

BOYD GAMING CORP  
Form 10-K  
February 27, 2015

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2014

OR

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

Commission file number: 1-12882

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

Nevada 88-0242733  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
3883 Howard Hughes Parkway, Ninth Floor, Las Vegas, NV 89169  
(Address of principal executive offices) (Zip Code)  
(702) 792-7200  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value of \$0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

As of June 30, 2014, the aggregate market value of the voting common stock held by non-affiliates of the registrant, based on the closing price on the New York Stock Exchange for such date, was approximately \$934.1 million.

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

Class	Outstanding as of February 20, 2015
Common stock, \$0.01 par value	109,304,692

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the definitive Proxy Statement for the registrant's 2015 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A within 120 days after the registrant's fiscal year end of December 31, 2014 are incorporated by reference into Part III of this Form 10-K.

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BOYD GAMING CORPORATION  
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 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014  
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## PART I

### ITEM 1. Business

#### Overview

Boyd Gaming Corporation (the "Company," the "Registrant," "Boyd Gaming," "we" or "us") is a multi-jurisdictional gaming company that has been operating since 1975. Headquartered in Las Vegas, we have 21 wholly-owned gaming entertainment properties in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana and Mississippi, and hold a 50% non-controlling interest in a limited liability company in New Jersey.

Our focus has been, and will continue to remain on: (i) ensuring our existing operations are managed as efficiently as possible and remain positioned for growth; (ii) improving our capital structure and strengthening our balance sheet, including paying down debt, improving operations and diversifying our asset base; and (iii) successfully implementing our growth strategy, which is built on identifying development opportunities and acquiring assets that are a good strategic fit and provide an appropriate return to our shareholders.

Over the past several years, we have undertaken several programs aimed at reducing our cost structure in an effort to manage our properties' operations under tightened revenue trends. We have established a more efficient business model that we believe is helping us to realize improved results as consumer wealth and confidence begins to improve and the negative effects of global economic issues and the recent recession continue to decline. We are strategically reinvesting in our non-gaming amenities, including hotel rooms and restaurants, in order to better capitalize on customer's evolving spending behaviors. We continue to manage our cost and expense structure to adjust to current business volumes and to generate strong and stable cash flows.

During 2013, we completed several transactions that improved our long-term financial position and strengthened our balance sheet. We issued 18,975,000 additional shares of common stock, and monetized the assets of our Echelon project, an 87-acre land parcel on the Las Vegas Strip, and the Dania Jai-Alai operation, a pari-mutual jai-alai facility with approximately 47 acres of related land located in Dania Beach, Broward County, Florida. These actions, in combination with other events, enabled us to reduce our overall debt balance by approximately \$525 million in 2013. We also completed a series of refinancing transactions in 2013 that extended debt maturities and reduced our interest rates. We continued these efforts in 2014, using our operating cash flows to repay an additional \$177.2 million in long-term debt.

We continually work to position our Company for greater success by strengthening our existing operations and growing through capital investment and other strategic initiatives. For instance, in November 2012, we completed our acquisition (the "Peninsula Acquisition") of Peninsula Gaming, LLC ("Peninsula") for approximately \$1.47 billion, which added five properties to our portfolio and broadened our geographic reach to new markets in Iowa, Kansas and Louisiana. In November 2013, we entered the real money online gaming market with the launch by Borgata Hotel Casino and Spa ("Borgata") of its website in New Jersey.

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

- we emphasize slot revenues, the most consistently profitable segment of the gaming industry;
- we have comprehensive marketing and promotion programs;
- six of our Las Vegas properties are well-positioned to capitalize on the Las Vegas locals market;
-

our downtown Las Vegas properties focus their marketing programs on, and derive a majority of their revenues from, a unique niche - Hawaiian customers;

our operations are geographically diversified within the United States;

we have the ability to expand certain existing properties and make opportunistic and strategic acquisitions; and

we have an experienced management team.

## Properties

As of December 31, 2014, we own or manage 1,268,345 square feet of casino space, containing 30,392 slot machines, 777 table games and 11,391 hotel rooms. We derive the majority of our gross revenues from our gaming operations, which generated approximately 74% of gross revenues for 2014 and 2013, and 72% of gross revenues in 2012. Food and beverage gross revenues represent our next most significant revenue source, generating approximately 13% of gross revenues for 2014 and 2013, and 14% of gross revenues in 2012. Room revenues and other revenues each contributed less than 10% of gross revenues during each year.

We view each operating property as an operating segment. For financial reporting purposes, we aggregate our properties into five reportable business segments: (i) Las Vegas Locals; (ii) Downtown Las Vegas; (iii) Midwest and South; (iv) Peninsula; and (v) Borgata (which is comprised of our 50%-owned joint venture in Atlantic City, New Jersey). For further financial information related to our segments as of and for the three years in the period ended December 31, 2014, see Note 15, Segment Information, to our consolidated financial statements presented in Part II, Item 8.

The following table sets forth certain information regarding our wholly-owned properties (listed by the segment in which each such property is reported) and Borgata, as of and for the year ended December 31, 2014:

	Year Opened or Acquired	Casino Space (Sq. ft.)	Slot Machines	Table Games	Hotel Rooms	Hotel Occupancy	Average Daily Rate
<b>Las Vegas Locals</b>							
Las Vegas, Nevada							
Gold Coast Hotel and Casino	2004	86,805	1,843	49	712	87	% \$50
The Orleans Hotel and Casino	2004	137,000	2,580	60	1,885	88	% \$56
Sam's Town Hotel and Gambling Hall	1979	120,681	1,982	29	645	91	% \$44
Suncoast Hotel and Casino Henderson, Nevada	2004	95,898	1,955	32	427	86	% \$64
Eldorado Casino	1993	17,756	359	4	N/A	N/A	N/A
Jokers Wild Casino	1993	23,698	421	7	N/A	N/A	N/A
<b>Downtown Las Vegas</b>							
Las Vegas, Nevada							
California Hotel and Casino	1975	35,848	1,008	28	781	86	% \$35
Fremont Hotel and Casino	1985	30,244	1,022	26	447	85	% \$39
Main Street Station Casino, Brewery and Hotel	1993	26,918	834	19	406	89	% \$39
<b>Midwest and South</b>							
Tunica, Mississippi							
Sam's Town Hotel and Gambling Hall	1994	66,000	1,163	29	828	58	% \$47
Biloxi, Mississippi							
IP Casino Resort Spa	2011	81,733	1,694	62	1,088	92	% \$82
East Peoria, Illinois							
Par-A-Dice Hotel Casino	1996	33,000	1,001	24	202	88	% \$66
Michigan City, Indiana							
Blue Chip Casino, Hotel & Spa	1999	72,000	1,819	44	486	77	% \$73
Kenner, Louisiana							
Treasure Chest Casino	1997	25,000	980	36	N/A	N/A	N/A

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Vinton, Louisiana								
Delta Downs Racetrack Casino & Hotel	2001	14,740	1,639	—	203	91	%	\$56
Shreveport, Louisiana								
Sam's Town Hotel and Casino	2004	29,194	1,017	29	514	83	%	\$80

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	Year Opened or Acquired	Casino Space (Sq. ft.)	Slot Machines	Table Games	Hotel Rooms	Hotel Occupancy	Average Daily Rate
<b>Peninsula</b>							
Dubuque, Iowa							
Diamond Jo Dubuque	2012	33,300	999	20	N/A	N/A	N/A
Northwood, Iowa							
Diamond Jo Worth	2012	37,957	1,007	23	N/A	N/A	N/A
Opelousas, Louisiana							
Evangeline Downs Racetrack and Casino	2012	41,235	1,373	—	N/A	N/A	N/A
Amelia, Louisiana							
Amelia Belle Casino	2012	27,484	788	19	N/A	N/A	N/A
Mulvane, Kansas							
Kansas Star Casino	2012	71,854	1,814	53	N/A	N/A	N/A
Total of wholly-owned properties		1,108,345	27,298	593	8,624		
<b>Borgata</b>							
Atlantic City, New Jersey							
Borgata Hotel Casino & Spa	2003	160,000	3,094	184	2,767	86	% \$134
Total all properties		1,268,345	30,392	777	11,391		
N/A = Not Applicable							

In addition to these properties, we own and operate a travel agency and a captive insurance company that underwrites travel-related insurance, each located in Hawaii. Financial results for these operations are included in our Downtown Las Vegas segment, as our Downtown Las Vegas properties concentrate their marketing efforts on gaming customers from Hawaii.

#### Las Vegas Locals Properties

Our Las Vegas Locals segment consists of six casinos that primarily serve the resident population of the Las Vegas metropolitan area, which was one of the fastest growing areas in the United States prior to the economic downturn beginning in late 2007. Las Vegas has historically been characterized by a vibrant economy and strong demographics that include a large population of retirees and other active gaming customers. Although we are seeing signs of stabilization, the recent recession had an adverse impact on the growth and economy of Las Vegas, resulting in significant declines in the local housing market and unstable unemployment in the Las Vegas valley, which negatively affected consumer spending. Our Las Vegas Locals segment competes directly with other locals casinos and gaming companies, some of which operate larger casinos and offer different promotions than ours.

#### Gold Coast Hotel and Casino

Gold Coast Hotel and Casino ("Gold Coast") is located on Flamingo Road, approximately one mile west of the Las Vegas Strip and one-quarter mile west of Interstate 15, the major highway linking Las Vegas and southern California. Its location offers easy access from all four directions in the Las Vegas valley. The primary target market for Gold Coast consists of local middle-market customers who actively gamble. Gold Coast's amenities include 712 hotel rooms and suites along with meeting facilities, multiple restaurant options, a 70-lane bowling center and gaming, including slots, table games, a race and sports book and a bingo center.

#### The Orleans Hotel and Casino

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



#### Sam's Town Hotel and Gambling Hall

Sam's Town Hotel and Gambling Hall ("Sam's Town Las Vegas") is located on the Boulder Strip, approximately six miles east of the Las Vegas Strip, and features a contemporary western theme. Its informal, friendly atmosphere appeals to both local residents and visitors alike. Amenities at Sam's Town Las Vegas include 645 hotel rooms, a variety of restaurants and bars, 18 stadium-seating movie theaters, and a 56-lane bowling center. Gaming, bowling and live entertainment create a social center that has attracted many Las Vegas residents to Sam's Town Las Vegas.

#### Suncoast Hotel and Casino

Suncoast Hotel and Casino ("Suncoast") is located in Peccole Ranch, a master-planned community adjacent to Summerlin, and is readily accessible from most major points in Las Vegas, including downtown and the Las Vegas Strip. The primary target market for Suncoast consists of local middle-market customers who gamble frequently. Suncoast is a Mediterranean-themed facility that features 427 hotel rooms, multiple restaurant options, 25,000 square feet of banquet and meeting facilities, 16 stadium-seating movie theaters, and a 64-lane bowling center.

#### Eldorado Casino and Jokers Wild Casino

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

#### Downtown Las Vegas Properties

We directly compete with 12 casinos that operate in downtown Las Vegas; however, we have developed a distinct niche for our downtown properties by focusing on customers from Hawaii. Our downtown properties focus their marketing on gaming enthusiasts from Hawaii and tour and travel agents in Hawaii with whom we have cultivated relationships since we opened our California Hotel and Casino (the "Cal") in 1975. Through our Hawaiian travel agency, Vacations Hawaii, we operate as many as four charter flights from Honolulu to Las Vegas each week, helping to ensure a stable supply of air transportation. We also have strong, informal relationships with other Hawaiian travel agencies and offer affordable all-inclusive packages. These relationships, combined with our Hawaiian promotions, have allowed the Cal, Fremont Hotel and Casino ("Fremont") and Main Street Station Casino, Brewery and Hotel ("Main Street Station") to capture a significant share of the Hawaiian tourist trade in Las Vegas. During the year ended December 31, 2014, patrons from Hawaii comprised approximately 64% of the occupied room nights at the Cal, 43% of the occupied room nights at Fremont, and 48% of the occupied room nights at Main Street Station.

#### California Hotel and Casino

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

#### Fremont Hotel and Casino

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

#### Main Street Station Casino, Brewery and Hotel

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

#### Midwest and South Properties

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

#### Sam's Town Hotel and Gambling Hall

Sam's Town Hotel and Gambling Hall ("Sam's Town Tunica") is a barge-based casino located in Tunica County, Mississippi. The property has extensive amenities, including 828 hotel rooms, an entertainment lounge, four dining

venues, and the 1,600-seat River Palace Arena. Tunica is the closest gaming market to Memphis, Tennessee and is located approximately 30 miles south of Memphis.

#### IP Casino Resort Spa

The IP Casino Resort Spa ("IP") overlooks the scenic back bay of Biloxi and is one of the premier resorts on the Mississippi Gulf Coast, and a recipient of a AAA Four Diamond Award. The property features more than 1,000 hotel rooms and suites; a 81,733-square-foot casino with more than 1,700 slot machines and 60 table games; more than 65,000 square feet of convention and meeting space; a spa and salon; a 1,400-seat theater offering regular headline entertainment; six lounges and bars; and eight restaurants, including a steak and seafood restaurant and an upscale Asian restaurant.

#### Par-A-Dice Hotel Casino

Par-A-Dice Hotel Casino ("Par-A-Dice") is a dockside riverboat casino located on the Illinois River in East Peoria, Illinois that features a 202-room hotel. Located adjacent to the Par-A-Dice riverboat is a land-based pavilion, which includes three restaurants, a cocktail lounge, and a gift shop. Par-A-Dice is strategically located near Interstate 74, a major east-west interstate highway.

#### Blue Chip Casino, Hotel & Spa

Blue Chip Casino Hotel & Spa ("Blue Chip") is a dockside riverboat casino located in Michigan City, Indiana, which is 40 miles west of South Bend, Indiana and 60 miles east of Chicago, Illinois. The property competes primarily with five casinos in northern Indiana and southern Michigan and, to a lesser extent, with casinos in the Chicago area and racinos located near Indianapolis. The property features 486 guest rooms, a spa and fitness center, dining and nightlife venues, and meeting and event space, including a land based pavilion.

#### Treasure Chest Casino

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

#### Delta Downs Racetrack Casino & Hotel

Delta Downs Racetrack Casino & Hotel ("Delta Downs") is located in Vinton, Louisiana and conducts horse races on a seasonal basis and operates year-round simulcast facilities for customers to wager on races held at other tracks. In addition, Delta Downs offers slot play and a 203-room hotel. Delta Downs is approximately 25 miles closer to Houston than the next closest gaming properties, located in Lake Charles, Louisiana, and is conveniently located near a travel route taken by customers traveling between Houston, Beaumont and other parts of southeastern Texas to Lake Charles, Louisiana.

#### Sam's Town Hotel and Casino

Sam's Town Hotel and Casino ("Sam's Town Shreveport") is a dockside riverboat casino located along the Red River in Shreveport, Louisiana. Amenities at the property include 514 hotel rooms, a spa, four restaurants, a live entertainment venue, and convention and meeting space. Feeder markets include east Texas (including Dallas), Texarkana, Arkansas and surrounding Louisiana cities, including Bossier City, Minden, Ruston and Monroe.

#### Peninsula Properties

Our Peninsula properties consist of three casinos, one racino and one riverboat casino that operate in three states, Iowa, Kansas and Louisiana. Generally, these states allow casino gaming on a limited basis through the issuance of a limited number of gaming licenses. Our Peninsula properties generally compete directly with other casino facilities operating in their respective immediate and surrounding market areas, as well as with gaming operations in surrounding jurisdictions.

#### Diamond Jo Dubuque

Diamond Jo is a land-based casino located in the Port of Dubuque, a waterfront development on the Mississippi River in downtown Dubuque, Iowa. The Diamond Jo is a two-story, approximately 188,000 square foot property that includes 999 slot machines and 20 table games. Additional amenities include a 30-lane bowling center, a 33,000 square foot event center, and two banquet rooms. The property also features five dining outlets, including the Kitchen Buffet, a 184-seat live action buffet, Woodfire Grille, the casino's 133-seat high-end restaurant, Mojo's, a 124-seat sports bar, a deli and a snack shop, as well as three full service bars.

**Diamond Jo Worth**

The Diamond Jo Worth is a land-based casino situated on a 36-acre site in Northwood, Iowa, which is located in north-central Iowa, near the Minnesota border and approximately 30 miles north of Mason City. The casino currently has 1,007 slot machines, 23 table games and 7 poker tables in operation, as well as a 5,200 square foot event center and several dining options, including the Kitchen Buffet, a 190-seat buffet restaurant, and Woodfire Grille, a 114-seat high-end restaurant. There is a 100-room hotel adjacent to the casino, which is owned and operated by a third party. Under an agreement with the third party operator, the Diamond Jo Worth has the option to purchase the hotel from the third party operator. Diamond Jo Worth also operates a convenience store

and gas station at the site. In March 2011, an additional 60-room hotel opened, which is owned and operated by a third party and provides additional hotel room capacity for casino guests.

#### Evangeline Downs

The Evangeline Downs is a land-based racino located in Louisiana. The racino currently includes a casino with 1,373 slot machines and approximately 23,000 square foot convention center. The racino features a 275-seat Cajun buffet, 86-seat Gumbo bar, an 89-seat Cafe and Blackberry, and 80-seat fine dining restaurant. In the clubhouse, Silk's Fine Dining offers a varied menu and the grandstand area contains a concession and bar. The racino includes a one-mile dirt track, a 7/8-mile turf track and stables for 980 horses. The clubhouse, together with the grandstand and patio area, provides seating for up to 4,295 patrons. In addition, a third party owner opened a 117-room hotel adjacent to the racino in November 2010 that includes 41 suites, two meeting rooms and an indoor pool. Evangeline Downs initially held a minority ownership interest in and was a lender to the hotel owner. The ownership interest was redeemed and the loan was retired in fourth quarter 2013.

Evangeline Downs currently operates three Off Track Betting ("OTB") locations in Louisiana in each of Henderson, Eunice and St. Martinville. A fourth OTB location in Port Allen, Louisiana, is intended to close in March 2015. Each of the OTB's offers simulcast pari-mutuel wagering and video poker. Under Louisiana's racing and off-track betting laws, we have a right of prior approval with respect to any applicant seeking a permit to operate an OTB within a 55-mile radius of our Evangeline Downs racetrack, which effectively gives us the exclusive right, at our option, to operate additional OTB's within such a radius, provided that such OTB is not also within a 55-mile radius of another horse racetrack.

#### Amelia Belle Casino

The Amelia Belle Casino is located in south-central Louisiana, and is a three-level riverboat with gaming located on the first two decks and includes 788 slot machines and 19 table games. The third deck of the riverboat includes a 140-seat buffet and banquet room.

#### Kansas Star Casino

The Kansas Star Casino ("Kansas Star") serves as Lottery Gaming Facility Manager for the South Central Gaming Zone on behalf of the Kansas Lottery pursuant to the Lottery Gaming Facility Management Contract that became effective on January 14, 2011 (the "Kansas Management Contract"). Construction of the Kansas Star began in March 2011. In December 2011, construction of the 162,000 square foot indoor arena was completed and on December 20, 2011, casino operations began, utilizing this space in the interim, while the remaining casino facilities were being constructed. On December 12, 2012, we opened our permanent casino which includes 1,814 slot machines, 53 table games, 13 poker tables, a 250-seat buffet, a 140-seat steakhouse, and a number of other amenities including a deli, noodle bar, and a casino bar as well as a poker themed bar. We completed the renovation of the 162,000 square foot arena in June 2013. The arena housed our interim casino operations during much of 2012 and is now designed to host various events, including concerts, trade shows, and equestrian events. In December 2014, we completed the final phase of the Kansas Star development, which includes an event center for conventions, banquets and other events and an equestrian pavilion that includes a practice arena and covered stalls. In addition, there is a 300 room hotel adjacent to the casino (150 rooms opened in October 2012 and the final 150 rooms opened in August 2014). We hold 56% of the equity interests in the hotel but have no voting interests or control in decisions or daily operations.

#### Borgata

##### Borgata Hotel Casino & Spa

Borgata opened in Atlantic City, New Jersey in July 2003. Atlantic City is predominantly a regional day-trip and overnight-trip market. Borgata directly competes with seven other Atlantic City casinos as well as with gaming operations in surrounding jurisdictions. Borgata is an upscale destination resort that features a 160,000 square-foot casino with 3,094 slot machines and 184 table games. The property has a total of 2,767 guest rooms and suites comprised of 1,970 guest rooms and suites at Borgata hotel and 797 guest rooms and suites at The Water Club.

Borgata features five fine-dining restaurants with acclaimed chefs including Bobby Flay, Wolfgang Puck, Michael Schulson and Stephen Kalt, six casual dining restaurants, eight quick dining options, 17 retail boutiques, two European-style spas, two nightclubs and over 8,200 parking spaces. In addition, the property contains approximately 88,000 square feet of meeting and event space, as well as two entertainment venues. Borgata was master-planned with ease of access and designed as a single-level casino floor with appealing design elements, including the placement of multiple food and beverage outlets on the casino floor itself. Its location in the Marina District provides guests with convenient access to the property via the Atlantic City Expressway Connector tunnel, without the delays associated with driving to competing casinos located on the Boardwalk of Atlantic City.



In June 2013, Boyd, Borgata, and Digital Entertainment PLC ("bwin") completed definitive documentation for their business arrangements in New Jersey. Pursuant to this arrangement, bwin is providing Borgata with bwin's technology platform and service to facilitate the offering of Borgata branded online gaming services and Borgata provides bwin access to the online gaming market in New Jersey by permitting bwin to offer PartyPoker branded online gaming services pursuant to Borgata's casino gaming license (as required by regulations in New Jersey). In connection with this arrangement, Boyd Gaming owns 10% of the bwin New Jersey subsidiary offering PartyPoker branded online gaming services in New Jersey. In October 2013, Borgata was the first casino in New Jersey to be issued an internet gambling permit, the permit necessary for a casino to offer online gaming in the State. In November 2013, bwin was issued a transactional waiver, which permits them to act as a provider of online gaming services while the licensing investigation continues.

In November 2013, Borgata launched a real money online gaming website in New Jersey developed under an agreement with bwin. Through the end of January 2015, Borgata achieved a 27.4% share of the online gaming market. Online gaming also provides Borgata with a new distribution channel to deliver its market-leading gaming experience to customers.

Borgata was developed as a 50%/50% joint venture between our wholly-owned subsidiary, Boyd Atlantic City, Inc. ("BAC"), and MAC, Corp. ("MAC"), an indirect, wholly-owned subsidiary of MGM Resorts International ("MGM"). On March 17, 2010, MGM announced that its settlement agreement with the Division of Gaming Enforcement Office of the Attorney General of the State of New Jersey (the "NJDE") had been approved by the New Jersey Casino Control Commission ("NJCCC"). In connection with MGM's settlement agreement with the NJDE, on March 24, 2010, MAC transferred its 50% ownership interest (the "MGM Interest") in Marina District Development Holding Co., LLC ("Holding Company"), and certain land leased to Marina District Development Company, LLC ("MDDC"), into a divestiture trust, of which MGM and its subsidiaries are the economic beneficiaries (the "Divestiture Trust"), for sale to a third party. Holding Company is the parent of MDDC, the entity that developed, owns and operates Borgata. As managing member of Holding Company pursuant to the terms of the operating agreement of Holding Company between BAC and MAC, BAC, through Holding Company, has responsibility for the oversight and management of Borgata's day-to-day operations.

Upon the transfer of MGM's ownership interest into the Divestiture Trust on March 24, 2010, we determined that we had control, as defined in the relevant accounting literature, of Holding Company and commenced consolidating the business as of that date. Subsequent to a Joint Petition of MGM, the Company and Holding Company, on February 13, 2013, the NJCCC approved amendments to the settlement agreement which permitted MGM to file an application for a statement of compliance, which, if approved, would permit MGM to reacquire its interest in Holding Company.

The NJCCC approved MGM's application for licensure on September 10, 2014. On September 30, 2014, the Divestiture Trust was dissolved and MGM reacquired its Borgata interest and its substantive participation rights in the management of Holding Company. As a result, we deconsolidated Borgata as of the close of business on September 30, 2014, eliminating the assets, liabilities and non-controlling interests recorded for Holding Company from our balance sheet, and are accounting for our investment in Borgata applying the equity method for periods subsequent to the deconsolidation. As a result of the deconsolidation, we adjusted the book value of our investment to equal fair value and recognized a loss due to the deconsolidation of \$12.1 million in our third quarter 2014 results, which was recorded in impairments of assets on our consolidated statement of operations.

#### Competition

Our properties generally operate in highly competitive environments. We compete against other gaming companies as well as other hospitality, entertainment and leisure companies. We face significant competition in each of the jurisdictions in which we operate. Such competition may intensify in some of these jurisdictions if new gaming operations open in these markets or existing competitors expand their operations. Our properties compete directly with other gaming properties in each state in which we operate, as well as in adjacent states. We also compete for customers with other casino operators in other markets, including casinos located on Native American reservations,

and other forms of gaming, such as lotteries and internet gaming. Many of our competitors are larger and have substantially greater name recognition and marketing and financial resources. In some instances, particularly with Native American casinos, our competitors pay substantially lower taxes or no taxes at all. We believe that increased legalized gaming in other states, particularly in areas close to our existing gaming properties and the development or expansion of Native American gaming in or near the states in which we operate, could create additional competition for us and could adversely affect our operations or future development projects.

#### Future Development Opportunities

##### Development agreement with Sunrise Sports, LLP

We have entered into a development agreement with Sunrise Sports Entertainment, LLP, the operator of the BB&T Center, a major entertainment venue in South Florida and home to the NHL's Florida Panthers, for a new project in Broward County, Florida. This agreement provides us with the opportunity to take advantage of the potential to expand gaming in South Florida at the site of the BB&T Center.

#### Development agreement with Wilton Rancheria

We have a development agreement and a management agreement with Wilton Rancheria, a federally-recognized tribe located about 30 miles southeast of Sacramento, California, to develop and manage a gaming entertainment complex.

#### Agreements with bwin

During October 2011, we entered into an agreement with bwin, the world's largest publicly traded online gaming company. Per this agreement, should Congress legalize online poker in the United States, and subject to regulatory approvals, we would acquire a 10% stake in a new company that would offer online poker to United States-based players under bwin's brands, including PartyPoker. Separately, we entered into a 15-year agreement to use bwin's technology platform and associated services to offer online poker to United States players under a brand Boyd develops, assuming Congress passes enabling legislation. These agreements with bwin were subsequently modified to apply to online gaming (not just poker) on a state-by-state basis. These agreements are being utilized by Borgata to provide necessary technology infrastructure and back-of-house processing for Borgata's online business that launched in November 2013. We can extend the agreement to additional states that legalize online gaming.

#### Frequent Player Loyalty Programs

##### B Connected

We have established a nationwide branding initiative and loyalty program. Our players use their "B Connected" cards to earn and redeem points at nearly all of our wholly-owned Boyd Gaming properties in Nevada, Illinois, Indiana, Iowa, Louisiana and Mississippi. The "B Connected" club, among other benefits, extends the time period over which players may qualify for promotions and increases the credits awarded to reel slot and table games players.

In addition to the "B Connected" player loyalty program, we launched the "B Connected Mobile" program in July 2010. "B Connected Mobile," the first multi-property, loyalty program-based iPhone and Android application of its kind in the gaming industry, is a personalized mobile application that delivers customized offers and information directly to a customer's iPhone, iPad or Android device, making "B Connected Mobile" the first application of its kind available on multiple platforms. The application further expands the benefits of the "B Connected" program by providing real-time personalized information on hotel, dining and gaming offers when a customer visits a Boyd property, instant access to event information, schedules and special offers, a search engine that allows customers to find Boyd Gaming casinos that have their favorite machines and displays the games' locations on a casino floor map, the ability to track "B Connected" point balances in real time, and the ability to make immediate hotel or restaurant reservations. These tools allow our customers to receive the greatest value from their "B Connected" membership, and ensure that our marketing is as effective as possible.

We further improved our "B Connected" loyalty program with the introduction of "B Connected Social" in the first quarter of 2012, which rewards users for using "B Connected Online", "B Connected Mobile", or sharing offers and events on social networks. "B Connected Social" is a dynamic network loyalty program that allows "B Connected" members to share offers with friends, connect to their favorite social networks, check in online via certain social networks, as well as participate in a variety of online activities including interfacing with "B Connected Online" or "B Connected Mobile", participate in online contests, and register for alerts to deliver targeted information specific to the "B Connected" member.

#### Peninsula Programs

During 2014, loyalty programs at three of the Peninsula properties were converted to "B Connected". The other two Peninsula properties continue to sponsor their own player loyalty programs to expand brand awareness and leverage their strong loyalty card programs, predicated on efforts to use marketing and promotional programs to serve an important role: to retain existing customers, maintain trip frequency and acquire new customers. These properties offer their guests comprehensive, competitive and targeted marketing and promotion programs. Each program, for example, offers players a hassle-free way of earning points redeemable for slot play, food, beverage and retail items as well as comp dollars and other rewards and benefits based on game play. In addition, each property strives to differentiate its casino with high-quality guest services to further enhance overall brand and customer experience.

In the future we plan to extend the B Connected program to the remaining two Peninsula properties, subject to the receipt of regulatory approvals. The implementation of "B Connected" will replace the individual property programs described above and provide Peninsula's players with a multi-property player loyalty program.

#### Other Promotional Activities

From time to time, we offer other promotional offers and discounts targeted towards new customers, frequent customers, inactive customers, customers of various levels of play, and prospective customers who have not yet visited our properties, and mid-week and other promotional activities that seek to generate visits to our properties during slower periods. Complementaries are usually in the form of monetary discounts, and other rewards generally can only be redeemed at our restaurants, retail and spa facilities.

### Government Regulation

We are subject to extensive regulation under laws, rules and supervisory procedures primarily in the jurisdictions where our facilities are located or docked. Some jurisdictions, including Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi and New Jersey, empower their regulators to investigate participation by licensees in gaming outside their jurisdiction and may require access to periodic reports respecting those gaming activities. Violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. A detailed description of the governmental gaming regulations to which we are subject is filed as Exhibit 99.2 and is herein incorporated by reference.

If additional gaming regulations are adopted in a jurisdiction in which we operate, such regulations could impose restrictions or costs that could have a significant adverse effect on us. From time to time, various proposals 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 or not 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.

### Employees and Labor Relations

At December 31, 2014, we employed approximately 18,290 persons. On such date, Boyd had collective bargaining agreements with three unions covering 1,383 employees. Other agreements are in various stages of negotiation. Employees covered by expired agreements have continued to work during the negotiations, in two cases under the terms of the expired agreements.

### Corporate Information

We were incorporated in Nevada in June 1988. Our principal executive offices are located at 3883 Howard Hughes Parkway, Ninth Floor, Las Vegas, NV 89169, and our main telephone number is (702) 792-7200. Our website is [www.boydgaming.com](http://www.boydgaming.com).

### Available Information

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). You may read and copy, at prescribed rates, any document we have filed at the SEC's public reference room in Washington, D.C. Please call the SEC at 1-800-SEC-0330 (1-800-732-0330) for further information on the public reference room. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC (<http://www.sec.gov>). You also may read and copy reports and other information filed by us at the office of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

We make our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K, and all amendments to these reports, available free of charge on our corporate website as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC. In addition, our Code of Business Conduct, Corporate Governance Guidelines, and charters of the Audit Committee, Compensation and Stock Option Committee, and the Corporate Governance and Nominating Committee are available on our website. We will provide reasonable quantities of electronic or paper copies of filings free of charge upon request. In addition, we will provide a copy of the above referenced charters to stockholders upon request.

### Important Information Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such statements contain words such as "may," "will," "might," "expect," "believe," "anticipate," "could," "would," "estimate," "pursue," "target," "project," "intend," "plan," "seek," "should," "assume,"

and "continue," or the negative thereof or comparable terminology, and may include statements regarding (all capitalized terms have the meaning ascribed to such terms throughout this Annual Report on Form 10-K):

- the factors that contribute to our ongoing success and our ability to be successful in the future;
- our business model, areas of focus and strategy for driving business results;
- competition, including expansion of gaming into additional markets including internet gaming, the impact of competition on our operations, our ability to respond to such competition, and our expectations regarding continued competition in the markets in which we compete;
- our estimated effective income tax rates, estimated tax benefits, and merits of our tax positions;
- the general effect, and expectation, of the national and global economy on our business, as well as the economies where each of our properties are located;
- our expenses;

indebtedness, including Boyd Gaming's and Peninsula's ability to refinance or pay amounts outstanding under their respective bank credit facilities and notes when they become due and our compliance with related covenants, and our expectation that we and Peninsula will need to refinance all or a portion of our respective indebtedness at or before maturity;

our expectation regarding the trends that will affect the gaming industry over the next few years and the impact of these trends on growth of the gaming industry, future development opportunities and merger and acquisition activity in general;

our belief that consumer confidence will strengthen as the job market continues to recover and expand;

our expectations with respect to the valuation of tangible and intangible assets;

the type of covenants that will be included in any future debt instruments;

our expectations with respect to potential disruptions in the global capital markets, the effect of such disruptions on consumer confidence and reduced levels of consumer spending and the impact of these trends on our financial results;

our ability to meet our projected operating and maintenance capital expenditures and the costs associated with our expansion, renovations and development of new projects;

our ability to pay dividends or to pay any specific rate of dividends, and our expectations with respect to the receipt of dividends;

our commitment to finding opportunities to strengthen our balance sheet and to operate more efficiently;

our intention to pursue expansion opportunities, including acquisitions, that are a good fit for our business, deliver a solid return for shareholders, and are available at the right price;

our intention to fund purchases made under our share repurchase program, if any, with existing cash resources and availability under the Boyd Gaming Credit Facility;

our assumptions and expectations regarding our critical accounting estimates;

Adjusted EBITDA and its usefulness as a measure of operating performance or valuation;

our expectations for capital improvement projects;

the impact of new accounting pronouncements on our consolidated financial statements;

that our \$600.0 million senior secured revolving credit facility (including a \$100.0 million swing loan sublimit) (the "Revolving Credit Facility"), provided for by the Third Amended and Restated Credit Agreement ("Credit Agreement") and the Peninsula \$50.0 million senior secured revolving credit facility (including a \$15.0 million swing loan sublimit) (the "Peninsula Revolving Credit Facility"), provided for by the Peninsula Credit Agreement (as defined below) and our respective cash flows from operating activities will be sufficient to meet our respective projected operating and maintenance capital expenditures for the next twelve months;

our ability to fund any expansion projects using cash flows from operations and availability under the Boyd Gaming Credit Facility or through additional debt issuances;

our market risk exposure and efforts to minimize risk;

expansion, development, investment and renovation plans, including the scope of such plans, expected costs, financing (including sources thereof and our expectation that long-term debt will substantially increase in connection with such projects), timing and the ability to achieve market acceptance;

our belief that all pending litigation claims, if adversely decided, will not have a material adverse effect on our business, financial position or results of operations;

that margin improvements will remain a driver of profit growth for us going-forward;

our belief that the risks to our business associated with the United States Coast Guard, ("USCG") inspection should not change by reason of inspection by American Bureau of Shipping Consulting, ("ABSC");

development opportunities in existing or new jurisdictions and our ability to successfully take advantage of such opportunities;

regulations, including anticipated taxes, tax credits or tax refunds expected, and the ability to receive and maintain necessary approvals for our projects;

the outcome of various tax audits and assessments, including our appeals thereof, timing of resolution of such audits, our estimates as to the amount of taxes that will ultimately be owed and the impact of these audits on our consolidated financial statements;

our ability to utilize our net operating loss carryforwards and certain other tax attributes;

our expectations regarding Congress legalizing online gaming in the United States as well as the continued expansion of online gaming as a result of the passage of new authorizing legislation in various states;  
our asset impairment analyses and our intangible asset and goodwill impairment tests;  
the likelihood of interruptions to our rights in the land we lease under long-term leases for certain of our hotel and casinos;  
our ability to receive insurance reimbursement and our estimates of self-insurance accruals and future liability;  
that operating results for previous periods are not necessarily indicative of future performance;



that estimates and assumptions made in the preparation of financial statements in conformity with U.S. GAAP may differ from actual results;

- our expectations regarding our cost containment efforts;
- our belief that recently issued accounting pronouncements discussed in this Annual Report on Form 10-K will not have a material impact on our financial statements;
- our estimates as to the effect of any changes in our Consolidated EBITDA on our ability to remain in compliance with certain covenants in the Credit Agreement, the Credit Agreement, dated as of November 14, 2012, by and among Peninsula, the lenders party thereto and Bank of America, N.A., as administrative agent, collateral agent, swing line lender, and L/C issuer (the "Peninsula Credit Agreement");
- expectations, plans, beliefs, hopes or intentions regarding the future; and
- assumptions underlying any of the foregoing statements.

Forward-looking statements involve certain risks and uncertainties, and actual results may differ materially from those discussed in any such statement. Factors that could cause actual results to differ materially from such forward-looking statements include:

- The effects of intense competition that exists in the gaming industry.
- The prolonged effects from the recent economic downturn and its impact on consumer spending, as well as our access to capital.
- The fact that our expansion, development and renovation projects (including enhancements to improve property performance) are subject to many risks inherent in expansion, development or construction of a new or existing project, including:
  - design, construction, regulatory, environmental and operating problems and lack of demand for our projects;
  - delays and significant cost increases, shortages of materials, shortages of skilled labor or work stoppages;
  - poor performance or nonperformance of any of our partners or other third parties upon whom we are relying in connection with any of our projects;
  - construction scheduling, engineering, environmental, permitting, construction or geological problems, weather interference, floods, fires or other casualty losses;
  - failure by us (including Peninsula), our partners, or our joint ventures to obtain financing on acceptable terms, or at all; and
  - failure to obtain necessary government or other approvals on time, or at all.
- The risk that USCG may not continue to allow in-place underwater inspections of our riverboats.
- The risk that any of our projects may not be completed, if at all, on time or within established budgets, or that any project will result in increased earnings to us.
- The risk that significant delays, cost overruns, or failures of any of our projects to achieve market acceptance could have a material adverse effect on our business, financial condition and results of operations.
- The risk that our projects may not help us compete with new or increased competition in our markets.
- The risk that new gaming licenses or jurisdictions become available (or offer different gaming regulations or taxes) that results in increased competition to us.
- The risk that the expansion of internet gaming in other jurisdictions could increase competition for our traditional operations.
- The risk associated with owning real property, including environmental regulation and uncertainties with respect to environmental expenditures and liabilities.
- The risk associated with challenges to legalized gaming in existing or current markets.
- The risk that the actual fair value for assets acquired and liabilities assumed from any of our acquisitions differ materially from our preliminary estimates.
- The risk that negative industry or economic trends, reduced estimates of future cash flows, disruptions to our business, slower growth rates or lack of growth in our business, may result in significant write-downs or impairments in future periods.

The risks associated with growth and acquisitions, including our ability to identify, acquire, develop or profitably manage additional companies or operations or successfully integrate such companies or operations into our existing operations without substantial costs, delays or other problems.

The risk that we may not receive gaming or other necessary licenses for new projects or that regulatory authorities may revoke, suspend, condition or limit our gaming or other licenses, impose substantial fines and take other adverse actions against any of our casino operations.

• The risk that we may be unable to finance our expansion, development, investment and renovation projects, including cost overruns on any particular project, as well as other capital expenditures through cash flow,

borrowings under the Revolving Credit Facility or the Peninsula Revolving Credit Facility and additional financings, which could jeopardize our expansion, development, investment and renovation efforts.

The risk that we or Peninsula may be unable to refinance our respective outstanding indebtedness as it comes due, or that if we or Peninsula do refinance, the terms are not favorable to us or them.

Risks associated with our ability to comply with the Total Leverage, Secured Leverage and Interest Coverage ratios as defined in our Boyd Gaming Credit Facility, and the risks associated with Peninsula's ability to comply with the Consolidated Leverage Ratio and Coverage Ratio, each as defined in the Peninsula Credit Agreement.

The effects of the extensive governmental gaming regulation and taxation policies that we are subject to, as well as any changes in laws and regulations, including increased taxes, which could harm our business.

The effects of federal, state and local laws affecting our business such as the regulation of smoking, the regulation of directors, officers, key employees and partners and regulations affecting business in general.

The effects of extreme weather conditions or natural disasters on our facilities and the geographic areas from which we draw our customers, and our ability to recover insurance proceeds (if any).

The risks relating to mechanical failure and regulatory compliance at any of our facilities.

The risk that the instability in the financial condition of our lenders could have a negative impact on our Boyd Gaming Credit Facility and the Peninsula Credit Facility.

The effects of events adversely impacting the economy or the regions from which we draw a significant percentage of our customers, including the effects of the recent economic recession, war, terrorist or similar activity or disasters in, at, or around our properties.

The effects of energy price increases on our cost of operations and our revenues.

Financial community and rating agency perceptions of us, and the effect of economic, credit and capital market conditions on the economy and the gaming and hotel industry.

The effect of the expansion of legalized gaming in the regions in which we operate.

The risk of failing to maintain the integrity of our information technology infrastructure and our business and customer data.

The risks relating to owning our equity, including price and volume fluctuations of the stock market that may harm the market price of our common stock and the potential of certain of our stockholders owning large interest in our capital stock to significantly influence our affairs.

Additional factors that could cause actual results to differ are discussed in Part I, Item 1A, Risk Factors of this Annual Report on Form 10-K for the year ended December 31, 2014 and in other current and periodic reports filed from time to time with the SEC. All forward-looking statements in this document are made as of the date hereof, based on information available to us as of the date hereof, and we assume no obligation to update any forward-looking statement.

#### ITEM 1A. Risk Factors

In addition to the other information contained in this report on Form 10-K, the following Risk Factors should be considered carefully in evaluating our business.

If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of our securities, including our common stock and senior notes, could decline significantly, and investors could lose all or part of their investment.

This report is qualified in its entirety by these risk factors.

#### Risks Related to our Business

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

Consumer demand for entertainment and other amenities at casino hotel properties, such as ours, are particularly sensitive to downturns in the economy and the corresponding impact on discretionary spending on leisure activities. Changes in discretionary consumer spending or consumer preferences brought about by factors such as perceived or

actual general economic conditions, effects of declines in consumer confidence in the economy, including the recent housing, employment and credit crisis, the impact of high energy and food costs, the increased cost of travel, the potential for bank failures, decreased disposable consumer income and wealth, or fears of war and future acts of terrorism could further reduce customer demand for the amenities that we offer, thus imposing practical limits on pricing and negatively impacting our results of operations and financial condition.

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For example, we have recently experienced one of the toughest economic periods in Las Vegas history. The recent housing crisis and economic slowdown in the United States resulted in a significant decline in the amount of tourism and spending in Las Vegas and other locations in which we own or invest in casino hotel properties. While the economy has improved significantly since the end of the recent economic recession, our business continues to experience lingering effects from changes in consumer spending habits due to the recession. Las Vegas visitation has improved, and we are seeing improving economies in our local and regional markets. However, our customers are spending less per visit and differently than prior to the recession, including focusing more on non-gaming amenities.

We cannot say when, if ever, or to what extent, customer behavior in our various markets will fully-revert to pre-recession behavior trends. If customers spend less per visit or customers prefer non-gaming amenities of our competitors, and we are unable to increase total visitation, our business may be adversely affected. Since our Business model relies on consumer expenditures on entertainment, luxury and other discretionary items, a slowing or stoppage of the economic recovery or a return to an economic downturn will further adversely affect our results of operations and financial condition.

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

Following legalization in New Jersey in February 2013, Borgata launched its real-money online gaming site with bwin party in November 2013. While this site has captured a 27.4% market share, we expect that Borgata will face increased competition to its online site and we to our properties, from internet lotteries, sweepstakes, and other internet wagering gaming services, which allow their customers to wager on a wide variety of sporting events and play Las Vegas-style casino games from home or in non-casino settings. Such internet wagering services are often illegal under federal law but operate from overseas locations, and are nevertheless sometimes accessible to domestic gamblers. Further, Nevada recently amended its internet gaming law to permit Nevada licensed internet providers to commence internet poker and to allow Nevada to enter into agreements with other states to create multi-state poker wagering, and several other states are currently considering legislation that would legalize internet gaming at the state level. Expansion of internet gaming in other jurisdictions (both legal and illegal) could further compete with our traditional operations, which could have an adverse impact on our business and result of operations.

With fewer other new markets opening for development, competition in existing markets has intensified in recent years. We and our competitors have invested in expanding existing facilities, developing new facilities, and acquiring established facilities in existing markets. This expansion of existing casino entertainment properties, the increase in the number of properties and the aggressive marketing strategies of many of our competitors have increased competition in many markets in which we compete, and this intense competition can be expected to continue. For example, a new property opened in Shreveport, Louisiana, during June 2013, which competes with Sam's Town Shreveport for gaming customers. In December 2014, a new property also opened in Lake Charles, Louisiana, that will likely increase competition with Delta Downs Racetrack Casino & Hotel. Additionally, competition may intensify if our competitors commit additional resources to aggressive pricing and promotional activities in order to attract customers.

Also, our business may be adversely impacted by the additional gaming and room capacity in states where we operate or intend to operate. Several states are also considering enabling the development and operation of casinos or casino-like operations in their jurisdictions.

The possible future expansion of gaming in Wisconsin, if approved, could impact the operating results of the Diamond Jo Dubuque. Further, the Kansas Star could, in the future, face competition from the Wichita Greyhound Park, located approximately 30 miles away in Park City, Kansas. While gaming is not currently permitted in Sedgwick County, Kansas (the site of the Wichita Greyhound Park), the Kansas Expanded Lottery Act permits the installation of slot machines at race tracks under certain conditions. If the Kansas legislature authorized a new gaming referendum in Sedgwick County and such referendum was approved, and certain other regulatory conditions were satisfied, the Wichita Greyhound Park could be permitted to install slot machines.

We also compete with legalized gaming from casinos located on Native American tribal lands. Expansion of Native American gaming in areas located near our properties, or in areas in or near those from which we draw our customers, could have an adverse effect on our operating results. For example, increased competition from federally recognized Native American tribes near Blue Chip and Sam's Town Shreveport has had a negative impact on our results. Native American gaming facilities typically have a

significant operating advantage over our properties due to lower gaming fees or taxes, allowing those facilities to market more aggressively and to expand or update their facilities at an accelerated rate. Although we expanded our facility at Blue Chip in an effort to be more competitive in this market, competing Native American properties could continue to have an adverse impact on the operations of both Blue Chip and Sam's Town Shreveport. The Kansas Star may face additional competition in the Wichita, Kansas metropolitan area. The Wyandotte Nation of Oklahoma previously filed an application with the U.S. Department of Interior to have certain land located in Park City, Kansas (in the Wichita metro area) taken into trust by the U.S. Government and to permit gaming. In July 2014, the U.S. Department of Interior rejected the Wyandotte Nation's trust application for the Park City land. However, the Nation has indicated it will seek to appeal this ruling. If an appeal were filed and ultimately successful, the Wyandotte Nation would be permitted to open a Class II gaming facility, and upon successful negotiation of a compact with the State of Kansas would be permitted to open a Class III gaming facility.

In addition, we also compete to some extent with other forms of gaming on both a local and national level, including state-sponsored lotteries, charitable gaming, on-and off-track wagering, and other forms of entertainment, including motion pictures, sporting events and other recreational activities. It is possible that these secondary competitors could reduce the number of visitors to our facilities or the amount they are willing to wager, which could have a material adverse effect on our ability to generate revenue or maintain our profitability and cash flows.

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

In addition, increased competition may require us to make substantial capital expenditures to maintain and enhance the competitive positions of our properties, including updating slot machines to reflect changing technology, refurbishing public service areas periodically, replacing obsolete equipment on an ongoing basis and making other expenditures to increase the attractiveness and add to the appeal of our facilities. Because we are highly leveraged, after satisfying our obligations under our outstanding indebtedness, there can be no assurance that we will have sufficient funds to undertake these expenditures or that we will be able to obtain sufficient financing to fund such expenditures. If we are unable to make such expenditures, our competitive position could be materially adversely affected.

The recent global financial crisis and a prolonged economic recovery may have an effect on our business and financial condition, as well as our access to capital, in ways that we currently cannot accurately predict.

The significant economic distress affecting financial institutions during the recent global financial crisis had far-reaching adverse consequences across many industries, including the gaming industry. The crisis greatly restricted the availability of capital and caused the cost of capital (if available) to be much higher than it has traditionally been. Although the financial markets have recovered and availability of capital has increased, the financial markets remain volatile. Although we successfully refinanced a significant amount of our indebtedness in 2013, we have no assurance that we will continue to have access to credit or capital markets at desirable times or at rates that we would consider acceptable, and the lack of such funding could have a material adverse effect on our business, results of operations and financial condition, including our ability to refinance our or Peninsula's indebtedness, our flexibility to react to changing economic and business conditions and our ability or willingness to fund new development projects.

We are not able to predict the duration or strength of the current economic recovery, the resulting impact on the solvency or liquidity of our lenders, or the possibility of a future recession. Prolonged slow growth or a downturn, or

further worsening or broadening of adverse conditions in worldwide and domestic economies could affect our lenders. If a large percentage of our lenders were to file for bankruptcy or otherwise default on their obligations to us, we may not have the liquidity under the Boyd Gaming Credit Facility to fund our current projects. There is no certainty that our lenders will continue to remain solvent or fund their respective obligations under the Boyd Gaming Credit Facility. If we were otherwise required to renegotiate or replace the Boyd Gaming Credit Facility, there is no assurance that we would be able to secure terms that are as favorable to us, if at all.

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

In accordance with the authoritative accounting guidance for goodwill and other intangible assets, we test our goodwill and indefinite-lived intangible assets for impairment annually or if a triggering event occurs. We perform our annual impairment testing for goodwill and indefinite-lived intangible assets as of October 1. The results of our annual scheduled impairment tests performed in fourth quarter 2014 required us to record non-cash impairment charges of \$40.1 million which was comprised of \$38.3 million of impairments of gaming licenses in our Midwest and South segment, \$1.4 million of gaming licenses in our Peninsula segment,



and \$0.3 million in Peninsula trademarks. In 2013, \$4.1 million of impairments was charged, which were comprised of \$3.2 million of impairments of certain trade names acquired in the Peninsula Acquisition and \$0.9 million to further impair the Sam's Town Shreveport gaming license. We had recorded a non-cash impairment charge of \$17.5 million to the Sam's Town Shreveport gaming license in connection with the 2012 annual impairment test. This property's operating results have been impacted by weaker discretionary consumer spending and increased competition in its market.

In December 2012, we reconsidered our commitment to complete our multibillion dollar Echelon development project on the Las Vegas Strip and concluded that we would not resume development. Based on the exploration of the viability of alternatives for the project, in the three months ended December 31, 2012, we recorded a non-cash impairment charge of approximately \$993.9 million related to the Echelon development and \$39.4 million related to various parcels of undeveloped land based on the difference between the book value of the assets and the estimated realizable value of the assets. On March 4, 2013, we sold the Echelon site and related improvements on the site and received net proceeds of \$157.0 million.

If our estimates of projected cash flows related to our assets are not achieved, we may be subject to future impairment charges, which could have a material adverse impact on our consolidated financial statements.

We face risks associated with growth and acquisitions.

As part of our business strategy, we regularly evaluate opportunities for growth through development of gaming operations in existing or new markets, through acquiring other gaming entertainment facilities or through redeveloping our existing gaming facilities. For example, in November 2012, we completed the Peninsula Acquisition, and in October 2011, we completed the acquisition of IP. We may also pursue expansion opportunities, including joint ventures, in jurisdictions where casino gaming is not currently permitted in order to be prepared to develop projects upon approval of casino gaming. The expansion of our operations, whether through acquisitions, development or internal growth, could divert management's attention and could also cause us to incur substantial costs, including legal, professional and consulting fees. There can be no assurance that we will be able to identify, acquire, develop or profitably manage additional companies or operations or successfully integrate such companies or operations into our existing operations without substantial costs, delays or other problems. Additionally, there can be no assurance that we will receive gaming or other necessary licenses or approvals for our new projects or that gaming will be approved in jurisdictions where it is not currently approved.

Ballot measures or other voter-approved initiatives to allow gaming in jurisdictions where gaming, or certain types of gaming (such as slots), was not previously permitted could be challenged, and, if such challenges are successful, these ballot measures or initiatives could be invalidated. Furthermore, there can be no assurance that there will not be similar or other challenges to legalized gaming in existing or current markets in which we may operate or have development plans, and successful challenges to legalized gaming could require us to abandon or substantially curtail our operations or development plans in those locations, which could have a material adverse effect on our financial condition and results of operations.

There can be no assurance that we will not face similar challenges and difficulties with respect to new development projects or expansion efforts that we may undertake, which could result in significant sunk costs that we may not be able to fully recoup or that otherwise have a material adverse effect on our financial condition and results of operations.

Our expansion and development opportunities may face significant risks inherent in construction projects. We regularly evaluate expansion, development, investment and renovation opportunities.

Any development projects we may undertake will be subject to many other 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:

- changes to plans and specifications;
- delays and significant cost increases;
- shortages of materials;
- shortages of skilled labor or work stoppages for contractors and subcontractors;
- labor disputes or work stoppages;
- disputes with and defaults by contractors and subcontractors;

- health and safety incidents and site accidents;
- engineering problems, including defective plans and specifications;
- poor performance or nonperformance by any of our joint venture partners or other third parties on whom we place reliance;
- changes in laws and regulations, or in the interpretation and enforcement of laws and regulations, applicable to gaming facilities, real estate development or construction projects;
- unforeseen construction scheduling, engineering, environmental, permitting, construction or geological problems;
- environmental issues, including the discovery of unknown environmental contamination;
- weather interference, floods, fires or other casualty losses;
- other unanticipated circumstances or cost increases; and
- failure to obtain necessary licenses, permits, entitlements or other governmental approvals.

The occurrence of any of these development and construction risks could increase the total costs of our construction projects or delay or prevent the construction or opening or otherwise affect the design and features of our construction projects, which could materially adversely affect our plan of operations, financial condition and ability to satisfy our debt obligations.

In addition, actual costs and construction periods for any of our projects can differ significantly from initial expectations. Our initial project costs and construction periods are based upon budgets, conceptual design documents and construction schedule estimates prepared at inception of the project in consultation with architects and contractors. Many of these costs can increase over time as the project is built to completion. We can provide no assurance that any project will be completed on time, if at all, or within established budgets, or that any project will result in increased earnings to us. Significant delays, cost overruns, or failures of our projects to achieve market acceptance could have a material adverse effect on our business, financial condition and results of operations.

Although we design our projects to minimize disruption of our existing business operations, expansion and renovation projects require, from time to time, all or portions of affected existing operations to be closed or disrupted. Any significant disruption in operations of a property could have a significant adverse effect on our business, financial condition and results of operations.

The failure to obtain necessary government approvals in a timely manner, or at all, can adversely impact our various expansion, development, investment and renovation projects.

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

#### Risks Related to the Regulation of our Industry

We are subject to extensive governmental regulation, as well as federal, state and local laws affecting business in general, which may harm our business.

Our ownership, management and operation of gaming facilities are subject to extensive laws, regulations and ordinances which are administered by the Nevada Gaming Commission and Gaming Control Board, Mississippi Gaming Commission, Indiana Gaming Commission, Illinois Gaming Board, New Jersey Casino Control Commission, New Jersey Division of Gaming Enforcement, Iowa Racing and Gaming Commission, the Kansas Lottery Commission, the Kansas Racing and Gaming Commission, the Louisiana State Gaming Control Board, the Louisiana State Racing Commission and various other federal, state and local government entities and agencies. We are subject to regulations that apply specifically to the gaming industry and horse racetracks and casinos, in addition to regulations applicable to businesses generally. A more detailed description of the governmental gaming regulations to which we are subject is filed as Exhibit 99.2 herewith. 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.

To date, we have obtained all governmental licenses, findings of suitability, registrations, permits and approvals necessary for the operation of our properties. However, we can give no assurance that any additional licenses, permits and approvals that may be required will be given or that existing ones will be renewed or will not be revoked. Renewal is subject to, among other things, continued satisfaction of suitability requirements. Any failure to renew or maintain our licenses or to receive new licenses when necessary would have a material adverse effect on us.

#### Gambling

Legislative or administrative changes in applicable legal requirements, including legislation to prohibit casino gaming, have been proposed in the past. For example, in 1996, the State of Louisiana adopted a statute in connection with which votes were held locally where gaming operations were conducted and which, had the continuation of gaming been rejected by the voters, might have resulted in the termination of operations at the end of their current license terms. During the 1996 local gaming referendums, Lafayette Parish voted to disallow gaming in the Parish, whereas St. Landry Parish, the site of our racino, voted in favor of gaming. All parishes where riverboat gaming operations are currently conducted voted to continue riverboat gaming, but there can be no guarantee that similar referenda might not produce unfavorable results in the future. Proposals to amend or supplement the Louisiana Riverboat Economic Development and Gaming Control Act and the Pari-Mutuel Act also are frequently introduced in the Louisiana State legislature. In the 2001 session, a representative from Orleans Parish introduced a proposal to repeal the authority of horse racetracks in Calasieu Parish (the site of Delta Downs) and St. Landry Parish (the site of Evangeline Downs) to conduct slot machine gaming at such horse racetracks and to repeal the special taxing districts created for such purposes. If adopted, this proposal would have effectively prohibited us from operating the casino portion of our racino. In addition, the Louisiana legislature, from time to time, considers proposals to repeal the Pari-Mutuel Act.

The legislation permitting gaming in Iowa authorizes the granting of licenses to "qualified sponsoring organizations." Such "qualified sponsoring organizations" may operate the gambling structure itself, subject to satisfying necessary licensing requirements, or it may enter into an agreement with an operator to operate gambling on its behalf. An operator must be approved and licensed by the Iowa Racing and Gaming Commission. The DRA, a not-for-profit corporation organized for the purpose of operating a pari-mutuel greyhound racing facility in Dubuque, Iowa, first received a riverboat gaming license in 1990 and, pursuant to the Amended DRA Operating Agreement, has served as the "qualified sponsoring organization" of the Diamond Jo since March 18, 1993. The term of the Amended DRA Operating Agreement expires on December 31, 2018. The WCDA, pursuant to the WCDA Operating Agreement, serves as the "qualified sponsoring organization" of Diamond Jo Worth. The term of the WCDA Operating Agreement expires on March 31, 2015, and is subject to automatic three-year renewal periods. If the Amended DRA Operating Agreement or WCDA Operating Agreement were to terminate, or if the DRA or WCDA were to otherwise discontinue acting as our "qualified sponsoring organization" with respect to our operation of the Diamond Jo or Diamond Jo Worth, respectively, and we were unable to obtain approval from the Iowa Racing and Gaming Commission to partner with an alternative "qualified sponsoring organization" as required by our gaming license, we would no longer be able to continue our Diamond Jo or Diamond Jo Worth operations, which would materially and adversely affect our business, results of operations and cash flows.

#### Regulation of Smoking

Each of New Jersey and Illinois has adopted laws that significantly restrict, or otherwise ban, smoking at our properties in those jurisdictions. The New Jersey and Illinois laws that restrict smoking at casinos, and similar legislation in other jurisdictions in which we operate, could materially impact the results of operations of our properties in those jurisdictions. Kansas has attempted to pass legislation to regulate smoking in casino and racetrack gaming floors during each of the past two years and Indiana imposes a state wide smoking ban in specified businesses, buildings, public places and other articulated locations. Indiana's statute specifically exempted riverboat casinos, and all other gaming facilities in Indiana, from the smoking ban; however, the statute also allowed local governments to enact a more restrictive smoking ban than the state statute and also left in place any more restrictive local legislation that existed as of the effective date of the statute. To date, neither Michigan City nor LaPorte County, where Blue

Chip is located, has enacted any ordinance or other law that would impose a smoking ban on Blue Chip.

Regulation of Directors, Officers, Key Employees and Partners

Our directors, officers, key employees, joint venture partners and certain shareholders must meet approval standards of certain state regulatory authorities. If state regulatory authorities were to find a person occupying any such position, a joint venture partner, or shareholder unsuitable, we would be required to sever our relationship with that person, or the joint venture partner or shareholder may be required to dispose of their interest. State regulatory agencies may conduct investigations into the conduct or associations of our directors, officers, key employees or joint venture partners to ensure compliance with applicable standards.

Certain public and private issuances of securities and other transactions that we are party to also require the approval of some state regulatory authorities.

### Live Racing Regulations

Louisiana gaming regulations and our gaming license for the Evangeline Downs and Delta Downs require that we, among other things, conduct a minimum of 80 live racing days in a consecutive 20-week period each year of live horse race meetings at the horse racetrack. Live racing days typically vary in number from year to year and are based on a number of factors, many of which are beyond our control, including the number of suitable race horses and the occurrence of severe weather. If we fail to have the minimum number of racing days, our gaming license with respect to the racino may be canceled, and the casino will be required to cease operations. Any cessation of our operation would have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

### Regulations Affecting Businesses in General

In addition to gaming regulations, we are also subject to various federal, state and local laws and regulations affecting businesses in general. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, environmental matters, smoking, employees, currency transactions, taxation, zoning and building codes, and marketing and advertising. Such laws and regulations could change or could be interpreted differently in the future, or new laws and regulations could be enacted. For example, Nevada enacted legislation that eliminated, in most instances, and, for certain pre-existing development projects, reduced, property tax breaks and retroactively eliminated certain sales tax exemptions offered as incentives to companies developing projects that meet certain environmental "green" standards. As a result, we, along with other companies developing projects that meet such standards, have not been able to realize the full tax benefits that were originally anticipated.

We are subject to extensive taxation policies, which may harm our business.

The federal government has, from time to time, considered a federal tax on casino revenues and may consider such a tax in the future. If such an increase were to be enacted, it could adversely affect our business, financial conditions, results of operations and cash flow. Our ability to incur additional indebtedness in the future to finance casino development projects could be materially and adversely affected. In addition, gaming companies are currently subject to significant state and local taxes and fees, in addition to normal federal and state corporate income taxes, and such taxes and fees are subject to increase at any time. For example, in June 2006, the Illinois legislature passed certain amendments to the Riverboat Gambling Act, which affected the tax rate at Par-A-Dice. The legislation, which imposes an incremental 5% tax on adjusted gross gaming revenues, was retroactive to July 1, 2005. As a result of this legislation, we were required to pay additional taxes, resulting in a \$6.7 million tax assessment in June 2006.

We are subject to significant taxes and fees relating to our gaming operations, which are subject to increase at any time. Currently, in Iowa, we are taxed at an effective rate of approximately 21.5% of our adjusted gross receipts by the State of Iowa, we pay the city of Dubuque a fee equal to \$500,000 per year and we pay a fee equal to 4.5% and 5.76% of adjusted gross receipts to the DRA and WCDA, respectively. In addition, all Iowa gaming licensees share equally in the costs of the Iowa Racing and Gaming Commission and related entities to administer gaming in Iowa, which is currently approximately \$0.9 million per year per facility. Currently, at Evangeline Downs, we are taxed at an effective rate of approximately 36.5% of our adjusted gross slot revenue and pay to the Louisiana State Racing Commission a fee of \$0.25 for each patron who enters the racino on live race days from the hours of 6:00 pm to midnight, enters the racino during non-racing season from the hours of noon to midnight Thursday through Monday, or enters any one of our off-track betting parlors. Our Amelia Belle riverboat casino in Louisiana pays an annual state gaming tax rate of 21.5% of adjusted gross receipts. Additionally, Amelia Belle has an agreement with the Parish of St. Mary to permit the berthing of the riverboat casino in Amelia, Louisiana. That agreement provides for percentage fees based on the level of net gaming revenue as follows: the first \$60 million, 2.5%; \$60 to \$96 million, 3.5%; and greater than \$96 million, 5.0%. The annual minimum fee due under the agreement is \$1.5 million. The Kansas Star, pursuant to its Management Contract with the State of Kansas pays total taxes of between 27% and 31% of gross gaming revenue, based on achievement of the following revenue levels: 27% on gross gaming revenue up to \$180 million, 29% on amounts from \$180 million to \$220 million, and 31% on amounts above \$220 million in gross gaming revenue. The Kansas Star is also contractually obligated to pay its proportionate share of certain expenses

incurred by the Kansas Lottery Commission and the Kansas Racing and Gaming Commission, which are estimated to range from \$3.0 million to \$4.0 million on an annual basis.

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.

We own real property and are subject to extensive environmental regulation, which creates uncertainty regarding future environmental expenditures and liabilities, and could affect our ability to develop, sell or rent our property or to borrow money where such property is required to be used as collateral.

We are subject to various federal, state and local environmental laws, ordinances and regulations, including those governing discharges to air and water, the generation, handling, management and disposal of petroleum products or hazardous substances or wastes, and the health and safety of our employees. Permits may be required for our operations and these permits are subject to renewal, modification and, in some cases, revocation. In addition, under environmental laws, ordinances or regulations, a current or previous owner or operator of property may be liable for the costs of investigation and removal or remediation of some kinds



of hazardous substances or petroleum products on, under, or in its property, without regard to whether the owner or operator knew of, or caused, the presence of the contaminants, and regardless of whether the practices that resulted in the contamination were legal at the time they occurred. Additionally, as an owner or operator, we could also be held responsible to a governmental entity or third parties for property damage, personal injury and investigation and cleanup costs incurred by them in connection with any contamination. The liability under those laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of the responsibility. The costs of investigation, remediation or removal of those substances may be substantial, and the presence of those substances, or the failure to remediate a property properly, may impair our ability to use our property.

The presence of, or failure to remediate properly, the substances may adversely affect the ability to sell or rent the property or to borrow funds using the property as collateral. Additionally, the owner of a site may be subject to claims by third parties based on damages and costs resulting from environmental contamination emanating from a site.

As part of our business in Worth County, Iowa, we operate a gas station, which includes a number of underground storage tanks containing petroleum products.

We have reviewed environmental assessments, in some cases including soil and groundwater testing, relating to our currently owned and leased properties in Dubuque, Iowa, and other properties we may lease from the City of Dubuque or other parties. As a result, we have become aware that there is contamination present on some of these properties apparently due to past industrial activities. Furthermore, the location of the Kansas Star is the site of several non-operational oil wells, the remediation of which has been addressed in connection with the construction of the development project. We have also reviewed environmental assessments and are not aware of any environmental liabilities related to any of our other properties.

It is possible that future developments could lead to material costs of environmental compliance for us and that these costs could have a material adverse effect on our business and financial condition, operating results and cash flows.

#### Risks Related to our Properties

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

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, due to flooding of the Mississippi River in 2011, the Mississippi Gaming Commission ordered the nine casinos located in Tunica, Mississippi to close indefinitely to ensure the safety of visitors and employees. Accordingly, effective May 1, 2011, we closed Sam's Town Hotel and Gambling Hall in Tunica, although we were able to reopen on May 28, 2011. In addition, the Amelia Belle was negatively impacted by the opening of the Morganza Spillway in 2011, due to imminent threat of severe flooding.

In addition, certain of the properties we operate have been forced to close due to hurricanes, including the Treasure Chest and Delta Downs, which have experienced closures for over 40 days on separate occasions in the past. In September 2011, Borgata was closed for three days due to Hurricane Irene. In October and November 2012, Borgata was closed for four days due to Superstorm Sandy.

Moreover, Blue Chip, Par-A-Dice, Sam's Town Tunica, Sam's Town Shreveport, Treasure Chest and Borgata are each located in an area that has been identified by the director of the Federal Emergency Management Agency ("FEMA") as a special flood hazard area, which, according to the FEMA statistics, has a 1% chance of a flood equal to or exceeding the base flood elevation (a 100-year flood) in any given year. Furthermore, our properties in Iowa, Kansas, Illinois and Indiana are at risk of experiencing snowstorms, tornadoes and flooding.

In addition to the risk of flooding and hurricanes, snowstorms and other adverse weather conditions may interrupt our operations, damage our properties and reduce the number of customers who visit our facilities in an affected area. For example, during January and February 2011 and again during the first quarter of 2014 much of the country was impacted by unusually severe winter weather, particularly in the Midwest. These storms made it very difficult for our customers to visit, and we believe such winter weather had a material and adverse impact on the results of our operations during such times. Additionally, February 2010 was the snowiest month ever recorded in Atlantic City, which generally kept would-be gamblers from traveling to Borgata, contributing to a drop in Borgata's monthly revenues from January to February. The 2010 winter season was the worst on record, and travel throughout the entire Northeast was extremely difficult. The residual impact from these record winter storms resulted in day trip visitations to Atlantic City that were reduced or delayed as regional school calendars were extended in order to make up for prior school closures. If there is a prolonged disruption at any of our properties due to natural disasters, terrorist attacks or other catastrophic events, our results of operations and financial condition could be materially adversely affected.

To maintain our gaming license for our Evangeline Downs racino, we must conduct a minimum of 80 live racing days in a consecutive 20-week period each year of live horse race meetings at the racetrack, and poor weather conditions may make it difficult for us to comply with this requirement.

While we maintain insurance coverage that may cover certain of the costs and loss of revenue that we incur as a result of some extreme weather conditions, our coverage is subject to deductibles and limits on maximum benefits. There can be no assurance that we will be able to fully collect, if at all, on any claims resulting from extreme weather conditions. If any of our properties are damaged or if their operations are disrupted as a result of extreme weather in the future, or if extreme weather adversely impacts general economic or other conditions in the areas in which our properties are located or from which they draw their patrons, our business, financial condition and results of operations could be materially adversely affected.

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

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

Blue Chip, Par-A-Dice, Sam's Town Tunica, Sam's Town Shreveport, Treasure Chest and Borgata are each located in an area that has been identified by the director of the FEMA as a special flood hazard area. Our level of flood insurance coverage may not be adequate to cover all losses in the event of a major flood.

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

Our debt instruments and other material agreements require us to meet certain standards related to insurance coverage. Failure to satisfy these requirements could result in an event of default under these debt instruments or material agreements.

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

The California, Fremont and Main Street Station draw a substantial portion of their customers from the Hawaiian market, with such customers historically comprising more than half of the room nights sold. Decreases in discretionary consumer spending, as well as an increase in fuel costs or transportation prices, a decrease in airplane seat availability, or a deterioration of relations with tour and travel agents, particularly as they affect travel between the Hawaiian market and our facilities, could adversely affect our business, financial condition and results of

operations.

Our Las Vegas properties also draw a substantial number of customers from certain other specific geographic areas, including the Southern California, Arizona and Las Vegas local markets. Native American casinos in California and other parts of the United States have diverted some potential visitors away from Nevada, which has had and could continue to have a negative effect on Nevada gaming markets. In addition, due to our significant concentration of properties in Nevada, any man-made or natural disasters in or around Nevada, or the areas from which we draw customers to our Las Vegas properties, could have a significant adverse effect on our business, financial condition and results of operations. Each of our properties located outside of Nevada depends primarily on visitors from their respective surrounding regions and are subject to comparable risk.

The strength and profitability of our business depends on consumer demand for hotel casino resorts in general and for the type of amenities our properties offer. Changes in consumer preferences or discretionary consumer spending could harm our business. The terrorist attacks of September 11, 2001, other terrorist activities in the United States and elsewhere, military conflicts in Iraq, Afghanistan and elsewhere, outbreaks of infectious disease and pandemics, adverse weather conditions and natural disasters, among other things, have had negative impacts on travel and leisure expenditures. In addition, other factors affecting travel and discretionary consumer spending, including general economic conditions, disposable consumer income, fears of further economic

decline and reduced consumer confidence in the economy, may negatively impact our business. We cannot predict the extent to which similar events and conditions may continue to affect us in the future. An extended period of reduced discretionary spending and/or disruptions or declines in tourism could significantly harm our operations.

Furthermore, our facilities are subject to the risk that operations could be halted for a temporary or extended period of time, as a result of casualty, flooding, forces of nature, adverse weather conditions, mechanical failure, or extended or extraordinary maintenance, among other causes. If there is a prolonged disruption at any of our properties due to natural disasters, terrorist attacks or other catastrophic events, our results of operations and financial condition could be materially adversely affected.

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, including pandemic health threats, such as the avian influenza virus, SARS, Ebola or the H1N1 flu, among others, could have a significant adverse effect on our business, financial condition and results of operations. Likewise, adverse economic conditions that affect the global, national or regional economies in which we operate, whether resulting from war, terrorist activities or other geopolitical conflict, weather, general or localized economic downturns or related events or other factors, could have a significant adverse effect on our business, financial condition and results of operations.

In addition, to the extent that the airline industry is negatively impacted due to the effects of the economic recession and continued economic downturn, 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 adversely affected.

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

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

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

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

We currently conduct our Treasure Chest, Par-A-Dice, Blue Chip, Sam's Town Shreveport and Amelia Belle gaming operations on riverboats. Each of our riverboats must comply with USCG requirements as to boat design, on-board facilities, equipment, personnel and safety. Each riverboat must hold a Certificate of Inspection for stabilization and flotation, and may also be subject to local zoning codes. The USCG 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 would preclude its use as a casino.

USCG regulations require a hull inspection for all riverboats at five-year intervals. Under certain circumstances, alternative hull inspections may be approved. The USCG may require that such hull inspections be conducted at a dry-docking facility, and if so required, the cost of travel to and from such docking facility, as well as the time

required for inspections of the affected riverboats, could be significant. To date, the USCG has allowed in-place underwater inspections of our riverboats twice every five years on alternate two and three year schedules. The USCG may not continue to 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.

Indiana and Louisiana have adopted alternate inspection standards for riverboats in those states. The standards require inspection by ABS Consulting ("ABSC"). ABSC inspection for our riverboats at Blue Chip, Treasure Chest and Sam's Town Shreveport commenced during 2010. The Amelia Belle is also inspected by the ABSC. The Par-A-Dice riverboat will remain inspected by the USCG for the foreseeable future. ABSC imposes essentially the same design, personnel, safety, and hull inspection standards as the USCG. Therefore, the risks to our business associated with USCG inspection should not change by reason of inspection by ABSC. Failure of a vessel to meet the applicable USCG or ABSC standards would preclude its use as a casino.

USCG regulations also require us to prepare and follow certain security programs. In 2004, we implemented the American Gaming Association's Alternative Security Program at our riverboat casinos and dockside facilities. The American Gaming Association's Alternative Security Program is specifically designed to address maritime security requirements at riverboat casinos and their respective dockside facilities. Only portions of those regulations will apply to our riverboats inspected by ABSC. Changes to these regulations could adversely affect our business, financial condition and results of operations.

Some of our hotels and casinos are located on leased property. If we default on one or more leases, the applicable lessors could terminate the affected leases and we could lose possession of the affected hotel and/or casino. We lease certain parcels of land on which The Orleans, Suncoast, Treasure Chest, Sam's Town Shreveport, IP and Borgata's hotels and gaming facilities are located. In addition, we lease other parcels of land on which portions of the California and the Fremont are located. As a ground lessee, we have the right to use the leased land; however, we do not retain fee ownership in the underlying land. Accordingly, with respect to the leased land, we will have no interest in the land or improvements thereon at the expiration of the ground leases. Moreover, since we do not completely control the land underlying the property, a landowner could take certain actions to disrupt our rights in the land leased under the long term leases. While such interruption is unlikely, such events are beyond our control. If the entity owning any leased land chose to disrupt our use either permanently or for a significant period of time, then the value of our assets could be impaired and our business and operations could be adversely affected. If we were to default on any one or more of these leases, the applicable lessors could terminate the affected leases and we could lose possession of the affected land and any improvements on the land, including the hotels and casinos. This would have a significant adverse effect on our business, financial condition and results of operations as we would then be unable to operate all or portions of the affected facilities.

Failure to maintain the integrity of our information technology systems, protect our internal information, or comply with applicable privacy and data security regulations could adversely affect us.

We rely extensively on our computer systems to process customer transactions, manage customer data, manage employee data and communicate with third-party vendors and other third parties, and we may also access the internet to use our computer systems. Our operations require that we collect and store customer data, including credit card numbers and other personal information, for various business purposes, including marketing and promotional purposes. We also collect and store personal information about our employees. Breaches of our security measures or information technology systems or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive personal information or confidential data about us, or our customers, or our employees including the potential loss or disclosure of such information as a result of hacking or other cyber-attack, computer virus, fraudulent use by customers, employees or employees of third party vendors, trickery or other forms of deception or unauthorized use, or due to system failure, could expose us, our customers, our employees or other individuals affected to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our casino or brand names and reputations or otherwise harm our business. We rely on proprietary and commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of customer information, such as payment card, employee information and other confidential or proprietary information. Our data security measures are reviewed and evaluated regularly, however they might not protect us against increasingly sophisticated and aggressive threats. The cost and operational consequences of implementing further data security measures could be significant.

Additionally, the collection of customer and employee personal information imposes various privacy compliance related obligations on our business and increases the risks associated with a breach or failure of the integrity of our information technology systems. The collection and use of personal information is governed by privacy laws and regulations enacted in the United States and other jurisdictions around the world. Privacy regulations continue to evolve and on occasion may be inconsistent from one jurisdiction to another. Compliance with applicable privacy laws and regulations may increase our operating costs and/or adversely impact our ability to market our products, properties and services to our customers. In addition, non-compliance with applicable privacy laws and regulations by

us (or in some circumstances non-compliance by third party service providers engaged by us) may also result in damage of reputation, result in vulnerabilities that could be exploited to breach our systems and/or subject us to fines, payment of damages, lawsuits or restrictions on our use or transfer of personal information.

Our ability to utilize our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2014, we had net operating losses ("NOLs") for federal income tax purposes. Under Section 382 of the Internal Revenue Code, if a corporation undergoes an "ownership change" as defined in that section, the corporation's ability to use its pre-change NOLs and other pre-change tax attributes to offset its post-change income may become subject to significant limitations. We may experience an ownership change in the future as a result of shifts in our stock ownership, which may result from the issuance of our common stock, the exercise of stock options and other equity compensation awards, as well as ordinary sales and purchases of our common stock, among other things. If an ownership change in our stock were to be triggered in the future, our subsequent ability to use any NOLs existing at that time could be significantly limited.



#### Risks Related to our Indebtedness

We have a significant amount of indebtedness.

If we pursue, or continue to pursue, any expansion, development, investment or renovation projects, we expect that our long-term debt will substantially increase in connection with related capital expenditures. This indebtedness could have important consequences, including:

- difficulty in satisfying our obligations under our current indebtedness;

- increasing our vulnerability to general adverse economic and industry conditions;

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

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

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

- limiting, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds.

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

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

- incur liens securing indebtedness or other obligations;

- make certain investments;

- dispose of assets;

- make certain acquisitions;

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

- enter into sale and leaseback transactions;

- engage in any new businesses; and

- enter into transactions with our stockholders and our affiliates.

Failure to comply with these covenants could result in an event of default, which, if not cured or waived, could have a significant adverse effect on our business, results of operations and financial condition.

In addition to our debt instruments, our indirect subsidiary, Peninsula, has a significant amount of indebtedness which contain restrictive covenants that impose significant operating and financial restrictions, including limitations on dividends, distributions and certain other restricted payments, which could have a significant adverse effect on our business, results of operations and financial condition.

Note 8, Long-Term Debt, included in the notes to our audited consolidated financial statements provided in Item 8 of this Annual Report on Form 10-K, contains further disclosure regarding our and Peninsula's current outstanding debt.

The increase in our consolidated leverage and debt service obligations as a result of the Peninsula Acquisition, may adversely affect our consolidated financial condition, results of operations and earnings per share.

As a result of the Peninsula Acquisition, we now have a greater amount of debt on a consolidated basis than we have maintained in the past. Our maintenance of higher levels of indebtedness could have adverse consequences including impairing our ability to obtain additional financing in the future.

Our ability to meet our expenses and debt obligations will depend on our future performance, which will be affected by financial, business, economic, regulatory and other factors. Furthermore, our operations may not generate sufficient cash flows to enable us to meet our expenses and service our debt. As a result, we may need to enter into new financing arrangements to obtain the necessary funds. If we determine that it is necessary to seek additional funding for any reason, we may not be able to obtain such funding or, if funding is available, obtain it on acceptable terms. If we fail to make a payment on our debt, we could be in default on such debt, and this default could cause us to be in default on our other outstanding indebtedness.

The terms of the Peninsula indebtedness limits the payment of dividends (other than tax distributions), distributions and management fees from Peninsula to Boyd Acquisition II, LLC ("HoldCo"). The promissory note that HoldCo entered into upon the closing of the Peninsula Acquisition (the "HoldCo Note"), which we entered into upon the closing of the Peninsula Acquisition, imposes limitations on HoldCo and on Peninsula and Peninsula's subsidiaries with respect to: (i) incurrence of indebtedness; (ii) liens; (iii) consolidations and mergers; (iv) sales and other dispositions of assets; and (v) restricted payments, including investments. Subject to certain exceptions, we may be required to repay the amounts outstanding under the HoldCo Note in connection with certain assets sales by Peninsula or upon a change of control.

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 and to fund planned capital expenditures and expansion efforts will depend upon our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

It is unlikely that our business will generate sufficient cash flows from operations, or that future borrowings will be available to us under the Boyd Gaming Credit Facility in amounts sufficient to enable us to pay our indebtedness, 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 or before maturity, and cannot provide assurances that we will be able to refinance any of our indebtedness, including amounts borrowed under the Boyd Gaming Credit Facility, on commercially reasonable terms, or at all. We may have to adopt one or more alternatives, such as reducing or delaying planned expenses and capital expenditures, selling assets, restructuring debt, or obtaining additional equity or debt financing or joint venture partners. These financing strategies may not be affected on satisfactory terms, if at all. In addition, certain 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.

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 our senior and senior subordinated notes will not fully prohibit us or our subsidiaries from doing so. Borrowings under the Boyd Gaming Credit Facility and the Peninsula Credit Facility would be effectively senior to our senior and senior subordinated notes and the guarantees of our subsidiary guarantors to the extent of the value of the collateral securing such borrowings. If new debt is added to our, or our subsidiaries', current debt levels, the related risks that we or they now face could intensify.

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

We intend to finance our current and future expansion, development, investment and renovation projects, as well as our other capital expenditures, primarily with cash flow from operations, borrowings under our Boyd Gaming Credit Facility, and equity or debt financings. If we are unable to finance our current or future expansion, development, investment and renovation projects, or our other capital expenditures, we will have to adopt one or more alternatives,

such as reducing, delaying or abandoning planned expansion, development, investment and renovation projects as well as other capital expenditures, selling assets, restructuring debt, obtaining additional equity financing or joint venture partners, or modifying the Boyd Gaming Credit Facility. These sources of funds may not be sufficient to finance our expansion, development, investment and renovation projects, and other financing may not be available on acceptable terms, in a timely manner, or at all. In addition, our existing indebtedness contains certain restrictions on our ability to incur additional indebtedness.

Recently, there were significant disruptions in the global capital markets that adversely impacted the ability of borrowers to access capital. Although the financial markets have seen recent signs of recovery and increased availability of capital, the financial markets are still fragile and remain volatile. We anticipate that we will be able to fund any expansion projects using cash flows from operations and availability under the Boyd Gaming Credit Facility (to the extent that availability exists after we meet our working capital needs).

If availability under our Boyd Gaming Credit Facility does not exist or we are otherwise unable to make sufficient borrowings thereunder, any additional financing that is needed may not be available to us or, if available, may not be on terms favorable to us. As a result, if we are unable to obtain adequate project financing in a timely manner, or at all, we may be forced to sell assets in order to raise capital for projects, limit the scope of, or defer such projects, or cancel the projects altogether. In the event that capital markets do not improve and we are unable to access capital with more favorable terms, additional equity and/or credit support may be necessary to obtain construction financing for the remaining cost of the project.

#### Risks Related to our Equity Ownership

Our common stock price may fluctuate substantially, and a shareholder's investment could decline in value. The market price of our common stock may fluctuate substantially due to many factors, including:

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

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

Certain of our stockholders own large interests in our capital stock and may significantly influence our affairs. William S. Boyd, our Executive Chairman of the Board of Directors, together with his immediate family, beneficially owned approximately 28% of the Company's outstanding shares of common stock as of December 31, 2014. As such, the Boyd family has the ability to significantly influence our affairs, including the election of members of our Board of Directors and, except as otherwise provided by law, approving or disapproving other matters submitted to a vote of our stockholders, including a merger, consolidation, or sale of assets.

#### ITEM 1B. Unresolved Staff Comments

None

#### ITEM 2. Properties

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

As of December 31, 2014, some of our hotel casinos and development projects are located on leased property, including:

¶The Orleans, located on 77 acres of leased land.

¶Suncoast, located on 49 acres of leased land.

¶California, located on 13.9 acres of owned land and 1.6 acres of leased land.

¶Fremont, located on 1.4 acres of owned land and 0.9 acres of leased land.

¶IP, located on 24 acres of owned land and 3.9 acres of leased land.

¶Treasure Chest, located on 14 acres of leased land.

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Sam's Town Shreveport, located on 18 acres of leased land.

Diamond Jo Dubuque, located on 7 acres of owned land and leases approximately 2.0 acres of parking surfaces.

Diamond Jo Worth, located on 36 acres of owned land and 10 acres of leased land. Diamond Jo Worth also leases 298 acres of land in Emmons, Minnesota on which a nine-hole golf course and a nine-station sporting clay course and hunting facility are located.

Evangeline Downs, located on 649 acres of owned land and leases the facilities that comprise the Henderson, Eunice and St. Martinville OTB's.

#### ITEM 3. Legal Proceedings

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

#### ITEM 4. Mine Safety Disclosures

Not applicable

## PART II

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

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

## Market Information

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

	High	Low
Year Ended December 31, 2014		
First Quarter	\$14.39	\$9.20
Second Quarter	13.27	10.41
Third Quarter	12.47	9.46
Fourth Quarter	12.82	8.90
Year Ended December 31, 2013		
First Quarter	\$8.66	\$6.35
Second Quarter	14.34	7.96
Third Quarter	14.27	10.78
Fourth Quarter	14.46	9.77

On February 20, 2015, the closing sales price of our common stock on the NYSE was \$14.46 per share. On that date, we had approximately 774 holders of record of our common stock and our directors and executive officers owned approximately 28% of the outstanding shares. There are no other classes of common equity outstanding.

## Dividends

Dividends are declared at the discretion of our Board of Directors. In July 2008, our Board of Directors suspended the payment of a quarterly dividend for future periods, and we therefore have not paid any dividends since that date. We are subject to certain limitations regarding the payment of dividends, such as restricted payment limitations related to our Credit Facility and our outstanding notes.

## Share Repurchase Program

In July 2008, our Board of Directors authorized an amendment to an existing share repurchase program to increase the amount of common stock available to be repurchased to \$100 million. We are not obligated to repurchase any shares under this program, and no repurchases were made during the year ended December 31, 2014. We have repurchased 1.7 million shares of our common stock under this authorization, and we are authorized to repurchase up to an additional \$92.1 million in shares. Subject to applicable corporate securities laws, repurchases under this program may be made at such times and in such amounts as we deem appropriate. Repurchases would be funded with existing cash resources and availability under the Boyd Gaming Credit Facility. We are subject to certain limitations regarding the repurchase of common stock, such as restricted payment limitations related to our Credit Facility and our outstanding notes.

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

Part III, Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, of this Annual Report on Form 10-K contains information concerning securities authorized for issuance under equity compensation plans.

## Stock Performance Graph

The graph below compares the five-year cumulative total return on our common stock to the cumulative total return of the Standard & Poor's MidCap 400 Index ("S&P 400") and certain companies in our peer group, which is comprised



of Isle of Capri Casinos, Inc., Penn National Gaming, Inc. and Pinnacle Entertainment, Inc. The performance graph assumes that \$100 was invested on December 31, 2009 in each of the Company's common stock, the S&P 400 and our peer group, and that all dividends were reinvested. The stock price performance shown in this graph is neither necessarily indicative of, nor intended to suggest, future stock price performance.

	Indexed Returns		
	Boyd Gaming Corp.	S&P 400	Peer Group
December 2010	\$126.64	\$126.64	\$134.85
December 2011	89.13	124.45	128.27
December 2012	79.33	146.69	170.64
December 2013	134.53	195.84	234.05
December 2014	152.69	214.97	211.24

The performance graph should not be deemed filed or incorporated by reference into any other of our filings under the Securities Act of 1933 or the Exchange Act of 1934, unless we specifically incorporate the performance graph by reference therein.

ITEM 6. Selected Financial Data

The selected consolidated financial data presented below has been derived from our audited consolidated financial statements. This information should be read in conjunction with the Management’s Discussion and Analysis of Financial Condition and Results of Operations and our audited Consolidated Financial Statements and accompanying notes thereto.

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(In thousands, except per share data)	Year Ended December 31,				
	2014 (a)	2013 (b)	2012 (c)	2011 (d)	2010 (e)
<b>Statement of Operations Data:</b>					
Net revenues	\$2,701,319	\$2,894,438	\$2,482,828	\$2,330,844	\$2,134,496
Operating income (loss)	251,516	278,301	(850,263 )	235,982	193,265
Income (loss) from continuing operations before income taxes	(40,885 )	(115,994 )	(1,139,235 )	(10,400 )	24,392
Income (loss) from continuing operations, net of tax	(41,638 )	(119,344 )	(918,446 )	(10,678 )	14,789
Net income (loss) attributable to Boyd Gaming Corporation	(53,041 )	(80,264 )	(908,865 )	(3,854 )	10,310
<b>Income (loss) from continuing operations per common share</b>					
Basic	(0.48 )	(0.94 )	(10.32 )	(0.07 )	0.15
Diluted	(0.48 )	(0.94 )	(10.32 )	(0.07 )	0.15
<b>Balance Sheet Data:</b>					
Cash and cash equivalents	\$145,341	\$177,838	\$192,545	\$178,091	\$144,709
Total assets	4,478,924	5,741,731	6,332,193	5,883,054	5,656,861
Long-term debt, net of current maturities	3,431,638	4,352,932	4,827,853	3,347,226	3,193,065
Total stockholders' equity	438,087	650,437	467,127	1,374,079	1,361,369
<b>Other Data:</b>					
Ratio of earnings to fixed charges (f)	—	—	—	—	1.1x

(a) The Company deconsolidated Borgata as of the close of business on September 30, 2014, and is accounting for its investment in Borgata applying the equity method for periods subsequent to the deconsolidation. 2014 includes \$60.8 million in pretax, non-cash impairment charges, which includes a \$12.1 million charge related to the deconsolidation of Borgata, as well as impairment charges of \$38.3 million for gaming licenses in our Midwest and South segment, \$1.4 million for gaming licenses in our Peninsula segment, \$0.3 million in Peninsula trademarks and a \$8.7 million charge to write down the value of certain non-operating assets.

(b) 2013 includes \$10.4 million in pretax, non-cash impairment charges; and \$54.2 million in pretax loss on early extinguishments and modifications of debt. We completed the sale of certain assets and liabilities of the Dania Jai-Alai business on May 22, 2013, and have presented its results as discontinued operations for all periods presented. As a result of the sale of the Echelon site on March 4, 2013, we ceased consolidation of LVE Energy Partners, LLC, as of that date. 2013 also includes a full year of financial results for Peninsula Gaming, which we acquired in November 2012.

(c) 2012 includes \$1.05 billion of pretax, non-cash impairment charges, primarily consisting of \$993.9 million related to the Echelon development, \$39.4 million related to various parcels of undeveloped land and \$17.5 million for the write-down of the Sam's Town Shreveport gaming license; \$18.7 million of pretax acquisition costs, primarily related to the acquisition of Peninsula Gaming; a \$7.7 million pretax gain at Borgata from insurance proceeds related to a September 2007 fire during construction of The Water Club and from business interruption proceeds due to a three-day closure in August 2011 related to Hurricane Irene; and a \$7.1 million pretax gain from business interruption

proceeds due to the temporary closure of our Tunica property in May 2011 due to flooding. 2012 also includes financial results of Peninsula Gaming from its November 20, 2012, date of acquisition and a full year of the results of the IP, which we acquired in October 2011.

(d) 2011 includes \$7.0 million of pretax income related to the forfeited deposits from the buyers on the proposed sale of Dania Jai-Alai, which sale was not completed; \$6.4 million of pretax acquisition costs, primarily related to our acquisition of IP; a \$5.0 million pretax, non-cash impairment charge to Borgata's trademark; a \$4.6 million pretax bargain purchase gain related to the acquisition of IP; and \$1.1 million pretax, non-cash impairment charge related to Borgata's investment in an unconsolidated subsidiary. 2011 also includes the financial results of IP from its October 4, 2011, date of acquisition.

(e) 2010 includes \$28.2 million of incremental interest expense at Borgata, of which \$26.1 million related to the impact of additional amounts borrowed at a higher interest rate and \$2.0 million related to the accelerated write off of deferred loan fees on refinanced borrowings; \$10 million of other income for a fee from MGM related to the amendment to Borgata's operating agreement; \$7.5 million of pretax preopening expenses; \$4.7 million of pretax write-downs and other charges, primarily related to acquisition activities; and \$2.5 million pretax gain from an equity distribution from Borgata. As a result of the amendment of Borgata's operating agreement, we commenced consolidation of Borgata on March 24, 2010.

(f) For purposes of computing this ratio, "earnings" consist of income before income taxes and income/(loss) from unconsolidated affiliates, plus fixed charges (excluding capitalized interest) and distributed income of equity investees. "Fixed charges" include interest whether expensed or capitalized, amortization of debt expense, discount, or premium related to indebtedness (included in interest expense), and such portion of rental expense that we deem to be a reasonable representation of the interest factor. Due primarily to certain non-cash charges deducted in the determination of our earnings, the earnings were less than fixed charges by \$43.4 million, \$117.1 million, \$1.14 billion and \$10.8 million for 2014, 2013, 2012, and 2011, respectively.

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

The following discussion should be read in conjunction with our consolidated financial statements and the related notes thereto and other financial information included in this Annual Report on Form 10-K. In addition to the historical information, certain statements in this discussion are forward-looking statements based on current expectations that involve risks and uncertainties. Actual results and the timing of certain events may differ significantly those projected in such forward-looking statements.

#### EXECUTIVE OVERVIEW

Boyd Gaming Corporation (the "Company," "Boyd Gaming," "we" or "us") is a multi-jurisdictional gaming company that has been operating since 1975.

We are a diversified operator of 21 wholly-owned gaming entertainment properties and hold a 50% non-controlling interest in a limited liability company in New Jersey. Headquartered in Las Vegas, we have gaming operations in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi and New Jersey. We view each operating property as an operating segment. For financial reporting purposes, we aggregate our wholly-owned properties and Borgata into the following five reportable segments:

Las Vegas Locals

Gold Coast Hotel and Casino	Las Vegas, Nevada
The Orleans Hotel and Casino	Las Vegas, Nevada
Sam's Town Hotel and Gambling Hall	Las Vegas, Nevada
Suncoast Hotel and Casino	Las Vegas, Nevada
Eldorado Casino	Henderson, Nevada
Jokers Wild Casino	Henderson, Nevada

Downtown Las Vegas

California Hotel and Casino	Las Vegas, Nevada
Fremont Hotel and Casino	Las Vegas, Nevada
Main Street Station Casino, Brewery and Hotel	Las Vegas, Nevada

Midwest and South

Sam's Town Hotel and Gambling Hall	Tunica, Mississippi
IP Casino Resort Spa	Biloxi, Mississippi
Par-A-Dice Hotel and Casino	East Peoria, Illinois
Blue Chip Casino, Hotel & Spa	Michigan City, Indiana
Treasure Chest Casino	Kenner, Louisiana
Delta Downs Racetrack Casino & Hotel	Vinton, Louisiana
Sam's Town Hotel and Casino	Shreveport, Louisiana

Peninsula

Diamond Jo Dubuque	Dubuque, Iowa
Diamond Jo Worth	Northwood, Iowa
Evangeline Downs Racetrack and Casino	Opelousas, Louisiana
Amelia Belle Casino	Amelia, Louisiana
Kansas Star Casino	Mulvane, Kansas

Borgata

Borgata Hotel Casino & Spa	Atlantic City, New Jersey
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From March 2010 until September 2014, the equity interest of our joint venture partner in Borgata, MGM Resorts International ("MGM"), was held in a divestiture trust (the "Divestiture Trust"). Upon the transfer of MGM's ownership interest into the Divestiture Trust, we determined that we had control, as defined in the relevant accounting literature, of Borgata and commenced consolidating the business as of that date. After MGM received approval of its application for licensure from the New Jersey Casino Control Commission, on September 30, 2014, the Divestiture Trust was dissolved and MGM reacquired its interest in Borgata and its substantive participation rights in the management of Holding Company. As a result, we deconsolidated Borgata as of the close of business on September 30, 2014. Our income statement and statement of cash flows for the year ended December 31, 2014 include Borgata's financial results on a full consolidation basis for the nine months ended September 30, 2014, and reflect our accounting for our 50% ownership interest in Borgata by applying the equity method for the remainder of the year.

In addition to these properties, we own and operate a travel agency and a captive insurance company that underwrites travel-related insurance, each located in Hawaii. Financial results for these operations are included in our Downtown Las Vegas segment, as our Downtown Las Vegas properties concentrate their marketing efforts on gaming customers from Hawaii.

We operate gaming entertainment properties, most of which also include hotel, dining, retail and other amenities. Our main business emphasis is on slot revenues, which are highly dependent upon the number and spending levels of

customers at our properties, which affects our operating results.

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Our properties have historically generated significant operating cash flow, with the majority of our revenue being cash-based. While we do provide casino credit, subject to certain gaming regulations and jurisdictions, most of our customers wager with cash and pay for non-gaming services by cash or credit card.

Our industry is capital intensive and we rely heavily on the ability of our properties to generate operating cash flow in order to fund maintenance capital expenditures, fund acquisitions, provide excess cash for future development, repay debt financing and associated interest costs, repurchase our debt or equity securities, pay income taxes and pay dividends.

Our focus has been and will continue to remain on: (i) ensuring our existing operations are managed as efficiently as possible, and remain positioned for growth; (ii) improving our capital structure and strengthening our balance sheet, including paying down debt, improving operations and diversifying our asset base; and (iii) successfully implementing our growth strategy, which is built on identifying development opportunities and acquiring assets that are a good strategic fit and provide an appropriate return to our shareholders.

#### Our Strategy

Our overriding strategy is to increase shareholder value. We are focused on the following strategic initiatives to improve and grow our business.

#### Strengthening our Balance Sheet

We are committed to finding opportunities to strengthen our balance sheet through diversifying and increasing cash flow to reduce our debt.

#### Operating Efficiently

We are committed to operating more efficiently, and endeavor to prevent unneeded expense in our business. The efficiencies of our business model position us to flow a substantial portion of revenue gains directly to the bottom line. Margin improvements will remain a driver of profit growth for us going forward.

#### Evaluating Acquisition Opportunities

Our evaluations of potential transactions and acquisitions are strategic, deliberate, and disciplined. Our goal is to identify and pursue opportunities that are a good fit for our business, deliver a solid return for shareholders, and are available at the right price.

#### Maintaining our Brand

The ability of our employees to deliver great customer service helps distinguish our Company and our brands from our competitors. Our employees are an important reason that our customers continue to choose our properties over the competition across the country.

#### Our Key Performance Indicators

We use several key performance measures to evaluate the operations of our properties. These key performance measures include the following:

##### Gaming revenue measures:

Slot handle, which means the dollar amount wagered in slot machines, and table game drop, which means the total amount of cash deposited in table games drop boxes, plus the sum of markers issued at all table games. Slot handle and table game drop are measures of volume and/or market share.

Slot win and table game hold, which mean the difference between customer wagers and customer winnings on slot machines and table games, respectively. Slot win and table game hold percentages represent the relationship between slot handle and table game drop to gaming wins and losses.



Food and beverage revenue measures: average guest check, which means the average amount spent per customer visit and is a measure of volume and product offerings; number of guests served ("food covers") is an indicator of volume; and the cost per guest served is a measure of operating margin.

Room revenue measures: hotel occupancy rate, which measures the utilization of our available rooms; and average daily rate ("ADR"), which is a price measure.

## RESULTS OF OPERATIONS

## Overview

(In millions)	Year Ended December 31,		
	2014	2013	2012
Net revenues	\$2,701.3	\$2,894.4	\$2,482.8
Operating income (loss)	251.5	278.3	(850.3 )
Net loss attributable to Boyd Gaming Corporation	(53.0 )	(80.3 )	(908.9 )

## Net Revenues

Net revenues decreased approximately \$193.1 million, or 6.7%, for 2014 as compared to 2013 due primarily to the deconsolidation of Borgata as of September 30, 2014, resulting in a \$157.1 million decrease in net revenues compared to the prior year. In addition, there were decreases of \$32.7 million and \$26.4 million in net revenues in the Midwest and South segment and the Peninsula segment, respectively. These decreases were due primarily to a decrease in slot volume in both segments, and, to a lesser extent, a decrease in slot hold percentage in the Midwest and South segment. Partially offsetting the revenue declines was the addition of \$20.6 million of revenues, reported during the period prior to its deconsolidation, from Borgata's real-money online gaming website, launched in fourth quarter 2013.

In 2013, net revenues increased approximately \$411.6 million, or 16.6%, over the prior year due to the \$463.4 million of incremental revenues contributed by Peninsula, which was acquired in November 2012 (the "Peninsula Acquisition"). Partially offsetting this increase was a \$60.0 million decline in revenues from the Midwest and South segment due primarily to a decrease in slot volume.

## Operating Income (Loss)

In 2014, our operating income decreased \$26.8 million from the operating income reporting for 2013. The decrease is due to approximately \$50.4 million increase in impairment charges in 2014 compared to in the prior year, including \$20.4 million and \$18.0 million related to Par-A-Dice and Blue Chip gaming licenses, respectively, and \$12.1 million related to the deconsolidation of Borgata. Partially offsetting the impairment charges were improved operating margins, reflecting our continuing emphasis on controlling our costs.

In 2013, our operating income increased \$1.13 billion over the operating loss reported for 2012, reflecting the impact of the 2012 impairment charges and the contribution of \$64.8 million in incremental operating income from Peninsula. In 2012, there were \$1.05 billion of non-recurring, non-cash impairment charges recorded, which included \$993.9 million related to the Echelon project and \$17.5 million related to the write-down of the Sam's Town Shreveport gaming license.

## Net Loss Attributable to Boyd Gaming Corporation

The variations in the net loss attributable to Boyd Gaming Corporation over the reporting periods are also primarily due to the fluctuations in the impairment charges each period. Also contributing to the variations are the impact on the net loss of our income tax provision, and increases in interest expense due to the incremental debt incurred to fund the 2012 acquisition of Peninsula. These items are discussed further below.

## Operating Revenues

We derive the majority of our gross revenues from our gaming operations, which generated approximately 74% of gross revenues for 2014 and 2013, and 72% of gross revenues in 2012. Food and beverage gross revenues represent our next most significant revenue source, generating approximately 13% of gross revenues for 2014 and 2013, and 14% of gross revenues in 2012. Room revenues and other revenues separately contributed less than 10% of gross revenues during each year. The shift in the mix of our revenues is primarily due to the fourth quarter 2012 acquisition of Peninsula, whose properties generally offer fewer amenities than our other properties and, in particular, do not have hotels.



(In millions)	Year Ended December 31,			
	2014	2013	2012	
<b>REVENUES</b>				
Gaming	\$2,307.6	\$2,479.0	\$2,106.2	
Food and beverage	408.2	446.4	417.2	
Room	248.2	265.4	264.9	
Other	154.2	165.2	145.2	
Gross revenues	3,118.2	3,356.0	2,933.5	
Less promotional allowances	416.9	461.6	450.6	
Net revenues	\$2,701.3	\$2,894.4	\$2,482.9	
<b>COSTS AND EXPENSES</b>				
Gaming	\$1,087.9	\$1,170.8	\$1,006.8	
Food and beverage	222.4	240.1	219.5	
Room	51.9	54.3	55.5	
Other	112.2	121.6	111.0	
	\$1,474.4	\$1,586.8	\$1,392.8	
<b>MARGINS</b>				
Gaming	52.86	% 52.77	% 52.20	%
Food and beverage	45.52	% 46.21	% 47.39	%
Room	79.09	% 79.54	% 79.05	%
Other	27.19	% 26.39	% 23.55	%

For the year ended December 31, 2014, Boyd Gaming consolidated the financial results of Borgata for the first nine months of the period, and recorded the results by applying the equity method for the last three months of the year. For the years ended December 31, 2013 and 2012, Boyd Gaming consolidated the financial results of Borgata.

#### Gaming

Gaming revenues are comprised primarily of the net win from our slot machine operations and to a lesser extent from table games win. Gross gaming revenues decreased by \$171.4 million, or 6.9%, during 2014 as compared to the prior year largely due to the deconsolidation of Borgata as of September 30, 2014, which resulted in a \$143.7 million decrease in the Company's consolidated gross gaming revenues. Additionally, the Midwest and South segment and Peninsula segment experienced decreases of \$30.9 million and \$26.8 million, respectively, primarily related to 5.09% and 5.91% decreases in slot handle, respectively. Our overall slot handle and slot hold decreased 4.5% and 3.61%, respectively, from 2013 to 2014, while gaming margin remained relatively unchanged.

Gaming revenues increased by 17.7% during 2013 as compared to 2012 primarily due to the \$431.4 million increase in gaming revenues contributed by Peninsula. Partially offsetting the increase was a \$63.2 million decrease in gaming revenues in our Midwest and South segment. Excluding Peninsula, our overall slot handle decreased 4.0%, while slot hold remained relatively unchanged in 2013 compared to 2012. Gaming margin increased by 0.6 percentage points due to our continuing focus on cost containment measures.

#### Food and Beverage

Food and beverage revenues decreased \$38.1 million, or 8.5%, during 2014 as compared to 2013 primarily due to the deconsolidation of Borgata as of September 30, 2014, which resulted in a \$32.1 million decrease in the Company's consolidated food and beverage revenues. Additionally, food and beverage revenues further decreased due to related to a 3.1% decrease in number of food covers, which was partially offset by a 3.3% increase in average guest check. The deconsolidation of Borgata as of September 30, 2014, accounted for \$16.6 million of the \$17.7 million decrease in food and beverage expense from prior period.

Food and beverage revenues increased \$29.2 million, or 7.0%, during 2013 as compared to 2012 due to the \$35.2 million increase in food and beverage revenues contributed by Peninsula, which was offset by a \$5.2 million decline in the Midwest and South segment. Excluding Peninsula, the number of food covers decreased 7.1%, while the average guest check increased 2.7%. The \$20.6 million increase in food and beverage expense is due to the inclusion of a full year of expense for Peninsula.

## Room

Room revenues decreased by \$17.1 million, or 6.5%, in 2014 compared to 2013 largely due to the deconsolidation of Borgata as of September 30, 2014, which resulted in a \$26.0 million decrease in the Company's consolidated room revenues in the fourth quarter of 2014. The decline was offset by a \$7.2 million increase due primarily to a 2.0% hotel occupancy increase in the Midwest and South segment, and a 5.7% and 3.4% increase in ADR in the Las Vegas and Downtown segments, respectively.

Room revenues increased by \$0.5 million in 2013 compared to 2012. Room revenues were unaffected by the Peninsula Acquisition, since the Peninsula properties do not offer hotels. ADR and hotel occupancy decreased 1.5% and 0.5%, respectively, largely driven by a decrease in leisure travel. Room margins improved by 0.5% due to our focus on cost containment measures.

## Other

Other revenues decreased by \$11.0 million, or 6.7%, during 2014 as compared to the prior year largely due to the deconsolidation of Borgata as of September 30, 2014, which resulted in a \$9.0 million decrease in the Company's consolidated other revenues. Other operating margin improved 0.8 percentage points due to our cost containment measures.

Other revenues increased by \$20.0 million, or 13.8%, of which Peninsula contributed \$16.2 million in incremental revenues during 2013 compared to 2012. Other expenses increased by \$10.6 million primarily due to the incremental expenses from Peninsula. Other operating margin improved 2.8 percentage points due to our cost containment measures.

## Revenues by Reportable Segment

The following table presents our net revenues by Reportable Segment:

(In millions)	Year Ended December 31,		
	2014	2013	2012
Net Revenues by Reportable Segment			
Las Vegas Locals	\$592.7	\$591.5	\$591.3
Downtown Las Vegas	224.1	222.7	224.2
Midwest and South	831.5	864.2	924.2
Peninsula	493.9	520.3	56.9
Borgata (1)	559.1	695.7	686.2
Net revenues	\$2,701.3	\$2,894.4	\$2,482.8

(1) The 2014 Borgata Net Revenues only include amounts through September 30, 2014, due to the deconsolidation that occurred on that date.

## Las Vegas Locals

Net revenues for our Las Vegas Locals segment in 2014 increased \$1.2 million compared to the prior year. Increases of 9.6% in room revenues and 2.4% in food and beverage revenues were offset by a 1.2% decrease in gaming revenues and a 2.9% increase in promotional allowances. The increase in room revenues reflects a 5.7% increase in ADR. The average guest check increased 7.4%, while the number of covers decreased 3.7%. The decrease in gaming revenues resulted primarily from a 2.8% decline in slot drop.

Net revenues for our Las Vegas Locals segment in 2013 were essentially flat as compared to the prior year. Declines of 1.0% in gaming revenues and food and beverage revenues were offset by a 3.8% increase in room revenues and a 3.8% reduction in promotional allowances. The decline in gross gaming revenues reflects a 4.1% decline in slot drop, partially offset by a 1.3% increase in table drop.

Downtown Las Vegas

Net revenues increased by 0.7% in 2014 as compared to the prior year due to 2.5% increases in both room and other revenues. Room revenues increased due to a 3.4% increase in ADR. Other revenue increases were related to amenity offerings at the casinos and revenues generated by the travel agency we operate.

Net revenues decreased by 0.7% in 2013 as compared to the prior year due to a 1.0% decline in gaming revenues, which was primarily due to a decline in slot drop.

### Midwest and South

Net revenues decreased \$32.8 million during 2014 as compared to 2013. This decrease was primarily due to a \$30.9 million, or 4%, decrease in gaming revenues. Slot handle and slot win decreased 5.1% and 3.7%, respectively, as compared to prior year, and table game drop decreased 4.9% over the same period. Food revenues decreased \$3.9 million, or 3.3%, due to a 2.5% decrease in food covers with no significant change in the average guest check. Room revenues remained largely consistent with the prior year.

Net revenues decreased by \$60.0 million during 2013 as compared to 2012. This decrease was primarily due to a \$59.2 million, or 7.0%, decrease in gaming revenues. Table game drop and slot handle decreased 5.0% and 7.2%, respectively, as compared to prior year. Food and beverage revenues and room revenues also declined by 4.0% and 3.8%, respectively. Food covers decreased 7.1%, while the average guest check increased 2.7%. Occupancy decline 2.9 percentage points and ADR decreased 0.5% in the segment.

### Peninsula

The decrease in net revenues for the Peninsula segment of \$26.5 million, or 5.1%, reflects a \$26.8 million, or 5.5%, decrease in gaming revenues. Slot handle and slot win decreased 5.9% and 6.1%, respectively, as compared to prior year. Over the same period, table game drop and table game win decreased 6.1% and 2.8%, respectively. Food and beverage revenues decreased \$1.4 million, or 3.7% from 2013 resulting largely from a decrease in food covers not fully offset by an increase in average guest check.

The increase in net revenues for the Peninsula segment reflects the full year contribution in 2013, as compared to only a partial year in 2012 for the period following the November 20, 2012 Peninsula Acquisition.

### Borgata

For the year ended December 31, 2014, Boyd Gaming consolidated the financial results of Borgata for the first nine months of the period, and recorded the results by applying the equity method for the last three months of the year. For the year ended December 31, 2013, Boyd Gaming consolidated the financial results of Borgata.

The decrease in Borgata segment net revenues from 2013 to 2014 is almost entirely a result of the deconsolidation of Borgata as of September 30, 2014, and the exclusion of its net revenues for the period following its deconsolidation in the segment reporting table. Through the date of deconsolidation, Borgata's net revenues for the nine months ended September 30, 2014, as compared to the nine months ended September 30, 2013 increased by \$20.5 million, or 3.8%. Borgata's real-money online gaming website, launched in the fourth quarter of 2013, contributed \$20.6 million to our net revenues in 2014, while the land-based operation experienced a revenue decline of \$0.1 million.

Net revenues for 2013, as compared to 2012, increased by \$9.5 million, or 1.4%. The increase is primarily the result of a \$6.6 million, or 1.1%, increase in gaming revenues and a \$2.9 million, or 7.2%, increase in other revenues. Borgata launched its real-money online gaming website during fourth quarter 2013, which contributed \$2.2 million of the gaming revenue increase. Borgata continues to be impacted by increased local and regional competition, particularly in the Atlantic City and Eastern Pennsylvania gaming markets. The increase in gaming revenues was attributed to a 1.6% increase of in slot drop and a 2.12 percentage point increase in table game win percentage.

### Other Operating Costs and Expenses

The following operating costs and expenses, as presented in our consolidated statements of operations, are further discussed below:

(In millions)	Year Ended December 31,		
	2014	2013	2012
Selling, general and administrative	\$429.5	\$490.2	\$449.3
Maintenance and utilities	156.7	166.4	154.3
Depreciation and amortization	251.0	278.4	214.2



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Corporate expense	75.6	63.2	50.7
Preopening expense	4.7	9.0	11.5
Impairment of assets	60.8	10.4	1,053.5
Asset transactions costs	9.6	5.6	18.4
Other operating items, net	(2.1	) 6.0	(11.8 )

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#### Selling, General and Administrative

Selling, general and administrative expenses include marketing, technology, compliance and risk, surveillance and security. These costs, as a percentage of gross revenues, were 13.8%, 14.6% and 15.3% for 2014, 2013 and 2012, respectively. The decreasing percentages from 2012 through 2014 are due primarily lower proportionate costs contributed by Peninsula and our ongoing cost containment efforts.

#### Maintenance and Utilities

Maintenance and utilities expenses, as a percentage of gross revenues, were 5.0%, 5.0% and 5.3% for 2014, 2013 and 2012, respectively. The decreases between the periods are primarily due to the fact that no major maintenance projects were undertaken in the periods, coupled with cost reductions associated with the Company's energy savings initiatives.

#### Depreciation and Amortization

Depreciation and amortization expense, as a percentage of gross revenues, was 8.1%, 8.3% and 7.3% for 2014, 2013 and 2012, respectively. The variations in this expense as a percentage of gross revenues are primarily due to the 2012 acquisition of Peninsula and the additional amortization expense for identified intangible assets. If the amortization of the Peninsula intangible assets is excluded from the calculation, the percentages for 2014, 2013 and 2012 would be 7.0%, 6.9% and 7.0%, respectively.

#### Corporate Expense

Corporate expense represents unallocated payroll, professional fees, rent and various other administrative expenses that are not directly related to our casino and/or hotel operations, in addition to the corporate portion of share-based compensation expense. The levels of corporate expense, as a percentage of gross revenues, for 2014, 2013 and 2012 were 2.4%, 1.9% and 1.7%, respectively. The increase from 2013 to 2014 was primarily a result of increased legal expenses, insurance costs and share-based compensation expense. The increase in 2013 over the prior year is primarily due to increased share-based compensation expense.

#### Preopening Expenses

We expense non-recurring costs of start-up activities as incurred. Such costs include preopening activities prior to our decision to discontinue the Echelon project, our ongoing efforts to develop gaming activities in new jurisdictions and expenses related to other new business development activities, including internet gaming.

#### Impairment of Assets

Impairments of assets in 2014 include a \$12.1 million charge due to the deconsolidation of Borgata, non-cash impairment charges of \$38.3 million for gaming licenses in our Midwest and South segment, \$1.4 million for gaming licenses in our Peninsula segment, \$0.3 million in Peninsula trademarks and an \$8.7 million charge to write down the value of certain non-operating assets.

Impairment of assets in 2013 include a \$5.0 million charge to impair Borgata's New Jersey Casino Reinvestment Development Authority ("CRDA")-related deposits, a \$3.2 million charge to recognize the impairment of certain trademarks, and a \$0.9 million charge for the impairment of the gaming license at Sam's Town Shreveport.

During 2012, we recorded non-cash impairment charges of \$1.05 billion, primarily consisting of \$993.9 million related to the Echelon development and \$39.4 million related to various parcels of undeveloped land. Additional impairment charges included a non-cash impairment charge of \$17.5 million to write-down Sam's Town Shreveport's gaming license and a \$2.8 million impairment charge at Borgata related to a parking structure project that will not be further developed.

#### Asset Transactions Costs

Asset transactions costs are comprised of certain costs incurred and recoveries realized related to the activities associated with various acquisition opportunities, dispositions, including, but not limited to, the sale of Echelon, and

other business development activities.

#### Other Operating Items, Net

Other operating items, net, is generally comprised of miscellaneous non-recurring operating charges, including direct and non-reimbursable costs associated with natural disasters and severe weather, including hurricane and flood expenses and subsequent recoveries of such costs, as applicable. During 2014, such costs are comprised primarily of insurance recoveries of \$2.2 million.

During 2013, other operating costs totaled \$6.0 million, including a \$2.1 million charge at Borgata to adjust self-insurance reserves related to prior periods. During 2012, we recognized \$7.1 million of gains on business interruption insurance proceeds, net of flood expenses, due to flooding of the Mississippi River and the temporary closure of our Tunica property in May 2011. We also recognized gains totaling \$7.7 million, consisting of \$3.9 million related to the subrogation of insurance claims related to the fire that occurred during construction of The Water Club at Borgata in September 2007 and \$3.8 million from business interruption proceeds due to the mandated closure of Borgata by civil authorities and the Division of Gaming Enforcement for three days in

August 2011 related to Hurricane Irene. These gains were offset by \$2.7 million in charges related to hurricane and flooding events.

## Other Expense (Income)

## Interest Expense, net

(In millions)	Year Ended December 31,			
	2014	2013	2012	
Interest Expense, net				
Boyd Gaming	\$153.5	\$177.8	\$183.8	
Peninsula	74.7	80.7	9.8	
Borgata (1)	53.3	81.3	82.9	
Variable interest entity	—	2.4	12.3	
	\$281.5	\$342.2	\$288.8	
Average Long-Term Debt Balance				
Boyd Gaming	\$2,426.0	\$2,529.9	\$2,707.2	
Peninsula	1,119.9	1,179.5	848.5	
Borgata (1)	794.2	795.9	815.3	
Weighted Average Interest Rates				
Boyd Gaming	5.3	% 5.7	% 6.8	%
Peninsula	5.5	% 5.8	% 6.5	%
Borgata (1)	8.3	% 8.1	% 10.2	%
Mix of Debt at Year End				
Boyd Gaming				
Fixed rate debt	35.6	% 34.5	% 49.2	%
Variable rate debt	64.4	% 65.5	% 50.8	%
Peninsula				
Fixed rate debt	32.0	% 30.4	% 29.1	%
Variable rate debt	68.0	% 69.6	% 70.9	%
Borgata (2)				
Fixed rate debt		48.4	% 97.5	%
Variable rate debt		51.6	% 2.5	%

(1) Amounts reflected for Borgata in 2014 are for the period prior to its deconsolidation.

(2) As a result of the deconsolidation of Borgata we do not include balance sheet information, including mix of debt, at December 31, 2014.

On a consolidated basis, interest expense, net of capitalized interest and interest income, for 2014 decreased \$60.7 million, or 17.7%, over the prior year due primarily to the deconsolidation of Borgata as of September 30, 2014. For Boyd Gaming, interest expense decreased \$24.3 million, or 13.7%, reflecting the decrease in debt and the lower average interest rate in 2014. Interest expense, net, for Peninsula for 2014 reflects \$6.0 million, or 7.4% decrease compared to 2013 primarily due to a 30 basis point reduction in our weighted average borrowing rate and a \$59.6 million reduction in average long-term borrowings outstanding during the year ended December 31, 2014 as compared to the year ended December 31, 2013. The decline in interest expense, net, at Borgata for 2014 versus 2013 is due to the impact its deconsolidation in the fourth quarter of the current year as well as the impact of debt refinancing activities that reduced Borgata's weighted average interest rate in the first nine months of the year.

On a consolidated basis, interest expense, net of capitalized interest and interest income, for 2013 increased \$53.4 million, or 18.5%, over the prior year due primarily to the incremental debt incurred to acquire Peninsula. For Boyd

Gaming, interest expense decreased \$6.0 million, or 3.3%, reflecting the impact of refinancing activities undertaken during 2013. Boyd used the net cash proceeds from the sales of Echelon and Dania Jai-Alai and from our August 2013 equity offering to retire outstanding debt, as reflected in the 6.5% decline in its average long-term debt balance in 2013 versus 2012. The refinancing of debt also reduced the weighted average interest rate. Interest expense, net, for Peninsula for 2013 reflects a full year of interest, as compared to a partial year in 2012. The decline in interest expense, net, at Borgata for 2013 versus 2012 is due to the impact of debt refinancing activities that reduced Borgata's weighted average interest rate.

We discontinued the recognition of the interest expense related to the non-recourse debt of a variable interest entity upon the March 2013 sale of Echelon and the resulting deconsolidation of that entity.

#### Loss on Early Extinguishments of Debt

During the year ended December 31, 2014, as a result of \$42.5 million in prepayments under a term loan agreement, the Company incurred a \$1.5 million non-cash loss for the write-off of deferred financing costs representing the ratable reduction in borrowing capacity.

During the year ended December 31, 2013, we recognized a total of \$54.2 million in losses on early extinguishments of debt arising from our refinancing and debt modification activities. Boyd incurred \$25.0 million in such charges due to the refinancing of its bank credit facility, and the early retirements of its 6.75% Senior Subordinated Notes due 2014 and 7.125% Senior Subordinated Notes due 2016. Peninsula reported a charge of \$3.3 million due to the modification of its bank credit facility and the early retirement of a portion of its bank credit facility. Borgata recognized charges of \$25.9 million due to the early retirement of its 9.50% Senior Secured Notes due 2015 and the refinancing of its bank credit facility.

The income statement impacts of debt refinancing activities in 2012 were not material.

#### Income Taxes

The effective tax rate on income or loss from continuing operations during 2014, 2013 and 2012 was (1.9%), (2.9%) and 19.4%, respectively. Our tax rate is impacted by adjustments that are largely independent of our operating results before taxes. The tax provision or benefit for the years ended December 31, 2014, 2013 and 2012 was adversely impacted by the valuation allowance applied to our federal and state income tax net operating losses and certain other deferred tax assets. Additionally, the tax provision or benefit was adversely impacted by an accrual of non-cash tax expense in connection with the tax amortization of indefinite lived intangible assets. The deferred tax liabilities created by the tax amortization of these intangibles cannot be used to offset corresponding increases in the net operating loss deferred tax assets in determining our valuation allowance. In 2014, the tax provision was favorably impacted by impairment charges to indefinite lived intangible assets which resulted in a reduction in our recognized deferred tax liability on these assets, tax adjustments related to the deconsolidation of Borgata and, as a result of statute expirations, the realization of certain unrecognized tax benefits, inclusive of the reversal of related accrued interest. In 2013, the tax provision was favorably impacted by the partial resolution of certain proposed adjustments raised in connection with our 2005-2009 Internal Revenue Service ("IRS") examination, principally resulting in the reversal of interest accrued on unrecognized tax benefits. In 2012, the tax benefit was favorably impacted by the reversal of interest accrued on unrecognized tax benefits, resulting from the effective settlement reached in connection with our 2001-2004 IRS examination.

## LIQUIDITY AND CAPITAL RESOURCES

### Financial Position

Due to our organization and debt structures, we separately manage the working capital positions of Boyd Gaming, Peninsula and Borgata, including the levels of cash and indebtedness. For purposes of this discussion, we will refer to each of the three subdivisions of our Company as a "Business" and collectively as the "Businesses". Each of the Businesses operates with minimal or negative levels of working capital in order to minimize borrowings and related interest costs.

As a result of the deconsolidation of Borgata, our consolidated balance sheet does not include the accounts of Borgata, including its cash account, at December 31, 2014.

The cash balances and working capital deficits of the Businesses at December 31, 2014 and 2013 were as follows:

	December 31,	
(In millions)	2014	2013

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Cash and cash equivalents balance:

Boyd Gaming	\$115.4	\$109.1
Peninsula	29.9	31.2
Borgata		37.5

Working capital surplus (deficit):

Boyd Gaming	\$(88.1	) \$(80.9	)
Peninsula	(22.9	) (17.1	)
Borgata		(21.6	)

The Businesses' respective bank credit facilities generally provide any necessary funds for day-to-day operations, interest and tax payments, as well as capital expenditures. On a daily basis, we evaluate each Business's cash position and adjust the balance under its respective bank credit facility, as necessary, by either borrowing or paying down with excess cash. We also plan the timing and the amounts of each Business's capital expenditures. We believe that the borrowing capacity under each Business's bank credit facility, subject to restrictive covenants, and cash flows from operating activities will be sufficient to meet the Business's projected operating and maintenance capital expenditures for at least the next twelve months. The source of funds available to each Business for the repayment of its debt or to fund development projects is derived primarily from its respective cash flows from operations and availability under its bank credit facility, to the extent availability exists after it meets its respective working capital needs, and subject to restrictive covenants.

Each of the Businesses could also seek to secure additional working capital, repay respective current debt maturities, or fund respective development projects, in whole or in part, through incremental bank financing and additional debt or equity offerings. If availability does not exist under the Business's bank credit facility, or it is not otherwise able to draw funds on its bank credit facility, additional financing may not be available to the Business, and if available, may not be on terms favorable to the Business.

#### Cash Flows Summary

(In millions)	Year Ended December 31,		
	2014	2013	2012
Net cash provided by operating activities	\$322.9	\$277.0	\$147.2
Cash Flows from Investing Activities			
Capital expenditures	(149.4 )	(144.5 )	(125.6 )
Deconsolidation of Borgata	(26.9 )	—	—
Proceeds from sale of Echelon, net	—	343.8	—
Cash paid for exercise of LVE option	—	(187.0 )	—
Cash paid for acquisitions, net	—	—	(1,324.2 )
Other investing activities	(3.7 )	7.3	15.0
Net cash provided by (used in) investing activities	(180.0 )	19.6	(1,434.8 )
Cash Flows from Financing Activities			
Net proceeds (payments) of debt	(177.2 )	(594.3 )	1,305.0
Stock options exercised	4.2	13.8	—
Restricted stock units released, net	(2.4 )	—	—
Proceeds from sale of common stock, net	—	216.5	—
Other financing activities	—	(2.2 )	1.8
Net cash provided by (used in) financing activities	(175.4 )	(366.2 )	1,306.8
Net cash provided by (used in) discontinued operations	—	54.6	(5.1 )
Net increase (decrease) in cash and cash equivalents	\$(32.5 )	\$(15.0 )	\$14.1

#### Cash Flows from Operating Activities

During 2014, 2013 and 2012, we generated net operating cash flow of \$322.9 million, \$277.0 million and \$147.2 million, respectively. Operating cash flows increased \$45.8 million in 2014 compared to 2013 and was favorably impacted in by a decrease in cash interest paid of \$55.7 million due to a reduction in the weighted average interest rate and long-term debt outstanding (as discussed above). The decrease of operating cash flows 2012, as compared to the other periods, was related to increased interest expense including interest incurred on debt issued in advance of the closing of the Peninsula Acquisition, increased selling, general and administrative expenses, and nonrecurring acquisition costs primarily related to the Peninsula Acquisition.

#### Cash Flows from Investing Activities



Our industry is capital intensive and we use cash flows for acquisitions, facility expansions, investments in future development or business opportunities and maintenance capital expenditures.

During 2014, we incurred net cash outflows for investing activities of \$180.0 million due to our capital expenditures during the period of \$149.4 million, and the \$26.9 million reduction in cash due to the deconsolidation of Borgata on September 30, 2014.

In 2013, as a result of the disposition of Echelon, we generated net cash inflows from investing activities of \$19.6 million. After consideration of the payment to exercise of the LVE option, the sale of Echelon generated approximately \$157.0 million in cash. Our capital expenditures for 2013 totaled \$144.5 million.

#### Cash Flows from Financing Activities

We rely upon our financing cash flows to provide funding for investment opportunities, repayments of obligations and ongoing operations.

In 2014 and 2013, our net cash outflows for financing activities totaled \$175.4 million and \$366.2 million, respectively, as we used cash generated from operations to extinguish outstanding debt in both years. In 2013, we also used cash generated from an equity offering and asset dispositions to extinguish outstanding debt. In 2012, financing activities provided us with net cash inflows of \$1.3 billion, as we borrowed additional funds to support the acquisitions completed in that period.

#### Cash Flows from Discontinued Operations

As a result of the sale of the Dania Jai-Alai business in May 2013, we have presented the results of the Dania Jai-Alai business as discontinued operations through the date of sale. The net cash inflow of \$54.6 million in 2013 reflects the net cash received upon the sale of Dania, net of cash used in operations prior to the sale of \$2.1 million. The results for 2012 reflect primarily the net cash used to fund Dania Jai-Alai's operations in that period.

#### Indebtedness

The balances of long-term debt for each of the Businesses, and the changes in those balances are as follows:

(In millions)	December 31, 2014	December 31, 2013	Increase/ Decrease	
<b>Boyd Debt:</b>				
<b>Boyd Gaming Corporation Debt:</b>				
Bank credit facility	\$1,387.4	\$1,467.7	\$(80.3	)
9.125% senior notes due 2018	500.0	500.0	—	
9.00% senior notes due 2020	350.0	350.0	—	
HoldCo Note	151.8	143.1	8.7	
	2,389.2	2,460.8	(71.6	)
<b>Peninsula Segment Debt:</b>				
Bank credit facility	742.4	802.1	(59.7	)
8.375% senior notes due 2018	350.0	350.0	—	
	1,092.4	1,152.1	(59.7	)
<b>Total Boyd Debt</b>	<b>3,481.6</b>	<b>3,612.9</b>	<b>(131.3</b>	<b>)</b>
<b>Borgata Debt:</b>				
Bank credit facility		39.9	(39.9	)
Incremental term loan		380.0	(380.0	)
9.875% senior secured notes due 2018		393.5	(393.5	)
<b>Total Borgata Debt</b>		<b>813.4</b>	<b>(813.4</b>	<b>)</b>
Less current maturities	29.8	33.5	(3.7	)
<b>Long-term debt, net</b>	<b>\$3,451.8</b>	<b>\$4,392.8</b>	<b>\$(941.0</b>	<b>)</b>

The amount of current maturities includes certain non-extending balances scheduled to be repaid within the next twelve months under the bank credit facilities.



## Boyd Gaming Corporation Debt

### Bank Credit Facility

On August 14, 2013, we entered into a Third Amended and Restated Credit Agreement (the "Boyd Gaming Credit Facility"), among the Company, certain financial institutions, Bank of America, N.A., as administrative agent and letter of credit issuer, and Wells Fargo Bank, National Association, as swing line lender. The Boyd Gaming Credit Facility replaced the Second Amended and Restated Credit Agreement (the "Prior Credit Facility") dated as of December 17, 2010.

The Boyd Gaming Credit Facility provides for: (i) a \$600.0 million senior secured revolving credit facility including a \$100.0 million swing loan sublimit (the "Revolving Credit Facility"); (ii) a \$250.0 million senior secured term A loan (the "Term A Loan"); and (iii) a \$900.0 million senior secured term B loan (the "Term B Loan"). The Revolving Credit Facility and Term A Loan mature in August 2018 (or earlier upon the occurrence or non-occurrence of certain events) and the Term B Loan matures in August 2020 (or earlier upon occurrence or non-occurrence of certain events). The Term A Loan and Term B Loan were fully funded on the closing date. Proceeds from the Boyd Gaming Credit Facility were used to refinance all outstanding obligations under the Prior Credit Facility and to fund transactions costs in connection with the Boyd Gaming Credit Facility and may be used for working capital and other general corporate purposes. During 2013, we recognized approximately \$20.8 million on the loss on the early extinguishment of the Prior Credit Facility.

The Boyd Gaming Credit Facility includes an accordion feature which permits an increase in the Revolving Credit Facility and the issuance and increase of senior secured term loans in an amount up to the greater of: (i) \$400.0 million to be comprised of increases to the Revolving Credit Facility and new or increased term loans plus \$150.0 million of increases to the Revolving Credit Facility and (ii) the maximum amount of incremental commitments which, after giving effect thereto, would not cause the Secured Leverage Ratio (as defined in the Boyd Gaming Credit Agreement) to exceed 4.25 to 1.00 on a pro forma basis, in each case, subject to the satisfaction of certain conditions.

Pursuant to the terms of the Boyd Gaming Credit Facility: (i) the loans under the Term A Loan will amortize in an annual amount equal to 5.00% of the original principal amount thereof, commencing December 31, 2013, payable on a quarterly basis; (ii) the loans under the Term B Loan will amortize in an annual amount equal to 1.00% of the original principal amount thereof, commencing December 31, 2013, payable on a quarterly basis; and (iii) beginning with the fiscal year ending December 31, 2014, the Company is required to use a portion of its annual excess cash flow to prepay loans outstanding under the Boyd Gaming Credit Facility.

The interest rate on the outstanding balance from time to time of the Revolving Credit Facility, Swing Loans and the Term A Loan is based upon, at the Company's option, either: (i) the Eurodollar rate; or (ii) the base rate, in each case, plus an applicable margin. Such applicable margin is a percentage per annum determined in accordance with a specified pricing grid based on the total leverage ratio and ranges from 2.00% to 3.00% (if using LIBOR) and from 1.00% to 2.00% (if using the base rate). A fee of a percentage per annum (which ranges from 0.25% to 0.50% determined in accordance with a specified pricing grid based on the total leverage ratio) will be payable on the unused portions of the Revolving Credit Facility.

The interest rate on the outstanding balance from time to time of the Term B Loan is based upon, at the Company's option, either: (i) the Eurodollar rate (subject to a 1.00% minimum) plus 3.00%; or (ii) the base rate plus 2.00%.

The "base rate" under the Boyd Gaming Credit Facility is the highest of (x) Bank of America's publicly-announced prime rate, (y) the federal funds rate plus 0.50%, or (z) the Eurodollar rate for a one month period plus 1.00%.

The blended interest rate for outstanding borrowings under for the Boyd Gaming Credit Facility was 3.7% at both December 31, 2014 and December 31, 2013.

Amounts outstanding under the Boyd Gaming Credit Facility may be prepaid without premium or penalty, and the unutilized portion of the commitments may be terminated without penalty, subject to certain exceptions. The Boyd Gaming Credit Facility requires that the Company prepay the loans with proceeds of certain asset sales and issuances of certain additional secured indebtedness. In addition, it requires fixed quarterly amortization of principal equal to 1.25% for Term Loan A and 0.25% for Term Loan B of the original aggregate principal amount of the respective Term Loan, and requires that the Company use a portion of its annual excess cash flow to prepay the loans.

The Boyd Gaming Credit Facility contains certain financial and other covenants, including, without limitation, various covenants: (i) requiring the maintenance of a minimum consolidated interest coverage ratio of 1.75 to 1.00; (ii) establishing a maximum permitted consolidated total leverage ratio (as discussed below); (iii) establishing a maximum permitted secured leverage ratio (as discussed below); (iv) imposing limitations on the incurrence of indebtedness; (v) imposing limitations on transfers, sales and other dispositions; and (vi) imposing restrictions on investments, dividends and certain other payments.

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

#### Amounts Outstanding

The outstanding principal amounts under the Boyd Gaming Credit Facility are comprised of the following:

(In millions)	December 31,	
	2014	2013
Revolving Credit Facility	\$300.0	\$295.0
Term A Loan	221.4	246.9
Term B Loan	840.8	897.8
Swing Loan	25.2	28.0
Total outstanding principal amounts under the Boyd Gaming Credit Facility	\$1,387.4	\$1,467.7

After consideration of \$6.9 million allocated to support various letters of credit, approximately \$267.8 million of availability remained under the Boyd Gaming Credit Facility at December 31, 2014.

#### Senior Notes

##### 9.125% Senior Notes due December 2018

The 9.125% Notes are fully and unconditionally guaranteed, on a joint and several basis, by certain of our current and future domestic restricted subsidiaries, all of which are 100% owned by us. The 9.125% Notes contain certain restrictive covenants that, subject to exceptions and qualifications, among other things, limit our ability and the ability of our restricted subsidiaries (as defined in the indenture governing the notes) to incur additional indebtedness or liens, pay dividends or make distributions or repurchase our capital stock, make certain investments, and sell or merge with other companies.

##### 9.00% Senior Notes due July 2020

The 9.00% Notes are fully and unconditionally guaranteed, on a joint and several basis, by certain of our current and future domestic restricted subsidiaries, all of which are 100% owned by us. The 9.00% Notes contain certain restrictive covenants that, subject to exceptions and qualifications, among other things, limit our ability and the ability of our restrictive subsidiaries (as defined in the indenture governing the notes) to incur additional indebtedness or liens, pay dividends or make distributions or repurchase our capital stock, make certain investments, and sell or merge with other companies.

#### HoldCo Note

As part of the consideration tendered in the acquisition of Peninsula, Boyd Acquisition II, LLC ("HoldCo"), an indirect wholly-owned subsidiary of Boyd, issued a promissory note to PGP (the "HoldCo Note"). The principal balance assigned to the HoldCo Note was \$143.0 million, with a related discount of \$31.1 million. The HoldCo Note provides for interest at a per annum rate equal to: (i) from the issue date to, but excluding the first anniversary of the issue date, zero percent; (ii) from the first anniversary of the issue date to but excluding the second anniversary of the issue date, six percent; (iii) from the second anniversary of the issue date to but excluding the third anniversary of the issue date, eight percent; and (iv) from and after the third anniversary of the issue date, ten percent. At the option of HoldCo, interest may be paid in cash or paid-in-kind. Accrued but unpaid interest is added to the principal balance of the HoldCo Note semi-annually. In accordance with its terms, \$8.7 million of accrued and unpaid interest was added to the principal balance of the HoldCo Note during 2014. HoldCo may prepay the obligations under the HoldCo Note at any time, in whole or in part, without premium or penalty.

Peninsula Segment Debt  
Bank Credit Facility

The Peninsula bank credit facility provides for a \$875.0 million senior secured credit facility (the "Peninsula Credit Facility"), which consists of (a) a term loan facility of \$825.0 million (the "Term Loan") and (b) a revolving credit facility of \$50.0 million (the "Revolver"). The Revolver consists of up to \$15.0 million in swing line loans ("Swing Loan") and a revolving credit facility ("Revolving Loan") of \$50.0 million less Swing Loans outstanding and any amounts allocated to letters of credit. The maturity date for obligations under the Peninsula Credit Facility is November 17, 2017.

The interest rate on the outstanding balance from time to time of the Term Loan is based upon, at Peninsula's option, either: (i) the Eurodollar rate plus 3.25%; or (ii) the base rate plus 2.25%. The interest rate on the outstanding balance from time to time of

the Revolver is based upon, at Peninsula's option, either: (i) the Eurodollar rate plus 4.00%; or (ii) the base rate plus 3.00%. The base rate under the Peninsula Credit Facility will be the highest of (x) Bank of America's publicly-announced prime rate, (y) the federal funds rate plus 0.50%, or (z) the Eurodollar Rate plus 1.00%. The Peninsula Credit Facility also establishes, with respect to outstanding balances under the Term Loan, a minimum Eurodollar rate for any interest period of 1.00%. In addition, Peninsula will incur a commitment fee on the unused portion of the Peninsula Credit Facility at a per annum rate of 0.50%.

The blended interest rate for outstanding borrowings under the Peninsula Credit Facility was 4.3% and 4.2% at December 31, 2014 and December 31, 2013, respectively.

At December 31, 2014, approximately \$742.4 million was outstanding under the Peninsula Credit Facility and \$5.2 million was allocated to support various letters of credit, leaving remaining contractual availability of \$36.4 million.

Peninsula's obligations under the Peninsula Credit Facility, subject to certain exceptions, are guaranteed by Peninsula's subsidiaries and are secured by the capital stock and equity interests of Peninsula's subsidiaries. In addition, subject to certain exceptions, Peninsula and each of the guarantors granted the collateral agent first priority liens and security interests on substantially all of the real and personal property (other than gaming licenses and subject to certain other exceptions) of Peninsula and its subsidiaries as additional security for the performance of the obligations under the Peninsula Credit Facility. The obligations under the Revolver rank senior in right of payment to the obligations under the Term Loan.

The Revolver contains certain financial and other covenants, including, without limitation, various covenants requiring the maintenance of: (i) a maximum consolidated leverage ratio over each 12-month period ending on the last fiscal day of each quarter; (ii) a minimum consolidated interest coverage ratio of 2.0 to 1.0 as of the end of each calendar quarter; and (iii) a maximum amount of capital expenditures for each fiscal year. Under the provisions of its debt agreements, substantially all of Peninsula Gaming's net assets were restricted from distribution subject to specific amounts allowed for certain investments and other restricted payments as well as payments under a management services agreement between Peninsula Gaming and Boyd Acquisition, LLC ("Boyd Acquisition").

The Peninsula Credit Facility contains certain financial and other covenants, including, without limitation, various covenants requiring the maintenance of: (i) beginning with the fiscal quarter ended March 31 2013, a maximum consolidated leverage ratio over each 12-month period ending on the last fiscal day of each quarter; (ii) beginning with the fiscal quarter ended March 31, 2013, a minimum consolidated interest coverage ratio of 2.0 to 1.0 as of the end of each calendar quarter; and (iii) a maximum amount of capital expenditures for each fiscal year. Substantially all of Peninsula's net assets were restricted from distribution under the Peninsula Notes and Credit Facility subject to specific amounts allowed for certain investments and other restricted payments as well as payments under a management services agreement between Peninsula and Boyd Acquisition.

Peninsula's obligations under the Peninsula Credit Facility, subject to certain exceptions, are guaranteed by Peninsula's subsidiaries and are secured by the capital stock and equity interests of Peninsula's subsidiaries. In addition, subject to certain exceptions, Peninsula and each of the guarantors granted the collateral agent first priority liens and security interests on substantially all of the real and personal property (other than gaming licenses and subject to certain other exceptions) of Peninsula and its subsidiaries as additional security for the performance of the obligations under the Peninsula Credit Facility. The obligations under the Revolver rank senior in right of payment to the obligations under the Term Loan.

#### Senior Notes

8.375% Senior Notes due February 2018



The 8.375% Notes are fully and unconditionally guaranteed, on a joint and several basis, by Peninsula's subsidiaries (other than Peninsula Gaming Corp.). The notes contain certain restrictive covenants that, subject to exceptions and qualifications, among other things, limit our ability and the ability of our restrictive subsidiaries (as defined in the indenture governing the notes) to incur additional indebtedness or liens, pay dividends or make distributions or repurchase our capital stock, make certain investments, and sell or merge with other companies.

#### Borgata Debt

As a result of the deconsolidation of Borgata on September 30, 2014, our December 31, 2014 consolidated balance sheet does not include the accounts of Borgata, including its debt balances, as of that date.

#### Covenant Compliance

As of December 31, 2014, we believe that Boyd Gaming and Peninsula were in compliance with the financial and other covenants of their respective debt instruments.

### Scheduled Maturities of Long-Term Debt

The scheduled maturities of long-term debt, as discussed above, are as follows:

(In millions)	Boyd Gaming	Peninsula Segment	Total
For the year ending December 31,			
2015	\$21.5	\$8.3	\$29.8
2016	21.5	8.2	29.7
2017	21.5	725.9	747.4
2018	1,169.9	350.0	1,519.9
2019	9.0	—	9.0
Thereafter	1,145.8	—	1,145.8
Total outstanding principal of long-term debt	\$2,389.2	\$1,092.4	\$3,481.6

### Dividends

Dividends are declared at the discretion of our Board of Directors. We are subject to certain limitations regarding payment of dividends, such as restricted payment limitations related to our outstanding notes and our Credit Facility. In July 2008, our Board of Directors suspended the quarterly dividend for the current and future periods; therefore, we did not declare a dividend during 2014, 2013 and 2012.

### Share Repurchase Program

Subject to applicable corporate securities laws, repurchases under our stock repurchase program may be made at such times and in such amounts as we deem appropriate. We are subject to certain limitations regarding the repurchase of common stock, such as restricted payment limitations related to our outstanding notes and the Boyd Gaming Credit Facility. Purchases under our stock repurchase program can be discontinued at any time that we feel additional purchases are not warranted. We intend to fund the repurchases under the stock repurchase program with existing cash resources and availability under the Boyd Gaming Credit Facility.

In July 2008, our Board of Directors authorized an amendment to our existing share repurchase program to increase the total amount of common stock available to be repurchased to \$100 million. We are not obligated to purchase any shares under our stock repurchase program, and we did not repurchase any shares of our common stock during 2014, 2013 and 2012. We are currently authorized to repurchase up to an additional \$92.1 million in shares of our common stock under the share repurchase program.

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

### Other Items Affecting Liquidity

We anticipate the ability to fund our capital requirements using cash flows from operations and availability under our Boyd, Peninsula and Borgata credit facilities, to the extent availability exists after we meet our working capital needs for the next twelve months. Any additional financing that is needed may not be available to us or, if available, may not be on terms favorable to us. The outcome of the following specific matters, including our commitments and contingencies, may also affect our liquidity.

### Disposition of Echelon project and Dania

On February 22, 2013, we and Dania Entertainment Center, LLC (the "Buyer") entered into an Asset Purchase Agreement (the "Agreement") for the sale of certain assets and liabilities of the Dania Jai-Alai Business, our pari-mutuel facility, located in Dania Beach, Broward County, Florida at which jai-alai and related gaming operations are conducted, including poker and inter-track wagering, for a purchase price of \$65.5 million. The closing of the

transactions occurred on May 22, 2013.

On March 1, 2013, we entered into a definitive agreement to sell the Echelon site for \$350.0 million in cash. The sale agreement included the 87-acre land parcel as well as site improvements, including the district energy system and central energy center that was to be built by LVE Energy Partners, LLC ("LVE"). The transaction was completed on March 4, 2013, and we received approximately \$157.0 million of net proceeds after payment of a portion of the proceeds to a third party to fulfill our obligations to LVE.

## Commitments

### Capital Spending and Development

We continually perform on-going refurbishment and maintenance at our facilities to maintain our standards of quality. Certain of these maintenance costs are capitalized, if such improvement or refurbishment extends the life of the related asset, while other maintenance costs that do not so qualify are expensed as incurred. Although we do not currently have any expansion projects, if any opportunities arise, such projects may require significant capital commitments. The commitment of capital and the related timing thereof are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate regulatory bodies. We must also comply with covenants and restrictions set forth in our debt agreements.

Our estimated total capital expenditures for 2015 are expected to be approximately \$160.0 million, primarily comprised of projects to reposition non-gaming amenities and various maintenance capital expenditures across our properties. We intend to fund such capital expenditures through our credit facilities and operating cash flows.

In addition to the capital spending discussed above, we also continue to pursue other potential development projects that may require us to invest significant amounts of capital. We continue to work with Sunrise Sports Entertainment, LLP, to pursue the possible development of a gaming entertainment complex in Broward County, Florida. We are also continuing to work with Wilton Rancheria, a federally-recognized tribe located about 30 miles southeast of Sacramento, California, to develop and manage a gaming entertainment complex.

## CONTRACTUAL OBLIGATIONS

The following summarizes our contractual obligations as of December 31, 2014:

(In millions)	Year Ending December 31,						
	Total	2015	2016	2017	2018	2019	Thereafter
<b>CONTRACTUAL OBLIGATIONS:</b>							
<b>Long Term Debt</b>							
<b>Boyd Gaming Debt:</b>							
Bank credit facility	\$1,387.5	\$21.5	\$21.5	\$21.5	\$518.2	\$9.0	\$795.8
9.125% senior notes due 2018	500.0	—	—	—	500.0	—	—
9.00% senior notes due 2020	350.0	—	—	—	—	—	350.0
HoldCo Note	151.7	—	—	—	151.7	—	—
	2,389.2	21.5	21.5	21.5	1,169.9	9.0	1,145.8
<b>Peninsula Segment Debt:</b>							
Bank credit facility	742.4	8.3	8.2	725.9	—	—	—
8.375% senior notes due 2018	350.0	—	—	—	350.0	—	—
	1,092.4	8.3	8.2	725.9	350.0	—	—
Total long-term debt	3,481.6	29.8	29.7	747.4	1,519.9	9.0	1,145.8
<b>Interest on Fixed Rate Debt</b>							
Boyd Gaming	383.4	77.1	77.1	77.1	73.3	31.5	47.3
Peninsula	88.5	31.1	30.7	26.7	—	—	—
<b>Interest on Variable Rate Debt (1)</b>							
Boyd Gaming Corporation	294.7	62.0	64.0	63.2	55.0	32.0	18.5
Peninsula	92.5	29.6	29.7	29.6	3.6	—	—
Operating Leases	487.2	18.5	18.3	17.6	16.8	15.1	400.9
<b>Purchase Obligations</b>							
Construction projects	0.5	0.5	—	—	—	—	—
Other obligations (2)	51.6	18.3	7.1	3.6	2.4	2.4	17.8
<b>TOTAL CONTRACTUAL OBLIGATIONS</b>	<b>\$4,880.0</b>	<b>\$266.9</b>	<b>\$256.6</b>	<b>\$965.2</b>	<b>\$1,671.0</b>	<b>\$90.0</b>	<b>\$1,630.3</b>

(1) Estimated interest payments are based on principal amounts and scheduled maturities of debt outstanding at December 31, 2014. Estimated interest payments for variable-rate debt are based on rates at December 31, 2014.

(2) Other obligations include various contracted amounts, including information technology, advertising, maintenance and other service agreements.

## Other Opportunities

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

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

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

financing will be available or that, if available, such financing will be obtainable on terms favorable to us. Moreover, we can provide no assurances that any expansion opportunity will result in a completed transaction.

#### Off Balance Sheet Arrangements

Our off balance sheet arrangements consist of the following:

##### Indemnification

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

##### Outstanding Letters of Credit

At December 31, 2014, we had outstanding letters of credit totaling \$12.1 million.

##### Other Arrangements

We have not entered into any transactions with special purpose entities, nor have we engaged in any derivative transactions.

#### CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. In accordance with GAAP, we are required to make estimates and assumptions that affect the reported amounts included in our consolidated financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. On an ongoing basis, management reviews and refines those estimates, the following of which materially impact our consolidated financial statements: the recoverability of long-lived assets; application of acquisition method of accounting; valuation of indefinite-lived intangible assets and goodwill; determination of self-insured reserves; and provisions for deferred tax assets, certain tax liabilities and uncertain tax positions.

Judgments are based on information including, but not limited to, historical experience, industry trends, conventional practices, expert opinions, terms of existing agreements and information from outside sources. Judgments are subject to an inherent degree of uncertainty, and therefore actual results could differ from these estimates.

We believe the following critical accounting policies require a higher degree of judgment and complexity, the sensitivity of which could result in a material impact on our consolidated financial statements.

##### Recoverability of Long-Lived Assets

Our long-lived assets were carried at \$2.3 billion at December 31, 2014, or 51.0% of our consolidated total assets. We evaluate the carrying value of long-lived assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. If triggering events are identified, we then compare the estimated undiscounted future cash flows of the asset to the carrying value of the asset. The asset is not impaired if the undiscounted future cash flows exceed its carrying value. If the carrying value exceeds the undiscounted future cash flows, then an impairment charge is recorded, typically measured using a discounted cash flow model, which is based on the estimated future results of the relevant reporting unit discounted using our weighted-average cost of capital and market indicators of terminal year free cash flow multiples.

A long-lived asset shall be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The following are examples of such events or changes in circumstances:

- i. a significant decrease in the market price of a long-lived asset;
- ii. a significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition;
- iii. a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, including an adverse action or assessment by a regulator;
- iv. an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset;
- v. a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset; and/or



- vi. a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

We reconsider changes in circumstances on a frequent basis, and if a triggering event related to potential impairment has occurred, we solicit third party valuation expertise to assist in the valuation of our investment. There are three generally accepted approaches available in developing an opinion of value: the cost, sales comparison and income approaches. We generally consider each of these approaches in developing a recommendation of the fair value of the asset; however the reliability of each approach is dependent upon the availability and comparability of the market data uncovered, as well as, the decision-making criteria used by market participants when evaluating a property. We will bifurcate our investment and apply the most indicative approach to overall fair valuation, or in some cases, a weighted analysis of any or all of these methods.

Developing an opinion of land value is typically accomplished using a sales comparison approach by analyzing recent sales transactions of similar sites. Potential comparables are researched and the pertinent facts are confirmed with parties involved in the transaction. This process fosters a general understanding of the potential comparable sales and facilitates the selection of the most relevant comparables by the appraiser. Valuation is typically accomplished using a unit of comparison such as price per square foot of land or potential building area. Adjustments are applied to the unit of comparison from an analysis of comparable sales, and the adjusted unit of comparison is then used to derive a value for the property.

The cost approach is based on the premise that a prudent investor would pay no more for an asset of similar utility than its replacement or reproduction cost. The cost to replace the asset would include the cost of constructing a similar asset of equivalent utility at prices applicable at the time of the valuation date. To arrive at an estimate of the fair value using the cost approach, the replacement cost new is determined and reduced for depreciation of the asset. Replacement cost new is defined as the current cost of producing or constructing a similar new item having the nearest equivalent utility as the property being valued.

The income approach focuses on the income-producing capability of the asset. The underlying premise of this approach is that the value of an asset can be measured by the present worth of the net economic benefit (cash receipts less cash outlays) to be received over the life of the subject asset. The steps followed in applying this approach include estimating the expected before-tax cash flows attributable to the asset over its life and converting these before-tax cash flows to present value through capitalization or discounting. The process uses a rate of return that accounts for both the time value of money and risk factors. There are two common methods for converting net income into value, those methods are the direct capitalization and discounted cash flow methods ("DCF"). Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step by dividing the income estimate by an appropriate capitalization rate. Under the DCF method, anticipated future cash flows and a reversionary value are discounted to an opinion of net present value at a specific internal rate of return or a yield rate, because net operating income of the subject property is not fully stabilized.

#### Application of Acquisition Method of Accounting

In accordance with the acquisition method of accounting per the Accounting Standards Codification 805 ("ASC 805") guidance, we record assets acquired and liabilities assumed in acquisition transactions based on the fair values as of the acquisition date. The determination of the fair values (and the related determination of estimated lives of depreciable tangible and identifiable intangible assets) requires significant judgment. The fair values are determined primarily by management, with assistance from third-party appraisals.

#### Acquisition of Peninsula Gaming

On November 20, 2012, we completed the Peninsula Acquisition. The net purchase price, after adjustment for working capital and other items, was approximately \$1.47 billion. The acquired assets and liabilities of Peninsula are

included in our consolidated balance sheets as of December 31, 2013 and 2012, and the results of its operations and cash flows are reported in our consolidated statements of operations and cash flows for full year 2013 and from November 20, 2012 through December 31, 2012, respectively, during the year ended December 31, 2012.

Accounting for our Investment in Borgata

Upon effectively obtaining control of Borgata in 2010, we applied the acquisition method of accounting we assigned the fair value of identifiable intangible assets such as customer relationships, a trademark and other significant tangible assets, such as long-lived property, to those assets. We performed impairment tests of the indefinite-lived intangible assets in accordance with our existing policy, as discussed below. Additionally, given that the MGM Interest was being held in a trust, we monitored for any potential triggering events which would indicate a possible impairment of the intangible assets or long-lived assets, or that would result in our deconsolidating Borgata.

On September 30, 2014, MGM reacquired its Borgata interest and its substantive participation rights in the management of Holding Company. As a result, we deconsolidated Borgata as of the close of business on September 30, 2014, eliminating the assets,

liabilities and non-controlling interests recorded for Holding Company from our balance sheet, and are accounting for our investment in Borgata applying the equity method for periods subsequent to the deconsolidation. As a result of the deconsolidation, we adjusted the book value of our investment to equal fair value and recognized a loss due to the deconsolidation of \$12.1 million in our third quarter 2014 results, which was recorded in impairments of assets on our consolidated statement of operations.

We determined the fair value of our investment in Borgata as of the date of deconsolidation using a weighted average allocation of both the income and market approach models. The income approach is based upon a discounted cash flow method, whereas the market approach uses the guideline public company method. Specifically, the income approach focuses on the expected cash flows of Borgata for a finite period of years and discounting them to present value. The market approach focuses on comparing Borgata to selected reasonable similar (or “guideline”) publicly-traded companies. Under this method, valuation multiples are: (i) derived from the operating data of selected guideline companies; (ii) evaluated and adjusted based on the strengths and weaknesses of Borgata relative to the selected guideline companies; and (iii) applied to the operating data of Borgata to arrive at an indication of value. The application of the market approach results in an estimate of the price reasonably expected to be realized from a sale of Borgata. Using these models, we determined that the fair value of our investment in Borgata at September 30, 2014, was \$221.4 million.

#### Valuation of Indefinite-Lived Intangible Assets

Gaming license rights represent the value of the license to conduct gaming in certain jurisdictions, which is subject to highly extensive regulatory oversight and a limitation on the number of licenses available for issuance with these certain jurisdictions. These assets, considered indefinite-lived intangible assets, are not subject to amortization, but instead are subject to an annual impairment test, performed in the fourth quarter of each year, and between annual test dates in certain circumstances. If the fair value of an indefinite-lived intangible asset is less than its carrying amount, an impairment loss is recognized equal to the difference. License rights are tested for impairment using a discounted cash flow approach, and trademarks are tested for impairment using the relief-from-royalty method. The value of gaming licenses is determined using a multi-period excess earnings method, which is a specific discounted cash flow model. The value is determined at an amount equal to the present value of the incremental after-tax cash flows attributable only to future gaming revenue, discounted to present value at a risk-adjusted rate of return. With respect to the application of this methodology, we used the following significant projections and assumptions: gaming revenues; gaming operating expenses; general and administrative expenses; tax expense; terminal value; and discount rate. These projections are modeled for a five year period.

Trademarks are based on the value of our brand, which reflects the level of service and quality we provide and from which we generate repeat business. Trademarks are valued using the relief from royalty method, which presumes that without ownership of such trademarks, we would have to make a stream of payments to a brand or franchise owner in return for the right to use their name. By virtue of this asset, we avoid any such payments and record the related intangible value of our ownership of the brand name. We used the following significant projections and assumptions to determine value under the relief from royalty method: revenue from gaming and hotel activities; royalty rate; tax expense; terminal growth rate; discount rate; and the present value of tax benefit. The projections underlying this discounted cash flow model were forecasted for fifteen years. Applying the selected pretax royalty rates to the applicable revenue base in each period yielded pretax income for each property's trademarks and trade name. These pretax totals were tax effected utilizing the applicable tax rate to arrive at net, after-tax cash flows. The net, after-tax flows were then discounted to present value utilizing an appropriate discount rate. The present value of the after-tax cash flows were then added to the present value of the amortization tax benefit (considering the 15-year amortization of intangible assets pursuant to recent tax legislation) to arrive at the recommended fair values for the trademarks and trade names.

These indefinite-lived intangible assets are not subject to amortization, but are subject to an annual impairment test and between annual test dates in certain circumstances. Our impairment test, performed as of October 1, 2014, resulted in a \$40.1 million in impairment charges for certain of our trademarks and gaming licenses.

We evaluate whether any triggering events or changes in circumstances had occurred subsequent to our annual impairment test that would indicate an impairment condition may exist. This evaluation required significant judgment, including consideration of whether there had been any significant adverse changes in legal factors or in our business climate, adverse action or assessment by a regulator, unanticipated competition, loss of key personnel or likely sale or disposal of all or a significant portion of a reporting unit. Based upon this evaluation, we concluded that there had not been any triggering events or changes in circumstances that indicated an impairment condition existed as of December 31, 2014. If an event described above occurs, and results in a significant impact to our revenue and profitability projections, or any significant assumption in our valuations methods is adversely impacted, the impact could result in a material impairment charge in the future.

#### Valuation of Goodwill

The authoritative guidance related to goodwill impairment requires goodwill to be tested for impairment at the reporting unit level at least annually using a two-step impairment test. Step One of the test is a screen used to identify whether or not goodwill

impairment may exist. In Step One, an entity compares the fair value of a reporting unit with its carrying amount. If a reporting unit's carrying amount exceeds its fair value, goodwill impairment may exist. Step Two of the test must then be performed to measure the amount of impairment, if any. In Step Two, an entity compares the implied fair value of goodwill with its carrying amount. An impairment loss is measured by the excess of the carrying amount of goodwill over its implied fair value. The implied fair value of goodwill should be determined in the same manner that goodwill is measured in a business combination; that is, an entity must allocate the fair value of a reporting unit to the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination.

We solicit third party valuation expertise to assist in the performance of the Step One valuations of the goodwill of our reporting units. We perform the test in the fourth quarter of our fiscal calendar year, using a weighting of two different approaches was employed to determine fair value: (i) the income approach; and (ii) the market approach.

The income approach is based on a discounted cash flow method, which focuses on the expected cash flow of the subject company. In applying this approach, the cash flow available for distribution is calculated for a finite period of years. Cash flow available for distribution is defined, for purposes of this analysis, as the amount of cash that could be distributed as a dividend without impairing the future profitability or operations of the subject company. The cash flow available for distribution and the terminal value (the value of the subject company at the end of the estimation period) are then discounted to present value to derive an indication of value of the business enterprise.

In the valuation of an asset, the income approach focuses on the income-producing capability of the subject asset. The underlying premise of this approach is that the value of an asset can be measured by the present worth of the net economic benefit (cash receipts less cash outlays) to be received over the life of the subject asset. The steps followed in applying this approach include estimating the expected after-tax cash flows attributable to the asset over its life and converting these after-tax cash flows to present value through "discounting." The discounting process uses a rate of return which accounts for both the time value of money and investment risk factors. Finally, the present value of the after-tax cash flows over the life of the asset is totaled to arrive at an indication of the fair value of the asset.

The market approach is comprised of the guideline company method, which focuses on comparing the subject company to selected reasonably similar, or "guideline", publicly-traded companies. Under this method, valuation multiples are: (i) derived from the operating data of selected guideline companies; (ii) evaluated and adjusted based on the strengths and weaknesses of the subject company relative to the selected guideline companies; and (iii) applied to the operating data of the subject company to arrive at an indication of value. In the valuation of an asset, the market approach measures value based on what typical purchasers in the market have paid for assets which can be considered reasonably similar to those being valued. When the market approach is utilized, data are collected on the prices paid for reasonably comparable assets. Adjustments are made to the similar assets to compensate for differences between reasonably similar assets and the asset being valued. The application of the market approach results in an estimate of the price reasonably expected to be realized from the sale of the subject asset.

The two methodologies were weighted 60.0% toward the income approach and 40.0% toward the market approach, to arrive at an overall fair value. At October 1, 2014, the fair value of our reporting units exceeded their carrying value. At December 31, 2014, we evaluated whether any triggering events or changes in circumstances had occurred subsequent to our annual impairment test that would indicate an impairment condition may exist. This evaluation required significant judgment, including consideration of whether there had been any significant adverse changes in legal factors or in our business climate, adverse action or assessment by a regulator, unanticipated competition, loss of key personnel or likely sale or disposal of all or a significant portion of a reporting unit. Based upon this evaluation, we concluded that there had not been any triggering events or changes in circumstances that indicated an impairment condition existed at December 31, 2014.

Although we satisfied Step One for each reporting unit tested, changes to certain underlying assumptions and variables could greatly impact the results of future tests.

On a macro-economic level, we believe that over the next few years, several trends are expected to continue to adversely affect the gaming industry. The most significant trends include: (i) delayed development of new construction; (ii) increased bankruptcy filings; and (iii) decreased consolidation. The impact of the weakening economy, credit crunch, and general outlook of the casino resort industry is illustrated through the recent trend of abandoned casino projects. Bankruptcy has served as a deterrent to deals because of the large decline in cash flow as well as significant increases in leverage. Debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratios for public companies has nearly doubled overall in the past few years, indicating that such a drastic increase shows the inability to service debt. Although we cannot control or influence the impact of these factors from a fair valuation perspective, they could nonetheless have a material effect on the results of valuation, particularly the guideline company method under the market approach, in the future.

Additionally, several of the assumptions underlying the discounted cash flow method under the income approach could pose a high degree of sensitivity to the resulting fair value. These factors include, but are not limited to, the following: total revenue, depreciation expense, depreciation overhang, tax expense and effective rates, debt-free net working capital, capital additions, terminal year growth factor, discount rate and the capitalization rate. A change in any of these variables that cause our undiscounted cash flows or terminal value or both to adversely and materially change could result in the failure of the Step One test, and a resulting impairment of our goodwill in an amount up to its book value of \$685.3 million.

The Company has determined that each of its properties is a reporting unit for goodwill impairment testing, since discrete financial information is available at the property level.

The fair value of each reporting unit substantially exceeded its carrying value as of our annual impairment testing on October 1, 2014, except for Diamond Jo Worth and Amelia Belle in our Peninsula segment for which fair value exceeded carrying value by less than 5%. The goodwill balances were \$227.4 million and \$21.7 million, respectively, for these reporting units as of December 31, 2014.

#### Determination of Self-Insured Reserves

We are fully self-insured for general liability costs and self-insured for workers' compensation costs up to a stop loss limit of \$0.5 million. Self-insurance reserves include accruals of estimated settlements for known claims, ("Case Reserves") as well as accruals of estimates for claims incurred but not yet reported ("IBNR"). Case reserves represent estimated liability for unpaid loss, based on a claims administrator's estimates of future payments on individual reported claims, including Loss Adjustment Expenses ("LAE"). Generally, LAE includes claims settlement costs directly assigned to specific claims, such as legal fees. We estimate case and LAE reserves on a combined basis, but do not include claim administration costs in our estimated ultimate loss reserves. IBNR reserves include the provision for unreported claims, changes in case reserves, and future payments on reopened claims.

We have relied upon an industry-based method to establish our self-insurance reserves, which projects the ultimate losses estimated by multiplying the exposures by a selected ultimate loss rate. The selected ultimate loss rates were determined based on a review of ultimate loss rates for prior years, adjusted for loss and exposure trend, and benefit level changes. We believe this method best provides an appropriate result, given the maturing experience and relative stabilization of our claims history. In previous years, and in certain instances, loss rates were based on industry Loss Development Factors ("LDFs"). Industry LDFs are from various national sources for workers compensation and general liability claims, and we utilize the most recent information available, although there is some lag time between compilation and publishing of such reports, during which unfavorable trends or data could emerge, which would not be reflected in our reserves.

For workers' compensation, using payroll by state as weights, we calculate a weighted average industry LDF; for general liability claims, we use gross revenues as weights, and apply to a weighted average Industry LDF to yield an initial expectation of the ultimate loss amount. The paid LDFs are used to determine the percentage of the expected ultimate loss that is expected to be unpaid as of the reserving date. This future unpaid percentage is multiplied by the expected ultimate losses to derive the expected future paid losses. As a loss year matures, the expected future paid losses are replaced by actual paid losses.

In the computation of workers' compensation claims, we exclude any claim which has reached our stop loss limitation; and therefore, we do not include any allowance for expected recoverable from excess or reinsurance. We are, however, contingently liable in the event such reinsurer cannot meet its obligations. Although we place this risk with insurers rated better than A with AM Best, a national insurance company rating agency, there can be no assurance that such reinsurer will be able to meet their obligations in the future. At December 31, 2014, unpaid case reserves on claims in excess of \$0.5 million, which we have subrogated to the reinsurer, totaled less than \$0.6 million.

In estimating our reserves for unpaid losses, it is also necessary to project future loss payments. Actual future losses will not develop exactly as projected and may, in fact, vary significantly from the projections. Further, the projections make no provision for future emergence of new classes of losses or types of losses not sufficiently represented in our historical database or that are not yet quantifiable. Additionally, our results are estimates based on long term averages. Actual loss experience in any given year may differ from what is suggested by these averages. The sensitivity of key variables and assumptions in the analysis was considered. Key variables and assumptions include (but are not limited to) loss development factors, trend factors and the expected loss rates/ratios used. It is possible that reasonable alternative selections would produce materially different reserve estimates.

Management believes the estimates of future liability are reasonable based upon this methodology; however, changes in key variables and assumptions used above, or generally in health care costs, accident frequency and severity could materially affect the estimate for these reserves.



#### Provisions for Deferred Tax Assets, Certain Tax Liabilities and Uncertain Tax Positions

Income taxes are recorded under the asset and liability method, whereby deferred tax assets and liabilities are recognized based on the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and attributable to operating loss and tax credit carryforwards. We reduce the carrying amounts of deferred tax assets by a valuation allowance, if based on the available evidence it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically based on more-likely-than-not realization threshold. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, our experience with the usability of operating loss and tax credit carryforwards before expiration, and tax planning alternatives.

The Company's income tax returns are subject to examination by the Internal Revenue Service ("IRS") and other tax authorities in the locations where it operates. The Company assesses potentially unfavorable outcomes of such examinations based on accounting standards for uncertain income taxes, which prescribe a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

We recognize the tax benefit from an uncertain tax position only when it is more likely than not, based on the technical merits of the position, that the tax position will be sustained upon examination, including the resolution of any related appeals or litigation. The tax benefits recognized in the consolidated financial statements from such a position are measured as the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution.

We have established contingency reserves for material, known tax exposures. Our tax reserves reflect management's judgment as to the resolution of the issues involved if subject to judicial review. While we believe our reserves are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a taxing authority will be resolved at a financial cost that does not exceed its related reserve. With respect to these reserves, our income tax expense would include: (i) any changes in tax reserves arising from material changes during the period in the facts and circumstances (i.e., new information) surrounding a tax issue; and (ii) any difference from our tax position as recorded in the financial statements and the final resolution of a tax issue during the period.

Our balance for uncertain tax benefits as of December 31, 2014 was \$30.2 million. While we believe that our reserves are adequate to cover reasonably expected tax risks, in the event that the ultimate resolution of our uncertain tax positions differ from our estimates, we may be exposed to material increases in income tax expense, which could materially impact our financial position, results of operations and cash flows.

#### Recently Issued Accounting Pronouncements

For information with respect to recent accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 1, Summary of Significant Accounting Policies - Recently Issued Accounting Pronouncements, in the notes to the consolidated financial statements.

#### ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. We do not hold any market risk sensitive instruments for trading purposes. Our primary exposure to market risk is interest rate risk, specifically long-term U.S. treasury rates and the applicable spreads in the high-yield investment market, short-term and long-term LIBOR rates, and short-term Eurodollar rates, and their potential impact on our long-term debt. We attempt to limit our exposure to interest rate risk by managing the mix of our long-term fixed-rate borrowings and short-term borrowings under ours and Peninsula's bank credit facilities. We do not currently utilize derivative financial instruments for trading or speculative purposes.

#### Boyd Gaming Credit Facility

Borrowings under Boyd Gaming's Credit Facility are based upon, at our option, either: (i) the Eurodollar rate; or (ii) the base rate, in each case, plus an applicable margin. Such applicable margin is a percentage per annum determined in accordance with a specified pricing grid based on the total leverage ratio and ranges from 2.00% to 3.00% (if using the Eurodollar rate) and from 1.00% to 2.00% (if using the base rate). A fee of a percentage per annum (which ranges from 0.25% to 0.50% determined in accordance with a specified pricing grid based on the total leverage ratio) will be payable on the unused portions of the Revolving Credit Facility. The interest rate on the outstanding balance from time to time of the Term B Loan is based upon, at the Company's option, either: (i) the Eurodollar rate (subject to a 1.00% minimum) plus 3.00%; or (ii) the base rate plus 2.00%. The "base rate" under the Boyd Gaming Credit Facility is the highest of (x) Bank of America's publicly-announced prime rate, (y) the federal funds rate plus 0.50%, or (z) the Eurodollar rate for a one month period plus 1.00%.

Peninsula Credit Facility

Borrowings under Peninsula's Credit Facility consist of the Term Loan and the Revolver. The interest rate on the outstanding balance from time to time of the Revolving Loans and Swing Loans are based upon, at Peninsula's option either: (i) the Eurodollar rate plus 4.00%; or (ii) the base rate plus 3.00%. The base rate under the Peninsula Credit Facility is the highest of (x) Bank of America's publicly-announced prime rate, (y) the federal funds rate plus 0.50%, or (z) the Eurodollar rate for a one-month period plus 1.00%. The Peninsula Credit Facility also establishes, with respect to outstanding balances under the Term Loan, a minimum Eurodollar rate for any interest period of 1.25%. In addition, Peninsula will incur a commitment fee on the unused portion of the Peninsula Credit Facility at a per annum rate of 0.50%. The interest rate on the outstanding balance of the Peninsula Term Loan is based upon, at Peninsula's option either: (i) the Eurodollar rate plus 3.25%; or (ii) the base rate plus 2.25%.

Table of Debt Maturities and Interest Rates

The following table provides information about our financial instruments that are sensitive to changes in interest rates, including debt obligations. For our debt obligations, the table presents principal cash flows and related weighted-average interest rates by expected maturity dates. The weighted-average variable rates are based upon prevailing interest rates.

The scheduled maturities of our long-term debt outstanding for the years ending December 31 are as follows:

(In millions, except percentages)	Expected Maturity Date						Total	Fair Value
	Year Ending December 31,							
	2015	2016	2017	2018	2019	Thereafter		
Boyd Gaming Debt								
Long-term debt (including current portion):								
Fixed-rate	\$—	\$—	\$—	\$500.0	\$—	\$350.0	\$850.0	\$877.1
Average interest rate	9.1	% 9.1	% 9.1	% 9.1	% 9.0	% 9.0	% 9.1	%
Variable-rate	\$21.5	\$21.5	\$21.5	\$669.9	\$9.0	\$795.8	\$1,539.2	\$1,539.8
Average interest rate	3.9	% 3.9	% 3.9	% 3.9	% 4.0	% 4.0	% 3.9	%

Peninsula Segment Debt

Long-term debt

(including current portion):

Fixed-rate	\$—	\$—	\$—	\$350.0	\$—	\$—	\$350.0	\$363.1
Average interest rate	8.4	% 8.4	% 8.4	% 8.4	% —	% —	% 8.4	%
Variable-rate	\$8.3	\$8.2	\$725.9	\$—	\$—	\$—	\$742.4	\$754.4
Average interest rate	4.2	% 4.2	% 4.2	% —	% —	% —	% 4.2	%

As of December 31, 2014, Boyd's and Peninsula's long-term variable-rate borrowings represented approximately 64.4% and 68.0% of total long-term debt, respectively. Based on December 31, 2014 debt levels, a 100 basis point change in LIBOR or the base rate would cause the annual interest costs to change by approximately \$13.9 million and \$7.4 million for Boyd and Peninsula, respectively.

The following table provides other information about our long-term debt:

(In millions)	December 31, 2014			Fair Value Hierarchy
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	
<b>Boyd Gaming Corporation Debt</b>				
Bank credit facility	\$1,387.4	\$1,383.8	\$1,395.6	Level 2
9.125% senior notes due 2018	500.0	495.2	517.5	Level 1
9.00% senior notes due 2020	350.0	350.0	359.6	Level 1
HoldCo Note	151.8	140.0	144.2	Level 3
<b>Total Boyd Gaming Debt</b>	<b>2,389.2</b>	<b>2,369.0</b>	<b>2,416.9</b>	
<b>Peninsula Segment Debt</b>				
Bank credit facility	742.4	742.4	754.4	Level 2
8.375% senior notes due 2018	350.0	350.0	363.1	Level 2
<b>Total Peninsula Segment Debt</b>	<b>1,092.4</b>	<b>1,092.4</b>	<b>1,117.5</b>	
<b>Total long-term debt</b>	<b>\$3,481.6</b>	<b>\$3,461.4</b>	<b>\$3,534.4</b>	

The estimated fair value of the Boyd Gaming Credit Facility is based on a relative value analysis performed on or about December 31, 2014. The estimated fair value of Peninsula's credit facility is based on a relative value analysis performed on or about December 31, 2014. The estimated fair values of our senior notes and Peninsula's senior notes are based on quoted market prices as of December 31, 2014. Debt included in the "Other" category is fixed-rate debt that is not traded and does not have an observable market input; therefore, we have estimated its fair value based on a discounted cash flow approach, after giving consideration to the changes in market rates of interest, creditworthiness of both parties, and credit spreads.

ITEM 8. Financial Statements and Supplementary Data

The following consolidated financial statements for the three years in the period ended December 31, 2014 are filed as part of this Report:

	Page No.
<u>Report of Independent Registered Public Accounting Firm</u>	<u>57</u>
<u>Consolidated Balance Sheets at December 31, 2014 and 2013</u>	<u>58</u>
<u>Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012</u>	<u>59</u>
<u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012</u>	<u>60</u>
<u>Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2014, 2013 and 2012</u>	<u>61</u>
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012</u>	<u>62</u>
<u>Notes to Consolidated Financial Statements</u>	<u>64</u>

The accompanying audited consolidated financial statements of Boyd Gaming Corporation (and together with its subsidiaries, the "Company," "we" or "us") have been prepared in accordance with the instructions to Form 10-K and Article 10 of Regulation S-X and include all information and footnote disclosures necessary for complete financial statements in conformity with accounting principles generally accepted in the United States ("GAAP").

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Boyd Gaming Corporation and Subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Boyd Gaming Corporation and Subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the accompanying 2012 financial statements have been retrospectively adjusted for discontinued operations.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2015, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada  
February 27, 2015

BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)	December 31,	
	2014	2013
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$145,341	\$177,838
Restricted cash	18,107	20,686
Accounts receivable, net	27,235	65,569
Inventories	15,161	19,719
Prepaid expenses and other current assets	32,944	42,460
Income taxes receivable	1,243	1,143
Deferred income taxes and current tax assets	1,919	7,265
Total current assets	241,950	334,680
Property and equipment, net	2,286,108	3,505,613
Investment in unconsolidated subsidiary	222,717	—
Debt financing costs, net	56,540	84,209
Other assets, net	52,050	61,259
Intangible assets, net	934,249	1,070,660
Goodwill, net	685,310	685,310
Total assets	\$4,478,924	\$5,741,731
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Current maturities of long-term debt	\$29,753	\$33,559
Accounts payable	85,089	75,478
Accrued liabilities	239,266	341,947
Deferred income taxes and income taxes payable	3,087	2,879
Total current liabilities	357,195	453,863
Long-term debt, net of current maturities	3,431,638	4,352,932
Deferred income taxes	142,263	155,218
Other long-term tax liabilities	28,651	42,188
Other liabilities	81,090	87,093
Commitments and contingencies (Note 10)		
Stockholders' equity		
Preferred stock, \$0.01 par value, 5,000,000 shares authorized	—	—
Common stock, \$0.01 par value, 200,000,000 shares authorized; 109,277,060 and 108,155,002 shares outstanding	1,093	1,082
Additional paid-in capital	922,112	902,496
Retained earnings (accumulated deficit)	(485,115)	(432,074)
Accumulated other comprehensive income (loss)	(53)	(1,517)
Total Boyd Gaming Corporation stockholders' equity	438,037	469,987
Noncontrolling interest	50	180,450
Total stockholders' equity	438,087	650,437
Total liabilities and stockholders' equity	\$4,478,924	\$5,741,731

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





BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	Year Ended December 31,		
	2014	2013	2012
<b>REVENUES</b>			
Operating revenues			
Gaming	\$2,307,565	\$2,478,983	\$2,106,211
Food and beverage	408,236	446,367	417,184
Room	248,222	265,371	264,903
Other	154,170	165,190	145,176
Gross revenues	3,118,193	3,355,911	2,933,474
Less promotional allowances	416,874	461,473	450,646
Net revenues	2,701,319	2,894,438	2,482,828
<b>COST AND EXPENSES</b>			
Operating costs and expenses			
Gaming	1,087,901	1,170,843	1,006,830
Food and beverage	222,393	240,081	219,497
Room	51,906	54,338	55,531
Other	112,248	121,600	110,967
Selling, general and administrative	429,529	490,226	449,286
Maintenance and utilities	156,736	166,398	154,308
Depreciation and amortization	251,044	278,413	214,236
Corporate expense	75,626	63,249	50,719
Preopening expense	4,749	9,032	11,541
Impairments of assets	60,780	10,383	1,053,526
Asset transactions costs	9,641	5,576	18,442
Other operating items, net	(2,124 )	5,998	(11,792 )
Total operating costs and expenses	2,460,429	2,616,137	3,333,091
Boyd's share of Borgata's operating income	10,626	—	—
Operating income (loss)	251,516	278,301	(850,263 )
Other expense (income)			
Interest income	(1,879 )	(2,147 )	(1,169 )
Interest expense, net	283,387	344,330	290,004
Loss on early extinguishments of debt	1,536	54,202	—
Other, net	48	(2,090 )	137
Boyd's share of Borgata's non-operating items, net	9,309	—	—
Total other expense, net	292,401	394,295	288,972
Loss from continuing operations before income taxes	(40,885 )	(115,994 )	(1,139,235 )
Income taxes benefit (provision)	(753 )	(3,350 )	220,789
Loss from continuing operations, net of tax	(41,638 )	(119,344 )	(918,446 )
Income (loss) from discontinued operations, net of tax	—	10,790	(4,629 )
Net loss	(41,638 )	(108,554 )	(923,075 )
Net (income) loss attributable to noncontrolling interest	(11,403 )	28,290	14,210
Net loss attributable to Boyd Gaming Corporation	\$(53,041 )	\$(80,264 )	\$(908,865 )
<b>Basic net income (loss) per common share</b>			
Continuing operations	\$(0.48 )	\$(0.94 )	\$(10.32 )
Discontinued operations	—	0.11	(0.05 )
Basic net loss per common share	\$(0.48 )	\$(0.83 )	\$(10.37 )

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Weighted average basic shares outstanding	109,979	97,243	87,652
Diluted net income (loss) per common share			
Continuing operations	\$(0.48 )	\$(0.94 )	\$(10.32 )
Discontinued operations	—	0.11	(0.05 )
Diluted net loss per common share	\$(0.48 )	\$(0.83 )	\$(10.37 )
Weighted average diluted shares outstanding	109,979	97,243	87,652

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

BOYD GAMING CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)	Year Ended December 31,		
	2014	2013	2012
Net income (loss)	\$ (41,638 )	\$ (108,554 )	\$ (923,075 )
Other comprehensive income (loss), net of tax:			
Fair value of derivative instruments, net	—	—	5,539
Fair value of adjustments to available-for-sale securities	1,464	(555 )	(962 )
Comprehensive income (loss)	(40,174 )	(109,109 )	(918,498 )
Less: other comprehensive income (loss) attributable to noncontrolling interest	—	—	5,539
Less: net income (loss) attributable to noncontrolling interest	11,403	(28,290 )	(14,210 )
Comprehensive income (loss) attributable to Boyd Gaming Corporation	\$ (51,577 )	\$ (80,819 )	\$ (909,827 )

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

BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Boyd Gaming Corporation Stockholders' Equity						
	Common Stock	Additional	Retained	Accumulated	Noncontrolling		Total
(In thousands, except share data)	Shares	Amount	Capital	Earnings/ (Accumulated Deficit)	Other Comprehensive Loss, Net	Interest	Stockholders' Equity
Balances, January 1, 2012	86,572,098	\$863	\$644,174	\$ 557,055	\$ —	\$ 171,987	\$ 1,374,079
Net income (loss)	—	—	—	(908,865 )	—	(14,210 )	(923,075 )
Capital investment attributable to noncontrolling interest	—	—	—	—	—	20	20
Comprehensive income attributable to noncontrolling interest	—	—	—	—	—	5,539	5,539
Comprehensive income attributable to Boyd	—	—	—	—	(962 )	—	(962 )
Stock options exercised	16,835	—	117	—	—	—	117
Release of restricted stock units, net of tax	283,044	3	(252 )	—	—	—	(249 )
Tax effect from share-based compensation arrangements	—	—	(586 )	—	—	—	(586 )
Share-based compensation costs	—	—	12,247	—	—	—	12,247
Other	—	3	(6 )	—	—	—	(3 )
Balances, December 31, 2012	86,871,977	869	655,694	(351,810 )	(962 )	163,336	467,127
Net income (loss)	—	—	—	(80,264 )	—	(28,290 )	(108,554 )
Comprehensive income attributable to Boyd	—	—	—	—	(555 )	—	(555 )
Equity offering	18,975,000	190	216,277	—	—	—	216,467
Stock options exercised	1,848,222	18	13,734	—	—	—	13,752
Release of restricted stock units, net of tax	459,803	5	(2,100 )	—	—	—	(2,095 )
Share-based compensation costs	—	—	18,891	—	—	—	18,891
Deconsolidation of LVE	—	—	—	—	—	45,404	45,404
Balances, December 31, 2013	108,155,002	1,082	902,496	(432,074 )	(1,517 )	180,450	650,437
Net income (loss)	—	—	—	(53,041 )	—	11,403	(41,638 )
Comprehensive (income) loss attributable to Boyd	—	—	(640 )	—	1,464	—	824
Stock options exercised	562,234	6	4,146	—	—	—	4,152
Release of restricted stock units, net of tax	559,824	5	(2,366 )	—	—	—	(2,361 )
Share-based compensation costs	—	—	18,476	—	—	—	18,476

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Noncontrolling interests contribution	—	—	—	—	—	30	30
Deconsolidation of Borgata	—	—	—	—	—	(191,833 )	(191,833 )
Balances, December 31, 2014	109,277,060	\$ 1,093	\$ 922,112	\$ (485,115 )	\$ (53 )	\$ 50	\$ 438,087

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

BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Year Ended December 31,		
	2014	2013	2012
Cash Flows from Operating Activities			
Net income (loss)	\$(41,638 )	\$(108,554 )	\$(923,075 )
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Loss (gain) on discontinued operations, net of tax	—	(10,790 )	4,629
Depreciation and amortization	251,044	278,413	214,236
Amortization of debt financing costs	18,698	21,381	21,616
Amortization of discounts on debt	7,346	17,999	3,716
Share-based compensation expense	18,476	18,891	12,247
Deferred income taxes	1,488	2,986	(214,532 )
Non-cash impairment of assets	60,780	11,636	1,053,526
Gain on insurance settlement	—	—	(7,098 )
Gain on insurance subrogation settlement	—	—	(7,694 )
Loss on early extinguishments of debt	1,536	54,202	—
Boyd's share of Borgata's net income	(1,317 )	—	—
Other operating activities	566	2,424	8,959
Changes in operating assets and liabilities:			
Restricted cash	(3,243 )	2,214	(3,858 )
Accounts receivable, net	2,373	(10,596 )	9,660
Inventories	226	(1,181 )	579
Prepaid expenses and other current assets	(13,388 )	6,245	7,155
Current other tax asset	3,685	2,171	(4,062 )
Income taxes receivable	(109 )	1,076	450
Other long-term tax assets	—	—	(12,537 )
Other assets, net	(1,314 )	21,559	1,065
Accounts payable and accrued liabilities	24,214	(31,321 )	(12,347 )
Other long-term tax liabilities	(3,898 )	(4,011 )	601
Other liabilities	(2,666 )	2,291	(6,068 )
Net cash provided by operating activities	322,859	277,035	147,168
Cash Flows from Investing Activities			
Capital expenditures	(149,374 )	(144,520 )	(125,554 )
Deconsolidation of Borgata	(26,891 )	—	—
Proceeds from sale of Echelon, net	—	343,750	—
Cash paid for exercise of LVE option	—	(187,000 )	—
Proceeds from sale of other assets, net	—	4,875	—
Cash paid for acquisitions, net of cash received	—	—	(1,324,198)
Other investing activities	(3,715 )	2,473	15,009
Net cash provided by (used in) investing activities	(179,980 )	19,578	(1,434,743)

BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)

(In thousands)	Year Ended December 31,		
	2014	2013	2012
<b>Cash Flows from Financing Activities</b>			
Borrowings under Boyd Gaming bank credit facility	830,400	2,920,675	787,100
Payments under Boyd Gaming bank credit facility	(910,700 )	(2,927,800)	(951,250 )
Borrowings under Peninsula bank credit facility	317,400	354,700	871,100
Payments under Peninsula bank credit facility	(377,150 )	(406,950 )	(16,700 )
Borrowings under Borgata bank credit facility	410,900	444,500	632,700
Payments under Borgata bank credit facility	(444,900 )	(424,600 )	(652,900 )
Proceeds from issuance of senior notes, net	—	—	700,000
Debt financing costs, net	(288 )	(44,752 )	(65,083 )
Payments on retirements of long-term debt	(2,850 )	(875,487 )	—
Payments under note payable	(9 )	(10,820 )	—
Net proceeds from issuance of term loan	—	376,200	—
Proceeds from issuance of non-recourse debt by variable interest entity	—	—	3,374
Payments on loans to variable interest entity's members	—	—	(928 )
Stock options exercised	4,152	13,752	—
Restricted stock units released, net	(2,361 )	—	—
Proceeds from sale of common stock, net	—	216,467	—
Other financing activities	30	(2,095 )	(627 )
Net cash provided by (used in) financing activities	(175,376 )	(366,210 )	1,306,786
<b>Cash Flows from Discontinued Operations</b>			
Cash flows from operating activities	—	(2,144 )	(4,723 )
Cash flows from investing activities	—	56,751	(416 )
Cash flows from financing activities	—	—	—
Net cash provided by (used in) discontinued operations	—	54,607	(5,139 )
Change in cash and cash equivalents	(32,497 )	(14,990 )	14,072
Cash and cash equivalents, beginning of period	177,838	192,545	178,091
Change in cash classified as discontinued operations	—	283	382
Cash and cash equivalents, end of period	\$145,341	\$177,838	\$192,545
<b>Supplemental Disclosure of Cash Flow Information</b>			
Cash paid for interest, net of amounts capitalized	\$263,935	\$319,620	\$239,871
Cash paid (received) for income taxes, net of refunds	226	(6,398 )	492
<b>Supplemental Schedule of Non-cash Investing and Financing Activities</b>			
Payables incurred for capital expenditures	\$16,902	\$11,511	\$15,810

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

BOYD GAMING CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Boyd Gaming Corporation (and together with its subsidiaries, the "Company," the "Registrant", "Boyd Gaming," "we" or "us") was incorporated in the state of Nevada in 1988 and has been operating since 1975. The Company's common stock is traded on the New York Stock Exchange under the symbol "BYD".

We are a diversified operator of 21 wholly owned gaming entertainment properties and one property, Borgata Hotel Casino & Spa ("Borgata"), in which we hold a non-controlling 50% equity interest in the limited liability company. Headquartered in Las Vegas, we have gaming operations in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi and New Jersey which we aggregate in order to present the following five reportable segments:

Las Vegas Locals

Gold Coast Hotel and Casino	Las Vegas, Nevada
The Orleans Hotel and Casino	Las Vegas, Nevada
Sam's Town Hotel and Gambling Hall	Las Vegas, Nevada
Suncoast Hotel and Casino	Las Vegas, Nevada
Eldorado Casino	Henderson, Nevada
Jokers Wild Casino	Henderson, Nevada

Downtown Las Vegas

California Hotel and Casino	Las Vegas, Nevada
Fremont Hotel and Casino	Las Vegas, Nevada
Main Street Station Casino, Brewery and Hotel	Las Vegas, Nevada

Midwest and South

Sam's Town Hotel and Gambling Hall	Tunica, Mississippi
IP Casino Resort Spa	Biloxi, Mississippi
Par-A-Dice Hotel Casino	East Peoria, Illinois
Blue Chip Casino, Hotel & Spa	Michigan City, Indiana
Treasure Chest Casino	Kenner, Louisiana
Delta Downs Racetrack Casino & Hotel	Vinton, Louisiana
Sam's Town Hotel and Casino	Shreveport, Louisiana

Peninsula

Diamond Jo	Dubuque, Iowa
Diamond Jo Worth	Northwood, Iowa
Evangeline Downs Racetrack and Casino	Opelousas, Louisiana
Amelia Belle Casino	Amelia, Louisiana
Kansas Star Casino	Mulvane, Kansas

Borgata

Borgata Hotel Casino & Spa	Atlantic City, New Jersey
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In addition to these properties, we own and operate a travel agency and a captive insurance company that underwrites travel-related insurance, each located in Hawaii. Financial results for our travel agency and our captive insurance company are included in our Downtown Las Vegas segment, as our Downtown Las Vegas properties concentrate significant marketing efforts on gaming customers from Hawaii.





## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## Basis of Presentation

The consolidated financial statements include the accounts of the Company and its subsidiaries.

On September 30, 2014, our Atlantic City partner reacquired its ownership interest in and its substantive participation rights in the management of Borgata. As a result, we deconsolidated Borgata as of the close of business on September 30, 2014, eliminating the assets, liabilities and non-controlling interests from our balance sheet. We are accounting for our investment in Borgata applying the equity method for periods subsequent to the deconsolidation. (See Note 3, Deconsolidation of Certain Interests.)

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

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

## Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with maturities of three months or less at their date of purchase, and are on deposit with high credit quality financial institutions. Although these balances may at times exceed the federal insured deposit limit, we believe such risk is mitigated by the quality of the institution holding such deposit. The carrying values of these instruments approximate their fair values as such balances are generally available on demand.

## Restricted Cash

Restricted cash consists primarily of advance payments related to: (i) future bookings with our Hawaiian travel agency; and (ii) amounts restricted by regulation for gaming and racing purposes. These restricted cash balances are invested in highly liquid instruments with a maturity of 90 days or less. These restricted cash balances are held by high credit quality financial institutions. The carrying value of these instruments approximates their fair value due to their short maturities.

## Accounts Receivable, net

Accounts receivable consist primarily of casino, hotel and other receivables. Accounts receivable are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems the account to be uncollectible, based upon historical collection experience, the age of the receivable and other relevant economic factors. An estimated allowance for doubtful accounts is maintained to reduce our receivables to their carrying amount. As a result, the net carrying value approximates fair value.

The activity comprising our allowance for doubtful accounts is as follows:

(In thousands)	Year Ended December 31,		
	2014	2013	2012
Beginning balance, January 1,	\$23,908	\$25,693	\$28,491
Additions	2,058	2,868	1,549
Deductions	(4,182 )	(4,653 )	(4,347 )
Deconsolidation of Borgata on September 30, 2014	(19,813 )	—	—
Ending balance	\$1,971	\$23,908	\$25,693

Inventories

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

Property and Equipment, net

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

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

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

Building and improvements	3 through 40 years
Riverboats and barges	5 through 40 years
Furniture and equipment	1 through 10 years

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

For an asset that is held for sale, we recognize the asset at the lower of carrying value or fair market value, less costs of disposal, as estimated based on comparable asset sales, solicited offers, or a discounted cash flow model. For a long-lived asset to be held and used, we review the asset for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We then compare the estimated undiscounted future cash flows of the asset to the carrying value of the asset. The asset is not impaired if the undiscounted future cash flows exceed its carrying value. If the carrying value exceeds the undiscounted future cash flows, then an impairment charge is recorded, typically measured using a discounted cash flow model, which is based on the estimated future results of the relevant reporting unit discounted using our weighted-average cost of capital and market indicators of terminal year free cash flow multiples. All resulting recognized impairment charges are recorded as Impairment of Assets within operating expenses.

#### Capitalized Interest

Interest costs associated with major construction projects are capitalized as part of the cost of the constructed assets. When no debt is incurred specifically for a project, interest is capitalized on amounts expended for the project using our weighted-average cost of borrowing. Capitalization of interest ceases when the project (or discernible portions of the project) is substantially complete. If substantially all of the construction activities of a project are suspended, capitalization of interest will cease until such activities are resumed. Interest capitalized during the years ended December 31, 2014, 2013 and 2012 was \$1.4 million, \$1.1 million and \$1.0 million, respectively.

#### Investment in Unconsolidated Subsidiary

We have a 50% non-controlling investment in Borgata, an unconsolidated subsidiary, accounted for under the equity method since its deconsolidation on September 30, 2014. Under the equity method, carrying value is adjusted for our share of the investees' earnings and losses, as well as capital contributions to and distributions from this entity.

We evaluate our equity method investment for impairment when events or changes in circumstances indicate that the carrying value of such investment may have experienced an other-than-temporary decline in value. If such conditions exist, we compare the estimated fair value of the investment to its carrying value to determine if an impairment is indicated and determines whether such impairment is other than temporary based on its assessment of all relevant factors. Estimated fair value is determined using a discounted cash flow analysis based on estimated future cash flows of the investee.

#### Debt Financing Costs

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

#### CRDA Investments

New Jersey state law provides, among other things, for an assessment of licensees equal to 1.25% of gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. Generally, a licensee may satisfy this investment obligation by: (i) investing in qualified eligible direct investments; (ii) making qualified contributions; or (iii) depositing funds with the New Jersey Casino Reinvestment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. Our net deposits with the CRDA, held by Borgata, eligible to be used to fund qualified investments was \$4.6 million as of December 31, 2013, and is included in other assets, net, on our consolidated balance sheet.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## Investment in Available for Sale Securities

Peninsula has an investment in \$21.8 million aggregate principal amount of 7.5% Urban Renewal Tax Increment Revenue Bonds, Taxable Series 2007 ("City Bonds"). This investment is classified as available-for-sale and is recorded at fair value. The fair value at December 31, 2014 and 2013 was \$18.4 million and \$17.1 million, respectively. At December 31, 2014 and 2013, \$0.4 million and \$0.3 million, respectively, is included in prepaid expenses and other current assets, and \$18.0 million and \$16.8 million, respectively, is included in other assets, net.

Future maturities of the City Bonds, excluding the discount, for the years ending December 31 are summarized as follows:

(In thousands)

For the year ending December 31,

2015	\$ 380
2016	410
2017	440
2018	475
2019	510
Thereafter	19,535
Total	\$21,750

## Intangible Assets

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

## Amortizing Intangible Assets

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

## Indefinite-Lived Intangible Assets

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

During the fourth quarter of 2012, the Company changed the date of its annual indefinite-lived intangible assets impairment test dates to October 1 to better align with the Company's annual financial planning process. Prior to the fourth quarter of 2012, the Company performed annual impairment tests on defined sub-sets of its indefinite-lived intangible assets on January 1, April 1 and October 1. The January 1 and April 1 tests were performed on their

respective test dates during 2012, and did not result in any impairment.

**Goodwill**

Goodwill is an asset representing the future economic benefits arising from other assets in a business combination that are not individually identified and separately recognized. Goodwill is not subject to amortization, but it is subject to an annual impairment test and between annual test dates in certain circumstances.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

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We evaluate goodwill using a weighted average allocation of both the income and market approach models. The income approach is based upon a discounted cash flow method, whereas the market approach uses the guideline public company method. Specifically, the income approach focuses on the expected cash flow of the subject reporting unit, considering the available cash flow for a finite period of years. Available cash flow is defined as the amount of cash that could be distributed as a dividend without impairing the future profitability or operations of the reporting unit. The underlying premise of the income approach is that the value of goodwill can be measured by the present value of the net economic benefit to be received over the life of the reporting unit. The market approach focuses on comparing the reporting unit to selected reasonable similar (or "guideline") publicly-traded companies. Under this method, valuation multiples are: (i) derived from the operating data of selected guideline companies; (ii) evaluated and adjusted based on the strengths and weaknesses of our reporting unit relative to the selected guideline companies; and (iii) applied to the operating data of our reporting unit to arrive at an indication of value. The application of the market approach results in an estimate of the price reasonable expected to be realized from the sale of the subject reporting unit.

#### Slot Bonus Point Program

We have established promotional programs to encourage repeat business from frequent and active slot machine customers and patrons. Members earn points based on gaming activity and such points can be redeemed for cash, complimentary slot play, and other free goods and services. We record bonus points redeemed for complimentary slot play as a reduction to gaming revenue and bonus points redeemed for free goods and services as promotional allowances. The accruals are based on estimates and assumptions regarding the mix of cash, complimentary slot play, and other free goods and services that will be redeemed and the costs of providing those benefits. Historical data is used to assist in the determination of the estimated accruals. The slot bonus point accrual is included in accrued liabilities on our consolidated balance sheets.

#### Long-Term Debt, Net

Long-term debt is reported at amortized cost. Any discount granted to the initial purchasers or lenders upon issuance of our debt instruments is recorded as an adjustment to the face amount of our outstanding debt. The discount is accreted to interest expense using the effective interest method over the term of the underlying debt.

#### Income Taxes

Income taxes are recorded under the asset and liability method, whereby deferred tax assets and liabilities are recognized based on the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and attributable to operating loss and tax credit carryforwards. We reduce the carrying amounts of deferred tax assets by a valuation allowance, if based on the available evidence it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is continually assessed based on a more-likely-than-not realization threshold. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, our experience with the utilization of operating loss and tax credit carryforwards before expiration and tax planning strategies.

Our current rate is impacted by adjustments that are largely independent of our operating results before taxes. Such adjustments relate primarily to the accrual of non-cash tax expense in connection with the tax amortization of indefinite-lived intangible assets that are not available to offset existing deferred tax assets. The deferred tax liabilities created by the tax amortization of these intangibles cannot be used to offset corresponding increases in the net operating loss deferred tax assets when determining our valuation allowance.



#### Other Long Term Tax Liabilities

The Company's income tax returns are subject to examination by the Internal Revenue Service ("IRS") and other tax authorities in the locations where it operates. The Company assesses potentially unfavorable outcomes of such examinations based on accounting standards for uncertain income taxes, which prescribe a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

Uncertain tax position accounting standards apply to all tax positions related to income taxes. These accounting standards utilize a two-step approach for evaluating tax positions. Recognition occurs when the Company concludes that a tax position, based on its technical merits, is more likely than not to be sustained upon examination. Measurement is only addressed if the position is deemed to be more likely than not to be sustained. The tax benefit is measured as the largest amount of benefit that is more likely than not to be realized upon settlement. Use of the term "more likely than not" indicates the likelihood of occurrence is greater than 50%.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

Tax positions failing to qualify for initial recognition are recognized in the first subsequent interim period that they meet the "more likely than not" standard. If it is subsequently determined that a previously recognized tax position no longer meets the "more likely than not" standard, it is required that the tax position is derecognized. Accounting standards for uncertain tax positions specifically prohibit the use of a valuation allowance as a substitute for derecognition of tax positions. As applicable, the Company will recognize accrued penalties and interest related to unrecognized tax benefits in the provision for income taxes. Accrued interest and penalties are included in other long-term tax liabilities on the balance sheet.

## Self-Insurance Reserves

We are self-insured for general liability costs and self-insured up to certain stop loss amounts for employee health coverage and workers' compensation costs. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of estimates for claims incurred but not yet reported. In estimating these accruals, we consider historical loss experience and make judgments about the expected levels of costs per claim. Management believes the estimates of future liability are reasonable based upon our methodology; however, changes in health care costs, accident frequency and severity and other factors could materially affect the estimate for these liabilities. Certain of these claims represent obligations to make future payments; and therefore we discount such reserves to an amount representing the present value of the claims which will be paid in the future using a blended rate, which represents the inherent risk and the average payout duration. Self-insurance reserves are included in other liabilities on our consolidated balance sheets.

(In thousands)	Year Ended December 31,		
	2014	2013	2012
Beginning balance	\$44,073	\$38,663	\$34,500
Additions			
Charged to costs and expenses	95,269	110,683	103,802
Due to acquisitions	—	—	359
Payments made	(93,168 )	(105,273 )	(99,998 )
Deconsolidation of Borgata	(13,170 )	—	—
Ending Balance	\$33,004	\$44,073	\$38,663

## Accumulated Other Comprehensive Income (Loss)

Comprehensive income (loss) includes net income (loss) and other comprehensive income (loss). Components of the Company's comprehensive income (loss) are reported in the accompanying consolidated statements of changes in stockholders' equity and consolidated statements of comprehensive income (loss). The accumulated other comprehensive income (loss) at December 31, 2014, consists of unrealized gains and losses on the investment available for sale resulting from changes in fair value.

## Noncontrolling Interest

Noncontrolling interest primarily represents: (i) until the deconsolidation of Borgata on September 30, 2014, the 50% interest in Marina District Development Holding Co., LLC ("Holding Company") held by the Divestiture Trust for the economic benefit of MGM Resorts International ("MGM"), which was initially recorded at fair value at the March 24, 2010 date of the effective change in control; and (ii) until the Echelon sale, which closed on March 4, 2013, all 100% of the members' equity interest in LVE, the variable interest entity which had been consolidated in our financial statements, but in which we held no equity interest.

## Revenue Recognition

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

Race revenue recognition criteria are met at the time the results of the event are official.

Room revenue recognition criteria are met at the time of occupancy.

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

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## Promotional Allowances

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

The amounts included in promotional allowances are as follows:

(In thousands)	Year Ended December 31,		
	2014	2013	2012
Rooms	\$132,231	\$147,305	\$144,605
Food and beverage	190,632	207,072	191,389
Other	94,011	107,096	114,652
Total promotional allowances	\$416,874	\$461,473	\$450,646

The estimated costs of providing such promotional allowances are as follows:

(In thousands)	Year Ended December 31,		
	2014	2013	2012
Rooms	\$53,167	\$58,960	\$62,323
Food and beverage	168,626	181,689	182,138
Other	20,238	22,667	21,641
Total cost of promotional allowances	\$242,031	\$263,316	\$266,102

## Gaming Taxes

We are subject to taxes based on gross gaming revenues in the jurisdictions in which we operate. These gaming taxes are assessed based on our gaming revenues and are recorded as a gaming expense in the consolidated statements of operations. These taxes totaled approximately \$370.0 million, \$393.0 million and \$270.3 million for the years ended December 31, 2014, 2013 and 2012, respectively.

## Advertising Expense

Direct advertising costs are expensed the first time such advertising appears. Advertising costs are included in selling, general and administrative expenses on the consolidated statements of operations and totaled \$50.5 million, \$44.5 million and \$38.3 million for the years ended December 31, 2014, 2013 and 2012, respectively.

## Corporate Expense

Corporate expense represents unallocated payroll, professional fees, aircraft costs and various other expenses that are not directly related to our casino hotel operations.

## Preopening Expenses

Certain costs of start-up activities are expensed as incurred. The following reconciles our preopening expenses to provide the amounts incurred, net of the amounts eliminated upon the consolidation of LVE:

(In thousands)	Year Ended December 31,		
	2014	2013	2012
Preopening expense:			
Amounts incurred by Boyd Gaming Corporation	\$4,749	\$10,965	\$22,437

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Amounts eliminated upon consolidation of LVE	—	(1,933	) (10,896	)
Amounts reported in our consolidated statements of operations	\$4,749	\$9,032	\$11,541	

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## Share-Based Compensation

Share-based compensation expense is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense, net of estimated forfeitures, over the employee's requisite service period. Compensation costs related to stock option awards are calculated based on the fair value of each major option grant on the date of the grant using the Black-Scholes option pricing model, which requires the following assumptions: expected stock price volatility, risk-free interest rates, expected option lives and dividend yields. We formed our assumptions using historical experience and observable market conditions.

The following table discloses the weighted-average assumptions used in estimating the fair value of our significant stock option grants and awards:

	Year Ended December 31,			
	2014	2013	2012	
Expected stock price volatility	54.14	% 73.75	% 77.11	%
Annual dividend rate	—	—	—	
Risk-free interest rate	1.64	% 1.40	% 0.55	%
Expected option life (in years)	5.4	5.3	4.3	
Estimated fair value per share	\$5.70	\$6.09	\$3.04	

## Net Income (loss) per Share

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

Due to the net losses for the years ended December 31, 2014, 2013 and 2012, the effect of all potential common share equivalents was anti-dilutive, and therefore all such shares were excluded from the computation of diluted weighted average shares outstanding for this period. The amount of potential common share equivalents were as follows:

(In thousands)	Year Ended December 31,		
	2014	2013	2012
Potential dilutive effect	913.9	955.6	328.8

## Concentration of Credit Risk

Financial instruments that subject us to credit risk consist of cash equivalents and accounts receivable.

Our policy is to limit the amount of credit exposure to any one financial institution, and place investments with financial institutions evaluated as being creditworthy, or in short-term money market and tax-free bond funds which are exposed to minimal interest rate and credit risk. We have bank deposits which may at times exceed federally-insured limits.

Concentration of credit risk, with respect to gaming receivables, is limited through our credit evaluation process. We issue markers to approved gaming customers only following credit checks and investigations of creditworthiness.

## Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from these estimates.

**Discontinued Operations**

Our consolidated financial statements reflect the results of operations and cash flows of our Dania Jai-Alai property as discontinued operations. See Note 2, Acquisitions and Divestitures, for further discussion.

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

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Recently Issued Accounting Pronouncements

Accounting Standards Update 2014-17 ASC 805 Business Combinations ("Update 2014-17")

In November 2014, the Financial Accounting Standards Board ("FASB") issued Update 2014-17, which provides guidance on whether and at what threshold an acquired entity that is a business or nonprofit activity can apply pushdown accounting in its separate financial statements. The pronouncement was effective on November 18, 2014. The impact of the adoption of Update 2014-17 did not have an effect on our consolidated financial statements.

Accounting Standards Update 2014-15 Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern ("Update 2014-15")

In August 2014, the FASB issued Update 2014-15, which provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The pronouncement is effective for annual periods ending after December 15, 2016, and interim periods thereafter, and early adoption is permitted. The impact of the adoption of Update 2014-15 is currently under evaluation.

Accounting Standards Update 2014-12 Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period ("Update 2014-12")

In June 2014, the FASB issued Update 2014-12. Update 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. The standard is effective for annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company is evaluating the potential impacts of the new standard on its existing stock-based compensation plans.

Accounting Standards Update 2014-09 Revenue from Contracts with Customers (Topic 606) ("Update 2014-09")

In May 2014, the FASB issued Update 2014-09. Update 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The pronouncement is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is not permitted. The impact of the adoption of Update 2014-09 to the Company's consolidated financial position or results of operations is currently under evaluation.

Accounting Standards Update 2014-08 Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ("Update 2014-08")

In April 2014, the FASB issued Update 2014-08. Update 2014-08 raises the threshold for determining which disposals are required to be presented as discontinued operations and modifies related disclosure requirements. The standard is applied prospectively and is effective in 2015.

A variety of proposed or otherwise potential accounting standards are currently being studied by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, we have not yet determined the effect, if any, that the implementation of such proposed standards would have on our consolidated financial statements.

Accounting Standards Update 2013-11 Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit ("UTB") When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ("Update 2013-11")

In July 2013, the FASB issued Update 2013-11. The objective of Update 2013-11 is to provide guidance on the financial statement presentation of an UTB when a net operating loss ("NOL") carryforward, a similar tax loss, or a



tax credit carryforward exists. The Company is required to present an UTB in the financial statements as a reduction to a deferred tax asset for a NOL carryforward, a similar tax loss, or a tax credit carryforward.

Update 2013-11 became effective for interim and annual periods beginning after December 15, 2013. The adoption of Update 2013-11 did not have a material effect on our consolidated financial statements.

## NOTE 2. ACQUISITIONS AND DIVESTITURES

### Peninsula Gaming

#### Overview

On November 20, 2012, we completed the acquisition of Peninsula Gaming, LLC ("Peninsula") pursuant to an Agreement and Plan of Merger (the "Merger Agreement") entered into on May 16, 2012, by and among the Company, Boyd Acquisition II, LLC, Boyd Acquisition Sub, LLC, Peninsula Gaming Partners, LLC and Peninsula, under which an indirect wholly owned subsidiary

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

of the Company acquired 100% of the outstanding common shares of Peninsula, the assets and assumed the liabilities. The acquisition added five properties from three different states including Kansas, Iowa and Louisiana. Peninsula owns and operates Diamond Jo Casino in Dubuque, Iowa, Evangeline Downs Racetrack and Casino, in St. Landry Parish, Louisiana, various off track betting facilities in Louisiana, Diamond Jo Casino in Northwood, Iowa, Amelia Belle Casino in Amelia, Louisiana, and the Kansas Star Casino, Hotel and Event Center ("Kansas Star") near Wichita, Kansas. Accordingly, the acquired assets and liabilities of Peninsula are included in our consolidated balance sheet as of December 31, 2014 and 2013 and the results of its operations and cash flows are reported in our consolidated statements of operations and cash flows for the years ended December 31, 2014 and 2013, and from November 20, 2012 through December 31, 2012, during the year ended December 31, 2012. As a result of this acquisition, the Company has expanded its operations to new geographical areas. The net purchase price, after adjustment for working capital and other items, was approximately \$1.47 billion and was comprised of the following:

(In thousands)	Total Consideration
Cash Paid to Seller	\$1,353,737
HoldCo Note	109,908
Contingent consideration - Kansas Star earn out	3,450
Gross Consideration	\$1,467,095

## Contingent Consideration

The Company is required to make a contingent payment to the sellers in 2016 if the 2015 EBITDA of Kansas Star exceeds \$105.0 million. The payout is 7.5 times each dollar in excess of EBITDA greater than \$105.0 million in the calendar year 2015. The fair value of the contingent consideration was calculated using a probability-based model, which requires management to forecast EBITDA for 2015 and to estimate the probability of EBITDA exceeding the defined amount. The fair value of the contingent consideration arrangement at the acquisition date was estimated to be \$3.5 million. The actual payout will be determined based on actual EBITDA of Kansas Star for calendar year 2015, and payments are not limited by a maximum value. If the actual EBITDA of Kansas Star is less than the target, the Company is not required to make any additional consideration payout.

## Acquisition Method of Accounting

The Company followed the acquisition method of accounting per ASC 805 guidance. In accordance with ASC 805, the Company allocated the purchase price to the tangible and intangible assets acquired and liabilities assumed based on their fair values, which were determined primarily by management with assistance from third-party appraisals. The excess of the purchase price over those fair values was recorded as goodwill. The following table summarizes the allocation of the purchase price:

(In thousands)	Final purchase price allocation
Current assets	\$48,610
Property and equipment, net	430,093
Intangible assets	577,501
Other assets	49,339
Total acquired assets	1,105,543
Current liabilities	67,819
Other liabilities	42,363
Total liabilities assumed	110,182
Net identifiable assets acquired	995,361
Goodwill	471,734

Net assets acquired

\$1,467,095

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

The following table summarizes the acquired property and equipment and weighted average useful lives:

(In thousands)	Useful Lives	As Recorded, at Fair Value
Land		\$39,240
Buildings and improvements	3 through 40 years	283,391
Furniture and equipment	1 through 12 years	88,069
Riverboat	5 through 40 years	19,393
Total property and equipment acquired		\$430,093

The following table summarizes the acquired intangible assets and weighted average useful lives of definite-lived intangible assets:

(In thousands)	Useful Lives	As Recorded, at Fair Value
Customer relationships	4.9 years	\$136,300
Non-compete agreement	0.9 years	3,200
Trademark	Indefinite	50,800
Gaming license rights	Indefinite	387,201
Total intangible assets acquired		\$577,501

The goodwill recognized is attributable primarily to expected synergies and the assembled workforce of Peninsula. All of the \$471.7 million of goodwill was assigned to the Peninsula reportable segment. All of the goodwill is expected to be deductible for income tax purposes. As further discussed in Note 5, Intangible Assets, in 2014 and 2013 there were impairment charges of \$0.3 million and \$3.2 million, respectively, recorded against the value assigned to the trademarks resulting from the acquisition of Peninsula, and in 2014 an impairment charge of \$1.4 million was recorded against the value assigned to gaming license rights.

Consolidated Statement of Operations for the period from November 20, 2012 through December 31, 2012

The following supplemental information presents the financial results of Peninsula included in the Company's consolidated statement of operations for the year ended December 31, 2012:

(In thousands)	Period from November 20 to December 31, 2012
Consolidated Statement of Operations	
Net revenues	\$56,925
Net loss	\$(5,225)

## Supplemental Unaudited Pro Forma Information

The following table presents pro forma results of the Company, as though Peninsula had been acquired as of January 1, 2012. The pro forma results do not necessarily represent the results that may occur in the future. The pro forma amounts include the historical operating results of the Company and Peninsula prior to the acquisition, with adjustments directly attributable to the acquisition.

Year Ended December 31, 2012		
Boyd Gaming Corporation	Peninsula	Boyd Gaming Corporation

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(In thousands)	(As Reported)		(Pro Forma)
Net revenues	\$2,487,426	\$465,188	\$2,952,614
Net loss attributable to Boyd Gaming Corporation	\$(908,865 )	\$(43,210 )	\$(952,075 )
Basic and diluted net loss per share	\$(10.37 )		\$(10.86 )

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

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Pro Forma and Other Adjustments

The unaudited pro forma results, as presented above, include adjustments to record: (i) the net incremental depreciation expense for the adjustment of property and equipment to fair value and the allocation of a portion of the purchase price to amortizing intangible assets; (ii) the elimination of the historical management fee paid by Peninsula to an affiliate; (iii) the increase in interest expense incurred on the incremental borrowings incurred by Boyd to fund the acquisition; (iv) the estimated tax effect of the pro forma adjustments and on the historical taxable income of Peninsula; and (v) miscellaneous adjustments as a result of the preliminary purchase price allocation on the amortization of certain assets and liabilities.

Disposition of Echelon

On March 1, 2013, we entered into a definitive agreement to sell the Echelon site for \$350 million in cash. The sale agreement included the 87-acre land parcel, as well as site improvements. The transaction was completed on March 4, 2013, and we realized approximately \$157.0 million in net proceeds from the sale after consideration of direct transaction costs and after payment of a portion of the proceeds to a third party to fulfill our obligations to LVE.

Discontinued Operations - Disposition of Dania Jai-Alai

On May 22, 2013, we consummated the sale of certain assets and liabilities of the Dania Jai-Alia pari-mutuel facility ("Dania Jai-Alia"), with approximately 47 acres of related land located in Dania Beach, Broward County, Florida, for a sales price of \$65.5 million. The sale was pursuant to an asset agreement (the "New Dania Agreement") that we entered into with Dania Entertainment Center, LLC ("Dania Entertainment"). As part of the New Dania Agreement, the \$5 million non-refundable deposit and \$2 million fees paid to us in 2011 by Dania Entertainment were applied to the sales price, and we received \$58.5 million in cash and recorded a pre-tax gain of \$18.9 million. We have presented the results of Dania Jai-Alai as discontinued operations for all periods presented in these condensed consolidated financial statements.

NOTE 3. DECONSOLIDATION OF CERTAIN INTERESTS

Borgata Hotel Casino and Spa

The Company and MGM each originally held a 50% interest in Holding Company. Holding Company owns all the equity interests in Marina District Development Company, LLC ("MDDC"), d.b.a. Borgata Hotel Casino and Spa ("Borgata"). We are the managing member of Holding Company, and we are responsible for the day-to-day operations of Borgata.

In February 2010, we entered into an agreement with MGM to amend the operating agreement to, among other things, facilitate the transfer of MGM's interest in Holding Company ("MGM Interest") to a divestiture trust (the "Divestiture Trust") established for the purpose of selling the MGM Interest to a third party. The proposed sale of the MGM Interest through the Divestiture Trust was part of a then-proposed settlement agreement between MGM and the New Jersey Department of Gaming Enforcement (the "NJDE").

On March 17, 2010, MGM announced that its settlement agreement with the NJDE had been approved by the New Jersey Casino Control Commission ("NJCCC"). Upon the transfer of MGM's ownership interest into the Divestiture Trust on March 24, 2010, we determined that we had control, as defined in the relevant accounting literature, of Holding Company and commenced consolidating the business as of that date. Subsequent to a Joint Petition of MGM, the Company and Holding Company, on February 13, 2013, the NJCCC approved amendments to the settlement agreement which permitted MGM to file an application for a statement of compliance, which, if approved, would permit MGM to reacquire its interest in Holding Company.

The NJCCC approved MGM's application for licensure on September 10, 2014. On September 30, 2014, the Divestiture Trust was dissolved and MGM reacquired its Borgata interest and its substantive participation rights in the management of Holding Company. As a result, we deconsolidated Borgata as of the close of business on September 30, 2014, eliminating the assets, liabilities and non-controlling interests recorded for Holding Company from our balance sheet, and are accounting for our investment in Borgata applying the equity method for periods subsequent to the deconsolidation. As a result of the deconsolidation, we adjusted the book value of our investment to equal fair value. We determined the fair value of our investment in Borgata as of the date of deconsolidation using a weighted average allocation of both the income and market approach models. The income approach is based upon a discounted cash flow method, whereas the market approach uses the guideline public company method. Specifically, the income approach focuses on the expected cash flows of Borgata for a finite period of years and discounting them to present value. The market approach focuses on comparing Borgata to selected reasonable similar (or "guideline") publicly-traded companies. Under this method, valuation multiples are: (i) derived from the operating data of selected guideline companies; (ii) evaluated and adjusted based on the strengths and weaknesses of Borgata relative to the selected guideline companies; and (iii) applied to the operating data of Borgata to arrive at an indication of value. The application of the market approach results in

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

an estimate of the price reasonably expected to be realized from a sale of Borgata. Using these models, we determined that the fair value of our investment in Borgata at September 30, 2014, was \$221.4 million and recognized a loss due to the deconsolidation of \$12.1 million in our third quarter 2014 results, which was recorded in impairments of assets on our consolidated statement of operations.

The following table presents the carrying values of the major categories of assets and liabilities of Borgata, immediately preceding its deconsolidation on September 30, 2014, which were excluded from our consolidated balance sheet as of September 30, 2014:

(In thousands)	September 30, 2014
<b>ASSETS</b>	
Current assets	\$98,119
Long-term assets	1,220,036
Total Assets	\$1,318,155
<b>LIABILITIES AND NONCONTROLLING INTERESTS</b>	
Current liabilities	\$106,666
Long-term liabilities	786,278
Noncontrolling interests	191,833
Total Liabilities and Noncontrolling Interests	\$1,084,777

Summarized balance sheet information subsequent to the deconsolidation of Borgata on September 30, 2014 is as follows:

(In thousands)	December 31, 2014
Current assets	\$100,297
Property and other long-term assets, net	1,196,339
Current liabilities	122,150
Long-term debt and other liabilities	762,609
Equity	411,877

Summarized results of operations information subsequent to the deconsolidation of Borgata on September 30, 2014 is as follows:

(In thousands)	Three Months Ended December 31, 2014
Net revenues	\$179,147
Operating expenses	(157,896)
Operating income (loss)	21,251
Interest expense	17,431
Loss on early extinguishments of debt	740
State income tax expense (benefit)	446
Net income (loss)	\$2,634

## LVE Energy Partners, LLC

LVE was a joint venture between Marina Energy LLC and DCO ECH Energy, LLC. Through our wholly-owned subsidiary, Echelon Resorts, LLC ("Echelon Resorts"), we had entered into an Energy Sales Agreement ("ESA") with



LVE to design, build, own and operate a central energy center and related distribution system for our planned Echelon resort development.

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

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

In connection with the disposition of Echelon on March 4, 2013, (see Note 2, Acquisitions and Divestitures), we exercised an option to acquire the central energy center assets from LVE for \$187.0 million. We immediately sold these assets to the buyer of Echelon and the ESA agreement was terminated. As a result, we ceased consolidation of LVE as of that date.

## NOTE 4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

(In thousands)	December 31,	
	2014	2013
Land	\$229,684	\$336,079
Buildings and improvements	2,534,618	3,852,039
Furniture and equipment	1,079,878	1,332,090
Riverboats and barges	239,669	189,175
Construction in progress	35,675	72,141
Other	11,502	21,750
Total property and equipment	4,131,026	5,803,274
Less accumulated depreciation	1,844,918	2,297,661
Property and equipment, net	\$2,286,108	\$3,505,613

Other property and equipment presented in the table above relates to the estimated net realizable value of construction materials inventory that was not disposed of with the sale of the Echelon project. Such assets are not in service and are not currently being depreciated.

Depreciation expense for the years ended December 31, 2014, 2013 and 2012 was \$218.6 million, \$232.0 million and \$199.5 million, respectively.

## NOTE 5. INTANGIBLE ASSETS

Intangible assets consist of the following:

(In thousands)	December 31, 2014				
	Weighted Average Life Remaining	Gross Carrying Value	Cumulative Amortization	Cumulative Impairment Losses	Intangible Assets, Net
Amortizing intangibles:					
Customer relationships	2.9 years	\$139,600	\$(87,642)	) \$—	\$51,958
Favorable lease rates	33.4 years	45,370	(10,956)	) —	34,414
Development agreement	—	21,373	—	—	21,373
		206,343	(98,598)	) —	107,745
Indefinite lived intangible assets:					
Trademarks	Indefinite	129,501	—	(3,500)	) 126,001
Gaming license rights	Indefinite	873,335	(33,960)	(138,872)	) 700,503
		1,002,836	(33,960)	(142,372)	) 826,504
Balance, December 31, 2014		\$1,209,179	\$(132,558)	\$(142,372)	) \$934,249



## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

(In thousands)	December 31, 2013		Cumulative Amortization	Cumulative Impairment Losses	Intangible Assets, Net
	Weighted Average Life Remaining	Gross Carrying Value			
Amortizing intangibles:					
Customer relationships	3.6 years	\$154,000	\$(68,733)	\$—	\$85,267
Non-competition agreement	—	3,200	(3,200)	—	—
Favorable lease rates	34.4 years	45,370	(9,912)	—	35,458
Development agreement	—	21,373	—	—	21,373
		223,943	(81,845)	—	142,098
Indefinite lived intangible assets:					
Trademarks	Indefinite	196,487	—	(8,200)	188,287
Gaming license rights	Indefinite	955,135	(33,960)	(180,900)	740,275
		1,151,622	(33,960)	(189,100)	928,562
Balance, December 31, 2013		\$1,375,565	\$(115,805)	\$(189,100)	\$1,070,660

## Amortizing Intangible Assets

## Customer Relationships

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

## Favorable Lease Rates

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

## Development Agreement

Development agreement is an acquired contract with a Native American tribe (the "Tribe") under which the Company has the right to assist the Tribe in the development and management of a gaming facility on the Tribe's land. This asset although amortizable, is not amortized until development is completed, which at December 31, 2014 remains indeterminate. In the interim, this asset is subject to periodic impairment reviews.

## Indefinite Lived Intangible Assets

## Trademarks

Trademarks are based on the value of our brands, which reflect the level of service and quality we provide and from which we generate repeat business. Trademarks are valued using the relief from royalty method, which presumes that

without ownership of such trademark, we would have to make a stream of payments to a brand or franchise owner in return for the right to use their name. By virtue of this asset, we avoid any such payments and record the related intangible value of our ownership of the trade name. We used the following significant projections and assumptions to determine value under the relief from royalty method: revenue from gaming and hotel activities; royalty rate; tax expense; terminal growth rate; discount rate; and the present value of tax benefit.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## Gaming License Rights

Gaming license rights represent the value of the license to conduct gaming in certain jurisdictions, which is subject to highly extensive regulatory oversight, and a limitation on the number of licenses available for issuance therein. In the majority of cases, the value of our gaming licenses is determined using a multi-period excess earnings method, which is a specific discounted cash flow model. The value is determined at an amount equal to the present value of the incremental after-tax cash flows attributable only to future gaming revenue, discounted to present value at a risk-adjusted rate of return. With respect to the application of this methodology, we used the following significant projections and assumptions: gaming revenues; gaming operating expenses; general and administrative expenses; tax expense; terminal value; and discount rate. In two instances, we determine the value of our gaming licenses by applying a cost approach. Our primary consideration in the application of this methodology is the initial statutory fee associated with acquiring a gaming license in the jurisdiction.

## Activity for the Years Ended December 31, 2014, 2013 and 2012

The following table sets forth the changes in these intangible assets:

(In thousands)	Customer Relationships	Non-competition Agreement	Favorable Lease Rates	Development Agreements	Trademarks	Gaming License Rights	Intangible Assets, Net
Balance, January 1, 2012	\$7,674	\$ —	\$37,545	\$21,373	\$136,000	\$371,426	\$574,018
Additions	136,300	3,200	—	—	50,800	387,249	577,549
Impairments	—	—	—	—	—	(17,500 )	(17,500 )
Amortization	(13,033 )	(354 )	(1,042 )	—	—	—	(14,429 )
Balance, December 31, 2012	130,941	2,846	36,503	21,373	186,800	741,175	1,119,638
Additions	—	—	—	—	4,687	—	4,687
Impairments	—	—	—	—	(3,200 )	(900 )	(4,100 )
Amortization	(45,674 )	(2,846 )	(1,045 )	—	—	—	(49,565 )
Balance, December 31, 2013	85,267	—	35,458	21,373	188,287	740,275	1,070,660
Additions	—	—	—	—	14	—	14
Impairments	—	—	—	—	(300 )	(39,772 )	(40,072 )
Amortization	(33,309 )	—	(1,044 )	—	—	—	(34,353 )
Other	—	—	—	—	(62,000 )	—	(62,000 )
Balance, December 31, 2014	\$51,958	\$ —	\$34,414	\$21,373	\$126,001	\$700,503	\$934,249

Other activity during 2014 in the table above is primarily due to the effects of the deconsolidation of Borgata (see Note 3, Deconsolidation of Certain Interests).

## Future Amortization

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

(In thousands)	Customer Relationships	Favorable Lease Rates	Total
For the year ending December 31,			

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2015	\$25,652	\$1,043	\$26,695
2016	14,870	1,043	15,913
2017	11,436	1,043	12,479
2018	—	1,043	1,043
2019	—	1,043	1,043
Thereafter	—	29,199	29,199
Total future amortization	\$51,958	\$34,414	\$86,372

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

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

## Impairment Considerations

As a result of our annual impairment testing in the fourth quarter of 2014, we recognized a non-cash impairment charges of \$38.3 million of gaming licenses in our Midwest and South segment, \$1.4 million of gaming licenses in our Peninsula segment, and \$0.3 million in Peninsula trademarks. These amounts are included in impairments of assets in the consolidated statements of operations for the year ended December 31, 2014.

During the year ended 2013, we recognized a non-cash impairment charge of \$3.2 million in Peninsula trademarks and \$0.9 million in gaming license rights at our Sam's Town Shreveport location. During the year ended 2012, we recognized a non-cash impairment charge of \$17.5 million, related to our gaming license rights at our Sam's Town Shreveport location.

## NOTE 6. GOODWILL

Goodwill consists of the following:

(In thousands)	Gross Carrying Value	Cumulative Amortization	Cumulative Impairment Losses	Goodwill, Net
Goodwill, net by Reportable Segment:				
Las Vegas Locals	\$378,192	\$—	\$(165,479)	) \$212,713
Downtown Las Vegas	6,997	(6,134)	)	863
Peninsula	471,734	—	—	471,734
Balance, December 31, 2014	\$856,923	\$(6,134)	) \$(165,479)	) \$685,310

## Changes in Goodwill

During the year ended December 31, 2012, we recorded \$481.4 million of goodwill due to our acquisition of Peninsula on November 20, 2012. During fourth quarter of 2013 the purchase price allocation was finalized and resulted in a decrease to goodwill in an amount equal to the purchase price reduction of \$9.6 million. There were no other changes to goodwill during the three year period ended December 31, 2014.

## NOTE 7. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

(In thousands)	December 31,	
	2014	2013
Payroll and related expenses	\$69,672	\$90,602
Interest	33,985	47,497
Gaming liabilities	35,698	58,145
Player loyalty program liabilities	19,058	25,159
Accrued liabilities	80,853	120,544
Total accrued liabilities	\$239,266	\$341,947





## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## NOTE 8. LONG-TERM DEBT

Long-term debt, net of current maturities consists of the following:

(In thousands)	December 31, 2014				
	Interest Rates at Dec. 31, 2014	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
<b>Boyd Gaming Corporation Debt:</b>					
Bank credit facility	3.66	% \$ 1,387,425	\$(3,589)	) \$—	\$ 1,383,836
9.125% senior notes due 2018	9.13	% 500,000	—	) (4,845)	\$ 495,155
9.00% senior notes due 2020	9.00	% 350,000	—	) —	\$ 350,000
HoldCo Note	8.00	% 151,740	(11,743)	) —	\$ 139,997
		2,389,165	(15,332)	) (4,845)	2,368,988
<b>Peninsula Segment Debt:</b>					
Bank credit facility	4.25	% 742,400	—	) —	742,400
8.375% senior notes due 2018	8.38	% 350,000	—	) —	350,000
Other	various	3	—	) —	3
		1,092,403	—	) —	1,092,403
Total long-term debt		3,481,568	(15,332)	) (4,845)	3,461,391
Less current maturities		29,753	—	) —	29,753
Long-term debt, net		\$3,451,815	\$(15,332)	) \$(4,845)	\$3,431,638
<b>December 31, 2013</b>					
(In thousands)	Interest Rates at Dec. 31, 2013	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
<b>Boyd Debt:</b>					
<b>Boyd Gaming Corporation Debt:</b>					
Bank credit facility	3.66	% \$ 1,467,725	\$(4,233)	) \$—	\$ 1,463,492
9.125% senior notes due 2018	9.13	% 500,000	—	) (6,082)	493,918
9.00% senior notes due 2020	9.00	% 350,000	—	) —	350,000
HoldCo Note	6.00	% 143,030	(17,371)	) —	125,659
		2,460,755	(21,604)	) (6,082)	2,433,069
<b>Peninsula Segment Debt:</b>					
Bank credit facility	4.20	% 802,150	—	) —	802,150
8.375% senior notes due 2018	8.38	% 350,000	—	) —	350,000
Other	various	12	—	) —	12
		1,152,162	—	) —	1,152,162
Total Boyd Debt		3,612,917	(21,604)	) (6,082)	3,585,231
<b>Borgata Debt:</b>					
Bank credit facility	3.86	% 39,900	—	) —	39,900
Incremental term loan	6.75	% 380,000	(3,766)	) —	376,234
9.875% senior secured notes due 2018	9.88	% 393,500	(1,811)	) (6,563)	385,126
Total Borgata Debt		813,400	(5,577)	) (6,563)	801,260

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Less current maturities	33,559	—	—	33,559
Long-term debt, net	\$4,392,758	\$(27,181	) \$(12,645	) \$4,352,932

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## Boyd Gaming Corporation Debt

## Bank Credit Facility

## Credit Agreement

On August 14, 2013, we entered into a Third Amended and Restated Credit Agreement (the "Boyd Gaming Credit Facility"), among the Company, certain financial institutions, Bank of America, N.A., as administrative agent and letter of credit issuer, and Wells Fargo Bank, National Association, as swing line lender. The Boyd Gaming Credit Facility replaced the Second Amended and Restated Credit Agreement (the "Prior Credit Facility") dated as of December 17, 2010.

The Boyd Gaming Credit Facility provides for: (i) a \$600.0 million senior secured revolving credit facility including a \$100.0 million swing loan sublimit (the "Revolving Credit Facility"); (ii) a \$250.0 million senior secured term A loan (the "Term A Loan"); and (iii) a \$900.0 million senior secured term B loan (the "Term B Loan"). The Revolving Credit Facility and Term A Loan mature in August 2018 (or earlier upon the occurrence or non-occurrence of certain events); The Term B Loan matures in August 2020 (or earlier upon occurrence or non-occurrence of certain events). The Term A Loan and Term B Loan were fully funded on the closing date. Proceeds from the Boyd Gaming Credit Facility were used to refinance all outstanding obligations under the Prior Credit Facility and to fund transactions costs in connection with the Boyd Gaming Credit Facility and may be used for working capital and other general corporate purposes. During the year ended December 31, 2013, we recognized approximately \$20.8 million of loss on the early extinguishment of the Prior Credit Facility.

The Boyd Gaming Credit Facility includes an accordion feature which permits an increase in the Revolving Credit Facility and the issuance and increase of senior secured term loans in an amount up to the greater of: (i) \$400.0 million to be comprised of increases to the Revolving Credit Facility and new or increased term loans plus \$150.0 million of increases to the Revolving Credit Facility; and (ii) the maximum amount of incremental commitments which, after giving effect thereto, would not cause the Secured Leverage Ratio (as defined in the Boyd Gaming Credit Agreement) to exceed 4.25 to 1.00 on a pro forma basis, in each case, subject to the satisfaction of certain conditions.

Pursuant to the terms of the Boyd Gaming Credit Facility: (i) the loans under the Term A Loan will amortize in an annual amount equal to 5.00% of the original principal amount thereof, commencing December 31, 2013, payable on a quarterly basis; (ii) the loans under the Term B Loan will amortize in an annual amount equal to 1.00% of the original principal amount thereof, commencing December 31, 2013, payable on a quarterly basis; and (iii) beginning with the fiscal year ending December 31, 2014, the Company is required to use a portion of its annual excess cash flow to prepay loans outstanding under the Boyd Gaming Credit Facility.

## Amounts Outstanding

The outstanding principal amounts under the Boyd Gaming Credit Facility are comprised of the following:

	December 31,	
(In thousands)	2014	2013
Revolving Credit Facility	\$300,000	\$295,000
Term A Loan	221,375	246,875
Term B Loan	840,750	897,750
Swing Loan	25,300	28,100
Total outstanding principal amounts under the Boyd Gaming Credit Facility	\$1,387,425	\$1,467,725

At December 31, 2014 approximately \$1.4 billion was outstanding under the Boyd Gaming Credit Facility and \$6.9 million was allocated to support various letters of credit, leaving remaining contractual availability of \$267.8 million.

**Interest and Fees**

The interest rate on the outstanding balance of the Revolving Credit Facility, Swing Loans and the Term A Loan is based upon, at the Company's option, either: (i) the Eurodollar rate; or (ii) the base rate, in each case, plus an applicable margin. Such applicable margin is a percentage per annum determined in accordance with a specified pricing grid based on the total leverage ratio and ranges from 2.00% to 3.00% (if using the Eurodollar rate) and from 1.00% to 2.00% (if using the base rate). A fee of a percentage per annum (which ranges from 0.25% to 0.50% determined in accordance with a specified pricing grid based on the total leverage ratio) will be payable on the unused portions of the Revolving Credit Facility.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

The interest rate on the outstanding balance from time to time of the Term B Loan is based upon, at the Company's option, either: (i) the Eurodollar rate (subject to a 1.00% minimum) plus 3.00%; or (ii) the base rate plus 2.00%.

The "base rate" under the Boyd Gaming Credit Facility is the highest of (x) Bank of America's publicly-announced prime rate, (y) the federal funds rate plus 0.50%, or (z) the Eurodollar rate for a one month period plus 1.00%.

**Optional and Mandatory Prepayments**

Amounts outstanding under the Boyd Gaming Credit Facility may be prepaid without premium or penalty, and the unutilized portion of the commitments may be terminated without penalty, subject to certain exceptions. The Boyd Gaming Credit Facility requires that the Company prepay the loans with proceeds of certain asset sales and issuances of certain additional secured indebtedness. In addition, it requires fixed quarterly amortization of principal equal to 1.25% for Term Loan A and 0.25% for Term Loan B of the original aggregate principal amount of the respective Term Loan, and requires that the Company use a portion of its annual excess cash flow as defined in the agreement to prepay the loans.

During the year ended December 31, 2014, the Company paid \$21.5 million in mandatory principal payments and \$61.0 million in optional principal prepayments. During the year ended December 31, 2013, the Company paid \$26.6 million in mandatory principal payments. None of these payments were subject to any prepayment premium.

**Guarantees and Collateral**

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

**Financial and Other Covenants**

The Boyd Gaming Credit Facility contains certain financial and other covenants, including, without limitation, various covenants: (i) requiring the maintenance of a minimum consolidated interest coverage ratio 1.75 to 1.00; (ii) establishing a maximum permitted consolidated total leverage ratio (discussed below); (iii) establishing a maximum permitted secured leverage ratio (discussed below); (iv) imposing limitations on the incurrence of indebtedness; (v) imposing limitations on transfers, sales and other dispositions; and (vi) imposing restrictions on investments, dividends and certain other payments.

The maximum permitted consolidated Total Leverage Ratio is calculated as Consolidated Funded Indebtedness to twelve-month trailing Consolidated EBITDA, as defined by the Agreement. The following table provides our maximum Total Leverage Ratio during the remaining term of the Boyd Gaming Credit Facility:

	Maximum Total Leverage Ratio
For the Trailing Four Quarters Ending	
September 30, 2013 through December 31, 2015	8.50 to 1.00
March 31, 2016 through December 31, 2016	8.25 to 1.00
March 31, 2017 through December 31, 2017	8.00 to 1.00
March 31, 2018 and thereafter	7.75 to 1.00

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The maximum permitted Secured Leverage Ratio is calculated as Secured Indebtedness to twelve-month trailing Consolidated EBITDA, as defined by the Agreement. The following table provides our maximum Secured Leverage Ratio during the remaining term of the Boyd Gaming Credit Facility:

For the Trailing Four Quarters Ending	Maximum Secured Leverage Ratio
September 30, 2013 through December 31, 2014	5.00 to 1.00
March 31, 2015 through December 31, 2016	4.75 to 1.00
March 31, 2017 through December 31, 2017	4.50 to 1.00
March 31, 2018 and thereafter	4.25 to 1.00

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

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Current Maturities of Our Indebtedness

We classified certain non-extending balances under the Boyd Gaming Credit Facility as a current maturity, as such amounts come due within the next twelve months.

Senior Notes

9.125% Senior Notes due December 2018

Significant Terms

On November 10, 2010, we issued, through a private placement, \$500 million aggregate principal amount of 9.125% senior notes due December 2018. The notes require semi-annual interest payments on December 1 and June 1 of each year, which commenced on June 1, 2011. The notes will mature on December 1, 2018 and are fully and unconditionally guaranteed, on a joint and several basis, by certain of our current and future domestic restricted subsidiaries, all of which are 100% owned by us.

The notes contain certain restrictive covenants that, subject to exceptions and qualifications, among other things, limit our ability and the ability of our restricted subsidiaries (as defined in the indenture governing the notes) to incur additional indebtedness or liens, pay dividends or make distributions or repurchase our capital stock, make certain investments, and sell or merge with other companies. In addition, upon the occurrence of a change of control (as defined in the indenture governing the notes), we will be required, unless certain conditions are met, to offer to repurchase the notes at a price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest, if any, to, but not including, the date of purchase. If we sell assets or experience an event of loss, we will be required under certain circumstances to offer to purchase the notes.

At any time prior to December 1, 2014, we could have redeemed the notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, up to, but excluding, the applicable redemption date, plus a make whole premium. Subsequent to December 1, 2014, we may redeem all or a portion of the notes at redemption prices (expressed as percentages of the principal amount) ranging from 104.563% in 2014 to 100% in 2016 and thereafter, plus accrued and unpaid interest.

Second Supplemental Indenture Relating to the 9.125% Senior Notes due 2018

On August 14, 2013 the Company entered into a Second Supplemental Indenture (the "9.125% Senior Notes Supplemental Indenture") to that certain Indenture dated as of November 10, 2010 among the Company, the Guarantors party thereto, and U.S. Bank National Association, as Trustee, as supplemented by that certain First Supplemental Indenture dated as of October 27, 2011 by and among the Company, the Guarantors party thereto, and U.S. Bank National Association, as Trustee (the "9.125% Senior Notes Indenture"), relating to the 9.125% Senior Notes due 2018 of the Company. The 9.125% Senior Notes Supplemental Indenture was entered into to add Boyd Acquisition, LLC as a Guarantor thereunder and to release Echelon Resorts as a Guarantor thereunder.

Senior Notes

9.00% Senior Notes due July 2020

Significant Terms

On June 8, 2012, we issued \$350 million aggregate principal amount of 9.00% senior notes due July 2020 (the "2020 Notes"). The 2020 Notes require semiannual interest payments on January 1 and July 1 of each year, commencing on January 1, 2013. The 2020 Notes will mature on July 1, 2020 and are fully and unconditionally guaranteed, on a joint and several basis, by certain of our current and future domestic restricted subsidiaries, all of which are 100% owned by us.



The 2020 Notes contain certain restrictive covenants that, subject to exceptions and qualifications, among other things, limit our ability and the ability of our restrictive subsidiaries (as defined in the indenture governing the notes) to incur additional indebtedness or liens, pay dividends or make distributions or repurchase our capital stock, make certain investments, and sell or merge with other companies. In addition, upon the occurrence of a change in control (as defined in the indenture governing the notes), we will be required, unless certain conditions are met, to offer to repurchase the notes at a price equal to 101% of the principal amount of the 2020 Notes, plus accrued and unpaid interest, if any, to, but not including, the date of purchase. If we sell assets or experience an event of loss, we will be required under certain circumstances to purchase the notes.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

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At any time prior to July 1, 2015, we may redeem up to 35% of the aggregate principal amount of the 2020 Notes at a redemption price equal to 109% of the principal amount thereof, plus accrued and unpaid interest and additional interest (as defined in the indenture), if any, up to, but excluding, the applicable redemption date, with the net cash proceeds that we raise in one or more equity offerings. In addition, prior to July 1, 2016, we may redeem the 2020 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, up to but excluding, the applicable redemption date, plus a make whole premium. Subsequent to July 1, 2016, we may redeem all or a portion of the 2020 Notes at redemption prices (expressed as percentages of the principal amount) ranging from 104.50% in 2016 to 100% in 2018 and thereafter, plus accrued and unpaid interest.

First Supplemental Indenture Relating to the 2020 Notes

On August 14, 2013 the Company entered into a Supplemental Indenture (the "9% Supplemental Indenture") to that certain Indenture dated as of June 8, 2012 among the Company, the Guarantors party thereto, and U.S. Bank National Association, as Trustee (the "9% Senior Notes Indenture"), relating to the 2020 Notes. The 9% Supplemental Indenture was entered into to add Boyd Acquisition, LLC as a Guarantor thereunder and to release Echelon Resorts, LLC as a Guarantor thereunder.

HoldCo Note

As part of the consideration tendered in the acquisition of Peninsula, HoldCo issued a promissory note to PGP (the "HoldCo Note"). The principal balance assigned to the HoldCo Note as of the date of the Peninsula Acquisition was \$147.8 million. As a result of certain adjustments to the note balance that were made during the purchase accounting period as contemplated in the Merger Agreement, the principal balance was subsequently reduced to \$143.0 million. The related discount of the HoldCo Note was also adjusted from an original balance of \$34.2 million to \$33.1 million. The unamortized discount on the HoldCo Note at December 31, 2014, was \$11.7 million. The HoldCo Note provides for interest at a per annum rate equal to: (i) from the issue date to, but excluding the first anniversary of the issue date, zero percent; (ii) from the first anniversary of the issue date to but excluding the second anniversary of the issue date, six percent; (iii) from the second anniversary of the issue date to but excluding the third anniversary of the issue date, eight percent; and (iv) from and after the third anniversary of the issue date, ten percent. At the option of HoldCo, interest may be paid in cash or paid-in-kind. Accrued but unpaid interest is added to the principal balance of the HoldCo Note semi-annually. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months. HoldCo may prepay the obligations under the HoldCo Note at any time, in whole or in part, without premium or penalty.

In accordance with its terms, \$8.7 million of accrued and unpaid interest was added to the principal balance of the HoldCo Note during 2014.

Peninsula Segment Debt

Peninsula Bank Credit Facility

Credit Agreement

On November 20, 2012, Boyd completed its previously announced acquisition of Peninsula pursuant to the Merger Agreement and Merger Sub entered into a Credit Agreement (the "Peninsula Credit Agreement") dated as of November 14, 2012, with the lenders party thereto and Bank of America, N.A., as administrative agent, collateral agent, swing line lender, and L/C issuer. Pursuant to the terms of the Merger Agreement, upon consummation of the Merger, Peninsula assumed all assets and liabilities of Merger Sub and became the borrower under the Credit Agreement (as defined below) and, together with Peninsula Gaming Corp. upon consummation of the Finance Company Merger, the issuer of Peninsula Senior Notes (as defined below).

The Peninsula Credit Agreement provides for a \$875.0 million senior secured credit facility (the "Peninsula Credit Facility"), which consists of (a) a term loan facility of \$825.0 million (the "Peninsula Term Loan") and (b) a revolving credit facility of \$50.0 million including a \$15.0 million swing loan sublimit (the "Peninsula Revolver"). The Peninsula Term Loan was fully funded concurrently with the closing of the Peninsula Merger. A portion of the Peninsula Revolver was funded concurrently with the closing of the acquisition. The maturity date for obligations under the Peninsula Credit Facility is November 17, 2017.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## First Amendment to the Peninsula Credit Agreement

On May 1, 2013, Peninsula entered into the First Amendment to the Peninsula Credit Agreement (the "Peninsula Amendment"), among Peninsula, certain financial institutions and Bank of America, N.A. ("Bank of America"), as administrative agent (in such capacity, "Administrative Agent") for the lenders. The Peninsula Amendment amends certain terms of the Peninsula Credit Agreement dated as of November 14, 2012 (as amended, restated, supplemented or otherwise modified from time to time, the "Peninsula Credit Agreement"), among Peninsula, the lenders from time to time party thereto, the Administrative Agent, and Bank of America, as Collateral Agent, Swing Line Lender and L/C Issuer.

Among other things, the Peninsula Amendment: (i) decreases the applicable margin with respect to the Term Loan to 3.25% in the case of Eurodollar Rate Loans and 2.25% in the case of Base Rate Loans; (ii) reduces the minimum Eurodollar Rate with respect to the Term Loan to 1.00% per annum; (iii) requires the Company to pay a premium of 1.00% of the principal amount prepaid for full or partial repayments of Term Loans through the issuance of indebtedness having a lower interest rate than described in clause (i) above during the period of six calendar months after the effective date of the Peninsula Amendment and requires payment of an amendment fee of 1.00% during such period payable to lenders who consent to any such reduced interest rate; (iv) extends the deadline for delivery of year-end reports to 90 days after the end of each fiscal year of the Company; (v) clarifies the definition of Consolidated Adjusted EBITDA with respect to management fees; and (vi) allows quarterly amortization installments to be paid prior to the last day of the applicable quarter.

## Amounts Outstanding

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

(In thousands)	December 31,	
	2014	2013
Term Loan	\$734,000	\$784,750
Revolving Facility	2,000	8,000
Swing Loan	6,400	9,400
Total outstanding principal amounts under the Peninsula Credit Facility	\$742,400	\$802,150

At December 31, 2014, approximately \$742.4 million was outstanding under the Peninsula Credit Facility and \$5.2 million was allocated to support various letters of credit, leaving remaining contractual availability of \$36.4 million.

## Interest and Fees

The interest rate on the outstanding balance of the Peninsula Term Loan is based upon, at Peninsula's option either: (i) the Eurodollar rate plus 3.25%; or (ii) the base rate plus 2.25%. The interest rate on the outstanding balance from time to time of the Revolving Loans and Swing Loans are based upon, at Peninsula's option either: (i) the Eurodollar rate plus 4.00%; or (ii) the base rate plus 3.00%. The base rate under the Peninsula Credit Facility is the highest of (x) Bank of America's publicly-announced prime rate, (y) the federal funds rate plus 0.50%, or (z) the Eurodollar rate for a one-month period plus 1.00%. The Peninsula Credit Facility also establishes, with respect to outstanding balances under the Term Loan, a minimum Eurodollar rate for any interest period of 1.00%. In addition, Peninsula will incur a commitment fee on the unused portion of the Peninsula Credit Facility at a per annum rate of 0.50%.

## Optional and Mandatory Prepayments

The Credit Facility requires that the Company prepay the loans with proceeds of any significant asset sale or event of loss. In addition, the Credit Facility requires fixed quarterly amortization of principal equal to 0.25% of the original

aggregate principal amount of the Term Loan beginning March 31, 2013 and requires that the Company use a portion of its annual excess cash flow to prepay the loans. The Revolver can be terminated without premium or penalty, upon payment of the outstanding amounts owed with respect thereto. The Term Loan can be prepaid without premium or penalty, except that a 1.0% premium would have been payable in connection with prepayments of the Term Loan during the period of six calendar months after the effective date of the Amendment through the issuance of indebtedness having a lower interest rate than the interest rate payable in respect of the Term Loan.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

During the years ended December 31, 2014 and 2013, the Company paid \$8.3 million each year in mandatory principal payments and \$42.5 million and \$32.0 million in optional principal prepayments, respectively. None of these payments were subject to any prepayment premium.

## Guarantees and Collateral

Peninsula's obligations under the Peninsula Credit Facility, subject to certain exceptions, are guaranteed by Peninsula's subsidiaries and are secured by the capital stock and equity interests of Peninsula's subsidiaries. In addition, subject to certain exceptions, Peninsula and each of the guarantors granted the collateral agent first priority liens and security interests on substantially all of the real and personal property (other than gaming licenses and subject to certain other exceptions) of Peninsula and its subsidiaries as additional security for the performance of the obligations under the Peninsula Credit Facility. The obligations under the Revolver rank senior in right of payment to the obligations under the Term Loan.

## Financial and Other Covenants

The Peninsula Credit Facility contains customary affirmative and negative covenants which, subject to certain exceptions, restrict or limit Peninsula's ability and the ability of its restricted subsidiaries (as defined in the Peninsula Credit Agreement), to, among other things: (i) create liens on certain assets; (ii) make certain investments or dispositions; (iii) incur additional debt; (iv) consolidate or merge; (v) enter into certain transactions with affiliates; (vi) engage in any business substantially different from that in which they were engaged at the closing date of the Peninsula Credit Agreement; and (vii) make restricted payments, other than those allowed by the Peninsula Credit Agreement ("Restricted Payments"). Restricted Payments primarily include: (i) dividends and distributions to the Company; (ii) the Tax Amount (as defined in the Peninsula Credit Agreement), so long as Peninsula remains a pass-through entity for United States federal income tax purposes; and (iii) cash dividends to the extent no event of default would be caused, financial covenants would not exceed or be outside of applicable ratios, and the aggregate amount of all Restricted Payments does not exceed \$20.0 million plus the excess cash flow not required to repay loans.

Peninsula is required to maintain: (i) maximum consolidated interest coverage ratio over each twelve month period ending on the last fiscal day of each quarter (discussed below); (ii) beginning with the fiscal quarter ended March 31, 2013, a minimum consolidated interest coverage ratio of 2.0 to 1.0 as of the end of each calendar quarter; and (iii) a maximum amount of capital expenditures for each fiscal year.

The minimum consolidated Interest Coverage Ratio is calculated as (a) the twelve-month trailing Consolidated EBITDA (as defined in the Peninsula Credit Agreement), to (b) consolidated interest expense.

The maximum permitted Consolidated Leverage Ratio (as defined in the Peninsula Credit Agreement) is calculated as Consolidated Fund Indebtedness less Excess Cash to twelve-month trailing Consolidated EBITDA. The following table provides our maximum Consolidated Leverage Ratio during the remaining term of the Peninsula Credit Facility:

	Maximum Consolidated Leverage Ratio	
For the Trailing Four Quarters Ending		
September 30, 2014 through December 31, 2014	6.75	to 1.00
March 31, 2015 through June 30, 2015	6.50	to 1.00
September 30, 2015 through December 31, 2015	6.25	to 1.00
March 31, 2016 through June 30, 2016	6.00	to 1.00
September 30, 2016 through December 31, 2016	5.75	to 1.00

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March 31, 2107 through June 30, 2017	5.50	to	1.00
September 30, 2017 and thereafter	5.25	to	1.00

Capital Expenditures should not be made by Peninsula or any of its Restricted Subsidiaries (excluding: (i) capital expenditures which adds to or improves any existing property; and (ii) capital expenditures made prior to the first anniversary of the Funding Date relating to integration and/or transition of business systems) in an aggregate amount in excess of \$20.0 million in any fiscal year; provided that no default has occurred and is continuing or would result from such expenditure.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

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Restricted Net Assets

Cash dividends by Peninsula to the Company are limited by the terms of the Peninsula Credit Agreement and are contingent upon compliance with the loan covenants therein. This limitation on the transferability of assets constitutes a restriction of Peninsula's net assets and is subject to certain exceptions.

Debt Financing Costs

In conjunction with the Peninsula Credit Facility and Amendment, we incurred approximately \$33.8 million and \$8.2 million, respectively, which has been deferred as debt financing costs and is being amortized over the term of the Peninsula Credit Facility using the effective interest method. We also incurred \$2.0 million in other fees that were expensed upon execution of the Amendment and are included in other non-operating items in the consolidated statements of operations for the year ended December 31, 2013.

As a result of optional prepayments made during the years ended December 31, 2014 and 2013, we wrote-off \$1.5 million and \$1.4 million, respectively, in deferred debt financing costs representing the pro-rated reduction in borrowing capacity.

Current Maturities of Our Indebtedness

We classified certain non-extending balances under the Peninsula Credit Facility as a current maturity, as such amounts come due within the next twelve months.

Peninsula Senior Notes

8.375% Senior Notes due February 2018

Significant Terms

On August 16, 2012, we closed an offering of \$350 million aggregate principal amount of 8.375% senior notes due February 2018 (the "2018 Notes") by Merger Sub and Boyd Acquisition Finance Corp. ("Boyd Finance Co.," and together with Merger Sub, the "Issuers"), a direct wholly owned subsidiary of Merger Sub. The 2018 Notes were issued pursuant to an Indenture dated August 16, 2012 (the "Indenture") by and among the Issuers, and U.S. Bank National Association, as trustee (the "Trustee"). The consummation of the acquisition of Peninsula occurred on November 20, 2012, at which time, Peninsula and Peninsula Gaming Corporation assumed the obligations of the Merger Sub and Boyd Finance Co. and became the Issuers under the Indenture. The Indenture provides that the 2018 Notes bear interest at a rate of 8.375% per annum. The Notes mature on February 15, 2018.

Prior to the consummation of the acquisition, the 2018 Notes were not guaranteed. Upon the consummation of the acquisition, the 2018 Notes are fully and unconditionally guaranteed, on a joint and several basis, by Peninsula's subsidiaries (other than PGP). The 2018 Notes contain certain restrictive covenants that, subject to exceptions and qualifications limit Peninsula's ability and the ability of its restricted subsidiaries (as defined in the Indenture) to, among other things, (i) incur additional indebtedness or liens, (ii) consolidate or merge, and (iii) pay dividends or make distributions which would cause default, violate covenant ratios or exceed certain calculated amounts. In addition, upon the occurrence of a change of control (as defined in the Indenture), we will be required, unless certain conditions are met, to offer to repurchase the notes at a price equal to 101% of the principal amount of the 2018 Notes, plus accrued and unpaid interest, if any, to, but not including, the date of purchase. If we sell assets or experience an event of loss, we will be required, under certain circumstances, to offer to purchase the 2018 Notes.

At any time prior to August 15, 2014, the Issuers could have redeemed up to 35% of the aggregate principal amount of the 2018 Notes at a redemption price equal to 108.375% of the principal amount thereof, plus accrued and unpaid interest, up to, but excluding, the applicable redemption date, with the net cash proceeds that the Issuers raise in one or more equity offerings. In addition, prior to August 15, 2014, the Issuers could have redeemed the 2018 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid



interest, if any, up to, but excluding, the applicable redemption date, plus a make whole premium. Subsequent to August 15, 2014, the Issuers may redeem all or a portion of the 2018 Notes at a redemption prices (expressed as percentages of the principal amount) ranging from 106.281% in 2014 to 100% in 2016 and thereafter, plus accrued and unpaid interest.

The 2018 Notes have not been, and will not be, registered under the Securities Act of 1933, as amended, (the "Securities Act") and will be offered only to: (i) qualified institutional buyers as defined in Rule 144A under the Securities Act; and (ii) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act.

#### Debt Financing Costs

In conjunction with the issuance of the 2018 Notes, we incurred approximately \$14.2 million in debt financing costs that have been deferred and are being amortized over the term of the 2018 Notes using the effective interest method.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## Covenant Compliance

As of December 31, 2014, we believe that Boyd Gaming Corporation and Peninsula were in compliance with the financial and other covenants of their respective debt instruments.

The indentures governing the notes issued by each of the Businesses contain provisions that allow for the incurrence of additional indebtedness, if after giving effect to such incurrence, the coverage ratio (as defined in the respective indentures, essentially a ratio of the Business's consolidated EBITDA to fixed charges, including interest) for the Business's trailing four quarter period on a pro forma basis would be at least 2.0 to 1.0. Should this provision prohibit the incurrence of additional debt, each Business may still borrow under its existing credit facility. At December 31, 2014, the available borrowing capacity under these credit facilities was \$267.8 million at Boyd Gaming Corporation and \$36.4 million at Peninsula.

## Scheduled Maturities of Long-Term Debt

The scheduled maturities of long-term debt, as discussed above, are as follows:

(In thousands)	Boyd Gaming	Peninsula Segment	Total
For the year ending December 31,			
2015	\$21,500	\$8,253	\$29,753
2016	21,500	8,250	29,750
2017	21,500	725,900	747,400
2018	1,169,915	350,000	1,519,915
2019	9,000	—	9,000
Thereafter	1,145,750	—	1,145,750
Total outstanding principal of long-term debt	\$2,389,165	\$1,092,403	\$3,481,568

## Borgata Debt

As a result of the deconsolidation of Borgata on September 30, 2014, our consolidated balance sheet does not include the accounts of Borgata, including its debt balances, as of that date. The following discussion relates to Borgata's debt balances as of December 31, 2013.

## Borgata Bank Credit Facility

On July 24, 2013, the Marina District Finance Company Inc. ("MDFC") entered into an Amended and Restated Credit Agreement (the "Borgata Credit Facility") with MDDC, certain financial institutions, and Wells Fargo Bank, National Association, as administrative agent, letter of credit issuer and swing line lender. The Borgata Credit Facility replaces the Credit Agreement, dated as of August 6, 2010, among MDFC, MDDC, various lenders and Wells Fargo Bank, National Association, as administrative agent, letter of credit issuer and swing line lender, as amended (the "Prior Borgata Credit Agreement"), which provided for the Borgata bank credit facility.

The Borgata Credit Facility provides for a \$60 million senior secured revolving credit facility including a \$15.0 million swing loan sublimit (the "Borgata Revolving Credit Facility") which matures in February 2018 (or earlier upon the occurrence or non-occurrence of certain events). A portion of the availability under the Borgata Credit Facility was used to repay obligations outstanding under the Prior Borgata Credit Agreement.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

The Borgata Credit Facility includes an accordion feature which permits: (a) an increase in the Borgata Revolving Credit Facility in an amount not to exceed \$15 million and (b) the issuance of senior secured term loans to refinance MDFC's 9.5% Senior Secured Notes Due 2015 (the "2015 Borgata Notes") and, concurrently with or after the 2015 Borgata Notes have been refinanced, to refinance MDFC's 9.875% Senior Secured Notes due 2018 (the "2018 Borgata Notes") outstanding pursuant to the Borgata Indenture, in each case, subject to the satisfaction of certain conditions.

Amounts Outstanding

The outstanding principal amounts under the Borgata Credit Facility at December 31, 2013, were:

(In thousands)

Revolving Credit Facility	\$35,000
Swing Loan	4,900
Total outstanding principal amounts under the Borgata Credit Facility	\$39,900

Interest and Fees

Outstanding borrowings under the Borgata Credit Facility including those borrowings under the swing loan accrue interest, at the option of MDFC, at a rate based upon either: (i) the highest of (a) the agent bank's quoted prime rate, (b) the one-month Eurodollar rate plus 1.00%, and (c) the daily federal funds rate plus 0.50%; or (ii) the Eurodollar rate, plus with respect to each of clause (i) and (ii), an applicable margin as specified in the Borgata Credit Facility. In addition, a commitment fee is incurred on the unused portion of the Borgata Revolving Credit Facility ranging from 0.50% per annum to 0.75% per annum.

Guarantees and Collateral

The Borgata Credit Facility is guaranteed on a senior secured basis by MDDC and any future subsidiaries of MDDC and is secured by a first priority lien on substantially all of the assets of MDFC, MDDC and any future subsidiaries of MDDC, subject to certain exceptions. The obligations under the Borgata Credit Facility will have priority in payment to the payment of the 2015 Borgata Notes and the 2018 Borgata Notes. Neither we nor our subsidiaries (other than MDDC) are a guarantor of the Borgata Credit Facility.

Financial and Other Covenants

The Borgata Credit Facility contains customary affirmative and negative covenants, including but not limited to: (i) establishing a minimum Consolidated EBITDA (as defined in the Borgata Credit Facility) of \$110 million over each trailing twelve-month period ending on the last day of each calendar quarter; (ii) imposing limitations on MDFC's and MDDC's ability to incur additional debt, create liens, enter into transactions with affiliates, merge or consolidate, and engage in unrelated business activities; and (iii) imposing restrictions on MDDC's ability to make restricted payments, other than those allowed by the Borgata Credit Agreement ("Borgata Restricted Payments"). Borgata Restricted Payments primarily include (i) the Tax Amount (as defined in the Borgata Credit Agreement), so long as Borgata remains a pass-through entity for United States federal income tax purposes, and (ii) cash dividends to the extent no event of default would be caused, financial covenants would not exceed or be outside of applicable ratios.

Restricted Net Assets

Cash dividends by Borgata to the Company are limited by the terms of the Borgata Credit Agreement and are contingent upon compliance with the loan covenants therein. This limitation on the transferability of assets constitutes a restriction of Borgata's net assets and is subject to certain exceptions.

Debt Financing Costs

In conjunction with the Borgata bank credit facility and the amendment thereto, during the years ended December 31, 2013 and 2012, we incurred incremental debt financing costs of \$10.1 million and \$0.4 million, respectively, related to the Borgata bank credit facility in incremental debt financing costs, which have been deferred and are being amortized over the remaining term of the Borgata bank credit facility.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

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Borgata Incremental Term Loan

On December 16, 2013, MDFC entered into a Lender Joint Agreement (the "Incremental Term Loan"), among the Company, Wells Fargo Bank, National Association, as administrative agent, and Deutsche Bank AG New York Branch, as incremental term lender. The Incremental Term Loan increases the term commitments under the Borgata bank credit facility by an aggregate amount of \$380.0 million. The Incremental Term Loan was fully funded on December 16, 2013, and proceeds were used to repay MDFC's outstanding 9.5% Senior Secured Notes due 2015.

The interest rate per annum applicable to the Incremental Term Loan is either (a) the Effective Eurodollar Rate (the greater of the Eurodollar Rate in effect for such interest period an 1.00%) plus the Term Loan Applicable Rate (ranging from 5.50% to 5.75%) if and to the extent the Incremental Term Loan is a Eurodollar Rate Loan under the Credit Agreement, or (b) the Base Rate (Effective Eurodollar Rate for one month plus 1.00%) plus the Term Loan Applicable Rate (ranging from 4.50% to 4.75%) if and to the extent the Incremental Term Loan is a Base Rate Loan under the Credit Agreement. The Incremental Term Loan was issued with 1.00% of original issue discount.

The Incremental Term Loan requires fixed quarterly amortization of principal equal to 0.25% of the original principal amount of the Incremental Term Loan beginning March 31, 2014. The remaining outstanding principal amount of the Incremental Term Loan is required to be paid on August 15, 2018.

With some exceptions, in the event of a full or partial prepayment of the Incremental Term Loan prior to the second anniversary of the funding of the Incremental Term Loan, such prepayment will include a premium in an amount equal to (a) 2.00% of the principal amount so prepaid, in the case of any such prepayment prior to the first anniversary of the funding of the Incremental Term Loan and (b) 1.00% of the principal amount so prepaid, in the case of any such prepayment on or after the first anniversary of the funding of the Incremental Term Loan but prior to the second anniversary of the funding of the Incremental Term Loan.

Original Issue Discount

The original issue discount has been recorded as an offset to the principal amount of the Incremental Term Loan and is being accreted to interest expense over the term of the loan using the effective interest method. At December 31, 2013, the effective interest rate on the Incremental Term Loan was 6.82%.

Borgata Senior Secured Notes

9.875% Senior Secured Notes Due 2018

Significant Terms

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

At any time prior to August 15, 2014, the 2018 Borgata Notes could have been redeemed at 100% of the principal amount thereof, plus a "make-whole premium" and accrued and unpaid interest. In addition, MDFC shall have the option to redeem the 2018 Borgata Notes, in whole or in part, at redemption prices (expressed as percentages of the principal amount) ranging from 104.938% beginning on August 15, 2014, to 102.469% beginning on August 15,

2015, to 100% beginning on August 15, 2016 and thereafter, plus accrued and unpaid interest, to the applicable redemption date.

**Original Issue Discount**

The original issue discount has been recorded as an offset to the principal amount of the 2018 Borgata Notes and is being accreted to interest expense over the term of the notes using the effective interest method. At December 31, 2013, the effective interest rate on the 2018 Borgata Notes was 10.3%.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## Indenture

The indenture governing the 2018 Borgata Notes allows for the incurrence of additional indebtedness, if after giving effect to such incurrence, our coverage ratio (as defined in the indenture, essentially a ratio of consolidated EBITDA to fixed charges, including interest) for a trailing four quarter period on a pro forma basis would be at least 2.0 to 1.0. Such pro forma coverage ratio was above 2.0 to 1.0 at the date the 2018 Borgata Notes were issued; however, at December 31, 2013, our coverage ratio (as defined in the indenture) is below 2.0 to 1.0. Accordingly, the indenture prohibits us from incurring new indebtedness; however, we may still borrow under the \$60 million senior secured credit facility. At December 31, 2013, the outstanding balance under the Borgata bank credit facility was \$39.9 million leaving contractual availability of \$20.1 million.

## NOTE 9. INCOME TAXES

## Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are provided to record the effects of temporary differences between the tax basis of an asset or liability and its amount as reported in our consolidated balance sheets. These temporary differences result in taxable or deductible amounts in future years.

Deferred tax assets and liabilities presented on the consolidated balance sheets are as follows:

(In thousands)	December 31,	
	2014	2013
Current deferred tax liability	\$3,087	\$2,879
Non-current deferred tax liability	142,263	155,218
Current deferred tax asset	(117)	(5,374)
Net deferred tax liability	\$145,233	\$152,723

The components comprising our deferred tax assets and liabilities are as follows:

(In thousands)	December 31,	
	2014	2013
Deferred tax assets		
Federal net operating loss carryforwards	\$312,113	\$367,182
State net operating loss carryforwards	41,395	43,785
Share-based compensation	35,122	30,317
Other	42,554	50,424
Gross deferred tax assets	431,184	491,708
Valuation allowance	(261,962)	(243,448)
Deferred tax assets, net of valuation allowance	169,222	248,260
Deferred tax liabilities		
Difference between book and tax basis of intangible assets	202,089	175,964
Difference between book and tax basis of property	86,280	185,535
State tax liability, net of federal benefit	11,980	23,073
Other	14,106	16,411
Gross deferred tax liabilities	314,455	400,983
Deferred tax liabilities, net	\$145,233	\$152,723

At December 31, 2014, we have unused federal general business tax credits of approximately \$8.9 million which may be carried forward or used until expiration beginning in 2030 and alternative minimum tax credits of \$0.4 million

which may be carried forward indefinitely. We have a federal income tax net operating loss of approximately \$916.7 million, which may be carried forward or used until expiration beginning in 2031. We also have state income tax net operating loss carryforwards of approximately



## BOYD GAMING CORPORATION AND SUBSIDIARIES

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as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

\$567.6 million, which may be used to reduce future state income taxes. The state net operating loss carryforwards will expire in various years ranging from 2015 to 2033, if not fully utilized.

As a result of certain realization requirements of ASC 718, Compensation - Stock Compensation, the table of deferred tax assets and liabilities shown above does not include certain deferred tax assets that arose directly from (or the use of which was postponed by) tax deductions related to equity compensation that are greater than the compensation recognized for financial reporting. Equity will be increased by approximately \$6.3 million if and when such deferred tax assets are ultimately realized. The Company uses ASC 740 ordering when determining when excess tax benefits have been realized.

## Valuation Allowance on Deferred Tax Assets

Management assesses available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. In evaluating our ability to recover deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies and results of recent operations. A significant piece of objective negative evidence evaluated was the cumulative losses incurred over the three-year periods ended December 31, 2014, 2013 and 2012.

As of December 31, 2014, we concluded that it was more likely than not that the benefit from certain deferred tax assets would not be realized. As a result of our analysis, a valuation allowance of \$226.2 million has been recorded on our federal income tax net operating loss carryforwards and certain other deferred tax assets at December 31, 2014. The amount of the deferred tax assets at December 31, 2014 considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as our projections for profitable growth. A valuation allowance in the amount of \$35.7 million has also been recorded on a material portion of our state income tax operating losses, along with certain other state deferred tax assets, which are not presently expected to be realized.

## Provision (Benefit) for Income Taxes

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

(In thousands)	Year Ended December 31,		
	2014	2013	2012
Current			
Federal	\$442	\$—	\$(235 )
State	(289 )	368	286
Total current taxes provision (benefit)	153	368	51
Deferred			
Federal	(1,896 )	5,666	(215,711 )
State	2,496	(2,684 )	(5,129 )
Total deferred taxes provision (benefit)	600	2,982	(220,840 )
Provision (benefit) for income taxes from continuing operations	\$753	\$3,350	\$(220,789 )
Provision (benefit) for income taxes included on the consolidated statement of operations			
Provision (benefit) for income taxes from continuing operations	\$753	\$3,350	\$(220,789 )

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Provision (benefit) for income taxes from discontinued operations	—	5,884	17
Provision (benefit) for income taxes from continuing and discontinued operations	\$753	\$9,234	\$(220,772 )

Our tax provision for the year ended December 31, 2014 was adversely impacted by a valuation allowance on our federal and state income tax net operating losses and certain other deferred tax assets. The tax provision was favorably impacted by impairment charges to indefinite lived intangible assets which resulted in a reduction in our recognized deferred tax liability on these assets,

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

tax adjustments related to the deconsolidation of Borgata and, as a result of statute expirations, the realization of certain unrecognized tax benefits, inclusive of the reversal of related accrued interest.

Our tax provision for the year ended December 31, 2013 was adversely impacted by a valuation allowance on our federal and state income tax net operating losses and certain other deferred tax assets. The tax provision was favorably impacted by the partial resolution of certain proposed adjustments raised in connection with our 2005-2009 IRS examination, which principally resulted in the reversal of interest accrued on unrecognized tax benefits.

Our tax benefit for the year ended December 31, 2012 was adversely impacted by a valuation allowance on our federal and state income tax net operating losses and certain other deferred tax assets. The tax benefit was favorably impacted by the reversal of interest accrued on unrecognized tax benefits, resulting from the effective settlement reached in connection with our 2001-2004 IRS examination.

Additionally, the tax provision or benefit in 2014, 2013 and 2012 was adversely impacted by an accrual of non-cash tax expense in connection with the tax amortization of indefinite lived intangible assets that was not available to offset existing deferred tax assets. The deferred tax liabilities created by the tax amortization of these intangibles cannot be used to offset corresponding increases in the net operating loss deferred tax assets in determining our valuation allowance.

The following table provides a reconciliation between the federal statutory rate and the effective income tax rate, expressed as a percentage of income from continuing operations before income taxes:

	Year Ended December 31,					
	2014		2013		2012	
Tax at federal statutory rate	35.0	%	35.0	%	35.0	%
Valuation allowance for deferred tax assets	(38.7	)%	(35.1	)%	(15.4	)%
Noncontrolling interests	12.9	%	(9.4	)%	(0.5	)%
State income taxes, net of federal benefit	(5.4	)%	2.0	%	0.4	%
Company provided benefits	(4.1	)%	0.1	%	(0.1	)%
Compensation-based credits	3.8	%	1.4	%	0.1	%
Accrued interest on uncertain tax benefits	(3.0	)%	3.7	%	—	%
Other, net	(2.4	)%	(0.6	)%	(0.1	)%
Effective tax rate	(1.9	)%	(2.9	)%	19.4	%

## Status of Examinations

In January 2015, we received Joint Committee on Taxation ("Joint Committee") approval of the 2005-2009 IRS appeals settlement reached in August 2013. The refund in connection with the settlement is approximately \$2.7 million, plus estimated interest of \$450,000. The refund and related interest benefit will be recorded in the first quarter of 2015.

In August 2013, we received a \$4.2 million refund in connection with Joint Committee approval of our 2001-2004 IRS appeals settlement.

Our federal income tax returns for years 2011-2014 remain subject to federal examination. The statute of limitations for tax years 2011 through 2014 will expire over the period September 2015 through September 2018.

We are also currently under examination for various state income and franchise tax matters. Certain adjustments in the state examinations are contingent on resolution of our federal examinations. As it relates to our material state returns, we are subject to examination for tax years ended on or after December 31, 2001, and the statute of limitations will expire over the period September 2015 through November 2018.

Based on our current expectations for the final resolutions of these federal and state income tax matters, we believe that we have adequately reserved for any tax liability; however, the ultimate resolution of these examinations may result in an outcome that is

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

different than our current expectation. We do not believe the ultimate resolution of these examinations will have a material impact on our consolidated financial statements.

## Other Long-Term Tax Liabilities

The impact of an uncertain income tax position taken in our income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position is not recognized if it has less than a 50% likelihood of being sustained. Our liability for uncertain tax positions is recorded as other current tax liabilities and other long-term tax liabilities in our consolidated balance sheets.

A reconciliation of the beginning and ending amount of unrecognized tax benefits as follows:

(In thousands)	Year Ended December 31,		
	2014	2013	2012
Unrecognized tax benefit, beginning of year	\$37,059	\$38,423	\$42,320
Additions:			
Tax positions related to current year	487	562	1,468
Tax positions related to prior years	—	138	15,456
Reductions:			
Tax positions related to the Deconsolidation of Borgata	(6,221 )	—	—
Lapse of applicable statute of limitations	(1,097 )	—	—
Tax position related to prior years	(30 )	(2,064 )	(10,969 )
Settlement with taxing authorities	—	—	(9,852 )
Unrecognized tax benefits	\$30,198	\$37,059	\$38,423

Included in the \$30.2 million balance of unrecognized tax benefits at December 31, 2014, are \$22.0 million of federally tax effected benefits that, if recognized, would impact the effective tax rate. We recognize interest related to unrecognized tax benefits in our income tax provision. During the years ended December 31, 2014, we recognized interest and penalties of approximately \$0.7 million in our tax provision. During the years ended December 31, 2013 and 2012 we recognized interest related benefits, due to favorable settlements, of \$1.1 million and \$0.2 million, respectively, in our income tax provision. We have accrued \$7.2 million and \$12.0 million of interest and penalties as of December 31, 2014 and 2013, respectively, in our consolidated balance sheets.

In 2014, as a result of statute expirations, we reduced our unrecognized tax benefits by \$1.1 million, all of which impacted our effective tax rate. In 2013 we reached a partial resolution on certain proposed adjustments raised in connection with our 2005-2009 IRS examination. As a result of these agreements, we reduced our unrecognized tax benefits by \$2.1 million, of which \$0.1 million impacted our effective tax rate. During 2012 we effectively settled our 2001-2004 IRS examination and reduced our unrecognized tax benefits by \$20.8 million, of which \$0.1 million impacted our effective tax rate. Additionally, in 2014, 2013 and 2012 we reduced the interest accrued on our unrecognized tax benefits by \$0.7 million, \$3.1 million and \$4.0 million, respectively, and recorded a benefit to our tax provision.

We are in various stages of the examination and appeals process in connection with many of our audits and it is difficult to determine when these examinations will be closed. However, it is reasonably possible based on the receipt of the Joint Committee approval in the 2005-2009 IRS appeals settlement reached in August 2013, that over the next twelve-month period our unrecognized tax benefits as of December 31, 2014, will decrease in the range of \$26.1 million to \$27.7 million, of which \$17.9 million to \$19.4 million would impact our effective tax rate. Such reduction is due to the resolution of certain issues, primarily related to the depreciable lives of assets, tax attributes, interest

capitalization and transfer pricing, raised in connection with our federal and state examinations.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Commitments

Capital Spending and Development

We continually perform on-going refurbishment and maintenance at our facilities to maintain our standards of quality. Certain of these maintenance costs are capitalized, if such improvement or refurbishment extends the life of the related asset, while other

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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maintenance costs that do not so qualify are expensed as incurred. The commitment of capital and the related timing thereof are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate regulatory bodies. We must also comply with covenants and restrictions set forth in our debt agreements.

**Kansas Management Contract**

On January 14, 2011, the Kansas Management Contract was approved by the Kansas Racing and Gaming Commission ("KRGCC"), contractually obligating KSC to open certain phases of the project by certain specified dates. All required development under the Kansas Management Contract was complete as of December 31, 2014.

As part of the Kansas Management Contract, Kansas Star committed to donate \$1.5 million each year to support education in the local area in which the Kansas Star operates for the duration of the Kansas Management Contract. We have made all distributions under this commitment as scheduled and such related expenses are recorded in Selling, general and administrative expenses on the consolidated statements of operations.

**Mulvane Development Agreement**

On March 7, 2011, Kansas Star entered into a Development Agreement with the City of Mulvane ("Mulvane Development Agreement") related to the provision of water, sewer, and electrical utilities to the Kansas Star site. This agreement sets forth certain parameters governing the use of public financing for the provision of such utilities, through the issuance of general obligation bonds by the City of Mulvane, paid for through the imposition of a special tax assessment on the Kansas Star site payable over 15 years in an amount equal to the City's full obligations under the general obligation bonds.

As of December 31, 2014, all infrastructure improvements to the Kansas Star site under the Mulvane Development Agreement are complete and the City of Mulvane issued \$19.7 million in general obligation bonds related to these infrastructure improvements, \$18.8 million prior to the Merger and \$0.9 million subsequent to the Merger. In connection with the Merger, the Company's obligation under this agreement was revalued to fair value as of the Merger date. Interest costs are expensed as incurred and the discount will be amortized to interest expense over the term of the special tax assessment ending in 2028. Kansas Star's special tax assessment related to these bonds is approximately \$1.7 million annually. Payments under the special tax assessment are secured by irrevocable letters of credit of \$5.0 million issued by the Company in favor of the City of Mulvane, representing an amount equal to three times the annual special assessment tax imposed on the Kansas Star.

**Contingent Payments**

In connection with Kansas Star's acquisition of a land purchase option to purchase land upon which Kansas Star's casino is currently being developed, Kansas Star is required to pay a former casino project developer and option holder 1% of Kansas Star's EBITDA each month for a period of 10 years commencing December 20, 2011.

**Minimum Assessment Agreement**

In 2007, Diamond Jo Dubuque ("DJL") entered a Minimum Assessment Agreement with the City of Dubuque. Under the Minimum Assessment Agreement, DJL and the City agreed to a minimum taxable value related to the new casino of \$57.9 million. DJL agreed to pay property taxes to the City based on the actual taxable value of the casino, but not less than the minimum taxable value. Scheduled payments of principal and interest on the City Bonds will be funded through DJL's payment obligations under the Minimum Assessment Agreement. DJL is also obligated to pay any shortfall should property taxes be insufficient to fund the principal and interest payments on the City Bonds.

As a result of purchase accounting the Minimum Assessment Agreement obligation was revalued to fair value. Interest costs under the Minimum Assessment Agreement obligation are expensed as incurred. As of December 31, 2014 and 2013, the remaining obligation under the Minimum Assessment Agreement was \$1.9 million at each date, which was recorded in accrued liabilities on the consolidated balance sheets and \$14.7 million, net of a \$3.0 million discount, and \$14.9 million, net of a \$3.1 million discount, respectively, which was recorded as a long-term obligation in other liabilities on the consolidated balance sheets. The discount will be amortized to interest expense over the life of the Minimum Assessment Agreement. Total minimum payments by DJL under the Minimum Assessment Agreement are approximately \$1.9 million per year through 2037.

#### Public Parking Facility Agreement

DJL has an agreement with the City for use of the public parking facility adjacent to DJL's casino and owned and operated by the City (the "Parking Facility Agreement"). The Parking Facility Agreement calls for: (i) the payment by the Company for the reasonable and necessary actual operating costs incurred by the City for the operation, security, repair and maintenance of the



BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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public parking facility; and (ii) the payment by the Company to the City of \$65 per parking space in the public parking facility per year, subject to annual increases based on any increase in the Consumer Price Index, which funds will be deposited into a special sinking fund and used by the City for capital expenditures necessary to maintain the public parking facility. Operating costs of the parking facility incurred by DJL are expensed as incurred. Deposits to the sinking fund are recorded as other assets. When the sinking fund is used for capital improvements, such amounts are capitalized and amortized over their remaining useful life.

Iowa Qualified Sponsoring Organization Agreements

DJL and Diamond Jo Worth ("DJW") are required to pay their respective qualified sponsoring organization, who hold a joint gaming license with DJL and DJW, 4.50% and 5.76%, respectively, of the casino's adjusted gross receipts on an ongoing basis. DJL expensed \$2.8 million, \$3.0 million, and \$0.3 million, during the years ended December 31, 2014 and 2013, and the period from November 20, 2012 through December 31, 2012, respectively, related to its agreement. DJW expensed \$4.8 million, \$5.0 million, and \$0.5 million, during the years ended December 31, 2014 and 2013, and the period from November 20, 2012 through December 31, 2012, respectively, related to its agreement. The DJL agreement expires on December 31, 2018. The DJW agreement was amended during 2014 and expires on March 31, 2025, and is subject to automatic ten-year renewal periods.

Merger Earnout

Under the terms of the Merger Agreement, Boyd Acquisition II, LLC ("HoldCo"), an indirect wholly-owned subsidiary of Boyd, is obligated to make an additional payment to Peninsula Gaming Partners, LLC in 2016 if Kansas Star's EBITDA, as defined in the Merger Agreement, for 2015 exceeds \$105.0 million. The additional payment would be in an amount equal to 7.5 times the amount by which Kansas Star's 2015 EBITDA exceeds \$105.0 million. The actual payout will be determined based on actual EBITDA of Kansas Star for calendar year 2015, and payments are not limited by a maximum value. If the actual 2015 EBITDA of Kansas Star is less than the target, the Company is not required to make any additional consideration payment. At December 31, 2014 and December 31, 2013, there were outstanding liabilities of \$0.1 million and \$1.1 million, respectively, related to the merger earnout which are included in other liabilities on the consolidated balance sheets.

Development Agreement

In September 2011, the Company acquired the membership interests of a limited liability company (the "LLC") for a purchase price of \$24.5 million. The primary asset of the LLC was a previously executed development agreement (the "Development Agreement") with a Native American tribe (the "Tribe"). The purchase price was allocated primarily to an intangible asset associated with the Company's rights under the agreement to assist the Tribe in the development and management of a gaming facility on the Tribe's land.

In July 2012, the Company and the Tribe amended and replaced the agreement with a new development agreement and a management agreement (the "Agreements"). The Agreements obligate us to fund certain pre-development costs, which are estimated to be approximately \$1 million to \$2 million annually, for the next several years and to assist the Tribe in its development and oversight of the gaming facility construction. Upon opening, we will manage the gaming facility. The pre-development costs funded by us are reimbursable to us with future cash flows from the operations of the gaming facility under terms of a note receivable from the Tribe.

The Agreements provide that the Company will receive future revenue for its services to the Tribe contingent upon successful development of the gaming facility and based on future net revenues at the gaming facility. Development is in the preliminary stages and no time schedule has been established as to when the Tribe will be able to formalize plans and begin construction.

Investment Alternative Tax

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues.

Generally, Borgata may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the New Jersey Casino Reinvestment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to fifty years and bear interest at below market rates.

Borgata's CRDA obligations for the year ended December 31, 2013 were \$7.8 million, of which valuation provisions of \$2.2 million, were recorded due to the respective underlying agreements.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## Atlantic City Tourism District

As part of the State of New Jersey's plan to revitalize Atlantic City, a new law was enacted in February 2011 requiring that a tourism district (the "Tourism District") be created and managed by the CRDA. The Tourism District has been established to include each of the Atlantic City casino properties along with certain other tourism related areas of Atlantic City. The law requires that a public-private partnership be created between the CRDA and a private entity that represents existing and future casino licensees. The private entity, known as The Atlantic City Alliance (the "ACA"), has been established in the form of a not-for-profit limited liability company, of which MDDC is a member. The public-private partnership between the ACA and CRDA shall be for an initial term of five years and its general purpose shall be to revitalize the Tourism District. The law requires that a \$5 million contribution be made to this effort by all casinos prior to 2012 followed by an annual amount of \$30 million to be contributed by the casinos commencing January 1, 2012 for a term of five years. Each casino's share of the annual contributions will equate to a percentage representing its gross gaming revenue for the prior calendar year compared to the aggregate gross gaming revenues for that period for all casinos. As a result, Borgata will expense their pro rata share of the \$155 million as incurred. Through the date of deconsolidation, September 30, 2014, and during 2013 and 2012, Borgata incurred expense of \$5.5 million, \$6.5 million and \$6.1 million for the pro rata share of the initial contribution to the ACA.

## Future Minimum Lease Payments and Rental Income

Future minimum lease payments required under noncancelable operating leases, which are primarily related to land leases are as follows:

(In thousands)	Lease Obligations
For the year ending December 31,	
2015	\$ 18,483
2016	18,302
2017	17,572
2018	16,795
2019	15,143
Thereafter	400,910
Total	\$487,205

Rent expense included in selling, general and administrative expenses on the accompanying consolidated statements of operations for the years ended December 31, 2014, 2013 and 2012 was \$36.6 million, \$38.6 million, and \$29.3 million, respectively, and primarily relates to land leases and advertising-related expenses.

Future minimum rental income, which is primarily related to retail and restaurant facilities located within our properties are as follows:

(In thousands)	Total Rental Income
For the year ending December 31,	
2015	\$ 1,426
2016	1,220
2017	1,158
2018	1,071
2019	647
Thereafter	255
Total	\$5,777

## Contingencies

Legal Matters

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

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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NOTE 11. STOCKHOLDERS' EQUITY AND STOCK INCENTIVE PLANS

Share Repurchase Program

We have in the past, and may in the future, acquire our equity securities through open market purchases, privately negotiated transactions, tender offers, exchange offers, redemptions or otherwise, upon such terms and at such prices as we may determine from time to time. In July 2008, our Board of Directors authorized an amendment to an existing share repurchase program to increase the amount of common stock that can be repurchased to \$100 million, and \$92.1 million of this authorization remains available at December 31, 2014. We are not obligated to repurchase any shares under this program, and no shares were repurchased during the years ended December 31, 2014, 2013 or 2012.

Subject to applicable corporate securities laws, repurchases under our stock repurchase program may be made at such times and in such amounts as we deem appropriate. Repurchases can be discontinued at any time that we feel additional purchases are not warranted. We intend to fund the repurchases under the stock repurchase program with existing cash resources and availability under our Credit Facility. We are subject to certain limitations regarding the repurchase of common stock, such as restricted payment limitations related to our outstanding notes and our Credit Facility.

Dividends

Dividends are declared at the discretion of our Board of Directors. We are subject to certain limitations regarding payment of dividends, such as restricted payment limitations related to our outstanding notes and the Boyd Gaming Credit Facility. No dividends were declared during the years ended December 31, 2014, 2013 or 2012.

Stock Incentive Plan

In May 2012, the Company's stockholders approved the 2012 Stock Incentive Plan (the "2012 Plan"), which amended and restated the Company's 2002 Stock Incentive Plan (the "2002 Plan") to (a) provide for a term ending ten years from the date of stockholder approval at the Annual Meeting, (b) increase the maximum number of shares of the Company's common stock authorized for issuance over the term of the 2012 Plan by 4 million shares from 17 million to 21 million shares, (c) permit the future grant of certain equity-based awards, including awards designed to constitute performance-based compensation under Section 162(m) of the Internal Revenue Code, and (d) make certain other changes. Under our 2012 Plan, approximately 2.0 million shares remain available for grant at December 31, 2014, after consideration of those PSUs approved but not yet granted for accounting purposes at December 31, 2014, as discussed further below. The number of authorized but unissued shares of common stock under this 2012 Plan as of December 31, 2014 was approximately 14.6 million shares.

Grants made under the 2012 Plan include provisions that entitle the grantee to automatic vesting acceleration in the event of a grantee's separation from service (including as a result of retirement, death or disability), other than for cause (as defined), after reaching the defined age and years of service thresholds. These provisions result in the accelerated recognition of the stock compensation expense for those grants issued to employees who have met the stipulated thresholds.

Stock Options

Options granted under the 2012 Plan generally become exercisable ratably over a three-year period from the date of grant. Options that have been granted under the 2012 Plan had an exercise price equal to the market price of our common stock on the date of grant and will expire no later than ten years after the date of grant.



## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

Summarized stock option plan activity is as follows:

	Options	Weighted Average Option Price	Weighted Average Remaining Term (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at January 1, 2012	10,671,343	\$24.81		
Granted	537,840	5.22		
Canceled	(366,344)	) 21.40		
Exercised	(16,835)	) 6.95		
Outstanding at December 31, 2012	10,826,004	23.98		
Granted	544,330	9.86		
Canceled	(378,202)	) 20.67		
Exercised	(1,848,222)	) 7.44		
Outstanding at December 31, 2013	9,143,910	26.62		
Granted	244,351	11.57		
Canceled	(1,656,359)	) 34.79		
Exercised	(562,234)	) 7.39		
Outstanding at December 31, 2014	7,169,668	\$25.73	4.0	\$15,031
Exercisable at December 31, 2013	8,061,747	\$29.15	3.6	\$9,037
Exercisable at December 31, 2014	6,459,687	\$27.52	3.4	\$12,662

Share-based compensation costs related to stock option awards are calculated based on the fair value of each option grant on the date of the grant using the Black-Scholes option pricing model.

The following table summarizes the information about stock options outstanding and exercisable at December 31, 2014:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
\$5.22-\$6.70	951,241	6.9	\$ 5.99	797,474	\$ 6.14
7.55-7.55	593,890	4.8	7.55	593,890	7.55
8.34-8.34	857,890	5.8	8.34	857,890	8.34
9.86-33.31	737,150	9.0	11.22	180,936	13.10
38.11-38.11	491,000	2.4	38.11	491,000	38.11
39.00-39.00	1,284,500	1.8	39.00	1,284,500	39.00
39.78-39.78	984,500	2.8	39.78	984,500	39.78
39.96-39.96	1,235,497	0.8	39.96	1,235,497	39.96
42.69-47.49	30,000	1.5	43.49	30,000	43.49
52.35-52.35	4,000	0.4	52.35	4,000	52.35
\$5.22-\$52.35	7,169,668	4.0	\$ 25.73	6,459,687	\$ 27.52





## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

The total intrinsic value of in-the-money options exercised during the years ended December 31, 2014, 2013 and 2012 was \$2.5 million, \$9.5 million, and \$19 thousand, respectively. The total fair value of options vested during the years ended December 31, 2014, 2013 and 2012 was approximately \$2.3 million, \$3.0 million, and \$4.8 million, respectively. As of December 31, 2014, there was approximately \$2.3 million of total unrecognized share-based compensation costs related to unvested stock options, which is expected to be recognized over approximately 1.1 years, the weighted-average remaining requisite service period.

## Restricted Stock Units

Our 2012 Plan provides for the grant of Restricted Stock Units ("RSUs"). An RSU is an award which may be earned in whole, or in part, upon the passage of time, and which may be settled for cash, shares, other securities or a combination thereof. The RSUs do not contain voting rights and are not entitled to dividends. The RSUs are subject to the terms and conditions contained in the applicable award agreement and the 2012 Plan. Share-based compensation costs related to RSU awards are calculated based on the market price on the date of the grant.

We annually award RSUs to certain members of our Board of Directors. Each RSU is to be paid in shares of common stock upon the member's cessation of service to the Company. These RSUs were issued for past service; therefore, they are expensed on the date of issuance.

We also grant RSUs to members of management of the Company, which represents a contingent right to receive one share of our common stock upon vesting. An RSU generally vests on the third anniversary of its issuance and the share-based compensation expense is amortized to expense over the requisite service period.

Summarized RSU activity is as follows:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2012	1,849,390	
Granted	860,376	\$5.51
Canceled	(9,781)	)
Awarded	(328,838)	)
Outstanding at December 31, 2012	2,371,147	
Granted	1,018,978	\$10.03
Canceled	(46,131)	)
Awarded	(588,195)	)
Outstanding at December 31, 2013	2,755,799	
Granted	696,249	\$11.63
Canceled	(201,660)	)
Awarded	(715,892)	)
Outstanding at December 31, 2014	2,534,496	

As of December 31, 2014, there was approximately \$7.3 million of total unrecognized share-based compensation costs related to unvested RSUs, which is expected to be recognized over approximately 1.5 years.

## Performance Stock Units

Our 2012 Plan provides for the grant of Performance Stock Units ("PSUs"). A PSU is an award which may be earned in whole, or in part, upon the passage of time, and the attainment of performance criteria, and which may be settled for

cash, shares, other securities or a combination thereof. The PSUs do not contain voting rights and are not entitled to dividends. The PSUs are subject to the terms and conditions contained in the applicable award agreement and our 2012 Plan.

Each PSU represents a contingent right to receive a share of Boyd Gaming Corporation common stock; however, the actual number of common shares awarded is dependent upon the occurrence of: (i) a requisite service period; and (ii) an evaluation of specific performance conditions. The performance conditions are based on Company metrics for net revenue growth, EBITDA growth and customer service scores, all of which are determined on a comprehensive annual three-year growth rate. Based upon actual

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

and combined achievement, the number of shares awarded could range from zero, if no conditions are met, a 50% payout if only threshold performance is achieved, a payout of 100% for target performance, or a payout of up to 200% of the original award for achievement of maximum performance. Each condition weighs equally and separately in determining the payout, and based upon management's estimates at the service inception date, the Company is expected to meet the target for each performance condition. Therefore, the related compensation cost of these PSUs assumes all units granted will be awarded. Share-based compensation costs related to PSU awards are calculated based on the market price on the date of the grant.

These PSUs will vest three years from the service inception date, during which time achievement of the related performance conditions is periodically evaluated, and the number of shares expected to be awarded, and resulting compensation expense, is adjusted accordingly.

Summarized PSU activity is as follows:

	Performance Stock Units	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2012	406,602	
Granted	423,955	\$5.24
Canceled	(1,427)	)
Awarded	—	
Outstanding at December 31, 2012	829,130	
Granted	—	
Canceled	(7,497)	)
Awarded	—	
Outstanding at December 31, 2013	821,633	
Granted	694,294	\$11.01
Canceled	(104,287)	)
Awarded	—	
Outstanding at December 31, 2014	1,411,640	

The Company approved the issuance of approximately 380,000 PSUs to participating employees during fourth quarter 2013. The performance criteria for these PSUs were set subsequent to year-end 2013, so these PSUs were not considered granted for accounting purposes as of December 31, 2013, and are included in the shares granted during 2014 in the table above. As of December 31, 2014, there was approximately \$4.1 million of total unrecognized share-based compensation costs related to unvested PSUs, which is expected to be recognized over approximately 1.5 years. Based on the current estimates of performance compared to the targets set for the respective PSU grants, the Company estimates that approximately 1.7 million shares will be issued to settle the PSUs outstanding at December 31, 2014.

## Career Shares

Our Career Shares Program is a stock incentive award program for certain executive officers to provide for additional capital accumulation opportunities for retirement. The program incentivizes and rewards executives for their period of service. Our Career Shares Program was adopted in December 2006, and modified in October 2010, as part of the overall update of our compensation programs. The Career Shares Program rewards eligible executives with annual grants of Boyd Gaming Corporation stock units, to be paid out at retirement. The payout at retirement is dependent upon the executive's age at such retirement and the number of years of service with the Company. Executives must be

at least 55 years old and have at least 10 years of service to receive any payout at retirement. Career Shares do not contain voting rights and are not entitled to dividends. Career Shares are subject to the terms and conditions contained in the applicable award agreement and our 2012 Plan. The Career Share awards are trached by specific term, in the following periods: 10 years, 15 years and 20 years of service. These grants vest over the remaining period of service required to fulfill the requisite years in each of these tranches, and compensation expense is recorded in accordance with the specific vesting provisions. Share-based compensation costs related to Career Shares awards are calculated based on the market price on the date of the grant.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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Summarized Career Shares activity is as follows:

	Career Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2012	539,689	
Granted	163,137	\$7.69
Canceled	—	
Awarded	—	
Outstanding at December 31, 2012	702,826	
Granted	200,043	\$6.78
Canceled	(125 )	
Awarded	(8,437 )	
Outstanding at December 31, 2013	894,307	
Granted	122,015	\$11.31
Canceled	(85,765 )	
Awarded	(33,972 )	
Outstanding at December 31, 2014	896,585	

## Share-Based Compensation

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

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

(In thousands)	Year Ended December 31,		
	2014	2013	2012
Stock Options	\$2,733	\$2,666	\$4,634
Restricted Stock Units	8,010	10,610	5,816
Performance Stock Units	6,537	3,678	729
Career Shares	1,196	1,937	1,068
Total shared-based compensation costs	\$18,476	\$18,891	\$12,247

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

(In thousands)	Year Ended December 31,		
	2014	2013	2012
Gaming	\$387	\$351	\$233
Food and beverage	74	67	44
Room	35	32	21
Selling, general and administrative	1,965	1,787	1,183
Corporate expense	16,207	16,654	10,766
Other operating items, net	(192 )	—	—
Total shared-based compensation expense	\$18,476	\$18,891	\$12,247



## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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## NOTE 12. NONCONTROLLING INTEREST

Noncontrolling interest primarily represents: (i) until the deconsolidation of Borgata on September 30, 2014, the 50% interest in Holding Company held by the Divestiture Trust for the economic benefit of MGM, which was initially recorded at fair value at the March 24, 2010 date of the effective change in control; and (ii) until the Echelon sale, which closed on March 4, 2013, all 100% of the members' equity interest in LVE, the variable interest entity which had been consolidated in our financial statements, but in which we held no equity interest.

Changes in the noncontrolling interest are as follows:

(In thousands)	Holding Company	LVE	Other	Total
Beginning balance, January 1, 2012	\$221,006	\$(49,019)	\$—	\$171,987
Capital contributions	—	—	20	\$20
Attributable net loss	(12,729)	(1,481)	—	(14,210)
Comprehensive income	—	5,539	—	5,539
Balance, December 31, 2012	208,277	(44,961)	20	163,336
Attributable net loss	(27,847)	(443)	—	(28,290)
Deconsolidation of LVE on March 4, 2013	—	45,404	—	45,404
Balance, December 31, 2013	180,430	—	20	180,450
Capital contributions	—	—	30	30
Attributable net income (loss)	11,403	—	—	11,403
Comprehensive income	—	—	—	—
Deconsolidation of Borgata on September 30, 2014	(191,833)	—	—	(191,833)
Balance, December 31, 2014	\$—	\$—	\$50	\$50

## NOTE 13. FAIR VALUE MEASUREMENTS

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

These inputs create the following fair value hierarchy:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

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





## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## Balances Measured at Fair Value

The following tables show the fair values of certain of our financial instruments:

(In thousands)	December 31, 2014			
	Balance	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and cash equivalents	\$145,341	\$145,341	\$—	\$—
Restricted cash	18,107	18,107	—	—
Investment available for sale	18,357	—	—	18,357
<b>Liabilities</b>				
Merger earnout	\$75	\$—	\$—	\$75
Contingent payments	3,792	—	—	3,792
<b>December 31, 2013</b>				
(In thousands)	Balance	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and cash equivalents	\$177,838	\$177,838	\$—	\$—
Restricted cash	20,686	20,686	—	—
CRDA deposits	4,613	—	—	4,613
Investment available for sale	17,128	—	—	17,128
<b>Liabilities</b>				
Merger earnout	\$1,125	\$—	\$—	\$1,125
Contingent payments	4,343	—	—	4,343

## Cash and Restricted Cash

The fair value of our cash and cash equivalents, classified in the fair value hierarchy as Level 1, is based on statements received from our banks at December 31, 2014 and 2013.

The fair value of Borgata's CRDA deposits, classified in the fair value hierarchy as Level 3, is based on estimates of the realizable value applied to balances on statements received from the CRDA at December 31, 2013.

## Investment Available for Sale

We have an investment in a single municipal bond issuance of \$21.8 million aggregate principal amount of 7.5% Urban Renewal Tax Increment Revenue Bonds, Taxable Series 2007 that is classified as available for sale. We are the only holder of this instrument and there is no quoted market price for this instrument. As such, the fair value of this investment is classified as Level 3 in the fair value hierarchy. The estimate of the fair value of such investment was determined using a combination of current market rates and estimates of market conditions for instruments with similar terms, maturities, and degrees of risk and a discounted cash flows analysis as of December 31, 2014 and 2013. Unrealized gains and losses on this instrument resulting from changes in the fair value of the instrument are not charged to earnings, but rather are recorded as other comprehensive income (loss) in the stockholders' equity section of the consolidated balance sheets. At December 31, 2014 and 2013, \$0.4 million and \$0.3 million, respectively, of the carrying value of the investment available for sale is included as a current asset in prepaid expenses and other current assets, and at December 31, 2014 and 2013, \$18.0 million and \$16.8 million, respectively, is included in investment on the consolidated balance sheets. The discount associated with this investment of \$3.3 million and \$3.5 million as of December 31, 2014 and 2013, respectively, is netted with the investment balance and is being accreted

over the life of the investment using the effective interest method. The accretion of such discount is included in interest income on the condensed consolidated statements of operations.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## Merger Earnout

Under the terms of the Merger Agreement, Boyd Acquisition II, LLC, an indirect wholly owned subsidiary of Boyd, is obligated to make an additional payment to Peninsula Gaming Partners, LLC, in 2016 if Kansas Star Casino's ("KSC") EBITDA, as defined in the Merger Agreement, for 2015 exceeds \$105.0 million. The additional payment would be equal to 7.5 times the amount by which KSC's 2015 EBITDA exceeds \$105.0 million. The actual payout will be determined based on actual EBITDA of KSC for calendar year 2015, and payments are not limited by a maximum value. If the actual 2015 EBITDA of KSC is less than the target, the Company is not required to make any additional consideration payment. The value of this contingency was calculated using a probability-based model. This model requires estimates of forecasted 2015 EBITDA and of probability of exceeding the threshold at which a payment would be made. We formed our valuation assumptions using historical experience in the gaming industry and observable market conditions. The assumptions will be reviewed periodically and any change in the value of the obligation will be included in the consolidated statements of operations. At December 31, 2014 and December 31, 2013, there were outstanding liabilities of \$0.1 million and \$1.1 million, respectively, related to the merger earnout which are included in other liabilities on the consolidated balance sheets.

## Contingent Payments

In connection with the development of the Kansas Star Casino, KSC agreed to pay a former casino project developer and option holder 1% of KSC's EBITDA each month for a period of ten years commencing December 20, 2011. The liability was initially recorded upon consummation of the Merger, at the estimated fair value of the contingent land purchase price using a discounted cash flows approach. At both December 31, 2014 and December 31, 2013, there was a current liability of \$0.9 million related to this agreement, which was recorded in accrued liabilities on the respective consolidated balance sheets, and long-term obligations of \$2.9 million and \$3.4 million, respectively, which were included in other liabilities on the respective consolidated balance sheets.

The following tables summarize the changes in fair value of the Company's Level 3 assets and liabilities:

(In thousands)	December 31, 2014			
	Assets		Liabilities	
	Investment Available for Sale	CRDA Deposits	Merger Earnout	Contingent Payments
Balance at January 1, 2014	\$17,128	\$4,613	\$(1,125)	\$(4,343)
Deposits	—	5,481	—	—
Total gains (losses) (realized or unrealized):				
Included in earnings	119	(1,798)	1,050	(274)
Included in other comprehensive income (loss)	1,465	—	—	—
Purchases, sales, issuances and settlements:				
Settlements	(355)	(259)	—	825
Deconsolidation of Borgata on September 30, 2014	—	(8,037)	—	—
Ending balance at December 31, 2014	\$18,357	\$—	\$(75)	\$(3,792)
Gains (losses) included in earnings attributable to the change in unrealized gains relating to assets and liabilities still held at the reporting date:				
Included in interest income	\$119	\$—	\$—	\$—
Included in interest expense	—	—	—	(734)

Included in non-operating income	—	—	—	60
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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

(In thousands)	December 31, 2013		Liabilities	
	Investment Available for Sale	CRDA Deposits	Merger Earnout	Contingent Payments
Balance at January 1, 2013	\$17,907	\$28,464	\$(9,800)	\$(4,563)
Deposits	—	6,651	—	—
Total gains (losses) (realized or unrealized):				
Included in earnings	106	(7,825)	2,325	(672)
Included in other comprehensive income (loss)	(555)	—	—	—
Purchases, sales, issuances and settlements:				
Settlements	(330)	(22,677)	—	892
Purchase price adjustment	—	—	6,350	—
Ending balance at December 31, 2013	\$17,128	\$4,613	\$(1,125)	\$(4,343)
Gains (losses) included in earnings attributable to the change in unrealized gains relating to assets and liabilities still held at the reporting date:				
Included in interest income	\$106	\$—	\$—	\$—
Included in interest expense	—	—	—	(767)
Included in non-operating income	—	—	—	95

The table below summarizes the significant unobservable inputs used in calculating fair value for our Level 3 assets and liabilities:

	Valuation Technique	Unobservable Input	Rate	
Investment available for sale	Discounted cash flow	Discount rate	10.8	%
Merger earnout	Probability-based model	Estimated probability	1.0	%
Contingent payments	Discounted cash flow	Discount rate	18.5	%

The fair value of intangible assets, classified in the fair value hierarchy as Level 3, is utilized in performing its impairment analyses (see Note 5, Intangible Assets).

Balances Disclosed at Fair Value

The following tables provide the fair value measurement information about our obligation under minimum assessment agreements and other financial instruments:

(In thousands)	December 31, 2014		Estimated Fair Value	Fair Value Hierarchy
	Outstanding Face Amount	Carrying Value		
Liabilities				
Obligation under assessment arrangements	\$36,749	\$28,612	\$29,529	Level 3
Other financial instruments	300	268	268	Level 3
(In thousands)	December 31, 2013		Estimated Fair Value	Fair Value Hierarchy
	Outstanding Face Amount	Carrying Value		

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Liabilities

Obligation under assessment arrangements	\$37,783	\$28,980	\$27,608	Level 3
Other financial instruments	400	343	343	Level 3

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

The following table provides the fair value measurement information about our long-term debt:

(In thousands)	December 31, 2014		Estimated Fair Value	Fair Value Hierarchy
	Outstanding Face Amount	Carrying Value		
Boyd Debt:				
Boyd Gaming Debt:				
Bank Credit Facility	\$1,387,425	\$1,383,836	\$1,395,595	Level 2
9.125% Senior Notes due 2018	500,000	495,155	517,500	Level 1
9.00% Senior Notes due 2020	350,000	350,000	359,625	Level 1
HoldCo Note	151,740	139,997	144,153	Level 3
	2,389,165	2,368,988	2,416,873	
Peninsula Segment Debt:				
Bank credit facility	742,400	742,400	754,364	Level 2
8.375% Senior Notes due 2018	350,000	350,000	363,125	Level 2
Other	3	3	3	Level 3
	1,092,403	1,092,403	1,117,492	
Total debt	\$3,481,568	\$3,461,391	\$3,534,365	

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

(In thousands)	December 31, 2013		Estimated Fair Value	Fair Value Hierarchy
	Outstanding Face Amount	Carrying Value		
<b>Boyd Debt:</b>				
<b>Boyd Gaming Debt:</b>				
Bank Credit Facility	\$1,467,725	\$1,463,492	\$1,469,969	Level 2
9.125% Senior Notes due 2018	500,000	493,918	543,750	Level 1
9.00% Senior Notes due 2020	350,000	350,000	383,250	Level 1
HoldCo Note	143,030	125,659	125,659	Level 3
	2,460,755	2,433,069	2,522,628	
<b>Peninsula Segment Debt:</b>				
Bank credit facility	802,150	802,150	814,941	Level 2
8.375% Senior Notes due 2018	350,000	350,000	381,500	Level 2
Other	12	12	12	Level 3
	1,152,162	1,152,162	1,196,453	
Total Boyd Debt	3,612,917	3,585,231	3,719,081	
<b>Borgata Debt:</b>				
Bank credit facility	39,900	39,900	39,900	Level 2
Incremental term loan	380,000	376,234	381,900	Level 2
9.875% senior secured notes due 2018	393,500	385,126	425,472	Level 1
Total Borgata Debt	813,400	801,260	847,272	
Total debt	\$4,426,317	\$4,386,491	\$4,566,353	

The estimated fair value of the Boyd Gaming Credit Facility is based on a relative value analysis performed on or about December 31, 2014 and December 31, 2013. The estimated fair value of the Peninsula Credit Facility is based on a relative value analysis performed on or about December 31, 2014 and December 31, 2013. The estimated fair values of our senior notes and Peninsula's senior notes are based on quoted market prices as of December 31, 2014 and December 31, 2013. Debt included in the "Other" category is fixed-rate debt that is not traded and does not have an observable market input; therefore, we have estimated its fair value based on a discounted cash flow approach, after giving consideration to the changes in market rates of interest, creditworthiness of both parties, and credit spreads.

Due to the deconsolidation of Borgata on September 30, 2014, (see Note 3, Deconsolidation of Certain Interests), Borgata's debt is not included in our December 31, 2014, balance sheet; therefore, estimated fair value information for Borgata's debt is not presented as of that date. The estimated fair value of the Borgata Credit Facility at December 31, 2013 approximates its carrying value due to the short-term nature and variable repricing of the underlying Eurodollar loans comprising the Borgata Credit Facility. The estimated fair value of the Borgata incremental term loan is based on a relative value analysis performed on or about December 31, 2013. The estimated fair values of Borgata's senior secured notes as of December 31, 2013 are based on quoted market prices.

There were no transfers between Level 1, Level 2 and Level 3 measurements during the years ended December 31, 2014 and 2013.

## NOTE 14. EMPLOYEE BENEFIT PLANS



We contribute to multiemployer pension defined benefit plans under terms of collective-bargaining agreements that cover our union-represented employees. These unions cover certain of our culinary, hotel and other trade workers. We are obligated to make defined contributions under these plans.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

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The significant risks of participating in multi-employer plans include, but are not limited to, the following:

We may elect to stop participating in our multi-employer plans. As a result, we may be required to pay a withdrawal liability based on the underfunded status of the plan as applicable. Our ability to fund such payments would be based on the results of our operations and subject to the risk factors that impact our business. If any of these risks actually occur, our business, financial condition and results of operations could be materially and adversely affected and impact our ability to meet our obligations to the multiemployer plan.

We may contribute assets to the multiemployer plan for the benefit of our covered employees that are used to provide benefits to employees of other participating employers.

We may be required to fund additional amounts if other participating employers stop contributing to the multiemployer plan.

Contributions, based on wages paid to covered employees, totaled approximately \$7.1 million, \$8.8 million and \$8.1 million for the years ended December 31, 2014, 2013 and 2012, respectively. These aggregate contributions were not individually significant to any of the respective plans. Our share of the unfunded vested liability related to multi-employer plans, if any, is not determinable and our participation is not individually significant on an individual multiemployer plan basis.

We have retirement savings plans under Section 401(k) of the Internal Revenue Code covering our non-union employees. The plans allow employees to defer up to the lesser of the Internal Revenue Code prescribed maximum amount or 100% of their income on a pre-tax basis through contributions to the plans. We expensed our voluntary contributions to the 401(k) profit-sharing plans and trusts of \$5.1 million, \$5.5 million and \$5.3 million for the years ended December 31, 2014, 2013 and 2012, respectively.

On September 30, 2014, we deconsolidated Borgata, which resulted in decreased employer contributions to multiemployer plans and decreased expenses for voluntary contributions to the 401(k) profit-sharing plans and trusts during the year ended December 31, 2014.

**NOTE 15. SEGMENT INFORMATION**

We have aggregated certain of our properties in order to present five Reportable Segments: (i) Las Vegas Locals; (ii) Downtown Las Vegas; (iii) Midwest and South; (iv) Peninsula; and (v) Borgata. The table in Note 1, Summary of Significant Accounting Policies, lists the classification of each of our properties.

**Results of Operations - Total Reportable Segment Net Revenues and Adjusted EBITDA**

We evaluate each of our wholly owned property's profitability based upon Property EBITDA, which represents each property's earnings before interest expense, income taxes, depreciation and amortization, preopening expenses, other operating charges, net, share-based compensation expense, deferred rent, change in value of derivative instruments, and gain/loss on early retirements of debt, as applicable. Total Reportable Segment Adjusted EBITDA is the aggregate sum of the Property EBITDA for each of the properties included in our Las Vegas Locals, Downtown Las Vegas, Midwest and South, and Peninsula segments, and also includes Borgata's operating income before net amortization, preopening and other items. Results for Downtown Las Vegas include the results of our Hawaii-based travel agency and captive insurance company. Although EBITDA is not a measure of financial condition or performance determined in accordance with GAAP, EBITDA is a commonly used measure of performance in our industry that we believe, when considered with measures calculated in accordance with GAAP, provides our investors

a more complete understanding of our operating results before the impact of investing and financing transactions and income taxes and facilitates comparisons between us and our competitors. Management has historically adjusted EBITDA when evaluating operating performance because we believe that the inclusion or exclusion of certain recurring and non-recurring items is necessary to provide the most accurate measure of our core operating results and as a means to evaluate period-to-period results.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

We reclassify the reporting of corporate expense on the accompanying table in order to exclude it from our subtotal for Total Reportable Segment Adjusted EBITDA and include it as part of total other operating costs and expenses. Furthermore, corporate expense excludes its portion of share-based compensation expense. Corporate expense represents unallocated payroll, professional fees, aircraft expenses and various other expenses not directly related to our casino and hotel operations.

The following table sets forth, for the periods indicated, certain operating data for our Reportable Segments, and reconciles Adjusted EBITDA to operating income (loss), as reported in our accompanying consolidated statements of operations:

(In thousands)	Year Ended December 31,		
	2014	2013	2012
Net Revenues			
Las Vegas Locals	\$592,652	\$591,447	\$591,306
Downtown Las Vegas	224,275	222,715	224,178
Midwest and South	831,477	864,247	924,197
Peninsula	493,851	520,329	56,925
Borgata (1)	559,064	695,700	686,222
Reportable Segment Net Revenues	\$2,701,319	\$2,894,438	\$2,482,828
Reportable Segment Adjusted EBITDA			
Las Vegas Locals	\$144,397	\$137,501	\$128,742
Downtown Las Vegas	37,309	35,036	32,832
Midwest and South	169,977	179,976	192,349
Peninsula	175,081	185,269	21,152
Borgata (1)	137,936	119,237	116,976
Adjusted EBITDA	664,700	657,019	492,051
Other operating costs and expenses			
Corporate expense	59,420	46,594	39,954
Deferred rent	3,618	3,831	3,984
Depreciation and amortization	251,044	278,413	214,236
Preopening expenses	4,749	9,032	11,541
Share-based compensation expense	18,666	18,891	12,247
Impairments of assets	60,780	10,383	1,053,526
Asset transactions costs	9,641	5,576	18,442
Other operating charges, net	(2,124)	) 5,998	(11,616)
Our share of Borgata's other operating costs and expenses	7,390	—	—
Total other operating costs and expenses	413,184	378,718	1,342,314
Operating income (loss)	\$251,516	\$278,301	\$(850,263)

(1) Due to the reacquisition by our partner of its 50% ownership, we deconsolidated Borgata as of the close of business on September 30, 2014. Our consolidated statement of operations for the year ended December 31, 2014 includes Borgata's financial results on a full consolidation basis for the nine months ended September 30, 2014, and reflects our accounting for our 50% ownership interest in Borgata by applying the equity method for the remainder of the year.



## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## Total Assets

The Company's total assets, by Reportable Segment, consisted of the following amounts:

(In thousands)	December 31,	
	2014	2013
Assets		
Las Vegas Locals	\$1,164,115	\$1,190,234
Downtown Las Vegas	128,682	125,618
Midwest and South	1,302,002	1,349,155
Peninsula	1,459,529	1,511,606
Borgata (1)	—	1,334,714
Total Reportable Segment assets	4,054,328	5,511,327
Corporate	424,596	230,267
Other	—	137
Total assets	\$4,478,924	\$5,741,731

(1) As a result of the deconsolidation of Borgata on September 30, 2014, Borgata assets are not included as of December 31, 2014. Our 50% investment in Borgata is included as a Corporate segment asset.

## Capital Expenditures

The Company's capital expenditures by Reportable Segment, consisted of the following:

(In thousands)	Year Ended December 31,		
	2014	2013	2012
Capital Expenditures:			
Las Vegas Locals	\$31,653	\$30,861	\$23,349
Downtown Las Vegas	9,917	5,505	7,248
Midwest and South	55,273	39,589	60,572
Peninsula	33,756	27,094	7,606
Borgata (1)	11,623	22,357	34,742
Total Reportable Segment Capital Expenditures	142,222	125,406	133,517
Corporate	(8,786 )	12,173	(25,580 )
Other	—	28	286
Total Capital Expenditures	133,436	137,607	108,223
Change in Accrued Property Additions	15,938	6,913	17,331
Cash-Based Capital Expenditures	\$149,374	\$144,520	\$125,554

(1) Borgata capital expenditures are only included through the date of deconsolidation, September 30, 2014.

The Company utilizes the Corporate entities to centralize the development of major renovation and other capital development projects that are included as construction in progress. After the project is complete, the corporate entities transfer the projects to the segment subsidiaries.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## NOTE 16. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table presents selected quarterly financial information:

(In thousands, except per share data)	Year Ended December 31, 2014				
	First	Second	Third	Fourth	Year
Summary Operating Results:					
Net revenues	\$708,349	\$722,534	\$738,843	\$531,593	\$2,701,319
Operating income	68,516	86,979	73,774	22,247	251,516
Net income (loss) attributable to Boyd Gaming Corporation	(6,182	) 669	(15,105	) (32,423	) (53,041
Basic and diluted net income (loss) per common share:					
Basic net income (loss) per common share	\$(0.06	) \$0.01	\$(0.14	) \$(0.29	) \$(0.48
Diluted net income (loss) per common share	\$(0.06	) \$0.01	\$(0.14	) \$(0.29	) \$(0.48

(In thousands, except per share data)	Year Ended December 31, 2013				
	First	Second	Third	Fourth	Year
Summary Operating Results:					
Net revenues	\$735,584	\$738,748	\$738,569	\$681,537	\$2,894,438
Operating income	81,420	79,379	78,322	39,180	278,301
Net income (loss) attributable to Boyd Gaming Corporation	(7,284	) 11,627	(37,267	) (47,340	) (80,264
Basic and diluted net income (loss) per common share:					
Basic net income (loss) per common share	\$(0.08	) \$0.13	\$(0.37	) \$(0.43	) \$(0.83
Diluted net income (loss) per common share	\$(0.08	) \$0.13	\$(0.37	) \$(0.43	) \$(0.83

Due to the deconsolidation of Borgata on September 30, 2014, our quarterly financial results shown above reflect Borgata on a full consolidation basis for periods ending on or before September 30, 2014, and reflects our accounting for our 50% ownership interest in Borgata by applying the equity method for the fourth quarter of 2014. Additionally, because income (loss) per share amounts are calculated using the weighted average number of common and dilutive common equivalent shares outstanding during each quarter, the sum of the per share amounts for the four quarters does not equal the total income (loss) per share amounts for the year. The per share amounts in the second half of 2013 were impacted by our issuance of 18,975,000 shares of common stock in the third quarter of 2013.

## NOTE 17. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Separate condensed consolidating financial information for our subsidiary guarantors and non-guarantors of our 9.125% Senior Notes due December 2018 and 9.00% Senior Notes due July 2020 is presented below. The notes are fully and unconditionally guaranteed, on a joint and several basis, by certain of our current and future domestic restricted subsidiaries, all of which are 100% owned by us. The non-guarantors primarily represent special purpose entities, tax holding companies, our less significant operating subsidiaries and our less than wholly owned subsidiaries.





## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## Condensed Consolidating Balance Sheets

(In thousands)	December 31, 2014					Eliminations	Consolidated
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)			
<b>Assets</b>							
Cash and cash equivalents	\$2	\$111,452	\$33,668	\$219	\$—		\$145,341
Other current assets	10,234	69,012	21,980	—	(4,617)	)	96,609
Property and equipment, net	65,365	1,775,486	445,257	—	—		2,286,108
Investments in subsidiaries	3,345,735	150,694	—	—	(3,273,712)	)	222,717
Intercompany receivable	—	1,637,101	—	—	(1,637,101)	)	—
Other assets, net	36,600	9,149	62,841	—	—		108,590
Intangible assets, net	—	425,083	509,166	—	—		934,249
Goodwill, net	—	212,794	472,516	—	—		685,310
<b>Total assets</b>	<b>\$3,457,936</b>	<b>\$4,390,771</b>	<b>\$1,545,428</b>	<b>\$219</b>	<b>\$(4,915,430)</b>		<b>\$4,478,924</b>
<b>Liabilities and Stockholders' Equity</b>							
<b>Current maturities of long-term debt</b>							
Current liabilities	82,711	160,542	84,427	—	(238)	)	327,442
Accumulated losses of subsidiaries in excess of investment	—	—	3,619	—	(3,619)	)	—
Intercompany payable	668,310	—	972,425	397	(1,641,132)	)	—
Long-term debt, net of current maturities	2,207,490	—	1,224,148	—	—		3,431,638
Other long-term liabilities	39,888	169,824	42,292	—	—		252,004
<b>Common stock</b>							
Additional paid-in capital	922,112	2,717,841	248,203	4,250	(2,970,294)	)	922,112
Retained earnings (deficit)	(485,115)	) 1,311,492	(1,037,860)	) (4,428)	) (269,204)	)	(485,115)
Accumulated other comprehensive loss, net	(53)	) (52)	) (52)	) —	104		(53)
<b>Total Boyd Gaming Corporation stockholders' equity (deficit)</b>	<b>438,037</b>	<b>4,060,405</b>	<b>(789,736)</b>	<b>(178)</b>	<b>(3,270,491)</b>	<b>)</b>	<b>438,037</b>
Noncontrolling interest	—	—	—	—	50		50
<b>Total stockholders' equity (deficit)</b>	<b>438,037</b>	<b>4,060,405</b>	<b>(789,736)</b>	<b>(178)</b>	<b>(3,270,441)</b>	<b>)</b>	<b>438,087</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$3,457,936</b>	<b>\$4,390,771</b>	<b>\$1,545,428</b>	<b>\$219</b>	<b>\$(4,915,430)</b>		<b>\$4,478,924</b>



## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## Condensed Consolidating Balance Sheets - continued

(In thousands)	December 31, 2013		Non-	Non-	Eliminations	Consolidated
	Parent	Guarantor Subsidiaries	Guarantor Subsidiaries (100% Owned)	Guarantor Subsidiaries (Not 100% Owned)		
<b>Assets</b>						
Cash and cash equivalents	\$—	\$106,445	\$33,766	\$37,627	\$—	\$177,838
Other current assets	13,772	67,991	28,639	48,414	(1,974 )	156,842
Property and equipment, net	69,309	1,808,450	460,789	1,167,065	—	3,505,613
Investments in subsidiaries	3,265,579	129,692	—	—	(3,395,271 )	—
Intercompany receivable	—	1,474,412	—	—	(1,474,412 )	—
Other assets, net	43,470	8,105	72,185	21,708	—	145,468
Intangible assets, net	—	465,259	545,401	60,000	—	1,070,660
Goodwill, net	—	212,794	472,516	—	—	685,310
<b>Total assets</b>	<b>\$3,392,130</b>	<b>\$4,273,148</b>	<b>\$1,613,296</b>	<b>\$1,334,814</b>	<b>\$(4,871,657)</b>	<b>\$5,741,731</b>
<b>Liabilities and Stockholders' Equity</b>						
<b>Current maturities of long-term debt</b>						
Other current liabilities	57,156	186,539	70,678	103,833	2,098	420,304
Accumulated losses of subsidiaries in excess of investment	—	—	2,026	—	(2,026 )	—
Intercompany payable	512,358	—	966,128	265	(1,478,751 )	—
Long-term debt, net of current maturities	2,285,910	—	1,269,562	797,460	—	4,352,932
Other long-term liabilities	45,219	178,764	33,297	27,219	—	284,499
<b>Common stock</b>						
Additional paid-in capital	902,496	2,736,895	248,083	480,833	(3,465,811 )	902,496
Retained earnings (deficit)	(432,074 )	1,139,826	(983,193 )	(78,596 )	(78,037 )	(432,074 )
Accumulated other comprehensive loss, net	(1,517 )	—	(1,517 )	—	1,517	(1,517 )
<b>Total Boyd Gaming Corporation stockholders' equity (deficit)</b>	<b>469,987</b>	<b>3,907,845</b>	<b>(736,654 )</b>	<b>402,237</b>	<b>(3,573,428 )</b>	<b>469,987</b>
Noncontrolling interest	—	—	—	—	180,450	180,450
<b>Total stockholders' equity (deficit)</b>	<b>469,987</b>	<b>3,907,845</b>	<b>(736,654 )</b>	<b>402,237</b>	<b>(3,392,978 )</b>	<b>650,437</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$3,392,130</b>	<b>\$4,273,148</b>	<b>\$1,613,296</b>	<b>\$1,334,814</b>	<b>\$(4,871,657)</b>	<b>\$5,741,731</b>



## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## Condensed Consolidating Statements of Operations

(In thousands)	Year Ended December 31, 2014					Consolidated
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)	Eliminations	
Net revenues	\$117,159	\$1,620,170	\$542,538	\$559,064	\$(137,612 )	\$2,701,319
Costs and expenses						
Operating	1,800	879,073	303,570	290,005	—	1,474,448
Selling, general and administrative	46,708	223,741	57,370	101,930	(220 )	429,529
Maintenance and utilities	—	94,654	14,871	47,211	—	156,736
Depreciation and amortization	5,667	126,444	76,804	42,129	—	251,044
Corporate expense	71,951	220	3,455	—	—	75,626
Preopening expenses	48	6	4,264	431	—	4,749
Impairment of assets	320	51,489	8,971	—	—	60,780
Asset transactions costs	57	7,124	2,086	374	—	9,641
Other operating items, net	164	—	(177 )	(2,111 )	—	(2,124 )
Intercompany expenses	1,204	116,105	20,083	—	(137,392 )	—
Total costs and expenses	127,919	1,498,856	491,297	479,969	(137,612 )	2,460,429
Equity in earnings of subsidiaries	85,360	(20,191 )	(162 )	—	(54,381 )	10,626
Operating income (loss)	74,600	101,123	51,079	79,095	(54,381 )	251,516
Other expense (income)						
Interest expense, net	132,204	5,527	90,450	53,327	—	281,508
Gain (loss) on early extinguishment of debt	—	—	1,536	—	—	1,536
Other, net	(793 )	—	841	—	—	48
Boyd's share of Borgata's non-operating items, net	—	9,309	—	—	—	9,309
Total other expense, net	131,411	14,836	92,827	53,327	—	292,401
Income (loss) before income taxes	(56,811 )	86,287	(41,748 )	25,768	(54,381 )	(40,885 )
Income taxes benefit (provision)	3,770	13,127	(14,525 )	(3,125 )	—	(753 )
Net income (loss)	(53,041 )	99,414	(56,273 )	22,643	(54,381 )	(41,638 )
Net income attributable to noncontrolling interest	—	—	—	—	(11,403 )	(11,403 )
Net income (loss) attributable to controlling interest	\$(53,041 )	\$99,414	\$(56,273 )	\$22,643	\$(65,784 )	\$(53,041 )

Comprehensive income (loss) \$(51,577 ) \$100,878 \$(54,809 ) \$22,643 \$(57,309 ) \$(40,174 )

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## Condensed Consolidating Statements of Operations - continued

(In thousands)	Year Ended December 31, 2013					Consolidated
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)	Eliminations	
Net revenues	\$ 123,951	\$ 1,650,002	\$ 570,267	\$ 697,633	\$(147,415 )	\$ 2,894,438
Costs and expenses						
Operating	1,848	901,668	315,365	367,981	—	1,586,862
Selling, general and administrative	46,880	231,260	63,349	148,779	(42 )	490,226
Maintenance and utilities	—	92,014	14,680	59,704	—	166,398
Depreciation and amortization	6,619	121,893	90,155	59,746	—	278,413
Corporate expense	59,128	119	4,002	—	—	63,249
Preopening expenses	567	24	6,277	4,097	(1,933 )	9,032
Impairment of assets	—	13,634	4,450	5,033	(12,734 )	10,383
Asset transactions costs	1,019	1,780	2,597	180	—	5,576
Other operating items, net	427	2,075	359	3,137	—	5,998
Intercompany expenses	1,213	122,630	21,598	—	(145,441 )	—
Total costs and expenses	117,701	1,487,097	522,832	648,657	(160,150 )	2,616,137
Equity in earnings of subsidiaries	101,148	(38,981 )	—	—	(62,167 )	—
Operating income (loss)	107,398	123,924	47,435	48,976	(49,432 )	278,301
Other expense (income)						
Interest expense, net	153,893	9,662	94,917	83,711	—	342,183
Loss on early extinguishments of debt	25,001	—	3,343	25,858	—	54,202
Other, net	137	—	(2,227 )	—	—	(2,090 )
Total other expense, net	179,031	9,662	96,033	109,569	—	394,295
Income (loss) from continuing operations before income taxes	(71,633 )	114,262	(48,598 )	(60,593 )	(49,432 )	(115,994 )
Income taxes benefit (provision)	(8,631 )	3,959	(3,093 )	4,415	—	(3,350 )
Income (loss) from continuing operations, net of tax	(80,264 )	118,221	(51,691 )	(56,178 )	(49,432 )	(119,344 )
Income (loss) from discontinued operations, net of tax	—	—	23,524	—	(12,734 )	10,790
Net income (loss)	(80,264 )	118,221	(28,167 )	(56,178 )	(62,166 )	(108,554 )
	—	—	—	—	28,290	28,290

Net loss attributable to noncontrolling interest						
Net income (loss) attributable to controlling interest	\$(80,264 )	\$118,221	\$(28,167 )	\$(56,178 )	\$(33,876 )	\$(80,264 )
Comprehensive income (loss)	\$(80,819 )	\$117,666	\$(28,722 )	\$(56,178 )	\$(61,056 )	\$(109,109 )



## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## Consolidating Statements of Operations - continued

(In thousands)	Year Ended December 31, 2012					Eliminations	Consolidated
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)			
Net revenues	\$ 121,806	\$ 1,692,669	\$ 108,282	\$ 697,118	\$(137,047 )	\$ 2,482,828	
Costs and expenses							
Operating	1,822	938,615	80,666	371,722	—	1,392,825	
Selling, general and administrative	45,503	251,287	13,341	139,155	—	449,286	
Maintenance and utilities	—	92,311	3,574	58,423	—	154,308	
Depreciation and amortization	7,985	126,120	15,867	64,264	—	214,236	
Corporate expense	48,868	273	1,578	—	—	50,719	
Preopening expenses	1,863	(91 )	16,200	4,465	(10,896 )	11,541	
Impairment of assets	97,868	299,117	744,995	2,811	(91,265 )	1,053,526	
Asset transactions costs	15,575	—	3,076	(209 )	—	18,442	
Other operating items, net	—	(5,503 )	5	(6,294 )	—	(11,792 )	
Intercompany expenses	1,345	120,106	4,701	—	(126,152 )	—	
Total costs and expenses	220,829	1,822,235	884,003	634,337	(228,313 )	3,333,091	
Equity in earnings of subsidiaries	(636,327 )	53,356	—	—	582,971	—	
Operating income (loss)	(735,350 )	(76,210 )	(775,721 )	62,781	674,237	(850,263 )	
Other expense (income)							
Interest expense, net	161,152	13,821	18,636	95,226	—	288,835	
Other, net	—	—	137	—	—	137	
Total other expense, net	161,152	13,821	18,773	95,226	—	288,972	
Income (loss) from continuing operations before income taxes	(896,502 )	(90,031 )	(794,494 )	(32,445 )	674,237	(1,139,235 )	
Income taxes benefit (provision)	(12,363 )	231,854	19	1,279	—	220,789	
Income (loss) from continuing operations, net of tax	(908,865 )	141,823	(794,475 )	(31,166 )	674,237	(918,446 )	
Income (loss) from discontinued operations, net of tax	—	—	86,636	—	(91,265 )	(4,629 )	
Net income (loss)	(908,865 )	141,823	(707,839 )	(31,166 )	582,972	(923,075 )	
Net loss attributable to noncontrolling interest	—	—	—	—	14,210	14,210	
Net income (loss) attributable to controlling interest	\$(908,865 )	\$ 141,823	\$(707,839 )	\$(31,166 )	\$ 597,182	\$(908,865 )	
Comprehensive income	\$(909,827 )	\$ 140,861	\$(708,801 )	\$(25,627 )	\$ 584,896	\$(918,498 )	



## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## Condensed Consolidating Statements of Cash Flows

(In thousands)	Year Ended December 31, 2014					Eliminations	Consolidated
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)			
Cash flows from operating activities							
Net cash from operating activities	\$(39,524 )	\$234,242	\$92,617	\$35,832	\$(308 )		\$322,859
Cash flows from investing activities							
Capital expenditures	(43,164 )	(60,686 )	(33,901 )	(11,623 )	—		(149,374 )
Deconsolidation of Borgata	—	—	—	(26,891 )	—		(26,891 )
Net activity with affiliates	—	(162,689 )	—	—	162,689		—
Distributions from subsidiary	5,300	—	—	—	(5,300 )		—
Other investing activities	—	(660 )	(5,252 )	2,197	—		(3,715 )
Net cash from investing activities	(37,864 )	(224,035 )	(39,153 )	(36,317 )	157,389		(179,980 )
Cash flows from financing activities							
Borrowings under bank credit facility	830,400	—	317,400	410,900	—		1,558,700
Payments under bank credit facility	(910,700 )	—	(377,150 )	(444,900 )	—		(1,732,750 )
Debt financing costs, net	(83 )	—	—	(205 )	—		(288 )
Payments on retirements of long-term debt	—	—	—	(2,850 )	—		(2,850 )
Payments under note payable	—	—	(9 )	—	—		(9 )
Net activity with affiliates	155,952	—	6,297	132	(162,381 )		—
Distributions to parent	—	(5,200 )	(100 )	—	5,300		—
Stock options exercised	4,152	—	—	—	—		4,152
Restricted stock units released, net	(2,361 )	—	—	—	—		(2,361 )
Other financing activities	30	—	—	—	—		30
Net cash from financing activities	77,390	(5,200 )	(53,562 )	(36,923 )	(157,081 )		(175,376 )
Net change in cash and cash equivalents	2	5,007	(98 )	(37,408 )	—		(32,497 )
Cash and cash equivalents, beginning of period	—	106,445	33,766	37,627	—		177,838
Cash and cash equivalents, end of period	\$2	\$111,452	\$33,668	\$219	\$—		\$145,341



## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## Condensed Consolidating Statements of Cash Flows - continued

(In thousands)	Year Ended December 31, 2013					Eliminations	Consolidated
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)			
Cash flows from operating activities							
Net cash from operating activities	\$(229,447 )	\$407,349	\$42,719	\$51,748	\$4,666		\$277,035
Cash flows from investing activities							
Capital expenditures	(44,985 )	(49,847 )	(27,331 )	(22,357 )	—		(144,520 )
Proceeds from sale of Echelon, net	343,750	—	—	—	—		343,750
Proceeds from sale of other assets, net	4,875	—	—	—	—		4,875
Cash paid for exercise of LVE option	(187,000 )	—	—	—	—		(187,000 )
Investments in and advances to unconsolidated subsidiaries, net	(2,400 )	—	—	—	2,400		—
Net activity with affiliates	—	(372,171 )	759	42	371,370		—
Distributions from subsidiary	9,620	—	—	—	(9,620 )		—
Other investing activities	—	—	(1,253 )	3,726	—		2,473
Net cash from investing activities	123,860	(422,018 )	(27,825 )	(18,589 )	364,150		19,578
Cash flows from financing activities							
Borrowings under bank credit facility	2,920,675	—	354,700	444,500	—		3,719,875
Payments under bank credit facility	(2,927,800 )	—	(406,950 )	(424,600 )	—		(3,759,350 )
Debt financing costs, net	(24,349 )	—	(10,288 )	(10,115 )	—		(44,752 )
Payments under note payable	(10,341 )	—	(479 )	—	—		(10,820 )
Payments on retirements of long-term debt	(459,278 )	—	—	(416,209 )	—		(875,487 )
Net proceeds from issuance of term loan	—	—	—	376,200	—		376,200
Advances from parent	—	2,400	—	—	(2,400 )		—
Net activity with affiliates	376,036	—	—	—	(376,036 )		—
Distributions to parent	—	—	(9,620 )	—	9,620		—
Stock options exercised	13,752	—	—	—	—		13,752

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Proceeds from sale of common stock, net	216,467	—	—	—	—	216,467
Other financing activities	(2,095 )	—	—	—	—	(2,095 )
Net cash from financing activities	103,067	2,400	(72,637 )	(30,224 )	(368,816 )	(366,210 )
Cash flows from discontinued operations						
Cash flows from operating activities	—	—	(2,144 )	—	—	(2,144 )
Cash flows from investing activities	—	—	56,751	—	—	56,751
Cash flows from financing activities	—	—	—	—	—	—
Net cash from discontinued operations	—	—	54,607	—	—	54,607
Net change in cash and cash equivalents	(2,520 )	(12,269 )	(3,136 )	2,935	—	(14,990 )
Cash and cash equivalents, beginning of period	2,520	118,714	36,619	34,692	—	192,545
Change in cash classified as discontinued operations	—	—	283	—	—	283
Cash and cash equivalents, end of period	\$—	\$106,445	\$33,766	\$37,627	\$—	\$177,838

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

## Condensed Consolidating Statements of Cash Flows - continued

(In thousands)	Year Ended December 31, 2012					Eliminations	Consolidated
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)			
Cash flows from operating activities							
Net cash from operating activities	\$(73,982 )	\$206,765	\$(20,479 )	\$34,128	\$736		\$147,168
Cash flows from investing activities							
Capital expenditures	(50,012 )	(33,581 )	(7,505 )	(34,456 )	—		(125,554 )
Cash paid for acquisition, net of cash received	(198,726 )	—	(1,125,472 )	—	—		(1,324,198 )
Investments in and advances to unconsolidated subsidiaries, net	(200 )	—	—	—	200		—
Net activity with affiliates	—	(190,100 )	35,128	224	154,748		—
Other investing activities	(790 )	7,245	1,824	6,730			15,009
Net cash from investing activities	(249,728 )	(216,436 )	(1,096,025 )	(27,502 )	154,948		(1,434,743 )
Cash flows from financing activities							
Borrowings under bank credit facility	787,100	—	871,100	632,700	—		2,290,900
Payments under bank credit facility	(951,250 )	—	(16,700 )	(652,900 )	—		(1,620,850 )
Debt financing costs, net	(16,651 )	—	(47,989 )	(443 )	—		(65,083 )
Proceeds from issuance of senior notes, net	350,000	—	350,000	—	—		700,000
Proceeds from issuance of non-recourse debt by variable interest entity	—	—	—	3,374	—		3,374
Payments on loans to variable interest entity's members	—	—	—	(928 )	—		(928 )
Advances from parent	—	200	—	—	(200 )		—
Net activity with affiliates	155,484	—	—	—	(155,484 )		—
Other financing activities	1,183	—	(1,810 )	—			(627 )
Net cash from financing activities	325,866	200	1,154,601	(18,197 )	(155,684 )		1,306,786

Cash flows from discontinued operations						
Cash flows from operating activities	—	—	(4,723	) —	—	(4,723 )
Cash flows from investing activities	—	—	(416	) —	—	(416 )
Cash flows from financing activities	—	—	—	—	—	—
Net cash from discontinued operations	—	—	(5,139	) —	—	(5,139 )
Net change in cash and cash equivalents	2,156	(9,471	) 32,958	(11,571	) —	14,072
Cash and cash equivalents, beginning of period	364	128,185	3,279	46,263	—	178,091
Change in cash classified as discontinued operations	—	—	382	—	—	382
Cash and cash equivalents, end of period	\$2,520	\$118,714	\$36,619	\$34,692	\$—	\$192,545



## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

The Company has adjusted certain prior year amounts in the above condensed consolidating financial information to correct the December 31, 2013 condensed consolidating balance sheet, to correct the condensed consolidating statements of operations and cash flows for each of the twelve months ended December 31, 2013 and 2012, to add Boyd Acquisition, LLC as a Guarantor and to release Echelon Resorts, LLC as a Guarantor as a result of Supplemental Indentures to the notes. We believe the effect of the corrections are immaterial to the prior year financial statements. The application of these adjustments to the prior year consolidating information are summarized as follows:

(In thousands)	As Previously Reported	Adjustment	As Reclassified and Restated
Year Ended December 31, 2013			
Total Assets			
Parent	\$3,392,130	\$—	\$3,392,130
Guarantor Subsidiaries	3,468,242	804,906	4,273,148
Non-Guarantor Subsidiaries (100% Owned)	1,592,946	20,350	1,613,296
Non-Guarantor Subsidiaries (Not 100% Owned)	1,334,814	—	1,334,814
Eliminations	(4,046,401 )	(825,256 )	(4,871,657 )
Consolidated	\$5,741,731	\$—	\$5,741,731
(In thousands)	As Previously Reported	Adjustment	As Reclassified and Restated
Year Ended December 31, 2013			
Net income (loss)			
Parent	\$(80,264 )	\$—	\$(80,264 )
Guarantor Subsidiaries	141,420	23,199	118,221
Non-Guarantor Subsidiaries (100% Owned)	(14,337 )	13,830	(28,167 )
Non-Guarantor Subsidiaries (Not 100% Owned)	(56,178 )	—	(56,178 )
Eliminations	(99,195 )	(37,029 )	(62,166 )
Consolidated	\$(108,554 )	\$—	\$(108,554 )
Year Ended December 31, 2012			
Net income (loss)			
Parent	\$(908,865 )	\$—	\$(908,865 )
Guarantor Subsidiaries	(600,674 )	(742,497 )	141,823
Non-Guarantor Subsidiaries (100% Owned)	52,521	760,360	(707,839 )
Non-Guarantor Subsidiaries (Not 100% Owned)	(31,166 )	—	(31,166 )
Eliminations	565,109	(17,863 )	582,972
Consolidated	\$(923,075 )	\$—	\$(923,075 )

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

(In thousands)	As Previously Reported	Adjustment	As Reclassified and Restated
Year Ended December 31, 2013			
Cash flows from operating activities			
Parent	\$(229,447 )	\$—	\$ (229,447 )
Guarantor Subsidiaries	432,903	(25,554 )	407,349
Non-Guarantor Subsidiaries (100% Owned)	20,674	22,045	42,719
Non-Guarantor Subsidiaries (Not 100% Owned)	51,748	—	51,748
Eliminations	1,157	3,509	4,666
Consolidated	\$277,035	\$—	\$ 277,035
Year Ended December 31, 2012			
Cash flows from operating activities			
Parent	\$(73,982 )	\$—	\$ (73,982 )
Guarantor Subsidiaries	191,178	15,587	206,765
Non-Guarantor Subsidiaries (100% Owned)	(4,892 )	(15,587 )	(20,479 )
Non-Guarantor Subsidiaries (Not 100% Owned)	34,128	—	34,128
Eliminations	736	—	736
Consolidated	\$147,168	\$—	\$ 147,168

## NOTE 18. RELATED PARTY TRANSACTIONS

## Boyd Percentage Ownership

William S. Boyd, our Executive Chairman of the Board of Directors, together with his immediate family, beneficially owned approximately 28% of our outstanding shares of common stock as of December 31, 2014. As such, the Boyd family has the ability to significantly influence our affairs, including the election of members of our Board of Directors and, except as otherwise provided by law, approving or disapproving other matters submitted to a vote of our stockholders, including a merger, consolidation or sale of assets. For each of the years ended December 31, 2014, 2013 and 2012, there were no related party transactions between the Company and the Boyd family other than compensation, including salary and equity incentives.

## Borgata Ground Leases

Borgata leases approximately 8.4 acres from MGM that provides the land on which Borgata's existing surface parking lot resides. The lease is on a month-to-month term and may be terminated by either party effective on the last day of the month that is three months after notice is given. Pursuant to the surface lot ground lease agreement, Borgata's lease payment is comprised of a de minimus monthly payment to MGM and the property taxes, which are paid directly to the taxing authority. Property taxes incurred for this ground lease agreement were \$0.8 million through September 30, 2014, the date of deconsolidation, and \$3.2 million and \$2.8 million for the years ended December 31, 2013 and 2012, respectively. These amounts were included in selling, general and administrative on the consolidated statements of operations.

## NOTE 19. SUBSEQUENT EVENTS

We have evaluated all events or transactions that occurred after December 31, 2014. During this period, up to the filing date, we did not identify any subsequent events, the effects of which would require disclosure or adjustment to our financial position or results of operations.



BOYD GAMING CORPORATION AND SUBSIDIARIES  
SCHEDULE ICONDENSED FINANCIAL INFORMATION OF REGISTRANT  
BALANCE SHEETS

(In thousands)	December 31,	
	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$2	\$—
Other current assets	10,234	13,772
Property and equipment, net	65,365	69,309
Investments in subsidiaries	3,345,735	3,265,579
Other assets, net	36,600	43,470
<b>Total assets</b>	<b>\$3,457,936</b>	<b>\$3,392,130</b>
<b>Liabilities and Stockholders' Equity</b>		
Current maturities of long-term debt	\$21,500	\$21,500
Current liabilities	82,711	57,156
Intercompany payable	668,310	512,358
Long-term debt, net of current maturities	2,207,490	2,285,910
Other long-term liabilities	39,888	45,219
<b>Common stock</b>		
Common stock	1,093	1,082
Additional paid-in capital	922,112	902,496
Retained earnings (deficit)	(485,115)	(432,074)
Accumulated other comprehensive loss, net	(53)	(1,517)
<b>Total stockholders' equity (deficit)</b>	<b>438,037</b>	<b>469,987</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$3,457,936</b>	<b>\$3,392,130</b>

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

BOYD GAMING CORPORATION AND SUBSIDIARIES  
SCHEDULE I (continued)

CONDENSED FINANCIAL INFORMATION OF REGISTRANT  
STATEMENTS OF OPERATIONS

(In thousands)	Year Ended December 31,		
	2014	2013	2012
Net revenues	\$ 117,159	\$ 123,951	\$ 121,806
Costs and expenses			
Operating	1,800	1,848	1,822
Selling, general and administrative	46,708	46,880	45,503
Depreciation and amortization	5,667	6,619	7,985
Corporate expense	71,951	59,128	48,868
Preopening expenses	48	567	1,863
Impairment of assets	320	—	97,868
Asset transactions costs	57	1,019	15,575
Other operating items, net	164	427	—
Intercompany expenses	1,204	1,213	1,345
Total costs and expenses	127,919	117,701	220,829
Equity in earnings (losses) of subsidiaries	85,360	101,148	(636,327 )
Operating income (loss)	74,600	107,398	(735,350 )
Other expense (income)			
Interest expense, net	132,204	153,893	161,152
Gain on early extinguishment of debt	—	25,001	—
Other, net	(793 )	137	—
Total other expense, net	131,411	179,031	161,152
Loss before income taxes	(56,811 )	(71,633 )	(896,502 )
Income taxes benefit (provision)	3,770	(8,631 )	(12,363 )
Net loss	\$(53,041 )	\$(80,264 )	\$(908,865 )

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

BOYD GAMING CORPORATION AND SUBSIDIARIES  
SCHEDULE I (continued)

CONDENSED FINANCIAL INFORMATION OF REGISTRANT  
STATEMENTS OF CASH FLOWS

(In thousands)	Year Ended December 31,		
	2014	2013	2012
Cash flows from operating activities			
Net cash from operating activities	\$(39,524 )	\$(229,447 )	\$(73,982 )
Cash flows from investing activities			
Capital expenditures	(43,164 )	(44,985 )	(50,012 )
Proceeds from sale of Echelon, net	—	343,750	—
Proceeds from sale of other assets, net	—	4,875	—
Cash paid for exercise of LVE option	—	(187,000 )	—
Cash paid for acquisitions, net of cash received	—	—	(198,726 )
Investments in and advances to unconsolidated subsidiaries, net	—	(2,400 )	(200 )
Distributions from subsidiary	5,300	9,620	—
Other investing activities	—	—	(790 )
Net cash from investing activities	(37,864 )	123,860	(249,728 )
Cash flows from financing activities			
Borrowings under bank credit facility	830,400	2,920,675	787,100
Payments under bank credit facility	(910,700 )	(2,927,800)	(951,250 )
Debt financing costs, net	(83 )	(24,349 )	(16,651 )
Payments on long-term debt	—	(10,341 )	—
Payments on retirements of long-term debt	—	(459,278 )	—
Proceeds from issuance of senior secured notes, net	—	—	350,000
Net activity with affiliates	155,952	376,036	155,484
Stock options exercised	4,152	13,752	—
Restricted stock units released, net	(2,361 )	—	—
Proceeds from sale of common stock, net	—	216,467	—
Other financing activities	30	(2,095 )	1,183
Net cash from financing activities	77,390	103,067	325,866
Change in cash and cash equivalents	2	(2,520 )	2,156
Cash and cash equivalents, beginning of period	—	2,520	364
Cash and cash equivalents, end of period	\$2	\$—	\$2,520
Supplemental Disclosure of Cash Flow Information			
Cash paid for interest, net of amounts capitalized	\$131,517	\$155,889	\$134,376
Cash paid (received) for income taxes, net of refunds	(3 )	2	(490 )
Supplemental Schedule of Non-cash Investing and Financing Activities			
Payables incurred for capital expenditures	\$6,931	\$—	\$—

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

BOYD GAMING CORPORATION AND SUBSIDIARIES  
SCHEDULE I (continued)

CONDENSED FINANCIAL INFORMATION OF REGISTRANT  
NOTES TO CONDENSED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

Schedule I, Condensed Financial Information of Registrant, is to be included in Securities and Exchange Commission ("SEC") filings when restricted net assets of consolidated subsidiaries exceed 25% of consolidated net assets at the end of the latest fiscal year. Cash dividend payments by Peninsula Gaming, LLC, ("Peninsula") to Boyd Gaming Corporation (the "Company") are limited by the terms of the credit agreement (the "Peninsula Credit Agreement") dated as of November 14, 2012, with the lenders party thereto and Bank of America, N.A., as administrative agent, collateral agent, swing line lender, and L/C issuer and are contingent upon compliance with the covenants therein. This limitation on the transferability of assets constitutes a restriction of Peninsula net assets and is subject to certain exceptions.

The accompanying Condensed Financial Statements include the accounts of the Company and, on an equity basis, its subsidiaries and affiliates. Accordingly, these condensed financial statements have been presented on a "parent-only" basis. Under a parent-only presentation, the Company's investments in its consolidated subsidiaries are presented under the equity method of accounting. These parent-only financial statements should be read in conjunction with the Boyd Gaming Corporation audited Consolidated Financial Statements presented in Item 8 of the Company's Form 10-K.

NOTE 2. LONG-TERM OBLIGATIONS

The scheduled maturities of long-term debt, are as follows:  
(In thousands)

For the year ending December 31,	
2015	\$21,500
2016	21,500
2017	21,500
2018	1,018,175
2019	9,000
Thereafter	1,145,750
Total outstanding principal of long-term debt	\$2,237,425

NOTE 3. DIVIDENDS

The Company received \$5.3 million and \$9.6 million in dividends from its consolidated subsidiaries in 2014 and 2013, respectively. No dividends were received in 2012.

NOTE 4. COMMITMENTS AND CONTINGENCIES

Future minimum lease payments required under noncancelable operating leases, are as follows:  
(In thousands)

For the year ending December 31,	
2015	\$2,343
2016	1,726
2017	1,490
2018	680
2019	485
Thereafter	2,681

Total

\$9,405

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

There were no changes in or disagreements with accountants on accounting and financial disclosures during the two years in the period ended December 31, 2014.

ITEM 9A. Controls and Procedures

As of the end of the period covered by this Report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"). Our disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Report.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we include a report of management's assessment of the design and effectiveness of our internal controls as part of this Annual Report on Form 10-K for the fiscal year ended December 31, 2014. Our independent registered public accounting firm also reported on the effectiveness of our internal controls over financial reporting. Management's report and the independent registered public accounting firm's attestation report are located below.

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

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of our internal control over financial reporting as of the end of the most recent fiscal year, December 31, 2014, based on the framework set forth in Internal Control - Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our evaluation under the framework set forth in Internal Control - Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2014, the end of our most recent fiscal year.

Deloitte & Touche LLP, an independent registered public accounting firm, has issued an attestation report on our internal control over financial reporting as of December 31, 2014, which report follows below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Boyd Gaming Corporation and Subsidiaries (the "Company") as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2014 of the Company and our report dated February 27, 2015 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada  
February 27, 2015

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ITEM 9B. Other Information

None

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Information required by this item regarding the members of our board of directors and our audit committee, including our audit committee financial expert, is set forth under the captions Board Committees - Audit Committee, Director Nominees, and Section 16(a) Beneficial Ownership Reporting Compliance in our Definitive Proxy Statement to be filed in connection with our 2015 Annual Meeting of Stockholders and is incorporated herein by reference.

The following table sets forth the non-director executive officers of Boyd Gaming Corporation as of February 20, 2015:

Name	Age	Position
Brian A. Larson	59	Executive Vice President, Secretary and General Counsel
Josh Hirsberg	53	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)
Anthony D. McDuffie	54	Vice President and Chief Accounting Officer (Principal Accounting Officer)

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

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

Anthony D. McDuffie has served as our Vice President and Chief Accounting Officer since March 2013. Prior to being appointed Vice President and Chief Accounting Officer, Mr. McDuffie, served as the Company's Director, Accounting Policy & Reporting, since October 2012. Mr. McDuffie previously served as Vice President, Finance and Controller of Pinnacle Airlines Corp. from October 2011 until September 2012. Prior to joining Pinnacle Airlines, Mr. McDuffie served as a financial accounting consultant to businesses in the manufacturing, health care and emergency air ambulance industries from May 2009 until October 2011. Mr. McDuffie served as Controller and Chief Accounting Officer of Caesars Entertainment Corporation from November 2001 to May 2009.

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

ITEM 11. Executive Compensation

The information required by this item is set forth under the captions Executive Officer and Director Compensation, Compensation and Stock Option Committee Interlocks and Insider Participation, and Compensation and Stock Option Committee Report in our Definitive Proxy Statement to be filed in connection with our 2015 Annual Meeting of Stockholders and is incorporated herein by reference.

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

The information required by this item is set forth under the captions Ownership of Certain Beneficial Owners and Management and Equity Compensation Plan Information in our Definitive Proxy Statement to be filed in connection with our 2015 Annual Meeting of Stockholders and is incorporated herein by reference.

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

The information required by this item is set forth under the captions Transactions with Related Persons and Director Independence in our Definitive Proxy Statement to be filed in connection with our 2015 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 14. Principal Accounting Fees and Services

Information about principal accounting fees and services, as well as the audit committee's pre-approval policies appears under the captions Audit and Non-Audit Fees and Audit Committee Pre-Approval of Audit and Non-Audit Services in our Definitive Proxy Statement to be filed in connection with our 2015 Annual Meeting of Stockholders and is incorporated herein by reference.

## PART IV

## ITEM 15. Exhibits, Financial Statement Schedules

## 1. Financial Statements

Financial statements of the Company (including related notes to consolidated financial statements) filed as part of this report are listed below:

	Page No.
<u>Report of Independent Registered Public Accounting Firm</u>	<u>57</u>
<u>Consolidated Balance Sheets at December 31, 2014 and 2013</u>	<u>58</u>
<u>Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012</u>	<u>59</u>
<u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012</u>	<u>60</u>
<u>Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2014, 2013 and 2012</u>	<u>61</u>
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012</u>	<u>62</u>
<u>Notes to Consolidated Financial Statements</u>	<u>64</u>

## 2. Financial Statement Schedules

## Schedule I

	Page No.
<u>Condensed Financial Information of Registrant Company as of December 31, 2014 and 2013 and for the Years Ended December 31, 2014, 2013 and 2012</u>	<u>124</u>

We have omitted schedules other than the one listed above because they are not applicable, not required or the information required to be set forth therein is included in Consolidated Financial Statements or Notes thereto included in this Report.

## 3. Exhibit List

## Exhibit

Number	Description of Exhibit	Method of Filing
2.1	Purchase Agreement, entered into as of June 5, 2006, by and among the Registrant, FGB Development, Inc., Boyd Florida, LLC, The Aragon Group, Inc., Summersport Enterprises, LLLP, the Shareholders of The Aragon Group, Inc., The Limited Partners of Summersport Enterprises, LLLP, and Stephen F. Snyder, as Shareholder Representative With Respect to Dania Jai-alai	Incorporated by reference to Exhibit 2.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.
2.2	Unit Purchase Agreement, dated as of July 25, 2006, as amended, by and among the Registrant,	Incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K, filed

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Coast Hotels and Casinos, Inc., Silverado South Strip, LLC, and Michael J. Gaughan

with the SEC on October 31, 2006.

2.3 Agreement for Exchange of Assets and Joint Escrow Instructions, dated as of September 29, 2006, entered into by and between Coast Hotels and Casinos, Inc. and Harrah's Operating Company, Inc.

Incorporated by reference to Exhibit 2.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.

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2.4	Letter Agreement entered into as of February 26, 2007, by and between Coast Hotels and Casinos, Inc. and Harrah's Operating Company, Inc. amending that certain Agreement for Exchange of Assets and Joint Escrow Instructions previously entered into by and between the parties as of September 29, 2006	Incorporated by reference to Exhibit 2.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.
2.5	Letter Agreement entered into as of August 11, 2006, by and among the Registrant, FGB Development, Inc., Boyd Florida, LLC, The Aragon Group, Inc., Summersport Enterprises, LLLP, and Stephen F. Snyder, individually and as Shareholder Representative, amending certain provisions of that certain Purchase Agreement previously entered into among the parties as of June 5, 2006	Incorporated by reference to Exhibit 2.3 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.
2.6**	Second Amendment to the Purchase Agreement entered into as of February 16, 2007, by and among the Registrant, the Aragon Group and the other parties thereto	Incorporated by reference to Exhibit 2.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.
2.7	Third Amendment to the Purchase Agreement and Promissory Note related thereto entered into as of January 15, 2009, by and among Boyd Gaming Corporation, the Aragon Group and the other parties thereto	Incorporated by reference to Exhibit 2.7 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008.
2.8	Agreement and Plan of Merger, dated as of May 16, 2012, entered into by and among, Boyd Gaming Corporation, Boyd Acquisition II, LLC, Boyd Acquisition Sub, LLC, Peninsula Gaming Partners, LLC and Peninsula Gaming, LLC.	Incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed with the SEC on May 16, 2012.
2.9	Membership Interest Purchase and Sale Agreement and Joint Escrow Instructions, dated as of March 1, 2013, by and between Echelon Resorts, LLC, Coast Hotels and Casinos, Inc., Genting Assets, Inc, and Genting Berhad dated March 1, 2013.	Incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed with the SEC on March 7, 2013
2.10	Asset Purchase Agreement among LVE Energy Partners, LLC, Echelon Resorts LLC, and Boyd Gaming Corporation, dated March 1, 2013.	Incorporated by reference to Exhibit 2.2 of the Registrant's Current Report on Form 8-K filed with the SEC on March 7, 2013
2.11	Membership Interest Purchase and Sale Agreement and Joint Escrow Instructions, dated as of March 1, 2013, by and between Echelon Resorts, LLC, Coast Hotels and Casinos, Inc.,	Incorporated by reference from of the Registrant's Current Report on Form 8-K filed with the SEC on March 7, 2013

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Genting Assets, Inc. and Genting Berhad

2.12	Asset Purchase Agreement, dated as of February 22, 2013, by and among Dania Entertainment Center, LLC, The Aragon Group and Summersport Enterprises, LLC.	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 10, 2013.
3.1	Amended and Restated Bylaws	Incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the SEC on March 27, 2013.
3.2	Amended and Restated Articles of Incorporation of the Registrant	Incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K, filed with the SEC on May 24, 2006.

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4.1	Form of Indenture relating to \$350,000,000 aggregate principal amount of 6.75% Senior Subordinated Notes due 2014, dated as of April 15, 2004, by and between the Registrant, as Issuer, and the Initial Purchasers, named therein	Incorporated by reference to Exhibit 4.8 of the Registrant's Registration Statement on Form S-4, File No. 333-116373, which was declared effective on June 25, 2004.
4.2	Form of Indenture relating to senior debt securities	Incorporated by reference to Exhibit 4.4 of the Registrant's Automatic Shelf Registration Statement on Form S-3 dated December 16, 2005.
4.3	Form of Indenture relating to subordinated debt securities	Incorporated by reference to Exhibit 4.5 of the Registrant's Automatic Shelf Registration Statement on Form S-3 dated December 16, 2005.
4.4	Form of Specimen Common Stock Certificate	Incorporated by reference to Exhibit 4.6 of the Registrant's Automatic Shelf Registration Statement on Form S-3 dated December 16, 2005.
4.5	Indenture (including form of Subordinated Debt Securities) with respect to Subordinated Debt Securities, dated as of January 25, 2006, by and between the Registrant, as Issuer, and Wells Fargo Bank, National Association, as Trustee	Incorporated by reference to Exhibit 4.9 of the Registrant's Current Report on Form 8-K filed with the SEC on January 26, 2006.
4.6	First Supplemental Indenture with respect to the 7.125% Senior Subordinated Notes due 2016, dated as of January 30, 2006, by and between the Registrant, as Issuer, and Wells Fargo Bank, National Association, as Trustee	Incorporated by reference to Exhibit 4.10 of the Registrant's Current Report on Form 8-K filed with the SEC on January 31, 2006.
4.7	Lender Joinder Agreement, dated November 2, 2011, among The Company, Bank of America, N.A., as the Administrative Agent, and Bank of America, N.A., as the Increasing Lender	Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the SEC on November 3, 2011.
4.8	Indenture governing the Company's 9.125% senior notes, dated November 10, 2010, by and between the Company and U.S. Bank National Association, as trustee.	Incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed with the SEC on November 12, 2010.
4.9	Registration Rights Agreement, dated November 10, 2010, by and between the Company and J.P. Morgan Securities LLC, on behalf of itself and as representative of the several initial purchasers.	Incorporated by reference to Exhibit 4.4 of the Registrant's Current Report on Form 8-K filed with the SEC on November 12, 2010.
4.10	Indenture governing the Company's 9% Senior Notes due 2020, dated June 8, 2012, by and	Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed

between the Company and U.S. Bank National Association, as trustee.

with the SEC on June 13, 2012.

4.11

Registration Rights Agreement, dated June 8, 2012, by and among the Company, Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, on behalf of themselves and as representatives of the several initial purchasers.

Incorporated by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed with the SEC on June 13, 2012.

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4.12	<p>First Supplemental Indenture, relating to the 9.0% Senior Notes due 2020, dated as of August 14, 2013 among the Company, the Guarantors party thereto, and U.S. Bank National Association, as Trustee, to that certain Indenture dated as of June 8, 2012, among the Company, the Guarantors party thereto, and U.S. Bank National.</p>	<p>Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on August 19, 2013.</p>
4.13	<p>Second Supplemental Indenture, related to the 9.125% Senior Notes due 2018, dated as of August 14, 2013, among the Company, the Guarantors party thereto, and U.S. Bank National Association, as Trustee, to that certain Indenture dated as of November 10, 2010 among the Company, the Guarantors party thereto, and U.S. Bank National Association, as Trustee.</p>	<p>Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on August 19, 2013.</p>
4.14	<p>Lender Joinder Agreement, dated as of December 16, 2013, among Marina District Finance Company, Inc., Marina District Development Company, LLC, Wells Fargo Bank, National Association, as the Administrative Agent, and Deutsche Bank AG New York Branch, as Incremental Term Lender.</p>	<p>Incorporated by reference from Marina District Finance Company, Inc.'s Current Report on Form 8-K dated December 16, 2013.</p>
10.1	<p>Ninety-Nine Year Lease dated June 30, 1954, by and among Fremont Hotel, Inc., and Charles L. Ronnow and J.L. Ronnow, and Alice Elizabeth Ronnow</p>	<p>Incorporated by reference to the Registration Statement on Form S-1, File No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992.</p>
10.2	<p>Lease Agreement dated October 31, 1963, by and between Fremont Hotel, Inc. and Cora Edit Garehime</p>	<p>Incorporated by reference to the Registration Statement on Form S-1, File No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992.</p>
10.3	<p>Lease Agreement dated December 31, 1963, by and among Fremont Hotel, Inc., Bank of Nevada and Leon H. Rockwell, Jr.</p>	<p>Incorporated by reference to the Registration Statement on Form S-1, File No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992.</p>
10.4	<p>Lease Agreement dated June 7, 1971, by and among Anthony Antonacci, Margaret Fay Simon and Bank of Nevada, as Co-Trustees under Peter Albert Simon's Last Will and Testament, and related Assignment of Lease dated February 25, 1985 to Sam-Will, Inc. and Fremont Hotel, Inc.</p>	<p>Incorporated by reference to the Registration Statement on Form S-1, File No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992.</p>

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| 10.5 | Lease Agreement dated July 25, 1973, by and between CH&C and William Peccole, as Trustee of the Peter Peccole 1970 Trust   | Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended June 30, 1995.  |
| 10.6 | Lease Agreement dated July 1, 1974, by and among Fremont Hotel, Inc. and Bank of Nevada, Leon H. Rockwell, Jr. and Margorie Rockwell Riley   | Incorporated by reference to the Registration Statement on Form S-1, File No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992. |
| 10.7 | Ninety-Nine Year Lease, dated December 1, 1978, by and between Matthew Paratore, and George W. Morgan and LaRue Morgan, and related Lease Assignment dated November 10, 1987, to Sam-Will, Inc., d.b.a. Fremont Hotel and Casino | Incorporated by reference to the Registration Statement on Form S-1, File No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992. |

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10.8	Form of Indemnification Agreement	Incorporated by reference to the Registrant's Registration Statement on Form S-1, File No. 33-64006, which was declared effective on October 15, 1993.
10.9*	1993 Flexible Stock Incentive Plan and related agreements	Incorporated by reference to the Registrant's Registration Statement on Form S-1, File No. 33-64006, which was declared effective on October 15, 1993.
10.10*	1993 Directors Non-Qualified Stock Option Plan, as amended	Incorporated by reference to Exhibit 4.4 of the Registrant's Registration Statement on Form S-8, File No. 333-79895, dated June 3, 1999.
10.11*	1993 Employee Stock Purchase Plan and related agreement	Incorporated by reference to the Registrant's Registration Statement on Form S-1, File No. 33-64006, which was declared effective on October 15, 1993.
10.12	401(k) Profit Sharing Plan and Trust	Incorporated by reference to the Registration Statement on Form S-1, File No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992.
10.13*	2000 Executive Management Incentive Plan (incorporated by reference to Appendix A of the Registrant's Definitive Proxy Statement filed with the SEC on April 21, 2000).	Incorporated by reference to Appendix A of the Registrant's Definitive Proxy Statement filed with the SEC on April 21, 2000.
10.14*	1996 Stock Incentive Plan (as amended on May 25, 2000)	Incorporated by reference to Exhibit 10.35 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.
10.15	Second Amended and Restated Joint Venture Agreement of Marina District Development Company, dated as of August 31, 2000	Incorporated by reference to Exhibit 10.36 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.
10.16	Contribution and Adoption Agreement by and among Marina District Development Holding Co., LLC, MAC, Corp. and Boyd Atlantic City, Inc., effective as of December 13, 2000	Incorporated by reference to Exhibit 10.30 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000.
10.17*	Annual Incentive Plan	Incorporated by reference to Exhibit 10.29 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
10.18*	Form of Stock Option Award Agreement under the 1996 Stock Incentive Plan	Incorporated by reference to Exhibit 10.37 of the Registrant's Quarterly Report on Form 10-Q for

the quarter ended September 30, 2008.

10.19\* Form of Stock Option Award Agreement  
pursuant to the 2002 Stock Incentive Plan

Incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.

10.20\* Form of Restricted Stock Unit Agreement and  
Notice of Award pursuant to the 2002 Stock  
Incentive Plan

Incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.



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

with the SEC on May 24, 2006.

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| 10.33* | Form of Award Agreement for Restricted Stock Units under 2002 Stock Incentive Plan for Non-Employee Directors   | Incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006. |
| 10.34  | First Amendment to Morgans Las Vegas, LLC Limited Liability Company Agreement, by and between Morgans Las Vegas LLC and Echelon Resorts Corporation, Dated May 15, 2006 | Incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006. |

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10.35	Second Amendment to Morgans Las Vegas, LLC Limited Liability Company Agreement, by and between Morgans LV Investment LLC and Echelon Resorts Corporation, Dated June 30, 2008	Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed with the SEC on July 1, 2008.
10.36	Third Amendment to Morgans Las Vegas, LLC Limited Liability Company Agreement, by and between Morgans LV Investment LLC and Echelon Resorts Corporation, Dated September 23, 2008	Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed with the SEC on September 25, 2008.
10.37	Letter Agreement to the Morgans Las Vegas, LLC Limited Liability Company Agreement, dated May 15, 2006	Incorporated by reference to Exhibit 10.5 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.
10.38	First Amended and Restated Credit Agreement, dated as of May 24, 2007, among the Registrant, as Borrower, certain commercial lending institutions as the Lenders, Bank of America, N.A., as the Administrative Agent and L/C Issuer, Wells Fargo Bank, N.A., as the Syndication Agent and Swing Line Lender, and Citibank, N.A., Deutsche Bank Securities Inc., JPMorgan Chase Bank, N.A., Merrill Lynch Bank USA and Wachovia Bank, National Association, as Co-Documentation Agents	Incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.
10.39	First Amendment and Consent to First Amended and Restated Credit Agreement, dated as of December 21, 2009, among the Registrant, as Borrower, certain commercial lending institutions as the Lenders, and Bank of America, N.A., as the Administrative Agent for the Lenders	Incorporated by reference to Exhibit 10.40 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009.
10.40	First Amendment to Second Amended and Restated Credit Agreement, dated as of December 27, 2012, among the Registrant, as Borrower, certain commercial lending institutions as the Lenders, and Bank of America, N.A., as the Administrative Agent for the Lenders	Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on December 28, 2012.
10.41	Stock Purchase Agreement, entered into as of August 1, 2006, by and between Michael J. Gaughan and the Registrant	Incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.
10.42	Form of Term Note issued by the Registrant to Michael J. Gaughan on August 1, 2006 in	Incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for

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	connection with the Stock Purchase Agreement entered into between the parties on the same date	the quarter ended September 30, 2006.
10.43*	Form of Award Agreement for Restricted Stock Units under the 2002 Stock Incentive Plans	Incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the SEC on May 24, 2006.
10.44*	Form of Career Restricted Stock Unit Award Unit Agreement under the 2002 Stock Incentive Plan	Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on December 13, 2006.
10.45*	Form of Restricted Stock Unit Agreement and Notice of Award Pursuant to the 2002 Stock Incentive Plan	Incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.
10.46*	Change in Control Severance Plan for Tier I, II and III Executives	Incorporated by reference to Exhibit 10.46 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006.

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10.47	Periodic Fee Agreement, entered into as of March 4, 2011, by and amongst Echelon Resorts LLC and LVE Energy Partners, LLC	Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 10-Q for the quarter ended March 31, 2011.
10.48	Agreement for Purchase and Sale, dated June 15, 2011, amongst the Company, Imperial Palace of Mississippi, LLC and Key Largo Holdings, LLC	Incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 10-Q for the quarter ended June 30, 2011.
10.49	First Amendment to Credit Agreement, dated November 11, 2011, among Marina District Finance Company, Inc., as the Borrower, Marina District Development Company, LLC, together with the Borrower as the Credit Parties, certain commercial lending institutions as the Lenders and Wells Fargo Bank National Association, as the Administrative Agent	Incorporated by reference to Exhibit 10.48 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011.
10.50	Form of Performance Share Unit Agreement and Notice of Award Pursuant to the 2002 Stock Incentive Plan	Incorporated by reference to Exhibit 10.49 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011.
10.51	Iowa Racing and Gaming Commission Gaming License, dated July 15, 1999	Incorporated by reference to Exhibit 10.16 of Diamond Jo, LLC's Form S-4 filed October 12, 1999.
10.52	Offer to Purchase Real Estate, Acceptance and Lease, dated September 27, 2006, between Diamond Jo, LLC and Dubuque County Historical Society	Incorporated by reference to Exhibit 10.1 of Peninsula Gaming, LLC's Quarterly Report on Form 10-Q filed November 14, 2006.
10.53	Closing Agreement, dated September 27, 2006, between Diamond Jo, LLC and Dubuque County Historical Society	Incorporated by reference to Exhibit 10.1 of Peninsula Gaming, LLC's Quarterly Report on Form 10-Q filed November 14, 2006.
10.54	Real Estate Ground Lease, dated September 27, 2006, between Diamond Jo, LLC and Dubuque County Historical Society	Incorporated by reference to Exhibit 10.1 of Peninsula Gaming, LLC's Quarterly Report on Form 10-Q filed November 14, 2006.
10.55	Minimum Assessment Agreement, dated October 1, 2007, among Diamond Jo, LLC, the City of Dubuque, Iowa and the City Assessor of the City of Dubuque, Iowa	Incorporated by reference to Exhibit 10.63 of Peninsula Gaming, LLC's Annual Report on Form 10-K filed March 28, 2008.
10.56	Amended and Restated Port of Dubuque Public Parking Facility Development Agreement, dated October 1, 2007, between the City of Dubuque, Iowa and Diamond Jo, LLC	Incorporated by reference to Exhibit 10.65 of Peninsula Gaming, LLC's Annual Report on Form 10-K filed March 28, 2008.

10.57	Lottery Gaming Facility Management Contract, dated October 19, 2010	Incorporated by reference to Exhibit 10.2 of Peninsula Gaming, LLC's Current Report on Form 8-K filed February 4, 2011.
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10.58	Credit Agreement, dated as of November 14, 2012, among Boyd Acquisition Sub, LLC, as the Initial Borrower, Bank of America, N.A., as Administration Agent, Collateral Agent, Swing Line Lender and L/C Issuer, the other lenders party thereto, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, Deutsche Bank Securities Inc., and UBS Securities LLC as Joint Lead Arrangers and Joint Book Managers.	Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed November 20, 2012.
10.59	Seller Merger Consideration Note, dated November 20, 2012 made by Boyd Acquisition II, LLC in favor of Peninsula Gaming Partners, LLC.	Incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed November 20, 2012.
10.60	First Amendment to Credit Agreement, dated May 1, 2013, among PGL, certain financial institutions and Bank of America, N.A., as administrative agent for the Lenders.	Incorporated by reference from the Registrant's Current Report on Form 8-K dated May 6, 2013.
10.61	Amended and Restated Credit Agreement, dated as of July 24, 2013, among MDFC, MDDC, Wells Fargo, National Association, as administrative agent for the Lenders, L/C Issuer and Swing Line Lender, and the other Lenders party thereto.	Incorporated by reference from Marina District Finance Company Inc.'s Current Report on Form 8-K dated July 26, 2013.
10.62	Third Amended and Restated Credit Agreement dated as of August 14, 2013 among the Company certain financial institutions, Bank of America, N.A., as administrative agent and letter of credit issuer, and Wells Fargo Bank, National Association, as swing line lender.	Incorporated by reference from the Registrant's Current Report on Form 8-K dated August 14, 2013.
10.63	Amended and Restated Settlement Agreement effective as of June 5, 2014, by and between Marina District Development Co., LLC, and the City of Atlantic City.	Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 10-Q for the quarter ended June 30, 2014.
10.64	Separation Agreement and Release, Dated September 19, 2014, by and between Paul J. Chakmak and the Registrant.	Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 10-Q for the quarter ended September 30, 2014.
12	Ratio of Earnings to Fixed Charges.	Filed electronically herewith
21.1	Subsidiaries of the Registrant.	Filed electronically herewith
23.1	Consent of Deloitte & Touche LLP.	Filed electronically herewith

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24	Power of Attorney (included in Part IV to this Annual Report on Form 10-K).	Filed electronically herewith
31.1	Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a).	Filed electronically herewith
31.2	Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a).	Filed electronically herewith

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32.1	Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act Rule 13a - 14(b) and 18 U.S.C. § 1350.	Filed electronically herewith
32.2	Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act Rule 13a - 14(b) and 18 U.S.C. § 1350.	Filed electronically herewith
99.1	Indenture governing Boyd Acquisition Sub, LLC's and Boyd Acquisition Finance Corp.'s 8.375% Senior Notes due 2018, dated August 16, 2012, by and among the Issuers and U.S. Bank National Association, as trustee.	Incorporated by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K filed August 21, 2012.
99.2	Governmental Gaming Regulations	Filed electronically herewith
101	The following materials from Boyd Gaming Corporation's Annual Report on Form 10-K for the year ended December 31, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2014 and December 31, 2013; (ii) Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012; (iii) Consolidated Statement of Changes in Stockholders' Equity for the years ended December 31, 2014; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012; and (vi) Notes to Condensed Consolidated Financial Statements. ***	Filed electronically herewith

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\* Management contracts or compensatory plans or arrangements.

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

\*\*\* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 27, 2015.

BOYD GAMING CORPORATION

By: /s/ Anthony D. McDuffie  
Anthony D. McDuffie  
Vice President and Chief Accounting Officer  
(Principal Accounting Officer)

## POWER OF ATTORNEY

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

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

Signature	Title	Date
/s/ WILLIAM S. BOYD William S. Boyd	Executive Chairman of the Board of Directors	February 27, 2015
/s/ MARIANNE BOYD JOHNSON Marianne Boyd Johnson	Vice Chairman of the Board of Directors, Executive Vice President and Director	February 27, 2015
/s/ KEITH E. SMITH Keith E. Smith	President, Chief Executive Officer and Director (Principal Executive Officer)	February 27, 2015
/s/ JOSH HIRSBERG Josh Hirsberg	Senior Vice President, Chief Financial Officer and Treasurer	February 27, 2015
/s/ ROBERT L. BOUGHNER Robert L. Boughner	Executive Vice President, Chief Business Development Officer and Director	February 27, 2015
/s/ WILLIAM R. BOYD William R. Boyd	Vice President and Director	February 27, 2015
/s/ JOHN BAILEY John Bailey	Director	February 27, 2015
/s/ RICHARD FLAHERTY Richard Flaherty	Director	February 27, 2015
/s/ THOMAS V. GIRARDI Thomas V. Girardi	Director	February 27, 2015
/s/ MAJ. GEN. BILLY G. MCCOY, RET. USAF Maj. Gen. Billy McCoy Ret. USAF	Director	February 27, 2015
/s/ CHRISTINE J. SPADAFOR Christine J. Spadafor	Director	February 27, 2015
/s/ PETER M. THOMAS	Director	February 27, 2015

Peter M. Thomas

/s/ PAUL WHETSELL  
Paul Whetsell

Director

February 27, 2015

/s/ VERONICA J. WILSON  
Veronica J. Wilson

Director

February 27, 2015

/s/ ANTHONY D. MCDUFFIE  
Anthony D. McDuffie

Vice President and Chief Accounting Officer  
(Principal Accounting Officer)

February 27, 2015

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