of its Licensed Subsidiaries have obtained from the Nevada Gaming Authorities the various registrations, approvals, permits and licenses required in order to engage in gaming activities in Nevada.

The Nevada Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with, Boyd Gaming and its Licensed Subsidiaries in order to determine whether such individual is suitable or should be licensed as a business associate of a gaming licensee. Officers, directors and certain key employees of the Licensed Subsidiaries must file applications with the Nevada Gaming Authorities and may be required to be licensed or found suitable by the Nevada Gaming Authorities. Our officers, directors and key employees who are actively and directly involved in gaming activities of the Licensed Subsidiaries may be required to be licensed or found suitable by the Nevada Gaming Authorities. The Nevada Gaming Authorities may deny an application for licensing for any cause which they deem reasonable. A finding of suitability is comparable to licensing, and both require submission of detailed personal and financial information followed by a thorough investigation. The applicant for licensing or a finding of suitability must pay all the costs of the investigation. Changes in licensed positions must be reported to the Nevada Gaming Authorities and, in addition to their authority to deny an application for a finding of suitability or licensure, the Nevada Gaming Authorities have jurisdiction to disapprove a change in a corporate position.

If the Nevada Gaming Authorities were to find an officer, director or key employee unsuitable for licensing or unsuitable to continue having a relationship with us or any of our Licensed Subsidiaries, the companies involved would have to sever all relationships with such person. In addition, the Nevada Commission may require Boyd Gaming or any of its Licensed Subsidiaries to terminate the employment of any person who refuses to file appropriate applications. Determinations of suitability or of questions pertaining to licensing are not subject to judicial review in Nevada.

Boyd Gaming and its Licensed Subsidiaries are required to submit detailed financial and operating reports to the Nevada Commission. Substantially all material loans, leases, sales of securities and similar financing transactions by the Licensed Subsidiaries must be reported to, or approved by, the Nevada Commission.

Table of Contents

If it were determined that the Nevada Act was violated by any of the Licensed Subsidiaries, the gaming licenses they hold could be limited, conditioned, suspended or revoked, subject to compliance with certain statutory and regulatory procedures. In addition, Boyd Gaming and the persons involved could be subject to substantial fines for each separate violation of the Nevada Act at the discretion of the Nevada Commission. Further, a supervisor could be appointed by the Nevada Commission to operate our gaming properties and, under certain circumstances, earnings generated during the supervisor s appointment (except for reasonable rental value of our gaming properties) could be forfeited to the State of Nevada. Limitation, conditioning or suspension of any gaming license or the appointment of a supervisor could (and revocation of any gaming license would) materially adversely affect our gaming operations and our business, financial condition and results of operations.

Any beneficial holder of our voting securities, regardless of the number of shares owned, may be required to file an application, be investigated and have his suitability as a beneficial holder of our voting securities determined if the Nevada Commission has reason to believe that such ownership would otherwise be inconsistent with the declared policies of the State of Nevada. The applicant must pay all costs of investigation incurred by the Nevada Gaming Authorities in conducting any such investigation.

The Nevada Act requires any person who acquires more than 5% of our voting securities to report the acquisition to the Nevada Commission. The Nevada Act requires that beneficial owners of more than 10% of our voting securities apply to the Nevada Commission for a finding of suitability within 30 days after the Chairman of the Nevada Board mails the written notice requiring such filing. Under certain circumstances, an institutional investor, as defined in the Nevada Act, which acquires more than 10%, but not more than 15%, of our voting securities may apply to the Nevada Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes only. An institutional investor shall not be deemed to hold voting securities for investment purposes unless the voting securities were acquired and are held in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of the members of our board of directors, any change in our corporate charter, bylaws, management, policies or operations, or any of our gaming affiliates, or any other action which the Nevada Commission finds to be inconsistent with holding our voting securities for investment purposes only. Activities which are not deemed to be inconsistent with holding voting securities for investment purposes include only:

- voting on all matters voted on by stockholders;
- making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in our management, policies or operations; and
- such other activities as the Nevada Commission may determine to be consistent with such investment intent.

If the beneficial holder of voting securities who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information including a list of beneficial owners. The applicant is required to pay all costs of investigation.

Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Nevada Commission or the Chairman of the Nevada Board, may be found unsuitable. The same restrictions apply to a record owner if the record owner, after request, fails to identify the beneficial owner. Any stockholder found unsuitable and who holds, directly or indirectly, any beneficial ownership of the common stock of a Registered Corporation beyond such period of time as may be prescribed by the Nevada Commission may be guilty of a criminal offense. We are subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us, California Hotel and Casino or any of our licensed subsidiaries, we:

- pay that person any dividend or interest upon voting securities of Boyd Gaming;

allow that person to exercise, directly or indirectly, any voting right conferred through securities held by the person;

Table of Contents

pay remuneration in any form to that person for services rendered or otherwise; or

fail to pursue all lawful efforts to require such unsuitable person to relinquish their voting securities for cash at fair market value.

Additionally, the Clark County Liquor and Gaming Licensing Board has taken the position that it has the authority to approve all persons owning or controlling the stock of any corporation controlling a gaming license.

The Nevada Commission may, at its discretion, require the holder of any debt security of a Registered Corporation to file applications, be investigated and be found suitable to own the debt security of a Registered Corporation. If the Nevada Commission determines that a person is unsuitable to own such security, then pursuant to the Nevada Act, the Registered Corporation can be sanctioned, including the loss of its approvals, if without the prior approval of the Nevada Commission, it:

pays to the unsuitable person any dividend, interest, or any distribution whatsoever;

recognizes any voting right by such unsuitable person in connection with such securities;

pays the unsuitable person remuneration in any form; or

makes any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation, or similar transaction.

We are required to maintain a current stock ledger in Nevada which may be examined by the Nevada Gaming Authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Nevada Gaming Authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. We are also required to render maximum assistance in determining the identity of the beneficial owner. The Nevada Commission has the power to require our securities to bear a legend indicating that the securities are subject to the Nevada Act. However, to date, the Nevada Commission has not imposed such a requirement on us.

We may not make a public offering of our securities without the prior approval of the Nevada Commission if the securities or the proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for such purposes. Any representation to the contrary is unlawful. The Nevada Commission granted us prior approval to make public offerings through September 2007, subject to certain conditions. The Nevada Commission s approval may be rescinded for good cause without prior notice upon the issuance of an interlocutory stop order by the Chairman of the Nevada Board.

Changes in control of Boyd Gaming through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or any act or conduct by a person whereby he obtains control, may not occur without the prior approval of the Nevada Commission. Entities seeking to acquire control of a Registered Corporation must satisfy the Nevada Gaming Authorities in a variety of stringent standards prior to assuming control of such Registered Corporation. The Nevada Commission may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

The Nevada legislature has declared that some corporate acquisitions opposed by management, repurchase of voting securities and corporate defense tactics affecting Nevada gaming licensees, and Registered Corporations that are affiliated with those licensees, may be injurious to stable and productive corporate gaming. The Nevada Commission has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Nevada s gaming industry and to further Nevada s policy to:

assure the financial stability of corporate gaming operators and their affiliates;

preserve the beneficial aspects of conducting business in the corporate form; and

promote a neutral environment for the orderly governance of corporate affairs.

Table of Contents

Approvals are, in certain circumstances, required from the Nevada Commission before we can make exceptional repurchases of voting securities above the current market price thereof and before a corporate acquisition opposed by management can be consummated. As a Registered Corporation, the Nevada Act also requires prior approval of a plan of recapitalization proposed by our board of directors in response to a tender offer made directly to our stockholders for the purposes of acquiring control of us.

License fees and taxes, computed in various ways depending on the type of gaming or activity involved, are payable to the State of Nevada, Clark County and the City of Las Vegas. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly, quarterly or annually and are based upon any of:

- a percentage of the gross revenues received;
- the number of gaming devices operated; or
- the number of table games operated.

An excise tax is also paid by casino operations upon admission to certain facilities offering live entertainment, including the selling of food, refreshment and merchandise in connection therewith.

Any person who is licensed, required to be licensed, registered, required to be registered, or is under common control with such persons, which we refer to as Licensees, and who proposes to become involved in a gaming venture outside of Nevada is required to deposit with the Nevada Board, and thereafter maintain, a revolving fund in the amount of $10,000 to pay the expenses of investigation of the Nevada Board of their participation in such foreign gaming. The revolving fund is subject to increase or decrease in the discretion of the Nevada Commission. Thereafter, Licensees are required to comply with certain reporting requirements imposed by the Nevada Act. Licensees are also subject to disciplinary action by the Nevada Commission if they knowingly violate any laws of the foreign jurisdiction pertaining to the foreign gaming operation, fail to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations, engage in activities that are harmful to the State of Nevada or its ability to collect gaming taxes and fees, or employ a person in the foreign operation who has been denied a license or finding of suitability in Nevada on the ground of personal unsuitability.

The sale of food or alcoholic beverages at our Nevada casinos is subject to licensing, control and regulation by the applicable local authorities. All licenses are revocable and are not transferable. The agencies involved have full power to limit, condition, suspend or revoke any such license, and any such disciplinary action could, and a revocation would, have a significant adverse effect upon the operations of the affected casino or casinos.

Illinois

We are subject to the jurisdiction of the Illinois gaming authorities as a result of our ownership and operation of Par-A-Dice Hotel Casino in East Peoria, Illinois.

In February 1990, the State of Illinois legalized riverboat gambling. The Illinois Riverboat Gambling Act, which we refer to as the initial Illinois Act, authorizes the five-member Illinois Gaming Board, which we refer to as the Illinois Board, to issue up to ten riverboat gaming owners licenses on navigable streams within or forming a boundary of the State of Illinois except for Lake Michigan and any waterway in Cook County, which includes Chicago. Pursuant to the initial Illinois Act, a licensed owner who holds greater than a 10% interest in one riverboat operation, could hold no more than a 10% interest in any other riverboat operation. In addition, the initial Illinois Act restricted the location of certain of the ten owners licenses. Four of the licenses were to be located on the Mississippi River, one license was to be at a location on the Illinois River south of Marshall County and one license had to be located on the Des Plaines River in Will County. The remaining licenses were not restricted as to location. Currently, nine owner s licenses are in operation, including one license in each of Alton, Aurora, East Peoria, East St. Louis, Elgin, Metropolis, Rock Island and two licenses in Joliet.

Table of Contents

The tenth license, which was initially granted to an operator in East Dubuque, was not renewed by the Illinois Board and has been the subject of on-going litigation. The Illinois Board entered into a settlement agreement with the operator whereby the ownership interest in the tenth license was to be transferred to a new operator. The Illinois Board initiated a bid process and selected Isle of Capri as the new operator with its gaming operations to be located in Rosemont, Illinois. The Illinois Attorney General, pursuant to her authority, did not approve the settlement agreement which would have permitted the transfer of the ownership interest. Instead, the Illinois Board resumed its license revocation hearing, which had been held in abeyance. On November 15, 2005, the Administrative Law Judge issued his opinion, recommending that the Illinois Board revoke the operator s license. The record of the proceeding and the Judge s opinion was reviewed by the Illinois Board and the Illinois Board issued a final order revoking the operator s license. The operator is entitled to appeal a final Illinois Board order to the Illinois Appellate court. There is no assurance that this process will reach a successful conclusion.

Furthermore, under the initial Illinois Act, no gambling could be conducted while a riverboat was docked. A gaming excursion could last no more than four hours, and a gaming excursion was deemed to have started when the first passenger boarded a riverboat. Gaming could continue during passenger boarding for a period of up to 30 minutes. Gaming was also allowed for a period of up to 30 minutes after the gangplank or its equivalent was lowered, thereby allowing passengers to exit the riverboat. During the 30-minute exit time period, new passengers were not allowed to board the riverboat. Although riverboats were mandated to cruise, there were certain exceptions. If a riverboat captain reasonably determined that either it was unsafe to transport passengers on the waterway due to inclement weather or the riverboat had been rendered temporarily inoperable by unforeseeable mechanical or structural difficulties or river icing, the riverboat could remain dockside or return to the dock. In those situations, a gaming excursion could commence or continue while the gangplank or its equivalent was raised and remained raised, in which event the riverboat was not considered docked. If a gaming excursion had to begin or continue with the gangplank or its equivalent raised, and the riverboat did not leave the dock, entry of new patrons on to the riverboat was prohibited until the completion of the excursion.

In June of 1999, amendments to the Illinois Act, which we refer to as the Amended Illinois Act, were passed by the legislature and signed into law by the Governor. The Amended Illinois Act redefined the conduct of gaming in the state. Pursuant to the Amended Illinois Act, riverboats can conduct gambling without cruising, and passengers can enter and leave a riverboat at any time. In addition, riverboats may now be located upon any water within Illinois, and not just navigable waterways. There is no longer any prohibition of a riverboat being located in Cook County. Riverboats are now defined as self-propelled excursion boats or permanently moored barges. The Amended Illinois Act requires that only three, rather than four, owner s licenses, be located on the Mississippi River. The 10% ownership prohibition has also been removed. Therefore, subject to certain Illinois Board rules, individuals or entities could own more than one riverboat operation.

The Amended Illinois Act also allows for the relocation of a riverboat home dock. A licensee that was not conducting riverboat gambling on January 1, 1998, may apply to the Illinois Board for renewal and approval of relocation to a new home dock and the Illinois Board shall grant the application and approval of the new home dock upon the licensee providing to the Illinois Board authorization from the new dockside community. Any licensee that relocates in accordance with the provisions of the Amended Illinois Act must attain a level of at least 20% minority ownership of such a gaming operation.

The initial Illinois Act strictly regulates the facilities, persons, associations and practices related to gaming operations. The initial Illinois Act grants the Illinois Board specific powers and duties, and all other powers necessary and proper to fully and effectively execute the initial Illinois Act for the purpose of administering, regulating and enforcing the system of riverboat gaming. The Illinois Board has authority over every person, association, corporation, partnership and trust involved in riverboat gaming operations in the State of Illinois.

Table of Contents

The initial Illinois Act requires the owner of a riverboat gaming operation to hold an owner s license issued by the Illinois Board. Each owner s license permits the holder to own up to two riverboats, however, gaming participants are limited to 1,200 for any owner s license. The number of gaming participants will be determined by the number of gaming positions available. Gaming positions are counted as follows:

- electronic gaming devices positions will be determined as 90% of the total number of devices available for play;
- craps tables will be counted as having ten gaming positions; and
- games utilizing live gaming devices, except for craps, will be counted as having five gaming positions.

Each owner s license initially runs for a period of three years. Thereafter, the license must be renewed annually. Under the Amended Illinois Act, the Board may renew an owner s license for up to four years. An owner licensee is eligible for renewal upon payment of the applicable fee and a determination by the Illinois Board that the licensee continues to meet all of the requirements of the initial Illinois Act and Illinois Board rules. The owner s license for Par-A-Dice Riverboat Casino initially expired in February 1995. Since that time, the license has been renewed annually. The most recent renewal approved by the Illinois Board in March of 2004 was for a term of four years. An ownership interest in an owner s license may not be transferred or pledged as collateral without the prior approval of the Illinois Board.

Pursuant to the Amended Illinois Act, which lifted the 10% ownership prohibition, the Illinois Board established certain rules to effectuate this statutory change. In deciding whether to approve direct or indirect ownership or control of an owner s license, the Illinois Board shall consider the impact of any economic concentration of the ownership or control. No direct or indirect ownership or control shall be approved which will result in undue economic concentration of the ownership of riverboat gambling operations in Illinois. Undue economic concentration means that a person or entity would have actual or potential domination of riverboat gambling in Illinois sufficient to:

- substantially impede or suppress competition among holders of owner s licenses;
- adversely impact the economic stability of the riverboat casino industry in Illinois; or
- negatively impact the purposes of the initial Illinois Act, including tourism, economic development, benefits to local communities, and State and local revenues.

The Illinois Board will consider the following criteria in determining whether the approval of the issuance, transfer or holding of a license will create undue economic concentration:

- the percentage share of the market presently owned or controlled by the person or entity;
- the estimated increase in the market share if the person or entity is approved to hold the owner s license;
- the relative position of other persons or entities that own or control owner s licenses in Illinois;

the current and projected financial condition of the riverboat gaming industry;

the current market conditions, including proximity and level of competition, consumer demand, market concentration, and any other relevant characteristics of the market;

whether the license to be approved has separate organizational structures or other independent obligations;

the potential impact on the projected future growth and development of the riverboat gambling industry, the local communities in which licenses are located, and the State of Illinois;

the barriers to entry into the riverboat gambling industry and if the approval of the license will operate as a barrier to new companies and individuals desiring to enter the market;

Table of Contents

whether the approval of the license is likely to result in enhancing the quality and customer appeal of products and services offered by riverboat casinos in order to maintain or increase their respective market shares;

whether a restriction on the approval of the additional license is necessary in order to encourage and preserve competition in casino operations; and

any other relevant information.

The initial Illinois Act does not limit the maximum bet or per patron loss. Minimum and maximum wagers on games are set by the owner licensee. Wagering may not be conducted with money or other negotiable currency. No person under the age of 21 is permitted to wager and wagers may only be received from a person present on the riverboat. With respect to electronic gaming devices, the payout percentage may not be less than 80% nor more than 100%.

An admission tax is imposed on the owner of a riverboat operation. Effective July 1, 2003, additional amendments to the Amended Illinois Act were passed by the legislature and signed into law by the Governor (the Second Amended Illinois Act). Under the Second Amended Illinois Act, for an owner licensee that admitted 2,300,000 persons or fewer in the previous calendar year, the admission tax is $4.00 per person and for a licensee that admitted more that 2,300,000 persons in the previous calendar year, the admission tax is $5.00. Additionally, a wagering tax is imposed on the adjusted gross receipts, as defined in the initial Illinois Act, of a riverboat operation. As of July 1, 2003, pursuant to the Second Amended Illinois Act, the wagering tax was increased as follows: 15% of annual adjusted gross receipts up to and including $25 million; 27.5% of annual adjusted gross receipts in excess of $25 million but not exceeding $37.5 million; 32.5% of annual adjusted gross receipts in excess of $37.5 million but not exceeding $50 million; 37.5% of annual adjusted gross receipts in excess of $50 million but not exceeding $75 million; 45% of annual adjusted gross receipts in excess of $75 million but not exceeding $100 million; 50% of annual adjusted gross receipts in excess of $100 million but not exceeding $250 million; and 70% of annual adjusted gross receipts in excess of $250 million. The owner licensee is required, on a daily basis, to wire the wagering tax payment to the Illinois Board. The wagering tax as outlined in the Second Amended Illinois Act shall no longer be imposed beginning on the earlier of (i) July 1, 2005; (ii) the first date after the effective date of the Second Amended Illinois Act that riverboat gambling operations are conducted pursuant to the dormant tenth license or (iii) the first day that riverboat gambling operations are conducted under the authority of an owners license that is in addition to the 10 owners licenses authorized by the Initial Act. The tax will rollback to the rates as outlined in the Amended Act.

Effective July 1, 2005, additional amendments to the Second Amended Act were passed by the legislature and signed into law by the Governor (the Third Amended Illinois Act). Under the Third Amended Act, for an owner that admitted 1,000,000 persons or fewer in calendar year 2004, the admission tax is $2.00 and for all other licensees it is $3.00 per person admitted. Additionally, the wagering tax provisions were rolled back to the rates as defined in the Amended Act. Thus, the effective wager tax rates are: 15% of annual adjusted gross receipts up to and including $25,000,000; 22.5% of annual adjusted gross receipts in excess of $25,000,000 but not exceeding $50,000,000; 27.5% of annual adjusted gross receipts in excess of $50,000,000 but not exceeding $75,000,000; 32.5% of annual adjusted gross receipts in excess of $75,000,000 but not exceeding $100,000,000; 37.5% of annual adjusted gross receipts in excess of $100,000,000 but not exceeding $150,000,000; 45% of annual adjusted gross receipts in excess of $150,000,000 but not exceeding $200,000,000; and $50% of annual adjusted gross receipts in excess of $200,000,000. In addition to payment of the above listed amounts, by June 15 of each year, each owner (other than an owner that admitted 1,000,000 or fewer persons in calendar year 2004) must pay to the Illinois Board the amount, if any, by which the base amount for the licensed owner exceeds the amount of tax paid pursuant to the Third Amended Act. The base amount for a riverboat in East Peoria is $43,000,000. This obligation terminates on the earliest of (i) July 1, 2007, (ii) the first day after the effective date of the Third Amended Act that riverboat gambling operations are conducted pursuant to a dormant license, (iii) the first day that riverboat gambling operations are conducted under the authority of an owners license that is in addition to the 10 owners licenses initially authorized, or (iv) the first day that a licensee under the Illinois

Table of Contents

Horse Racing Act of 1975 conducts gaming operations with slot machines or other electronic gaming devices. There have been legislative discussions that the current base amount may be adjusted upward as it does not incorporate the amount of tax paid by the riverboat to its local community. Any upward adjustment may be imposed retroactively to the effective date of the Third Amended Illinois Act.

The Illinois Board has the authority to reduce the above mentioned wagering tax obligation imposed under the Third Amended Act by an amount the Board deems reasonable for acts of God, terrorism, bioterrorism or a condition beyond the control of the owner licensee. There can be no assurance that the Illinois legislature will not enact additional legislation regarding admission and wagering tax rates.

In addition to owner s licenses, the Illinois Board also requires licensing for all vendors of gaming supplies and equipment and for all employees of a riverboat gaming operation. The Illinois Board is authorized to conduct investigations into the conduct of gaming and into alleged violations of the Illinois Act and the Illinois Board rules. Employees and agents of the Illinois Board have access to and may inspect any facilities relating to the riverboat gaming operation.

A holder of any license is subject to the imposition of fines, suspension or revocation of such license, or other action for any act or failure to act by himself or his agents or employees, that is injurious to the public health, safety, morals, good order and general welfare of the people of the State of Illinois, or that would discredit or tend to discredit the Illinois gaming industry or the State of Illinois. Any riverboat operations not conducted in compliance with the initial Illinois Act may constitute an illegal gaming place and consequently may be subject to criminal penalties, which penalties include possible seizure, confiscation and destruction of illegal gaming devices and seizure and sale of riverboats and dock facilities to pay any unsatisfied judgment that may be recovered and any unsatisfied fine that may be levied. The initial Illinois Act also provides for civil penalties, equal to the amount of gross receipts derived from wagering on the gaming, whether unauthorized or authorized, conducted on the day of any violation. The Illinois Board may revoke or suspend licenses, as the Illinois Board may see fit and in compliance with applicable laws of the State of Illinois regarding administrative procedures and may suspend an owner s license, without notice or hearing, upon a determination that the safety or health of patrons or employees is jeopardized by continuing a riverboat s operation. The suspension may remain in effect until the Illinois Board determines that the cause for suspension has been abated and it may revoke the owner s license upon a determination that the owner has not made satisfactory progress toward abating the hazard.

If the Illinois Board has suspended, revoked or refused to renew the license of an owner or if a riverboat gambling operation is closing and the owner is voluntarily surrendering its owner s license, the Illinois Board may petition the local circuit court (the Court) in which the riverboat is situated for appointment of a receiver. The circuit court will have sole jurisdiction over any and all issues pertaining to the appointment of a receiver. The Illinois Board will specify the specific powers, duties and limitations for the receiver, including but not limited to the authority to:

- hire, fire, promote and discipline personnel and retain outside employees or consultants;
- take possession of any and all property, including but not limited to its books, records, and papers;
- preserve or dispose of any and all property;
- continue and direct the gaming operations under the monitoring of the Illinois Board;
- discontinue and dissolve the gaming operation;

enter into and cancel contracts;

borrow money and pledge, mortgage or otherwise encumber the property;

pay all secured and unsecured obligations;

institute or defend actions by or on behalf of the holder of an owner s license; and

Table of Contents

distribute earnings derived from gaming operations in the same manner as admission and wagering taxes are distributed under Sections 12 and 13 of the initial Illinois Act.

The Illinois Board will submit at least three nominees to the Court. The nominees may be individuals or entities selected from an Illinois Board approved list of pre-qualified receivers who meet the same criteria for a finding of preliminary suitability for licensure under Sections 3000.230(c)(2)(B) and (C). In the event that the Illinois Board seeks the appointment of a receiver on an emergency basis, the Illinois Board will submit at least two nominees selected from the Illinois Board approved list of pre-qualified receivers to the Court and will issue a Temporary Operating Permit to the receiver appointed by the Court. A receiver, upon appointment by the court, will before assuming his or her duties, execute and post the same bond as an owner s licensee pursuant to Section 10 of the initial Illinois Act.

The receiver will function as an independent contractor, subject to the direction of the Court. However, the receiver will also provide to the Illinois Board regular reports and provide any information deemed necessary for the Illinois Board to ascertain the receiver s compliance with all applicabl