

BOYD GAMING CORP  
Form 10-Q  
November 06, 2015

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

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FORM 10-Q

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(Mark One)

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

For the quarterly period ended September 30, 2015

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-12882

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BOYD GAMING CORPORATION

(Exact name of registrant as specified in its charter)

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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)

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

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

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

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Class	Outstanding as of November 2, 2015
Common stock, \$0.01 par value	111,048,812

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BOYD GAMING CORPORATION  
 QUARTERLY REPORT ON FORM 10-Q  
 FOR THE PERIOD ENDED SEPTEMBER 30, 2015  
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## PART I. Financial Information

## Item 1. Financial Statements (Unaudited)

BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data) (Unaudited)	September 30, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$125,045	\$145,341
Restricted cash	24,734	18,107
Accounts receivable, net	25,176	27,235
Inventories	15,106	15,161
Prepaid expenses and other current assets	38,107	32,944
Income taxes receivable	—	1,243
Deferred income taxes and current tax assets	—	1,919
Total current assets	228,168	241,950
Property and equipment, net	2,225,643	2,286,108
Investment in unconsolidated subsidiary	251,133	222,717
Debt financing costs, net	54,946	56,540
Other assets, net	49,724	52,050
Intangible assets, net	914,228	934,249
Goodwill, net	685,310	685,310
Total assets	\$4,409,152	\$4,478,924
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Current maturities of long-term debt	\$27,688	\$29,753
Accounts payable	59,837	85,089
Accrued liabilities	262,923	239,266
Deferred income taxes and other current tax payable	3,098	3,087
Total current liabilities	353,546	357,195
Long-term debt, net of current maturities	3,302,687	3,431,638
Deferred income taxes	159,421	142,263
Other long-term tax liabilities	3,071	28,651
Other liabilities	84,256	81,090
Commitments and contingencies (Note 8)		
Stockholders' equity		
Preferred stock, \$0.01 par value, 5,000,000 shares authorized	—	—
Common stock, \$0.01 par value, 200,000,000 shares authorized; 111,022,430 and 109,277,060 shares outstanding	1,110	1,093
Additional paid-in capital	936,197	922,112
Accumulated deficit	(431,012)	(485,115)
Accumulated other comprehensive income (loss)	(174)	(53)
Total Boyd Gaming Corporation stockholders' equity	506,121	438,037
Noncontrolling interest	50	50
Total stockholders' equity	506,171	438,087
Total liabilities and stockholders' equity	\$4,409,152	\$4,478,924

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

BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data) (Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues				
Gaming	\$457,397	\$631,668	\$1,390,734	\$1,859,339
Food and beverage	76,713	115,072	230,918	332,068
Room	41,649	75,330	123,334	210,072
Other	32,379	44,441	92,706	124,574
Gross revenues	608,138	866,511	1,837,692	2,526,053
Less promotional allowances	61,825	127,668	180,934	356,327
Net revenues	546,313	738,843	1,656,758	2,169,726
Operating costs and expenses				
Gaming	225,653	294,118	677,036	867,506
Food and beverage	41,900	61,511	126,380	179,976
Room	10,765	14,679	31,494	42,330
Other	21,548	33,554	60,938	91,708
Selling, general and administrative	79,954	113,436	242,656	349,494
Maintenance and utilities	29,030	45,050	80,965	131,337
Depreciation and amortization	51,345	66,168	155,251	198,245
Corporate expense	15,009	15,064	52,013	52,605
Preopening expenses	1,434	1,262	2,769	3,836
Impairments of assets	—	18,279	1,065	20,205
Asset transactions costs	80	3,064	1,449	5,078
Other operating items, net	172	(1,116)	342	(1,863)
Total operating costs and expenses	476,890	665,069	1,432,358	1,940,457
Boyd's share of Borgata's operating income	31,107	—	57,870	—
Operating income	100,530	73,774	282,270	229,269
Other expense (income)				
Interest income	(460)	(466)	(1,396)	(1,412)
Interest expense, net of amounts capitalized	56,558	75,420	170,624	226,219
Loss on early extinguishments of debt	863	71	32,333	1,129
Other, net	1,753	116	3,641	498
Boyd's share of Borgata's non-operating items, net	12,681	—	29,454	—
Total other expense, net	71,395	75,141	234,656	226,434
Income (loss) before income taxes	29,135	(1,367)	47,614	2,835
Income taxes benefit (provision)	(3,710)	(1,961)	6,489	(12,050)
Net income (loss)	25,425	(3,328)	54,103	(9,215)
Net income attributable to noncontrolling interest	—	(11,777)	—	(11,403)
Net income (loss) attributable to Boyd Gaming Corporation	\$25,425	\$(15,105)	\$54,103	\$(20,618)
Basic net income (loss) per common share	\$0.23	\$(0.14)	\$0.48	\$(0.19)
Weighted average basic shares outstanding	112,608	109,923	112,100	109,854
Diluted net income (loss) per common share	\$0.22	\$(0.14)	\$0.48	\$(0.19)
Weighted average diluted shares outstanding	113,375	109,923	112,930	109,854

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

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

(In thousands) (Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income (loss)	\$25,425	\$(3,328	) \$54,103	\$(9,215 )
Other comprehensive income (loss), net of tax:				
Fair value of adjustments to available-for-sale securities, net of tax	642	681	(121 )	1,291
Comprehensive income (loss)	26,067	(2,647	) 53,982	(7,924 )
Less: net income attributable to noncontrolling interest	—	11,777	—	11,403
Comprehensive income (loss) attributable to Boyd Gaming Corporation	\$26,067	\$(14,424	) \$53,982	\$(19,327 )

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



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

(In thousands, except share data) (Unaudited)	Boyd Gaming Corporation Stockholders' Equity						
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss), Net	Noncontrolling Interest	Total
	Shares	Amount					
Balances, January 1, 2015	109,277,060	\$ 1,093	\$922,112	\$(485,115 )	\$(53 )	\$ 50	\$438,087
Net income	—	—	—	54,103	—	—	54,103
Comprehensive income attributable to Boyd	—	—	—	—	(121 )	—	(121 )
Stock options exercised	1,145,302	11	8,595	—	—	—	8,606
Release of restricted stock units, net of tax	118,319	1	(286 )	—	—	—	(285 )
Release of performance stock units, net of tax	481,749	5	(2,451 )	—	—	—	(2,446 )
Share-based compensation costs	—	—	8,227	—	—	—	8,227
Balances, September 30, 2015	111,022,430	\$ 1,110	\$936,197	\$(431,012 )	\$(174 )	\$ 50	\$506,171
Balances, January 1, 2014	108,155,002	\$ 1,082	\$902,496	\$(432,074 )	\$(1,517 )	\$ 180,450	\$650,437
Net loss	—	—	—	(20,618 )	—	11,403	(9,215 )
Comprehensive income attributable to Boyd	—	—	—	—	1,291	—	1,291
Stock options exercised	131,229	2	982	—	—	—	984
Release of restricted stock units, net of tax	138,541	—	(326 )	—	—	—	(326 )
Share-based compensation costs	—	—	11,239	—	—	—	11,239
Noncontrolling interests contribution	—	—	—	—	—	30	30
Deconsolidation of Borgata on September 30, 2014	—	—	—	—	—	(191,833 )	(191,833 )
Balances, September 30, 2014	108,424,772	\$ 1,084	\$914,391	\$(452,692 )	\$(226 )	\$ 50	\$462,607

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

BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) (Unaudited)	Nine Months Ended	
	September 30, 2015	2014
Cash Flows from Operating Activities		
Net income (loss)	\$54,103	\$(9,215)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	155,251	198,245
Amortization of debt financing costs	13,091	14,498
Amortization of discounts on debt	3,485	5,860
Loss on early extinguishments of debt	32,333	1,129
Share-based compensation expense	8,227	11,239
Deferred income taxes	16,636	11,690
Operating and non-operating income from Borgata	(28,416)	) —
Impairments of assets	1,065	20,205
Other operating activities	(341)	) 2,370
Changes in operating assets and liabilities:		
Restricted cash	(6,626)	) (10,299)
Accounts receivable, net	2,220	788
Inventories	55	(655)
Prepaid expenses and other current assets	(5,131)	) (18,041)
Current other tax asset	1,802	3,575
Income taxes receivable	1,243	396
Other assets, net	2,149	(650)
Accounts payable and accrued liabilities	11,997	7,651
Other long-term tax liabilities	(25,580)	) (3,843)
Other liabilities	3,886	(2,442)
Net cash provided by operating activities	241,449	232,501
Cash Flows from Investing Activities		
Capital expenditures	(86,997)	) (94,617)
Deconsolidation of Borgata	—	(26,891)
Other investing activities	3,777	3,187
Net cash used in investing activities	(83,220)	) (118,321)
Cash Flows from Financing Activities		
Borrowings under Boyd Gaming bank credit facility	627,000	605,000
Payments under Boyd Gaming bank credit facility	(949,700)	) (698,400)
Borrowings under Peninsula bank credit facility	262,100	242,100
Payments under Peninsula bank credit facility	(335,550)	) (283,350)
Borrowings under Borgata bank credit facility	—	410,900
Payments under Borgata bank credit facility	—	(444,900)
Payments on retirements of long-term debt	(500,000)	) (2,850)
Premium and consent fees paid	(24,246)	) —
Proceeds from issuance of senior secured notes	750,000	—
Debt issue costs	(14,001)	) (289)
Share-based compensation activities, net	5,875	783
Other financing activities	(3)	) (102)
Net cash used in financing activities	(178,525)	) (171,108)

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Change in cash and cash equivalents	(20,296	) (56,928	)
Cash and cash equivalents, beginning of period	145,341	177,838	
Cash and cash equivalents, end of period	\$125,045	\$120,910	
Supplemental Disclosure of Cash Flow Information			
Cash paid for interest, net of amounts capitalized	\$137,128	\$218,499	
Cash paid (received) for income taxes, net of refunds	(1,246	) 232	
Supplemental Schedule of Noncash Investing and Financing Activities			
Payables incurred for capital expenditures	\$5,031	\$10,005	

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

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**BOYD GAMING CORPORATION AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

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**NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION**

**Organization**

Boyd Gaming Corporation (and together with its subsidiaries, the "Company," "Boyd Gaming," "we" or "us") was incorporated in the state of Nevada in 1988 and has been operating since 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.

**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with the instructions to the Quarterly Report on Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all information and footnote disclosures necessary for complete financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP").

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

The accompanying condensed consolidated financial statements include the accounts of Boyd Gaming and its wholly owned subsidiaries. Investments in unconsolidated affiliates, which 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 significant intercompany accounts and transactions have been eliminated in consolidation.

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 Borgata.)

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the U.S. Securities and Exchange Commission ("SEC") on February 27, 2015.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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.

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

The amounts included in promotional allowances are as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Rooms	\$19,573	\$40,420	\$57,505	\$112,825
Food and beverage	38,139	53,247	112,984	152,462
Other	4,113	34,001	10,445	91,040
Total promotional allowances	\$61,825	\$127,668	\$180,934	\$356,327

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Rooms	\$8,988	\$15,371	\$26,240	\$43,956
Food and beverage	33,925	46,841	99,874	133,889
Other	3,214	6,512	8,889	17,199
Total estimated cost of promotional allowances	\$46,127	\$68,724	\$135,003	\$195,044

#### 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 condensed consolidated statements of operations. These taxes totaled approximately \$83.2 million and \$96.8 million for the three months ended September 30, 2015 and 2014, respectively, and \$252.1 million and \$289.4 million for the nine months ended September 30, 2015 and 2014, respectively.

#### 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.

In accordance with GAAP, we have computed our provision for income taxes by applying the actual effective tax rate, under the discrete method, to quarter-to-date income. The discrete method was used to calculate the income tax expense or benefit as the annual effective tax rate was not considered a reliable estimate of year-to-date income tax expense or benefit. We believe this method provides the most reliable estimate of year-to-date income tax expense.

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. Our current rate is also impacted by the resolution of federal and state income tax examinations and changes in accruals established for potentially unfavorable outcomes in connection with these examinations.

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

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

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%.

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.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Nine Months Ended September 30, 2015
(In thousands)	
Unrecognized tax benefit as of January 1, 2015	\$30,198
Reductions:	
Tax positions related to prior years	(27,717 )
Unrecognized tax benefit as of September 30, 2015	\$2,481

The entire \$2.5 million balance of unrecognized tax benefits at September 30, 2015, if recognized, would impact the effective tax rate. We recognize accrued interest related to unrecognized tax benefits in our income tax provision. During the quarter ended September 30, 2015 we recognized an interest-related benefit of \$0.5 million in our tax provision. We have accrued interest and penalties of \$0.6 million as of September 30, 2015, in our consolidated balance sheet.

During the first quarter of 2015, we received Joint Committee approval on our IRS appeals agreement, effectively settling our 2005 through 2009 examination. As a result of the settlement, we received an approximate \$2.4 million refund and reduced our unrecognized tax benefits by \$25.7 million, of which \$17.6 million impacted our effective tax rate. Additionally, as a result of the settlement, we reduced the interest accrued on our unrecognized tax benefits by \$5.8 million and recorded a benefit to our tax provision.

During the third quarter of 2015, we received a final audit determination in connection with our New Jersey examination, effectively settling years 2003 through 2009. As a result of the determination, we reduced our unrecognized tax benefits by \$2.0 million, all of which impacted our effective tax rate. Additionally, as a result of the settlement, we reduced the interest accrued on our unrecognized tax benefits by \$0.5 million and recorded a benefit to our tax provision.



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 three months and nine months ended September 30, 2014, 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:

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

(In thousands)	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Potential dilutive effect	904.6	926.1

## 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.

## Recently Issued Accounting Pronouncements

Accounting Standards Update 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements ("Update 2015-15")

In August 2015, the Financial Accounting Standards Board ("FASB") issued Update 2015-15, which further clarifies the presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. Debt issuance costs related to line-of-credit of arrangements can be recorded as an asset and subsequently amortized ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The standard is effective for financial statements issued for fiscal years beginning after December 15, 2015, for interim periods within those fiscal years, and early adoption is permitted. The Company determined that the impact of the new standard on its consolidated financial statements will not be material.

Accounting Standards Update 2015-14, Revenue from Contracts with Customers - Deferral of the Effective Date ("Update 2015-14")

In August 2015, the FASB issued Update 2015-14, which defers the implementation of Accounting Standards Update 2014-09, Revenue from Contracts with Customers ("Update 2014-09") for one year from the initial effective date. The initial effective date of Update 2014-09 was for annual reporting periods beginning after December 15, 2016, and early adoption was not permitted. Update 2015-14 extends the effective date to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is evaluating the impact of the adoption of Update 2015-14 and 2014-09 to the consolidated financial position or results of operations.

Accounting Standards Update 2015-11, Simplifying the Measurement of Inventory ("Update 2015-11")

In July 2015, the FASB issued Update 2015-11, which provides guidance on inventory measurement. Inventory, excluding inventory that is measured using last-in, first-out (LIFO) or the retail inventory method, should be measured at the lower of cost and net realizable value. The standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is permitted. The Company determined that the impact of the new standard on its consolidated financial statements will not be material.

Accounting Standards Update 2015-08 Business Combinations ("Update 2015-08")

In May 2015, the FASB issued Update 2015-08, which provides updates to guidance related to pushdown accounting and is effective immediately. The Company determined that the impact of the new standard on its financial reporting will not be material.

Accounting Standards Update 2015-05 Customers Accounting for Fees Paid in a Cloud Computing Arrangement (Topic 350) ("Update 2015-05")

In April 2015, the FASB issued Update 2015-05, which provides guidance on a customer's accounting for cloud computing costs. The standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, and early adoption is permitted. The Company determined that the impact of the new standard on its consolidated financial statements will not be material.

Accounting Standards Update 2015-03, Simplifying the Presentation of Debt Issuance Costs ("Update 2015-03")

In April 2015, the FASB issued Update 2015-03, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The standard is effective for financial statements issued for fiscal years beginning after December 15, 2015, for interim periods

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

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within those fiscal years, and early adoption is permitted. The Company determined that the impact of the new standard on its financial reporting will not be material.

Accounting Standards Update 2015-02, Amendments to the Consolidation Analysis ("Update 2015-02") Update 2015-02, issued by the FASB in February 2015, amends the consolidation requirements in ASC 810 and changes the consolidation analysis required under GAAP. The standard is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015, with early adoption permitted. The Company determined that the impact of the new standard on its financial reporting will not be material.

Accounting Standards Update 2015-01, Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items ("Update 2015-01")

In January 2015, the FASB issued Update 2015-01 eliminating from GAAP the concept of an extraordinary item, which is an event or transaction that is both (1) unusual in nature and (2) infrequently occurring. Under Update 2015-01, an entity will no longer (1) segregate an extraordinary item from the results of ordinary operations; (2) separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; or (3) disclose income taxes and earnings-per-share data applicable to an extraordinary item. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 with early adoption permitted. The Company determined that the impact of the new standard on its consolidated financial statements will not be material.

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.

NOTE 3. DECONSOLIDATION OF BORGATA

The Company and MGM Resorts International ("MGM") each originally held a 50% interest in Marina District Development Holding Co., LLC ("Holding Company"). Holding Company owns all the equity interests in Marina District Development Company, LLC, d.b.a. 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. After submission of 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.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

Summarized income statement information for Borgata is as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net revenues	\$237,461	\$209,946	\$611,213	\$559,064
Operating expenses	175,248	166,509	495,473	481,709
Operating income	62,213	43,437	115,740	77,355
Non-operating expenses	25,363	20,460	58,909	56,280
Net income	\$36,850	\$22,977	\$56,831	\$21,075

## NOTE 4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

(In thousands)	September 30,	December 31,
	2015	2014
Land	\$229,431	\$229,684
Buildings and improvements	2,533,795	2,534,618
Furniture and equipment	1,137,757	1,079,878
Riverboats and barges	238,731	239,669
Construction in progress	29,158	35,675
Other	8,078	11,502
Total property and equipment	4,176,950	4,131,026
Less accumulated depreciation	1,951,307	1,844,918
Property and equipment, net	\$2,225,643	\$2,286,108

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 three and nine months ended September 30, 2015 and 2014 is as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Depreciation expense	\$44,643	\$57,536	\$134,904	\$172,561

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

## NOTE 5. INTANGIBLE ASSETS

Intangible assets consist of the following:

(In thousands)	September 30, 2015				
	Weighted Average Life Remaining	Gross Carrying Value	Cumulative Amortization	Cumulative Impairment Losses	Intangible Assets, Net
Amortizing intangibles:					
Customer relationships	2.1 years	\$136,300	\$(103,582 )	\$—	\$32,718
Favorable lease rates	32.8 years	45,370	(11,737 )	—	33,633
Development agreement	—	21,373	—	—	21,373
		203,043	(115,319 )	—	87,724
Indefinite lived intangible assets:					
Trademarks and other	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, September 30, 2015		\$1,205,879	\$(149,279 )	\$(142,372 )	\$914,228
(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

## Annual Impairment Test

We perform our annual test of goodwill and other indefinite-lived intangible assets as of October 1. The annual test for 2015 is currently in process. The test is in the preliminary stages and it is not yet possible to determine the amount, if any, of impairment charges that may result from the current year test. The annual test performed in fourth quarter 2014 resulted in the recognition of a non-cash impairment charge of \$40.0 million.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

## NOTE 6. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

(In thousands)	September 30, 2015	December 31, 2014
Payroll and related expenses	\$70,355	\$69,672
Interest	36,244	33,985
Gaming liabilities	38,990	35,698
Player loyalty program liabilities	18,545	19,058
Accrued liabilities	98,789	80,853
Total accrued liabilities	\$262,923	\$239,266

## NOTE 7. LONG-TERM DEBT

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

(In thousands)	September 30, 2015				
	Interest Rates at Sept. 30, 2015	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
Boyd Gaming Corporation Debt:					
Bank credit facility	3.77	% \$1,064,725	\$(2,853	) \$—	\$1,061,872
9.00% senior notes due 2020	9.00	% 350,000	—	—	350,000
6.875% senior notes due 2023	6.88	% 750,000	—	—	750,000
HoldCo Note	8.00	% 157,810	(8,257	) —	149,553
		2,322,535	(11,110	) —	2,311,425
Peninsula Segment Debt:					
Bank credit facility	4.25	% 668,950	—	—	668,950
8.375% senior notes due 2018	8.38	% 350,000	—	—	350,000
		1,018,950	—	—	1,018,950
Total long-term debt		3,341,485	(11,110	) —	3,330,375
Less current maturities		27,688	—	—	27,688
Long-term debt, net		\$3,313,797	\$(11,110	) \$—	\$3,302,687



## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

(In thousands)	Interest Rates at Dec. 31, 2014	December 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

## Boyd Gaming Debt

## Boyd Bank Credit Facility

The outstanding principal amounts under the Third Amended and Restated Credit Agreement (the "Boyd Gaming Credit Facility") are comprised of the following:

(In thousands)	September 30, 2015	December 31, 2014
Revolving Credit Facility	\$70,000	\$300,000
Term A Loan	195,275	221,375
Term B Loan	778,750	840,750
Swing Loan	20,700	25,300
Total outstanding principal amounts under the Boyd Gaming Credit Facility	\$1,064,725	\$1,387,425

At September 30, 2015, approximately \$1.1 billion was outstanding under the Boyd Gaming Credit Facility and \$7.1 million was allocated to support various letters of credit, leaving remaining contractual availability of \$502.2 million.

## Senior Notes

## 6.875% Senior Notes due May 2023

## Significant Terms

On May 21, 2015, we issued \$750 million aggregate principal amount of 6.875% senior notes due May 2023 (the "2023 Notes"). The 2023 Notes require semi-annual interest payments on May 15 and November 15 of each year, commencing on November 15, 2015. The 2023 Notes will mature on May 15, 2023 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 2023 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 base and supplemental indentures governing the 2023 Notes, together, the "Indenture") 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), we will be required, unless certain conditions are met, to offer to repurchase the 2023 Notes at a price equal to 101% of the principal amount of the 2023 Notes, plus accrued and unpaid interest and Additional Interest (as defined

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

in the Indenture), 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 2023 Notes.

At any time prior to May 15, 2018, we may redeem the 2023 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Interest, if any, up to, but excluding, the applicable redemption date, plus a make whole premium. Subsequent to May 15, 2018, we may redeem all or a portion of the 2023 Notes at redemption prices (expressed as percentages of the principal amount) ranging from 105.156% in 2018 to 100% in 2021 and thereafter, plus accrued and unpaid interest and Additional Interest.

## Debt Financing Costs

In conjunction with the issuance of the 2023 Notes, we incurred approximately \$14.0 million in debt financing costs that have been deferred and are being amortized over the term of the 2023 Notes using the effective interest method.

## Senior Notes

## 9.125% Senior Notes due December 2018

During second quarter 2015 we redeemed all of our 9.125% Senior Notes due December 2018 (the "2018 Notes") at a redemption price of 104.563% plus accrued and unpaid interest and Additional Interest (as defined in the indenture governing the 2018 Notes) to the redemption date. The redemption resulted in premium and consent fees paid of \$24.0 million and a write-off of unamortized debt financing costs of \$4.9 million, all of which were recognized as loss on early extinguishments of debt in our second quarter 2015 financial results.

As a result of this redemption, the 2018 Notes have been fully extinguished.

## Peninsula Segment Debt

## Bank Credit Facility

The outstanding principal amounts under the Peninsula senior secured credit facility (the "Peninsula Credit Facility") are comprised of the following:

(In thousands)	September 30, 2015	December 31, 2014
Term Loan	\$656,750	\$734,000
Revolving Facility	5,000	2,000
Swing Loan	7,200	6,400
Total outstanding principal amounts under the Peninsula Credit Facility	\$668,950	\$742,400

At September 30, 2015, approximately \$669.0 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 \$32.6 million.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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## Early Extinguishments of Debt

In addition to the redemption of the 2018 Notes, optional prepayments of the Term Loans under the Boyd Gaming Credit Facility and Peninsula Credit Facility have been made resulting in the write-off of a ratable amount of deferred finance charges. The components of the loss on early extinguishments of debt are as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
9.125% Senior Notes premium and consent fees	\$—	\$—	\$23,962	\$—
9.125% Senior Notes deferred finance charges	—	—	4,888	—
Boyd Gaming Credit Facility deferred finance charges	444	—	1,602	—
Peninsula Credit Facility deferred finance charges	419	71	1,881	1,129
Total loss on early extinguishments of debt	\$863	\$71	\$32,333	\$1,129

## Covenant Compliance

As of September 30, 2015, we believe that Boyd Gaming and Peninsula were in compliance with the financial and other covenants of their respective debt instruments.

## NOTE 8. COMMITMENTS AND CONTINGENCIES

## Commitments

There have been no material changes to our commitments described under Note 10, Commitments and Contingencies, in our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on February 27, 2015.

## Contingencies

## Legal Matters

We are parties to various legal proceedings arising in the ordinary course of business. In our opinion, all pending legal matters are either adequately covered by insurance, or, if not insured, will not have a material adverse impact on our financial position, results of operations or cash flows.

## NOTE 9. STOCKHOLDERS' EQUITY AND STOCK INCENTIVE PLANS

## Share-Based Compensation

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

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Gaming	\$68	\$49	\$191	\$231
Food and beverage	12	9	36	44
Room	6	4	17	21
Selling, general and administrative	345	247	969	1,173

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Corporate expense	1,429	1,217	7,014	9,962
Other operating items, net	—	(192	) —	(192 )
Total share-based compensation expense	\$1,860	\$1,334	\$8,227	\$11,239

Performance Shares Vesting

The Performance Share Unit ("PSU") grant awarded in December 2011 vested during first quarter 2015. A total of 654,478 common shares, representing approximately 1.67 shares per PSU, were issued based on the determination by the Compensation Committee

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

of the Board of Directors of our actual achievement of net revenue growth, Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") growth and customer service scores for the three-year performance period of the grant. The actual achievement level under these award metrics equaled the estimated performance as of year-end 2014; therefore, the vesting of the PSUs did not impact compensation costs in our 2015 condensed consolidated statement of operations.

As provided under the provisions of our Stock Incentive Plan, certain of the participants elected to surrender a portion of the shares to be received to pay the withholding and other payroll taxes payable on the compensation resulting from the vesting of the PSUs. Of the 654,478 shares issued, a total of 177,274 shares were surrendered by the participants for this purpose, resulting in a net issuance of 477,204 shares due to the vesting of the 2011 grant.

## NOTE 10. NONCONTROLLING INTEREST

Noncontrolling interest primarily represents, 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.

There were no changes in the noncontrolling interest during the nine months ended September 30, 2015. Changes in the noncontrolling interest for the nine months ended September 30, 2014, are as follows:

(In thousands)	Nine Months Ended September 30, 2014		
	Holding Company	Other	Total
Balance, January 1, 2014	\$180,430	\$20	\$180,450
Attributable net loss	11,403	—	11,403
Capital contributions	—	30	30
Deconsolidation of Borgata on September 30, 2014	(191,833	) —	(191,833 )
Balance, September 30, 2014	\$—	\$50	\$50

## NOTE 11. FAIR VALUE MEASUREMENTS

The authoritative accounting guidance for fair value measurements 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.

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.

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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## Balances Measured at Fair Value

The following tables show the fair values of certain of our financial instruments:

(In thousands)	September 30, 2015			
	Balance	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and cash equivalents	\$ 125,045	\$ 125,045	\$—	\$—
Restricted cash	24,734	24,734	—	—
Investment available for sale	17,949	—	—	17,949
<b>Liabilities</b>				
Contingent payments	\$3,587	\$—	\$—	\$3,587
(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

## Cash and Cash Equivalents and Restricted Cash

The fair value of our cash and cash equivalents and restricted cash, classified in the fair value hierarchy as Level 1, are based on statements received from our banks at September 30, 2015 and December 31, 2014.

## Investment Available for Sale

We have an investment in a single municipal bond issuance of \$21.4 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 September 30, 2015 and December 31, 2014. 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 condensed consolidated balance sheets. At both September 30, 2015 and December 31, 2014, \$0.4 million 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 September 30, 2015 and December 31, 2014, \$17.5 million and \$18.0 million, respectively, is included in other assets on the condensed consolidated balance sheets. The discount associated with this investment of \$3.2 million and \$3.3 million as of September 30, 2015 and December 31, 2014, 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.



Merger Earnout

Under the terms of the agreement (the "Merger Agreement") under which the Company acquired Peninsula Gaming, LLC ("Peninsula"), Boyd Acquisition II, LLC, an indirect wholly owned subsidiary of Boyd Gaming, 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

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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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 the 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, there were outstanding liabilities of \$0.1 million, related to the merger earnout which are included in other liabilities on the condensed consolidated balance sheets. There was no outstanding liability at September 30, 2015.

## 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 on December 20, 2011. The liability was initially recorded upon consummation of the Merger at the estimated fair value of the contingent payments using a discounted cash flows approach. At both September 30, 2015 and December 31, 2014, there was a current liability of \$0.9 million related to this agreement, which is recorded in accrued liabilities on the respective condensed consolidated balance sheets, and long-term obligation at September 30, 2015 and December 31, 2014, of \$2.7 million and \$2.9 million, respectively, which was included in other liabilities on the respective condensed consolidated balance sheets.

The following table summarizes the changes in fair value of the Company's Level 3 assets and liabilities:

	Three Months Ended	
	September 30, 2015	
	Assets	Liability
	Investment	Contingent
(In thousands)	Available for	Payments
	Sale	
Balance at July 1, 2015	\$17,276	\$(3,642 )
Total gains (losses) (realized or unrealized):		
Included in earnings	31	(156 )
Included in other comprehensive income (loss)	642	—
Transfers in or out of Level 3	—	—
Purchases, sales, issuances and settlements:		
Settlements	—	211
Balance at September 30, 2015	\$17,949	\$(3,587 )
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	\$31	\$—
Included in interest expense	—	(156 )

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

(In thousands)	Three Months Ended September 30, 2014		
	Assets	Liabilities	
	Investment Available for Sale	Merger Earnout	Contingent Payments
Balance at July 1, 2014	\$17,443	\$(450 )	\$(4,278 )
Total gains (losses) (realized or unrealized):			
Included in earnings	29	225	(181 )
Included in other comprehensive income (loss)	681	—	—
Transfers in or out of Level 3	—	—	—
Purchases, sales, issuances and settlements:			
Settlements	—	—	201
Balance at September 30, 2014	\$18,153	\$(225 )	\$(4,258 )
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	\$29	\$—	\$—
Included in interest expense	—	—	(181 )
(In thousands)	Nine Months Ended September 30, 2015		
	Assets	Liabilities	
	Investment Available for Sale	Merger Earnout	Contingent Payments
Balance at January 1, 2015	\$18,357	\$(75 )	\$(3,792 )
Total gains (losses) (realized or unrealized):			
Included in earnings	93	75	(476 )
Included in other comprehensive income (loss)	(121 )	—	—
Transfers in or out of Level 3	—	—	—
Purchases, sales, issuances and settlements:			
Settlements	(380 )	—	681
Balance at September 30, 2015	\$17,949	\$—	\$(3,587 )
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	\$93	\$—	\$—
Included in interest expense	—	—	(476 )

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

(In thousands)	Nine Months Ended September 30, 2014		
	Assets	Liabilities	
	Investment Available for Sale	Merger Earnout	Contingent Payments
Balance at January 1, 2014	\$17,128	\$(1,125 )	\$(4,343 )
Total gains (losses) (realized or unrealized):			
Included in earnings	89	900	(549 )
Included in other comprehensive income (loss)	1,291	—	—
Transfers in or out of Level 3	—	—	—
Purchases, sales, issuances and settlements:			
Settlements	(355 )	—	634
Balance at September 30, 2014	\$18,153	\$(225 )	\$(4,258 )

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	\$89	\$—	\$—
Included in interest expense	—	—	(549 )

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	10.2	%
Contingent payments	Discounted cash flow	Discount rate	18.5	%

## 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)	September 30, 2015			
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Liabilities				
Obligation under assessment arrangements	\$35,378	\$27,742	\$28,222	Level 3
Other financial instruments	200	182	182	Level 3

(In thousands)	December 31, 2014			
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Liabilities				
Obligation under assessment arrangements	\$36,749	\$28,612	\$29,529	Level 3
Other financial instruments	300	268	268	Level 3



## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

The following tables provide the fair value measurement information about our long-term debt:

(In thousands)	September 30, 2015		Estimated Fair Value	Fair Value Hierarchy
	Outstanding Face Amount	Carrying Value		
<b>Boyd Gaming Corporation Debt:</b>				
Bank credit facility	\$1,064,725	\$1,061,872	\$1,062,290	Level 2
9.00% senior notes due 2020	350,000	350,000	374,500	Level 1
6.875% senior notes due 2023	750,000	750,000	759,375	Level 1
HoldCo Note	157,810	149,553	149,919	Level 3
	2,322,535	2,311,425	2,346,084	
<b>Peninsula Segment Debt:</b>				
Bank credit facility	668,950	668,950	667,308	Level 2
8.375% Senior Notes due 2018	350,000	350,000	363,125	Level 2
	1,018,950	1,018,950	1,030,433	
<b>Total debt</b>	<b>\$3,341,485</b>	<b>\$3,330,375</b>	<b>\$3,376,517</b>	

(In thousands)	December 31, 2014		Estimated Fair Value	Fair Value Hierarchy
	Outstanding Face Amount	Carrying Value		
<b>Boyd Gaming Corporation Debt:</b>				
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	
<b>Peninsula Segment Debt:</b>				
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	
<b>Total debt</b>	<b>\$3,481,568</b>	<b>\$3,461,391</b>	<b>\$3,534,365</b>	

The estimated fair value of the Boyd Gaming Credit Facility is based on a relative value analysis performed on or about September 30, 2015 and December 31, 2014. The estimated fair value of the Peninsula Credit Facility is based on a relative value analysis performed on or about September 30, 2015 and December 31, 2014. The estimated fair values of our senior notes and Peninsula's senior notes are based on quoted market prices as of September 30, 2015 and 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.

There were no transfers between Level 1, Level 2 and Level 3 measurements during the nine months ended September 30, 2015 or 2014.



## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

## NOTE 12. 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 below lists the classification of each of our properties.

## Las Vegas Locals

Gold Coast Hotel and Casino	Las Vegas, Nevada
The Orleans Hotel and Casino	Las Vegas, Nevada
Sam's Town Hotel and Gambling Hall	Las Vegas, Nevada
Suncoast Hotel and Casino	Las Vegas, Nevada
Eldorado Casino	Henderson, Nevada
Jokers Wild Casino	Henderson, Nevada
Downtown Las Vegas	
California Hotel and Casino	Las Vegas, Nevada
Fremont Hotel and Casino	Las Vegas, Nevada
Main Street Station Casino, Brewery and Hotel	Las Vegas, Nevada

## Midwest and South

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

## 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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## 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, and 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. 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.

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

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

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 Total Reportable Segment Adjusted EBITDA to operating income, as reported in our accompanying condensed consolidated statements of operations:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2015	2014	September 30, 2015	2014
Net Revenues				
Las Vegas Locals	\$ 148,022	\$ 141,207	\$ 451,356	\$ 440,920
Downtown Las Vegas	56,685	53,379	171,723	164,664
Midwest and South	215,799	210,732	651,341	631,472
Peninsula	125,807	123,579	382,338	373,606
Borgata (1)	—	209,946	—	559,064
Total Reportable Segment Net Revenues	\$ 546,313	\$ 738,843	\$ 1,656,758	\$ 2,169,726
Adjusted EBITDA				
Las Vegas Locals	\$ 32,261	\$ 28,052	\$ 113,313	\$ 104,640
Downtown Las Vegas	10,144	6,315	33,128	24,193
Midwest and South	50,717	43,593	153,478	129,890
Peninsula	45,630	42,875	141,157	132,918
Borgata (1)	37,987	56,873	79,163	119,917
Total Reportable Segment Adjusted EBITDA (2)	176,739	177,708	520,239	511,558
Corporate expense	(13,581	) (13,848	) (45,000	) (42,643
Adjusted EBITDA	163,158	163,860	475,239	468,915
Other operating costs and expenses				
Deferred rent	857	903	2,573	2,714
Depreciation and amortization	51,345	66,168	155,251	198,245
Preopening expense	1,434	1,262	2,769	3,836
Share-based compensation expense	1,860	1,526	8,227	11,431
Impairments of assets	—	18,279	1,065	20,205
Asset transaction costs	80	3,064	1,449	5,078
Other operating charges and credits, net	172	(1,116	) 342	(1,863
Our share of Borgata's other operating costs and expenses	6,880	—	21,293	—
Total other operating costs and expenses	62,628	90,086	192,969	239,646
Operating income	\$ 100,530	\$ 73,774	\$ 282,270	\$ 229,269

(1) Due to the deconsolidation of Borgata on September 30, 2014, our condensed consolidated statement of operations for the three and nine months ended September 30, 2015 reflects our accounting for our 50% ownership interest in Borgata by applying the equity method. For the three and nine months ended September 30, 2014, Borgata's financial results are reflected on a full consolidation basis.

(2) Total Reportable Segment Adjusted EBITDA excludes corporate expense.



## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

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Total Reportable Segment Assets

The Company's assets by Reportable Segment consisted of the following amounts:

(In thousands)	September 30, 2015	December 31, 2014
Assets		
Las Vegas Locals	\$1,150,546	\$1,164,115
Downtown Las Vegas	134,887	128,682
Midwest and South	1,265,323	1,302,002
Peninsula	1,411,030	1,459,529
Total Reportable Segment Assets	3,961,786	4,054,328
Corporate	447,366	424,596
Total Assets	\$4,409,152	\$4,478,924

## NOTE 13. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Separate condensed consolidating financial information for our subsidiary guarantors and non-guarantors of our 9.00% Senior Notes due July 2020 and our 6.875% Senior Notes due May 2023 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 those entities comprising our Peninsula segment, 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

## Condensed Consolidating Balance Sheets

(In thousands)	September 30, 2015		Non-	Non-	Eliminations	Consolidated
	Parent	Guarantor Subsidiaries	Guarantor Subsidiaries (100% Owned)	Guarantor Subsidiaries (Not 100% Owned)		
<b>Assets</b>						
Cash and cash equivalents	\$3	\$94,342	\$30,481	\$219	\$—	\$125,045
Other current assets	13,726	75,154	32,967	—	(18,724 )	103,123
Property and equipment, net	60,815	1,746,830	417,998	—	—	2,225,643
Investments in subsidiaries	3,531,500	153,970	—	—	(3,434,337 )	251,133
Intercompany receivable	—	1,833,571	—	—	(1,833,571 )	—
Other assets, net	44,084	9,247	51,339	—	—	104,670
Intangible assets, net	—	424,301	489,927	—	—	914,228
Goodwill, net	—	212,794	472,516	—	—	685,310
<b>Total assets</b>	<b>\$3,650,128</b>	<b>\$4,550,209</b>	<b>\$1,495,228</b>	<b>\$219</b>	<b>\$(5,286,632 )</b>	<b>\$4,409,152</b>
<b>Liabilities and Stockholders' Equity</b>						
<b>Equity</b>						
Current maturities of long-term debt	\$21,500	\$—	\$6,188	\$—	\$—	\$27,688
Other current liabilities	92,761	160,714	72,666	—	(283 )	325,858
Accumulated losses of subsidiaries in excess of investment	—	—	293	—	(293 )	—
Intercompany payable	846,906	—	1,004,007	475	(1,851,388 )	—
Long-term debt, net of current maturities	2,140,372	—	1,162,315	—	—	3,302,687
Other long-term liabilities	42,468	143,864	60,416	—	—	246,748
Boyd Gaming Corporation stockholders' equity (deficit)	506,121	4,245,631	(810,657 )	(256 )	(3,434,718 )	506,121
Noncontrolling interest	—	—	—	—	50	50
<b>Total stockholders' equity (deficit)</b>	<b>506,121</b>	<b>4,245,631</b>	<b>(810,657 )</b>	<b>(256 )</b>	<b>(3,434,668 )</b>	<b>506,171</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$3,650,128</b>	<b>\$4,550,209</b>	<b>\$1,495,228</b>	<b>\$219</b>	<b>\$(5,286,632 )</b>	<b>\$4,409,152</b>

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

## Condensed Consolidating Balance Sheets - continued

(In thousands)	December 31, 2014		Non-	Non-	Eliminations	Consolidated
	Parent	Guarantor Subsidiaries	Guarantor Subsidiaries (100% Owned)	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>Equity</b>						
Current maturities of long-term debt	\$21,500	\$—	\$8,253	\$—	\$—	\$29,753
Other 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
Boyd Gaming Corporation stockholders' equity (deficit)	438,037	4,060,405	(789,736 )	(178 )	(3,270,491 )	438,037
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>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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

## Condensed Consolidating Statements of Operations

(In thousands)	Three Months Ended September 30, 2015					
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Net revenues	\$28,946	\$413,962	\$137,854	\$—	\$(34,449 )	\$546,313
Costs and expenses						
Operating	450	224,649	74,767	—	—	299,866
Selling, general and administrative	11,083	54,334	14,537	—	—	79,954
Maintenance and utilities	—	24,977	4,053	—	—	29,030
Depreciation and amortization	1,657	31,327	18,361	—	—	51,345
Corporate expense	13,503	50	1,456	—	—	15,009
Preopening expenses	5	19	1,402	8	—	1,434
Asset transactions costs	—	60	20	—	—	80
Other operating items, net	136	36	—	—	—	172
Intercompany expenses	301	29,036	5,112	—	(34,449 )	—
Total costs and expenses	27,135	364,488	119,708	8	(34,449 )	476,890
Equity in earnings of subsidiaries	57,937	25,974	(8 )	—	(52,796 )	31,107
Operating income (loss)	59,748	75,448	18,138	(8 )	(52,796 )	100,530
Other expense (income)						
Interest expense, net	33,883	130	22,085	—	—	56,098
Loss on early extinguishments of debt	444	—	419	—	—	863
Other, net	(2 )	1,660	95	—	—	1,753
Boyd's share of Borgata's non-operating items, net	—	12,681	—	—	—	12,681
Total other expense, net	34,325	14,471	22,599	—	—	71,395
Income (loss) before income taxes	25,423	60,977	(4,461 )	(8 )	(52,796 )	29,135
Income taxes benefit (provision)	2	859	(4,571 )	—	—	(3,710 )
Net income (loss)	\$25,425	\$61,836	\$(9,032 )	\$(8 )	\$(52,796 )	\$25,425
Comprehensive income (loss)	\$26,067	\$62,478	\$(8,390 )	\$(8 )	\$(54,080 )	\$26,067





## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

## Condensed Consolidating Statements of Operations - continued

(In thousands)	Three Months Ended September 30, 2014					
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Net revenues	\$28,690	\$398,573	\$135,380	\$209,946	\$(33,746 )	\$738,843
Costs and expenses						
Operating	450	220,640	76,790	105,982	—	403,862
Selling, general and administrative	11,665	55,703	14,164	31,973	(69 )	113,436
Maintenance and utilities	—	25,967	3,967	15,116	—	45,050
Depreciation and amortization	1,246	31,475	19,309	14,138	—	66,168
Corporate expense	14,060	57	947	—	—	15,064
Preopening expense	2	—	1,245	15	—	1,262
Impairments of assets	—	12,098	6,181	—	—	18,279
Asset transactions costs	(1 )	1,852	838	375	—	3,064
Other operating items, net	592	—	1	(1,709 )	—	(1,116 )
Intercompany expenses	301	28,398	4,978	—	(33,677 )	—
Total costs and expenses	28,315	376,190	128,420	165,890	(33,746 )	665,069
Equity in earnings of subsidiaries	18,973	12	(15 )	—	(18,970 )	—
Operating income (loss)	19,348	22,395	6,945	44,056	(18,970 )	73,774
Other expense (income)						
Interest expense, net	33,230	1,254	22,661	17,809	—	74,954
Loss on early extinguishments of debt	—	—	71	—	—	71
Other, net	—	—	116	—	—	116
Total other expense, net	33,230	1,254	22,848	17,809	—	75,141
Income (loss) before income taxes	(13,882 )	21,141	(15,903 )	26,247	(18,970 )	(1,367 )
Income taxes benefit (provision)	(1,223 )	5,829	(3,858 )	(2,709 )	—	(1,961 )
Net income (loss)	(15,105 )	26,970	(19,761 )	23,538	(18,970 )	(3,328 )
Net loss attributable to noncontrolling interest	—	—	—	—	(11,777 )	(11,777 )
Net income (loss) attributable to controlling	\$(15,105 )	\$26,970	\$(19,761 )	\$23,538	\$(30,747 )	\$(15,105 )

interest

Comprehensive income  
(loss)

\$ (14,424 )	\$ 27,651	\$ (19,080 )	\$ 23,538	\$ (20,332 )	\$ (2,647 )
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## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

## Condensed Consolidating Statements of Operations - continued

(In thousands)	Nine Months Ended September 30, 2015					
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Net revenues	\$91,048	\$1,255,657	\$417,906	\$—	\$(107,853 )	\$1,656,758
Costs and expenses						
Operating	1,350	669,541	224,957	—	—	895,848
Selling, general and administrative	35,828	162,718	44,110	—	—	242,656
Maintenance and utilities	—	69,643	11,322	—	—	80,965
Depreciation and amortization	4,446	96,381	54,424	—	—	155,251
Corporate expense	48,032	174	3,807	—	—	52,013
Preopening expenses	7	69	2,615	78	—	2,769
Impairments of assets	—	—	1,065	—	—	1,065
Asset transactions costs	(43 )	293	1,199	—	—	1,449
Other operating items, net	136	106	100	—	—	342
Intercompany expenses	903	91,226	15,724	—	(107,853 )	—
Total costs and expenses	90,659	1,090,151	359,323	78	(107,853 )	1,432,358
Equity in earnings of subsidiaries	162,729	46,495	(78 )	—	(151,276 )	57,870
Operating income (loss)	163,118	212,001	58,505	(78 )	(151,276 )	282,270
Other expense (income)						
Interest expense, net	101,302	1,251	66,675	—	—	169,228
Loss on early extinguishments of debt	30,452	—	1,881	—	—	32,333
Other, net	415	2,660	566	—	—	3,641
Boyd's share of Borgata's non-operating items, net	—	29,454	—	—	—	29,454
Total other expense, net	132,169	33,365	69,122	—	—	234,656
Income (loss) before income taxes	30,949	178,636	(10,617 )	(78 )	(151,276 )	47,614
Income taxes benefit (provision)	23,154	(3,091 )	(13,574 )	—	—	6,489
Net income (loss)	\$54,103	\$175,545	\$(24,191 )	\$(78 )	\$(151,276 )	\$54,103
Comprehensive income (loss)	\$53,982	\$175,424	\$(24,312 )	\$(78 )	\$(151,034 )	\$53,982



## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

## Condensed Consolidating Statements of Operations - continued

(In thousands)	Nine Months Ended September 30, 2014					Eliminations	Consolidated			
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)						
Net revenues	\$87,719	\$1,215,918	\$410,235	\$559,064	\$(103,210	)	\$2,169,726			
Costs and expenses										
Operating	1,350	660,321	229,844	290,005	—		1,181,520			
Selling, general and administrative	35,010	169,837	42,859	101,930	(142	)	349,494			
Maintenance and utilities	—	72,855	11,271	47,211	—		131,337			
Depreciation and amortization	4,399	94,351	57,366	42,129	—		198,245			
Corporate expense	49,884	167	2,554	—	—		52,605			
Preopening expense	44	6	3,389	397	—		3,836			
Impairments of assets	320	13,116	6,769	—	—		20,205			
Asset transactions costs	57	3,341	1,306	374	—		5,078			
Other operating items, net	164		84	(2,111	)	—	(1,863			
Intercompany expenses	903	86,946	15,219	—	(103,068	)	—			
Total costs and expenses	92,131	1,100,940	370,661	479,935	(103,210	)	1,940,457			
Equity in earnings of subsidiaries	84,689	(9,127	)	(128	)	—	(75,434	)	—	
Operating income (loss)	80,277	105,851	39,446	79,129	(75,434	)	229,269			
Other expense (income)										
Interest expense, net	99,045	4,542	67,893	53,327	—		224,807			
Loss on early extinguishments of debt	—	—	1,129	—	—		1,129			
Other, net	—	—	498	—	—		498			
Total other expense, net	99,045	4,542	69,520	53,327	—		226,434			
Income (loss) before income taxes	(18,768	)	101,309	(30,074	)	25,802	(75,434	)	2,835	
Income taxes provision	(1,850	)	4,377	(11,452	)	(3,125	)	—	(12,050	)
Net income (loss)	(20,618	)	105,686	(41,526	)	22,677	(75,434	)	(9,215	)
Net loss attributable to noncontrolling interest	—	—	—	—	(11,403	)	(11,403	)		
Net income (loss) attributable to controlling interest	\$(20,618	)	\$105,686	\$(41,526	)	\$22,677	\$(86,837	)	\$(20,618	)

Comprehensive income (loss)	\$(19,327	)	\$106,977	\$(40,235	)	\$22,677	\$(78,016	)	\$(7,924	)
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## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

## Condensed Consolidating Statements of Cash Flows

(In thousands)	Nine Months Ended September 30, 2015					
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Cash flows from operating activities						
Net cash from operating activities	\$ (38,073 )	\$ 216,405	\$ 49,409	\$ (78 )	\$ 13,786	\$ 241,449
Cash flows from investing activities						
Capital expenditures	(38,068 )	(37,045 )	(11,884 )	—	—	(86,997 )
Net activity with affiliates	—	(196,470 )	—	—	196,470	—
Other investing activities	2,618	—	1,159	—	—	3,777
Net cash from investing activities	(35,450 )	(233,515 )	(10,725 )	—	196,470	(83,220 )
Cash flows from financing activities						
Borrowings under bank credit facility	627,000	—	262,100	—	—	889,100
Payments under bank credit facility	(949,700 )	—	(335,550 )	—	—	(1,285,250 )
Payments on retirements of long-term debt	(500,000 )	—	—	—	—	(500,000 )
Premium and consent fees paid	(24,246 )	—	—	—	—	(24,246 )
Proceeds from issuance of senior secured notes	750,000	—	—	—	—	750,000
Debt issue costs	(14,001 )	—	—	—	—	(14,001 )
Net activity with affiliates	178,596	—	31,582	78	(210,256 )	—
Share-based compensation activities, net	5,875	—	—	—	—	5,875
Other financing activities	—	—	(3 )	—	—	(3 )
Net cash from financing activities	73,524	—	(41,871 )	78	(210,256 )	(178,525 )
Net change in cash and cash equivalents	1	(17,110 )	(3,187 )	—	—	(20,296 )
Cash and cash equivalents, beginning of period	2	111,452	33,668	219	—	145,341

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Cash and cash equivalents, end of period	\$3	\$94,342	\$30,481	\$219	\$—	\$125,045
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## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014

## Condensed Consolidating Statements of Cash Flows - continued

(In thousands)	Nine Months Ended September 30, 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	\$ (43,397 )	\$ 188,817	\$ 54,828	\$ 35,866	\$ (3,613 )		\$ 232,501
Cash flows from investing activities							
Capital expenditures	(24,090 )	(36,269 )	(22,635 )	(11,623 )	—		(94,617 )
Deconsolidation of Borgata	—	—	—	(26,891 )	—		(26,891 )
Net activity with affiliates	—	(169,594 )	5,598	98	163,898		—
Other investing activities	—	1,629	(639 )	2,197	—		3,187
Net cash from investing activities	(24,090 )	(204,234 )	(17,676 )	(36,219 )	163,898		(118,321 )
Cash flows from financing activities							
Borrowings under bank credit facility	605,000	—	242,100	410,900	—		1,258,000
Payments under bank credit facility	(698,400 )	—	(283,350 )	(444,900 )	—		(1,426,650 )
Debt financing costs, net	(84 )	—	—	(205 )	—		(289 )
Net activity with affiliates	160,285	—	—	—	(160,285 )		—
Share-based compensation activities, net	783	—	—	—	—		783
Other financing activities	(95 )	—	(7 )	(2,850 )	—		(2,952 )
Net cash from financing activities	67,489	—	(41,257 )	(37,055 )	(160,285 )		(171,108 )
Net change in cash and cash equivalents	2	(15,417 )	(4,105 )	(37,408 )	—		(56,928 )
Cash and cash equivalents, beginning of period	—	106,445	33,766	37,627	—		177,838
Cash and cash equivalents, end of period	\$ 2	\$ 91,028	\$ 29,661	\$ 219	\$ —		\$ 120,910

## NOTE 14. SUBSEQUENT EVENTS

Redemption of HoldCo Note

As part of the consideration tendered in the November 2012 acquisition of Peninsula, Boyd Acquisition II, LLC ("HoldCo"), an indirect wholly-owned subsidiary of Boyd, issued a promissory note (the "HoldCo Note") to the seller. The principal balance assigned to the HoldCo Note was \$143.0 million. At the option of HoldCo, the semi-annual interest on the HoldCo Note could be paid in cash or paid-in-kind and added to the principal balance. In accordance with these terms, \$14.8 million of accrued and unpaid interest was added to the principal balance of the HoldCo Note, resulting in a total principal balance of \$157.8 million. On November 6, 2015, HoldCo prepaid the HoldCo Note and \$5.8 million of related accrued interest. As a result of this redemption, the Company will record a loss on early extinguishment of debt of \$7.9 million during fourth quarter 2015 to write-off the remaining unamortized discount and deferred finance charges. The redemption was funded with borrowings under the Boyd Gaming Credit Facility.

We have evaluated all events or transactions that occurred after September 30, 2015. During this period, up to the filing date, we did not identify any additional subsequent events, the effects of which would require disclosure or adjustment to our financial position or results of operations.

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

Boyd Gaming Corporation (and together with its subsidiaries, the "Company," "Boyd Gaming," "we" or "us") was incorporated in the state of Nevada in 1988 and has been operating since 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 hold a 50% non-controlling equity interest in a limited liability company in New Jersey that owns and operates Borgata Hotel Casino & Spa ("Borgata"). Headquartered in Las Vegas, Nevada, 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 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

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 earlier in the month, 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 have deconsolidated Borgata as of the close of business on

September 30, 2014 and are accounting for our investment in Borgata applying the equity method for periods after the deconsolidation. Our income statement for the three and nine months ended September 30, 2014, and our statement of cash flows for the nine months ended September 30, 2014, include Borgata's financial results on a full consolidation basis.

We also 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.

Most of our gaming entertainment properties 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.

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 with cash or by 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 Strategy

Our overriding strategy is to increase shareholder value by pursuing strategic initiatives that 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. As we continue to experience revenue growth in both our gaming and non-gaming operations, the efficiencies of our business model position us to flow a substantial portion of the revenue growth directly to the bottom line.

#### 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.

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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") is a price measure.

## RESULTS OF OPERATIONS

## Overview

(In millions)	Three Months Ended		Nine Months Ended		
	September 30,		September 30,		
	2015	2014	2015	2014	
Net revenues	\$546.3	\$738.8	\$1,656.8	\$2,169.7	
Operating income	100.5	73.8	282.3	229.3	
Net income (loss) attributable to Boyd Gaming Corporation	25.4	(15.1	) 54.1	(20.6	)

## Net Revenues

Net revenues declined \$192.5 million, or 26.1%, for the three months ended September 30, 2015, compared to the prior year period due to a \$209.9 million decrease in net revenues as a result of the deconsolidation of Borgata as of September 30, 2014, partially offset by an increase of \$17.4 million primarily due to \$13.3 million of increased gross gaming revenues generated in all segments, largely in Las Vegas Locals and Midwest and South.

For the nine months ended September 30, 2015, net revenues declined \$513.0 million, or 23.6%, compared to the prior year period due to a \$559.1 million decrease in net revenues as a result of the deconsolidation of Borgata as of September 30, 2014, partially offset by an increase of \$46.1 million primarily due to increased gross gaming revenues generated in all segments, largely in Peninsula and Midwest and South.

## Operating Income

The \$26.8 million, or 36.3%, increase in operating income during the three months ended September 30, 2015, compared to the corresponding period of the prior year reflects the impact of the increase in gaming revenues in all segments and reduced operating expenses. Operating income for the three months ended September 30, 2014, prior to the deconsolidation of Borgata, includes all of Borgata's \$43.4 million of operating income for the period. Subsequent to the September 30, 2014, deconsolidation of Borgata, operating income for the three months ended September 30, 2015, includes only 50% of Borgata's operating income for the period, or \$31.1 million.

Operating income increased \$53.0 million, or 23.1%, during the nine months ended September 30, 2015, compared to the corresponding period of the prior year, primarily due to the increase in gaming revenues in all segments and reduced operating expenses. Operating income for the nine months ended September 30, 2014, prior to the deconsolidation of Borgata, includes all of Borgata's \$77.4 million of operating income for the period. Subsequent to the September 30, 2014, deconsolidation of Borgata, operating income for the nine months ended September 30, 2015, includes only 50% of Borgata's operating income for the period, or \$57.9 million.

## Net Income (Loss) attributable to Boyd Gaming Corporation

Net income attributable to Boyd Gaming for the three months ended September 30, 2015 was \$25.4 million, compared with a net loss attributable to Boyd Gaming of \$15.1 million for the corresponding period of the prior year. The change is primarily due to increased gaming revenues, improved results at Borgata and reduced operating expenses in the current year.

For the nine months ended September 30, 2015, the net income attributable to Boyd Gaming was \$54.1 million, compared with net loss attributable to Boyd Gaming of \$20.6 million for the corresponding period of the prior year. The \$74.7 million increase is primarily due to increased gaming revenues, improved results at Borgata and reduced operating expenses, partially offset by an increase of \$31.2 million of loss on early extinguishments of debt in the current year.





### Operating Revenues

We derive the majority of our gross revenues from our gaming operations, which produced approximately 75% and 73% of gross revenues for the three months ended September 30, 2015 and 2014, respectively, and 76% and 74% of gross revenues for the nine months ended September 30, 2015 and 2014, respectively. Food and beverage gross revenues represent our next most significant revenue source, generating approximately 13% of gross revenues for each of the three months ended September 30, 2015 and 2014, and 13% for each of the nine months ended September 30, 2015 and 2014. Room revenues and other revenues separately contributed less than 10% of gross revenues during these periods.

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,		
	2015	2014	2015	2014	
<b>REVENUES</b>					
Gaming	\$457.4	\$631.7	\$1,390.7	\$1,859.3	
Food and beverage	76.7	115.1	230.9	332.1	
Room	41.6	75.3	123.3	210.1	
Other	32.4	44.4	92.8	124.5	
Gross revenues	608.1	866.5	1,837.7	2,526.0	
Less promotional allowances	61.8	127.7	180.9	356.3	
Net revenues	\$546.3	\$738.8	\$1,656.8	\$2,169.7	
<b>COSTS AND EXPENSES</b>					
Gaming	\$225.7	\$294.1	\$677.0	\$867.5	
Food and beverage	41.9	61.5	126.4	180.0	
Room	10.8	14.7	31.5	42.3	
Other	21.5	33.6	60.9	91.7	
Total costs and expenses	\$299.9	\$403.9	\$895.8	\$1,181.5	
<b>MARGINS</b>					
Gaming	50.7	% 53.4	% 51.3	% 53.3	%
Food and beverage	45.4	% 46.5	% 45.3	% 45.8	%
Room	74.2	% 80.5	% 74.6	% 80.0	%
Other	33.7	% 24.5	% 34.5	% 26.4	%

For the period ended September 30, 2015, Boyd Gaming recorded the financial results of Borgata by applying the equity method. For the period ended September 30, 2014, Boyd Gaming consolidated the financial results of Borgata.

### Gaming

Gaming revenues are comprised primarily of the net win from our slot machine operations and table games. The \$174.3 million, or 27.6%, decrease in gaming revenues during the three months ended September 30, 2015 as compared to the corresponding period of the prior year, was due to the deconsolidation of Borgata as of September 30, 2014, resulting in a \$187.6 million decrease in gaming revenues compared to the prior year period. The decline was offset by a \$13.3 million increase in gross gaming revenue primarily attributable to increased slot win percentages and increased table game win and table game hold percentages in all of our segments. Gaming expenses decreased by \$68.5 million, of which \$71.0 million was due to the deconsolidation of Borgata.

The \$468.6 million, or 25.2%, decrease in gaming revenues during the nine months ended September 30, 2015 as compared to the corresponding period of the prior year, was due to the deconsolidation of Borgata as of September 30, 2014, resulting in a \$507.8 million decrease in gaming revenues compared to the prior year period. The decline was

partially offset by a \$39.2 million increase in gross gaming revenue primarily attributable to increased slot win in the Downtown Las Vegas and Peninsula segments, increased table game hold in the Downtown Las Vegas and the Midwest and South segments, and increased slot win percentages and table game hold percentages in all of our segments.

#### Food and Beverage

Food and beverage revenues decreased \$38.4 million, or 33.3%, during the three months ended September 30, 2015, as compared to the corresponding period of the prior year. The decrease was due to the deconsolidation of Borgata as of September 30, 2014, resulting in a \$39.7 million decrease in food and beverage revenues compared to the prior year period. In addition, the number of food covers decreased 6.4% and 5.7% in the Peninsula and Midwest and South segments, respectively. The effect of these decreases was partially offset as a result of increases in average guest check of 6.1%, 5.8%, and 3.9% in the Las Vegas Locals, Peninsula and Downtown Las Vegas segments, respectively. Food and beverage expenses decreased \$19.7 million due to the deconsolidation of Borgata, while most other segments maintained an overall consistent food and beverage expense and margin as compared to last year.

Food and beverage revenues decreased \$101.2 million, or 30.5%, during the nine months ended September 30, 2015, as compared to the corresponding period of the prior year. The decrease was due to the deconsolidation of Borgata as of September 30, 2014, resulting in a \$104.8 million decrease in food and beverage revenues compared to the prior year period. In addition, the number of food covers decreased 8.1% and 4.1% in the Peninsula and Midwest and South segments, respectively. The effect of these decreases was partially offset as a result of increases in average guest check of 3.2% to 7.4% in all segments. Food and beverage expenses decreased \$53.7 million due to the deconsolidation of Borgata, while most other segments maintained a consistent food and beverage expense and margin as compared to last year.

#### Room

Room revenues decreased by \$33.7 million, or 44.7%, during the three months ended September 30, 2015, as compared to the corresponding period of the prior year due to the deconsolidation of Borgata as of September 30, 2014, which accounted for a \$35.6 million decrease in room revenues. The decrease was partially offset as a result of a 4.3% increase in hotel occupancy in the Downtown Las Vegas segment, and an 11.7% and 3.0% increase in ADR in the Las Vegas Locals and Midwest and South segments, respectively. The decrease in room expense during the three months ended September 30, 2015, compared to the same period in the prior year, was a result of the deconsolidation of \$4.3 million of Borgata expense, while the other segments collectively maintained a consistent cost per room compared to last year.

Room revenues decreased by \$86.7 million, or 41.3%, during the nine months ended September 30, 2015, as compared to the corresponding period of the prior year due to the deconsolidation of Borgata as of September 30, 2014, which accounted for a \$90.8 million decrease in room revenues. The decrease was partially offset as a result of a 10.9% and 3.2% increase in ADR in the Las Vegas Locals and Downtown Las Vegas segments, respectively, and a 2.3% increase in hotel occupancy in the Downtown Las Vegas segment. The decrease in room expense during the nine months ended September 30, 2015, compared to the same period in the prior year, was a result of the deconsolidation of \$10.8 million of Borgata expense, while the other segments collectively maintained a consistent cost per room compared to last year.

#### Other

Other revenues relate to patronage visits at the amenities at our properties, including entertainment and nightclub revenues, retail sales, theater tickets and other venues. Other revenues decreased \$12.1 million, or 27.1%, during the three months ended September 30, 2015, as compared to the prior year largely due to the deconsolidation of Borgata as of September 30, 2014, which resulted in a \$13.1 million decrease in the Company's consolidated other revenues.

The decrease in other revenues of \$31.9 million, or 25.6%, during the nine months ended September 30, 2015, compared to the same period in the prior year was primarily a result of the deconsolidation of \$31.9 million of other revenues from Borgata.

Revenues and Adjusted EBITDA by Reportable Segment

We determine each of our properties' profitability based upon Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), which represents earnings before interest expense, income taxes, depreciation and amortization, deferred rent, preopening expenses, share-based compensation expense, and other operating items, net, as applicable. Reportable Segment Adjusted EBITDA is the aggregate sum of the Adjusted EBITDA for each of the properties comprising our Las Vegas Locals, Downtown Las Vegas, Midwest and South, Peninsula and Borgata segments before net amortization, preopening and other items. Results for Downtown Las Vegas include the results of our travel agency and captive insurance company in Hawaii. Corporate expense represents unallocated payroll, professional fees, aircraft expenses and various other expenses not directly related to our casino and hotel operations. Furthermore, corporate expense excludes its portion of share-based compensation expense.

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.

The following table presents our net revenues and Adjusted EBITDA by Reportable Segment:

(In millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net revenues				
Las Vegas Locals	\$148.0	\$141.2	\$451.4	\$440.9
Downtown Las Vegas	56.7	53.4	171.7	164.7
Midwest and South	215.8	210.6	651.4	631.4
Peninsula	125.8	123.6	382.3	373.6
Borgata (1)	—	210.0	—	559.1
Net revenues	\$546.3	\$738.8	\$1,656.8	\$2,169.7
Adjusted EBITDA (2)				
Las Vegas Locals	\$32.3	\$28.1	\$113.3	\$104.6
Downtown Las Vegas	10.1	6.3	33.1	24.2
Midwest and South	50.8	43.6	153.4	129.9
Peninsula	45.6	42.9	141.2	132.9
Wholly owned Adjusted Property EBITDA	138.8	120.9	441.0	391.6
Corporate expense	(13.6	) (13.8	) (45.0	) (42.6
Wholly owned Adjusted EBITDA	125.2	107.1	396.0	349.0
Borgata (1)	38.0	56.9	79.2	119.9
Adjusted EBITDA	\$163.2	\$164.0	\$475.2	\$468.9

(1) Due to the deconsolidation of Borgata on September 30, 2014, Borgata net revenues and Adjusted EBITDA for the three and nine months ended September 30, 2015 reflects our accounting for our 50% ownership interest in Borgata by applying the equity method. For the three and nine months ended September 30, 2014, Borgata's net revenues and Adjusted EBITDA are reflected on a full consolidation basis.

(2) Refer to Note 12, Segment Information, in the notes to the condensed consolidated financial statements (unaudited) for a reconciliation of Total Reportable Segment Adjusted EBITDA to operating income, as reported in accordance with GAAP in our accompanying condensed consolidated statements of operations.

#### Las Vegas Locals

Net revenues increased \$6.8 million, or 4.8%, during the three months ended September 30, 2015, as compared to the corresponding period of the prior year, due primarily to a 6.6% increase in table game drop, a 0.08 percentage point increase in table game hold percentage and a 0.05 percentage point increase in slot hold percentage. Average guest check increased 6.1%, the number of food covers increased 3.1% and ADR increased 10.9%, resulting in an increase in both food and beverage revenues and room revenues.

Net revenues increased \$10.4 million, or 2.4%, during the nine months ended September 30, 2015, as compared to the corresponding period of the prior year, due primarily to a 6.2% increase in table game drop and a 0.08 percentage point increase in slot hold percentage. Room revenues for the segment increased due to a 10.9% increase in the ADR, and food and beverage revenues increased due to a 5.4% increase in average guest check.

Adjusted EBITDA increased by 15.0% and 8.3%, respectively, for the three and nine months ended September 30, 2015, over the comparable prior year periods due to the flow-through effects of higher revenues and our on-going cost control efforts.

Downtown Las Vegas

Net revenues increased \$3.3 million, or 6.2%, during the three months ended September 30, 2015, as compared to the corresponding period of the prior year, due primarily to gaming revenues increases of \$2.8 million related to a 4.0% and 2.5% increase in slot handle and table game drop, respectively, and a 2.6 percentage point increase in table game hold percentage. Additionally, food and beverage revenue and room revenues had modest increases related to a 3.9% increase in average guest check and a 4.3% increase hotel occupancy, respectively. We continue to tailor our marketing programs in the Downtown segment to cater to our

Hawaiian market. During the three months ended September 30, 2015 and 2014, our Hawaiian market represented approximately 49% and 51% of our occupied rooms in this segment, respectively.

Net revenues increased \$7.1 million, or 4.3%, during the nine months ended September 30, 2015, as compared to the corresponding period of the prior year, due primarily to gaming revenues increases of \$7.4 million related to a 3.8% increase in table game drop, and 1.25 and 0.14 percentage point increases in table game hold percentage and slot hold percentage, respectively. Additionally, food and beverage revenue increased due to a 3.4% increase in average guest check, and room revenues increased related to 3.2% and 2.3% improvements in ADR and hotel occupancy, respectively. These increases were offset by a 3.8% decrease in other revenues. During the nine months ended September 30, 2015 and 2014, our Hawaiian market represented approximately 51% and 52% of our occupied rooms in this segment, respectively.

The revenue gains, coupled with our cost control efforts, resulted in \$3.8 million and \$8.9 million increases in the segment's Adjusted EBITDA for the three and nine months ended September 30, 2015 and 2014, respectively, as compared to the corresponding prior year.

#### Midwest and South

Net revenues increased \$5.1 million, or 2.4%, during the three months ended September 30, 2015, as compared to the corresponding period of the prior year, primarily due to increases of 1.54 and 0.18 percentage points in table game hold percentage and slot hold percentage, respectively. Food and beverage revenues and room revenues remained consistent with the corresponding period in the prior year.

Net revenues increased \$19.9 million, or 3.1%, during the nine months ended September 30, 2015, as compared to the corresponding period of the prior year, primarily due to increases of 0.67 and 0.10 percentage points in table game hold percentage and slot hold percentage, respectively. Food and beverage revenues and room revenues remained consistent with the corresponding period in the prior year, while other revenue increased \$1.3 million.

The segment reported a \$7.1 million and \$23.6 million increase in Adjusted EBITDA for the three and nine months ended September 30, 2015, as compared to the corresponding prior year period due to increase in revenues and our on-going cost control efforts.

#### Peninsula

Net revenues in our Peninsula segment increased \$2.2 million, or 1.8%, for the three months ended September 30, 2015, as compared to the prior year period. We experienced gaming revenue increases at each of our five operating properties due to a continuing economic recovery and increase in consumer spending. Overall table game hold percentage and slot hold percentage increased 0.99 and 0.14 percentage points, respectively, during the three month period ended September 30, 2015, while slot handle and table game drop remained consistent to the corresponding period in the prior year.

Net revenues in our Peninsula segment increased \$8.7 million, or 2.3%, for the nine months ended September 30, 2015, as compared to the prior year period. Four properties had year over year gaming revenue growth ranging from 2.6% to 4.2%, while one property was essentially flat to the prior year period. Gaming revenue growth was driven by a continuing economic recovery and increase in consumer spending in each of the first three quarters combined with more favorable weather conditions in each of our markets in the first quarter. Our overall slot handle increased 2.0% and table game drop increased 2.5%, and slot hold percentage increased 0.11 percentage points, while table game hold percentage remained relatively unchanged during the nine months ended September 30, 2015, compared to the corresponding period in the prior year.

Adjusted EBITDA for the Peninsula segment increased \$2.8 million and \$8.2 million, respectively, during the three and nine months ended September 30, 2015, due to the increased revenue.

#### Borgata

Adjusted EBITDA for Borgata for third quarter 2015 decreased \$18.9 million as compared to the prior year. The decreases reflect the impact of the deconsolidation of Borgata as of September 30, 2014, partially offset by improved performance at the property. Adjusted EBITDA of \$38.0 million reported for Borgata for the third quarter 2015 reflects our 50% share of the \$76.0 million reported by the property on a standalone basis, as compared to the prior year amount of \$56.9 million, which we reported on a full consolidation basis. The improved performance versus the prior year is primarily the result of revenue growth, including the impact of a higher table game hold, improved performance of the online operation and lower property taxes.

Adjusted EBITDA for Borgata for the nine months ended September 30, 2015, as compared to prior year, decreased \$40.8 million. Adjusted EBITDA of \$79.2 million reported for Borgata for the nine months ended September 30, 2015, reflects our 50% share of the \$158.3 million reported by the property on a standalone basis, as compared to the prior year amount of \$119.9 million, which we reported on a full consolidation basis.



### Other Operating Costs and Expenses

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

(In millions)	Three Months Ended		Nine Months Ended		
	September 30,		September 30,		
	2015	2014	2015	2014	
Selling, general and administrative	\$80.0	\$113.4	\$242.7	\$349.5	
Maintenance and utilities	29.0	45.1	81.0	131.3	
Depreciation and amortization	51.3	66.2	155.3	198.2	
Corporate expense	15.0	15.1	52.0	52.6	
Preopening expense	1.4	1.3	2.8	3.8	
Impairments of assets	—	18.3	1.1	20.2	
Asset transactions costs	0.1	3.1	1.4	5.1	
Other operating items, net	0.2	(1.1	) 0.3	(1.9	)

### Selling, General and Administrative

Selling, general and administrative expenses, as a percentage of gross revenues, were 13.1% during each of the three months ended September 30, 2015 and 2014, and were 13.2% and 13.8%, during the nine months ended September 30, 2015 and 2014, respectively. The decreased margin reflects the deconsolidation of Borgata, which had selling, general and administrative expenses as a percentage of gross revenues of 11.6% and 13.9% for the three and nine months ended September 30, 2014. Additionally, we continue to focus on disciplined and targeted marketing spend, and our ongoing cost containment efforts.

### Maintenance and Utilities

Maintenance and utilities expenses, as a percentage of gross revenues, were 4.8% and 5.2% during the three months ended September 30, 2015 and 2014, respectively, and were 4.4% and 5.2% during the nine months ended September 30, 2015 and 2014, respectively. The decrease between the periods is primarily due to the fact that no major maintenance projects were undertaken in the current year period, coupled with cost reductions associated with the Company's energy savings initiatives. Additionally, in periods prior to its deconsolidation as of September 30, 2014, Borgata's maintenance and utilities expenses as a percentage of gross revenues, which were higher than the Company's overall average, were included in the total expense amount.

### Depreciation and Amortization

Depreciation and amortization expenses, as a percentage of gross revenues, were 8.4% and 7.6% during the three months ended September 30, 2015 and 2014, respectively, and were 8.4% and 7.8% during the nine months ended September 30, 2015 and 2014, respectively. In periods prior to its deconsolidation as of September 30, 2014, Borgata's depreciation expense as a percentage of gross revenues, which was lower than the Company's overall average, were included in the total expense amount and resulted in an increased percentage for the Company upon Borgata's deconsolidation.

Depreciation and amortization expense decreased \$14.8 million and \$43.0 million for the three and nine months ended September 30, 2015, respectively, compared to the prior year period. The decrease was primarily a result of the deconsolidation of Borgata as of September 30, 2014, which resulted in a \$14.8 million and \$44.2 million decrease in depreciation and amortization expense for the three and nine months ended September 30, 2015, respectively, compared to the prior year period.

### 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. Corporate expense represented 2.5% and 1.7% of gross revenues during each of the three months ended September 30, 2015 and 2014, respectively, and 2.8% and 2.1% of gross revenues during each of the nine months ended September 30, 2015 and 2014, respectively.

#### Preopening Expense

We expense certain costs of start-up activities as incurred. Preopening expenses relate to our efforts to develop gaming activities in other jurisdictions and to other business development activities.

### Impairments of Assets

Impairments of assets for the three months ended September 30, 2014, and the nine months ended September 30, 2015 and 2014, included non-cash impairment charges primarily related to the planned dispositions of non-operating assets. Additionally, impairments of assets for the three and nine months ended September 30, 2014, included a \$12.1 million charge due to the deconsolidation of Borgata.

### 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, 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.

### Other Expenses

#### Interest Expense, net

The following table summarizes information with respect to our interest expense on outstanding indebtedness:

(In millions)	Three Months Ended		Nine Months Ended		
	September 30,		September 30,		
	2015	2014	2015	2014	
Interest Expense, net					
Boyd Gaming Corporation	\$38.4	\$38.4	\$115.3	\$115.3	
Peninsula	17.7	18.7	53.9	56.2	
Borgata (1)	—	17.8	—	53.3	
	\$56.1	\$74.9	\$169.2	\$224.8	
Average Long-Term Debt Balance					
Boyd Gaming Corporation	\$2,313.8	\$2,427.1	\$2,365.7	\$2,441.6	
Peninsula	1,028.7	1,113.0	1,055.7	1,126.6	
Borgata (1)		794.2		800.3	
Weighted Average Interest Rates					
Boyd Gaming Corporation	5.8	% 5.7	% 5.9	% 5.7	%
Peninsula	5.7	% 5.5	% 5.6	% 5.5	%
Borgata (1)		8.3	%	8.3	%

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

Interest expense, net of capitalized interest and interest income, for the three months ended September 30, 2015, decreased \$18.9 million, or 25.2%, over the prior year due primarily to the deconsolidation of Borgata as of September 30, 2014, which accounted for a \$17.8 million decrease in net interest expense. For Boyd Gaming, interest expense remained consistent with the corresponding period in the prior year. In the second quarter of 2015, we issued \$750 million of senior notes at 6.875% due 2023, the proceeds of which were partially used to retire \$500 million of 9.125% senior notes due 2018, thus lowering our weighted average interest rate and providing a longer period before maturity. Interest expense, net, for Peninsula for the three months ended September 30, 2015, reflects a \$1.0 million, or 5.2% decrease compared to the same period in 2014 primarily due to a \$84.3 million reduction in average long-term borrowings outstanding during the three months ended September 30, 2015 as compared to the three months ended September 30, 2014, as the weighted average borrowing rate remained consistent.



Interest expense, net of capitalized interest and interest income, for the nine months ended September 30, 2015, decreased \$55.6 million, or 24.7%, over the prior year due primarily to the deconsolidation of Borgata as of September 30, 2014, which accounted for a \$53.3 million decrease in net interest expense. For Boyd Gaming, interest expense remained consistent. Due to debt activities undertaken in the second quarter of 2015, as discussed above, we anticipate the lower weighted average interest rate to continue in future quarters. Interest expense, net, for Peninsula for the nine months ended September 30, 2015, reflects a \$2.4 million, or 4.2% decrease compared to the same period in 2014 primarily due to a \$70.9 million reduction in average long-term borrowings outstanding during the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014 as the weighted average borrowing rate remained consistent.

Boyd's share of Borgata's non-operating items, net

Due to its deconsolidation, the Company now applies the equity method of accounting to its 50% investment in Borgata. Amounts reported as Boyd's share of Borgata's non-operating items, net, include the Company's share of the items discussed below.

Borgata received a final audit determination in its New Jersey state income tax examination for years 2003 through 2009 in the third quarter of 2015. Additionally, Borgata settled its appeal on the IRS examination of years 2005 through 2009 in the first quarter of 2015. As Borgata is a partnership for federal income tax purposes, it does not record federal income tax; however, in the first quarter, it recorded the state tax impact of the federal exam adjustments resulting from the IRS appeals settlement. In connection with the final resolution of the federal and state income tax examinations, Borgata recorded a \$9.5 million and \$11.7 million benefit to its tax provision in the three and nine months ended September 30, 2015, respectively, through the realization of unrecognized tax benefits and reversal of related accrued interest.

Borgata's financial results also include losses on the early extinguishments of debt of \$17.8 million and \$18.9 million for the three months and nine months ended September 30, 2015, respectively, primarily due to the redemption of Borgata's 9.875% senior secured notes due 2018 during third quarter 2015.

#### Income Taxes

The effective tax rates during the three months ended September 30, 2015 and 2014 were 12.73% and (143.6%), respectively. The effective tax rates during the nine months ended September 30, 2015 and 2014 were (13.6%) and 424.9%, respectively. In accordance with GAAP, for all periods disclosed, we have computed our provision for income taxes by applying the actual effective tax rate, under the discrete method, to quarter-to-date income. The discrete method was used to calculate income tax expense or benefit as the annual effective tax rate was not considered a reliable estimate of year-to-date income tax expense or benefit. Our effective tax rate is impacted by recurring permanent tax adjustments, audit settlements and state income taxes. Such adjustments are independent of the level of consolidated income or loss from continuing operations and impact the statutory tax provision or benefit on pretax income or loss. For all periods, the tax provision was impacted by a valuation allowance applied to our federal and state income tax net operating losses and certain other deferred tax assets. Additionally, for all periods, 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 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 when determining our valuation allowance. The tax benefit for the nine months ended September 30, 2015 was favorably impacted, as a result of federal and state audit settlements in connection with our IRS and New Jersey income tax examinations, by the realization of unrecognized tax benefits and reversal of related accrued interest. These settlements resulted in a \$23.2 million and \$2.5 million reduction in our 2015 first quarter and third quarter tax provisions, respectively. The tax provision for the quarter ended September 30, 2014 was favorably impacted by tax adjustments related to the deconsolidation of Borgata. The tax provision in both

periods was favorably impacted as a result of statute expirations and the reversal of interest accrued on related unrecognized tax benefits.

## LIQUIDITY AND CAPITAL RESOURCES

### Financial Position

Due to our organization and debt structures, we separately manage the working capital positions of Boyd Gaming Corporation and Peninsula including their levels of cash and indebtedness. For purposes of this discussion, we will refer to each of the 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. The cash balances and working capital deficits of the Businesses were as follows:

(In millions)	September 30, 2015	December 31, 2014
Cash balance:		
Boyd Gaming Corporation	\$98.8	\$115.4
Peninsula	26.2	29.9
Working capital (deficit):		
Boyd Gaming Corporation	\$(119.9	) \$(88.1
Peninsula	(5.4	) (22.9

The Businesses' respective bank credit facilities generally provide all necessary funds for the 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 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. See "Indebtedness", below, for further detail regarding funds available through our credit facilities.

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.

#### Cash Flows Summary

(In millions)	Nine Months Ended September 30,	
	2015	2014
Net cash provided by operating activities	\$241.4	\$232.5
Cash flows from investing activities:		
Capital expenditures	(87.0	) (94.6
Deconsolidation of Borgata	—	(26.9
Other investing activities	3.8	3.2
Net cash used in investing activities	(83.2	) (118.3
Cash flows from financing activities:		
Net payments under Boyd Gaming Corporation bank credit facility	(322.7	) (93.4
Net payments under Peninsula bank credit facility	(73.5	) (41.3
Net payments under Borgata bank credit facility	—	(34.0
Payments on retirements of long-term debt	(500.0	) (2.9
Proceeds from issuance of senior secured notes	750.0	—
Other financing activities	(32.3	) 0.5
Net cash used in financing activities	(178.5	) (171.1
Decrease in cash and cash equivalents	\$(20.3	) \$(56.9

Cash Flows from Operating Activities

During the nine months ended September 30, 2015 and 2014, we generated net operating cash flow of \$241.4 million and \$232.5 million, respectively. Generally, operating cash flows increased during 2015 as compared to the prior year period due to the flow through effect of higher revenues and timing of working capital spending.



### 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 the nine months ended September 30, 2015 and 2014, we incurred net cash outflows for investing activities of \$83.2 million and \$118.3 million, respectively, due to our capital expenditures during the respective periods of \$87.0 million and \$94.6 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.

The net cash outflows for financing activities in both the nine months ended September 30, 2015 and 2014 reflect primarily the use of cash to retire outstanding debt, including the retirement in 2015 of the 2018 Notes using a portion of the proceeds from the issuance of the 2023 Notes, as discussed further below.

### Indebtedness

The outstanding principal balances of long-term debt for each of the Businesses, before unamortized discounts and fees, and the changes in those balances are as follows:

(In millions)	September 30, 2015	December 31, 2014	Increase/ (Decrease)	
<b>Boyd Gaming Corporation Debt:</b>				
Bank credit facility	\$1,064.7	\$1,387.4	\$(322.7)	)
9.125% senior notes due 2018	—	500.0	(500.0)	)
9.00% senior notes due 2020	350.0	350.0	—	
6.875% senior notes due 2023	750.0	—	750.0	
HoldCo Note	157.8	151.8	6.0	
	2,322.5	2,389.2	(66.7)	)
<b>Peninsula Segment Debt:</b>				
Bank credit facility	669.0	742.4	(73.4)	)
8.375% senior notes due 2018	350.0	350.0	—	
	1,019.0	1,092.4	(73.4)	)
Total long-term debt	3,341.5	3,481.6	(140.1)	)
Less current maturities	27.7	29.8	(2.1)	)
Long-term debt, net	\$3,313.8	\$3,451.8	\$(138.0)	)

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 the 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 provides for (i) a \$600.0 million senior secured revolving credit facility (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 interest rate on the outstanding balance from time to time of the Revolving Credit Facility 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 the Boyd Gaming Credit Facility was 3.8% at September 30, 2015 and 3.7% at December 31, 2014.

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, (ii) establishing a maximum permitted consolidated total leverage ratio, (iii) establishing a maximum permitted secured leverage ratio, (iv) imposing limitations on the incurrence of indebtedness, (v) imposing limitations on transfers, sales and other dispositions, and (vi) imposing restrictions on investments, dividends and certain other payments. Subject to certain exceptions, the Company may be required to repay the amounts outstanding under the Boyd Gaming Credit Facility in connection with certain asset sales and issuances of certain additional secured indebtedness.

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 principal amounts outstanding under the Boyd Gaming Credit Facility were:

(In millions)	September 30, 2015	December 31, 2014
Revolving Credit Facility	\$70.0	\$300.0
Term A Loan	195.3	221.4
Term B Loan	778.7	840.8
Swing Loan	20.7	25.2
Total outstanding principal amounts under the Boyd Gaming Credit Facility	\$1,064.7	\$1,387.4

At September 30, 2015, approximately \$1.1 billion was outstanding under the Boyd Gaming Credit Facility and \$7.1 million was allocated to support various letters of credit, leaving remaining contractual availability of \$502.2 million.

#### Senior Notes

6.875% Senior Notes due May 2023

#### Significant Terms

On May 21, 2015, we issued \$750 million aggregate principal amount of 6.875% senior notes due May 2023 (the "2023 Notes"). The 2023 Notes require semi-annual interest payments on May 15 and November 15 of each year, commencing on November 15, 2015. The 2023 Notes will mature on May 15, 2023 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 2023 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 base and supplemental indentures governing the 2023 Notes, together, the "Indenture") 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), we will be required, unless certain conditions are met, to offer to repurchase the 2023 Notes at a price equal to 101% of the principal amount of the 2023 Notes, plus accrued and unpaid interest and Additional Interest (as defined in the Indenture), 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 2023 Notes.

At any time prior to May 15, 2018, we may redeem the 2023 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Interest, if any, up to, but excluding, the applicable redemption date, plus a make whole premium. Subsequent to May 15, 2018, we may redeem all or a portion of the 2023 Notes at redemption prices (expressed as percentages of the principal amount) ranging from 105.156% in 2018 to 100% in 2021 and thereafter, plus accrued and unpaid interest and Additional Interest.

The net proceeds from the issuance of the 2023 Notes were used to redeem our 2018 Notes and to reduce outstanding borrowings under our Revolving Credit Facility.

#### Debt Financing Costs

In conjunction with the issuance of the 2023 Notes, we incurred approximately \$14.0 million in debt financing costs that have been deferred and are being amortized over the term of the 2023 Notes using the effective interest method.

#### Senior Notes

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

During second quarter 2015 we redeemed all of our 9.125% Senior Notes due December 2018 (the "2018 Notes") at a redemption price of 104.563% plus accrued and unpaid interest and Additional Interest (as defined in the indenture governing the 2018 Notes) to the redemption date. The redemption resulted in premium and consent fees paid of \$24.0 million and a write-off of unamortized debt financing costs of \$4.9 million, all of which were recognized as loss on early extinguishments of debt in our second quarter 2015 financial results.

As a result of this redemption, the 2018 Notes have been fully extinguished.

#### Debt Service Requirements

Debt service requirements under our current outstanding senior notes consist of semi-annual interest payments (based upon fixed annual interest rates ranging from 6.875% to 9.00%) and principal repayments of our 9.00% senior notes due on July 1, 2020, and our 6.875% senior notes due May 21, 2023.

#### 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 4.2% at both September 30, 2015 and December 31, 2014.

At September 30, 2015, approximately \$669.0 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 \$32.6 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.

#### Covenant Compliance

As of September 30, 2015, 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 September 30, 2015, the available borrowing capacity under these credit facilities was \$502.2 million at Boyd Gaming Corporation and \$32.6 million at Peninsula.

#### 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 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 amount of common stock available to be repurchased to \$100 million. We are not obligated to purchase any shares under our stock repurchase program. During the nine months ended September 30, 2015 and 2014, we did not repurchase any shares of our common stock. We are currently authorized to repurchase up to an additional \$92.1 million in shares of our common stock under the share repurchase program.

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 funding our capital requirements using cash flows from operations and availability under our Revolving Credit Facility, 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 specific matters discussed herein, including our commitments and contingencies, may also affect our liquidity.

#### Commitments

##### Capital Spending and Development

During second quarter 2015, we announced a planned \$45 million project to expand and enhance the Delta Downs Racetrack Casino & Hotel in Louisiana. The project will add 167 hotel rooms and suites, redesign the existing 200 hotel rooms, and expand and enhance the property's food and beverage offerings, events center and outdoor pool area. Construction of the project is expected to begin during fourth quarter 2015, with completion expected by the end of

2016. Of the total project cost, approximately \$10.0 million is expected to be spent in 2015, and the remaining project costs incurred in 2016. With this additional project, our estimated total capital expenditures for 2015 projects are currently expected to range from \$165 million to \$175 million, including projects to reposition non-gaming amenities and various maintenance capital expenditures across our properties.

We intend to fund these capital expenditures through our credit facilities and operating cash flows. 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.

#### Contingencies

##### Legal Matters

We are also 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.



#### 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 the Boyd Gaming Credit Facility. To the extent such sources of funds are not sufficient, we may also seek to raise such additional funds through public or private equity or debt financings or from other sources.

#### Off Balance Sheet Arrangements

There have been no material changes to our off balance sheet arrangements as defined in Item 303(a)(4)(ii) and described under Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on February 27, 2015.

#### Critical Accounting Policies

There have been no material changes to our critical accounting policies described under Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the period ended December 31, 2014, as filed with the SEC on February 27, 2015.

#### Recently Issued Accounting Pronouncements

For information with respect to recent accounting pronouncements and the impact of these pronouncements on our condensed consolidated financial statements, see Note 2, Summary of Significant Accounting Policies - Recently Issued Accounting Pronouncements, in the notes to the condensed consolidated financial statements (unaudited).

#### Important Information Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (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 Quarterly Report on Form 10-Q):

- 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 Revolving Credit Facility, provided for by the Boyd Gaming Credit Facility and Peninsula's Revolver, provided for by the Peninsula Credit Facility 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 Quarterly Report on Form 10-Q will not have a material impact on our financial statements;

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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 Boyd Gaming Credit Facility or the Peninsula Credit Facility; 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.

- 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 Peninsula's Revolver 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 Facility.
- 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 risk that we fail to adapt our business and amenities to changing customer preferences.
- The effects of energy price increases on our cost of operations and our revenues.
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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 II. Item 1A. Risk Factors of this Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 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 3. 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 our, Peninsula's and Borgata's bank credit facilities. We do not currently utilize derivative financial instruments for trading or speculative purposes.

As of September 30, 2015, Boyd Gaming Corporation and Peninsula long-term variable-rate borrowings represented approximately 52.4% and 65.7% of total long-term debt, respectively. Based on September 30, 2015 debt levels, a 100 basis point change in LIBOR or the base rate would cause the annual interest costs to change by approximately \$10.6 million and \$6.7 million for Boyd Gaming Corporation and Peninsula, respectively.

See also "Liquidity and Capital Resources" above.

Item 4. Controls and Procedures

As of the end of the period covered by this Report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (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.

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during our most recent fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

## PART II. Other Information

### Item 1. Legal Proceedings

We are also 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 1A. Risk Factors

The risk factors that relate to our business are set forth below. These risks include any material changes to and supersede the risks previously disclosed in Part I. Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2014. We encourage investors to review the risks and uncertainties relating to our business disclosed in that Annual Report on Form 10-K, as well as those contained in Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Important Information Regarding Forward-Looking Statements, above.

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.

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 Digital Entertainment PLC ("bwin") in November 2013. While this site has captured a 27.4% market share as of December 31, 2014, 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 ongoing 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 periods of global financial crisis can have far-reaching adverse consequences across many industries, including the gaming industry. A crisis may greatly restrict the availability of capital and cause the cost of capital (if available) to be much higher than it has traditionally been. Although the financial markets have generally recovered from the most recent financial crisis and availability of capital has increased, the financial markets remain volatile. Although we successfully refinanced a significant amount of our indebtedness in 2013 and in 2015, 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 Boyd Gaming's 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 or the Peninsula 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 or the Peninsula Credit Facility. If we were otherwise required to renegotiate or replace the Boyd Gaming Credit Facility or the Peninsula 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 had 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 new projects that we pursue 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, and have recently announced an expansion project at Delta Downs.

Any such development projects are 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.

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.

#### 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 has been filed as Exhibit 99.2 to our Annual Report on Form 10-K, which was filed on February 27, 2015. 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 Dubuque Racing Association ("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 Worth County Development Authority ("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, 2025, and is subject to automatic ten-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 \$0.8 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. 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 historically have ranged 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.

Our horse racing operations are subject to oversight by the Environmental Protection Agency ("EPA"), including regulations governing concentrated animal feeding operations and the related processing of animal waste water. Recently Delta Downs commenced a remediation project, as a result of an EPA examination, to ensure its future compliance with the Clean Water Act. At this time, Delta Downs has not been assessed a fine from the EPA, however, such a fine is possible, and the ongoing operations of our horse racing operations could result in future violations of EPA regulations and exposure to associated fines.

#### 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. 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. 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.

Our ability to utilize our net operating loss carryforwards and certain other tax attributes may be limited. As of September 30, 2015, 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 our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on February 27, 2015, contains further disclosure regarding our and Peninsula's current outstanding debt.

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").

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 and Peninsula 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 and Peninsula 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 Boyd Gaming 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.

In the past, there have been significant disruptions in the global capital markets that adversely impacted the ability of borrowers to access capital. Although we currently 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 27% of the Company's outstanding shares of common stock as of September 30, 2015. 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 5. Other Information

##### Redemption of HoldCo Note

As part of the consideration tendered in the November 2012 acquisition of Peninsula Gaming, LLC, Boyd Acquisition II, LLC ("HoldCo"), an indirect wholly-owned subsidiary of Boyd Gaming Corporation, issued a promissory note (the "HoldCo Note") to the seller. The principal balance assigned to the HoldCo Note was \$143.0 million. At the option of HoldCo, the semi-annual interest on the HoldCo Note could be paid in cash or paid-in-kind and added to the principal balance. In accordance with these terms, \$14.8 million of accrued and unpaid interest was added to the principal balance of the HoldCo Note, resulting in a total principal balance of \$157.8 million. On November 6, 2015, HoldCo prepaid the HoldCo Note and \$5.8 million of related accrued interest. As a result of this redemption, the Company will record a loss on early extinguishment of debt of \$7.9 million during fourth quarter 2015 to write-off the remaining unamortized discount and deferred finance charges. The redemption was funded with borrowings under the Boyd Gaming Credit Facility.



## Item 6. Exhibits

## Exhibits

Exhibit Number	Document of Exhibit	Method of Filing
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
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
101	The following materials from Boyd Gaming Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014, (ii) Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2015 and 2014, (iii) Condensed Consolidated Statements of Changes in Stockholders' Equity for the nine months ended September 30, 2015 and 2014, (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and 2014, and (vi) Notes to Condensed Consolidated Financial Statements.	Filed electronically herewith

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 6, 2015.

**BOYD GAMING CORPORATION**

By: /s/ Anthony D. McDuffie  
Anthony D. McDuffie  
Vice President and Chief Accounting Officer