

# Boyd Gaming said Echelon resort Las Vegas likely delayed through 2009

Boyd Gaming, which hoped to resume work on its stalled Echelon resort on the Strip next year, said the deteriorating economy will likely delay those plans through the end of 2009. Boyd halted construction on Echelon August 1 after joint venture partners weren't able to secure financing for two key hotels and a mall on the site.

During a conference call to discuss the worst quarterly declines in company history, Boyd executives said the company will explore alternatives in the coming year, including the possibility of building Echelon on a smaller scale, developing the project in phases rather than all at once as originally planned and securing additional business partners. „We remain committed to having a meaningful presence on the Las Vegas Strip,“ Boyd Gaming CEO Ketih Smith said.

The company has dissolved its deal with mall developer General Growth Properties, which is selling its resort malls in Las Vegas amid the economic downturn. The company has modified a development agreement with boutique hotel operator Morgans Hotel Group that could be resumed once the economy improves.

Boyd executives said the company has enough cash to weather the downturn and is doing its best to reduce debt, including the repurchase of USD 96 million in corporate bonds. “We’re one of the few gaming companies to have a strong balance sheet during these turbulent economic times,“ Smith said, adding that the company remains in compliance with debt limits and other terms imposed by its bank lenders.

Today, Boyd reported a 73 % decline in income from continuing operations in the third quarter, compared with a year ago, as

consumers reined in spending nationwide. Excluding one-time gains and charges, earnings fell 64 % and revenue fell 13 % over that period. The results were worse than Wall Street expected.

„Overall, our conservative results proved not to be conservative enough, as all markets were weaker than expected,“ David Katz, a stock analyst with Oppenheimer Equity Research, said in a research note to investors today.

Earnings at Boyd's Las Vegas locals casinos fell 26 %, as increases in play among higher-rated gamblers was outpaced by spending declines among lower-rollers. Executives said their casinos are facing increasing competition on top of the worst decline in business in a generation.

The opening of the Eastside Cannery next to Boyd's Sam's Town casino on Boulder Highway didn't bring „anything particularly compelling to the area so it didn't drive a tremendous amount of new traffic,“ Smith said, instead stealing business from other casinos. „It appears the bottom has really fallen out in the locals market after almost two years of weakness,“ Morgan Stanley stock analyst Celeste Mellet Brown said in a research note today.

Earnings at Boyd's downtown casinos were down 33 % over the same period in part because of reduced air service from Hawaii, where many downtown customers originate. Earnings were down 31 % in the company's Midwest and South region, as hurricanes forced two Louisiana properties to close for more than a week.

Earnings were down 18 % at the company's half-owned Borgata resort in Atlantic City but revenue was up slightly on the addition of the Water Club, a luxury hotel tower.

The USD 4.8-billion Echelon would be the centerpiece of the new north strip. The project included 5,000 rooms, divided into five (partially separate) towers. The main 2,500-room

Echelon Hotel, the 650-room The Enclave (Suites at Echelon) and the 350-room Shangri-La Las Vegas would share one high-rise while the 860-room Mondrian Las Vegas and the 550-room Delano Las Vegas would share the other.