

BOYD GAMING CORP  
Form 10-K  
February 27, 2015

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2014

OR

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

Commission file number: 1-12882

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

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

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

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

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

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

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

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

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

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



BOYD GAMING CORPORATION  
 ANNUAL REPORT ON FORM 10-K  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014  
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## PART I

### ITEM 1. Business

#### Overview

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

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

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

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

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

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

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

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

our operations are geographically diversified within the United States;

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

we have an experienced management team.

## Properties

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

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

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

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

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

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

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

#### Las Vegas Locals Properties

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

#### Gold Coast Hotel and Casino

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

#### The Orleans Hotel and Casino

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



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

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

#### Suncoast Hotel and Casino

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

#### Eldorado Casino and Jokers Wild Casino

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

#### Downtown Las Vegas Properties

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

#### California Hotel and Casino

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

#### Fremont Hotel and Casino

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

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

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

#### Midwest and South Properties

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

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

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

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

#### IP Casino Resort Spa

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

#### Par-A-Dice Hotel Casino

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

#### Blue Chip Casino, Hotel & Spa

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

#### Treasure Chest Casino

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

#### Delta Downs Racetrack Casino & Hotel

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

#### Sam's Town Hotel and Casino

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

#### Peninsula Properties

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

#### Diamond Jo Dubuque

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

**Diamond Jo Worth**

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

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

#### Evangeline Downs

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

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

#### Amelia Belle Casino

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

#### Kansas Star Casino

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

#### Borgata

##### Borgata Hotel Casino & Spa

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

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



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

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

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

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

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

#### Competition

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

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

#### Future Development Opportunities

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

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

#### Development agreement with Wilton Rancheria

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

#### Agreements with bwin

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

#### Frequent Player Loyalty Programs

##### B Connected

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

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

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

#### Peninsula Programs

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

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

#### Other Promotional Activities

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

### Government Regulation

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

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

### Employees and Labor Relations

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

### Corporate Information

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

### Available Information

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

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

### Important Information Regarding Forward-Looking Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

our assumptions and expectations regarding our critical accounting estimates;

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

our expectations for capital improvement projects;

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

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

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

our market risk exposure and efforts to minimize risk;

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

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

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

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

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

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

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

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

our expectations regarding Congress legalizing online gaming in the United States as well as the continued expansion of online gaming as a result of the passage of new authorizing legislation in various states;

our asset impairment analyses and our intangible asset and goodwill impairment tests;

the likelihood of interruptions to our rights in the land we lease under long-term leases for certain of our hotel and casinos;

our ability to receive insurance reimbursement and our estimates of self-insurance accruals and future liability;

that operating results for previous periods are not necessarily indicative of future performance;



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### ITEM 1A. Risk Factors

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

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

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

#### Risks Related to our Business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

We face risks associated with growth and acquisitions.

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

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

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

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

Any development projects we may undertake will be subject to many other risks inherent in the expansion or renovation of an existing enterprise or construction of a new enterprise, including unanticipated design, construction,

regulatory, environmental and operating problems and lack of demand for our projects. Our current and future projects could also experience:

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

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

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

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

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

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

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

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

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

Our ownership, management and operation of gaming facilities are subject to extensive laws, regulations and ordinances which are administered by the Nevada Gaming Commission and Gaming Control Board, Mississippi Gaming Commission, Indiana Gaming Commission, Illinois Gaming Board, New Jersey Casino Control Commission, New Jersey Division of Gaming Enforcement, Iowa Racing and Gaming Commission, the Kansas Lottery Commission, the Kansas Racing and Gaming Commission, the Louisiana State Gaming Control Board, the Louisiana State Racing Commission and various other federal, state and local government entities and agencies. We are subject to regulations that apply specifically to the gaming industry and horse racetracks and casinos, in addition to regulations applicable to businesses generally. A more detailed description of the governmental gaming regulations to which we are subject is filed as Exhibit 99.2 herewith. If additional gaming regulations are adopted in a jurisdiction in which we operate, such regulations could impose restrictions or costs that could have a significant adverse effect on us. From time to time, various proposals are introduced in the legislatures of some of the jurisdictions in which we have existing or planned operations that, if enacted, could adversely affect the tax, regulatory, operational or other aspects of the gaming industry and our company.

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

#### Gambling

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

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

#### Regulation of Smoking

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

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

#### Regulation of Directors, Officers, Key Employees and Partners

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

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

### Live Racing Regulations

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

### Regulations Affecting Businesses in General

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

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

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

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

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

If there is any material increase in state and local taxes and fees, our business, financial condition and results of operations could be adversely affected.

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

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



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

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

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

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

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

#### Risks Related to our Properties

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

Extreme weather conditions may interrupt our operations, damage our properties and reduce the number of customers who visit our facilities in the affected areas.

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

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

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

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

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

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

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

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

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

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

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

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

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

operations.

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

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

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

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

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

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

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

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

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

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

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

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

required for inspections of the affected riverboats, could be significant. To date, the USCG has allowed in-place underwater inspections of our riverboats twice every five years on alternate two and three year schedules. The USCG may not continue to allow these types of inspections in the future. The loss of a dockside casino or riverboat casino from service for any period of time could adversely affect our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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



#### Risks Related to our Indebtedness

We have a significant amount of indebtedness.

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

- difficulty in satisfying our obligations under our current indebtedness;

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

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

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

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

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

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

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

- incur liens securing indebtedness or other obligations;

- make certain investments;

- dispose of assets;

- make certain acquisitions;

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

- enter into sale and leaseback transactions;

- engage in any new businesses; and

- enter into transactions with our stockholders and our affiliates.

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

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

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

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

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

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

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

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

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

It is unlikely that our business will generate sufficient cash flows from operations, or that future borrowings will be available to us under the Boyd Gaming Credit Facility in amounts sufficient to enable us to pay our indebtedness, as such indebtedness matures and to fund our other liquidity needs. We believe that we will need to refinance all or a portion of our indebtedness, at or before maturity, and cannot provide assurances that we will be able to refinance any of our indebtedness, including amounts borrowed under the Boyd Gaming Credit Facility, on commercially reasonable terms, or at all. We may have to adopt one or more alternatives, such as reducing or delaying planned expenses and capital expenditures, selling assets, restructuring debt, or obtaining additional equity or debt financing or joint venture partners. These financing strategies may not be affected on satisfactory terms, if at all. In addition, certain states' laws contain restrictions on the ability of companies engaged in the gaming business to undertake certain financing transactions. Some restrictions may prevent us from obtaining necessary capital.

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

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

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

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

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

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

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

#### Risks Related to our Equity Ownership

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

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

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

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

#### ITEM 1B. Unresolved Staff Comments

None

#### ITEM 2. Properties

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

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

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

¶Suncoast, located on 49 acres of leased land.

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

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

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

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

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

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

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

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

#### ITEM 3. Legal Proceedings

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

#### ITEM 4. Mine Safety Disclosures

Not applicable

## PART II

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

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

## Market Information

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

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

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

## Dividends

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

## Share Repurchase Program

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

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

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

## Stock Performance Graph

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



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

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

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

ITEM 6. Selected Financial Data

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

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

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

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

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

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

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

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

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

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

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

#### EXECUTIVE OVERVIEW

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

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

Las Vegas Locals

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

Downtown Las Vegas

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

Midwest and South

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

Peninsula

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

Borgata

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

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

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

customers at our properties, which affects our operating results.

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

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

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

#### Our Strategy

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

#### Strengthening our Balance Sheet

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

#### Operating Efficiently

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

#### Evaluating Acquisition Opportunities

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

#### Maintaining our Brand

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

#### Our Key Performance Indicators

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

##### Gaming revenue measures:

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

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



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

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

## RESULTS OF OPERATIONS

## Overview

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

## Net Revenues

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

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

## Operating Income (Loss)

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

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

## Net Loss Attributable to Boyd Gaming Corporation

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

## Operating Revenues

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



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

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

#### Gaming

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

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

#### Food and Beverage

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

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

### Room

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

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

### Other

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

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

### Revenues by Reportable Segment

The following table presents our net revenues by Reportable Segment:

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

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

### Las Vegas Locals

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

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

Downtown Las Vegas

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

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

### Midwest and South

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

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

### Peninsula

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

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

### Borgata

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

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

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

### Other Operating Costs and Expenses

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

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



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

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#### Selling, General and Administrative

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

#### Maintenance and Utilities

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

#### Depreciation and Amortization

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

#### Corporate Expense

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

#### Preopening Expenses

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

#### Impairment of Assets

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

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

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

#### Asset Transactions Costs

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

other business development activities.

#### Other Operating Items, Net

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

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

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

Other Expense (Income)

Interest Expense, net

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

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

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

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

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

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

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

#### Loss on Early Extinguishments of Debt

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

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

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

#### Income Taxes

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

## LIQUIDITY AND CAPITAL RESOURCES

### Financial Position

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

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

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

	December 31,	
(In millions)	2014	2013

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Cash and cash equivalents balance:

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

Working capital surplus (deficit):

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

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

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

#### Cash Flows Summary

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

#### Cash Flows from Operating Activities

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

#### Cash Flows from Investing Activities



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

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

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

#### Cash Flows from Financing Activities

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

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

#### Cash Flows from Discontinued Operations

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

#### Indebtedness

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

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

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



## Boyd Gaming Corporation Debt

### Bank Credit Facility

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

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

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

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

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

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

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

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

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

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

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

#### Amounts Outstanding

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

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

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

#### Senior Notes

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

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

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

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

#### HoldCo Note

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

Peninsula Segment Debt  
Bank Credit Facility

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

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

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

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

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

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

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

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

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

#### Senior Notes

8.375% Senior Notes due February 2018



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

#### Borgata Debt

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

#### Covenant Compliance

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

### Scheduled Maturities of Long-Term Debt

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

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

### Dividends

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

### Share Repurchase Program

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

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

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

### Other Items Affecting Liquidity

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

### Disposition of Echelon project and Dania

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

transactions occurred on May 22, 2013.

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

## Commitments

### Capital Spending and Development

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

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

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

## CONTRACTUAL OBLIGATIONS

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

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

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

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

## Other Opportunities

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

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

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

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

#### Off Balance Sheet Arrangements

Our off balance sheet arrangements consist of the following:

##### Indemnification

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

##### Outstanding Letters of Credit

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

##### Other Arrangements

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

#### CRITICAL ACCOUNTING POLICIES

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

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

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

##### Recoverability of Long-Lived Assets

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

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

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



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

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

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

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

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

#### Application of Acquisition Method of Accounting

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

#### Acquisition of Peninsula Gaming

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

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

Accounting for our Investment in Borgata

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

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

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

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

#### Valuation of Indefinite-Lived Intangible Assets

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

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

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

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

#### Valuation of Goodwill

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

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

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

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

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

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

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

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

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

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

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

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

#### Determination of Self-Insured Reserves

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

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

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

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

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

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



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

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

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

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

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

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

#### Recently Issued Accounting Pronouncements

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

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

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

#### Boyd Gaming Credit Facility

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

### Peninsula Credit Facility

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

### Table of Debt Maturities and Interest Rates

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

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

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

### Peninsula Segment Debt

Long-term debt (including current portion):

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

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

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

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

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

ITEM 8. Financial Statements and Supplementary Data

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

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

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

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

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

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

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

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada  
February 27, 2015

BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

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

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





BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

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

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

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

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

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

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

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

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

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

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

BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

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

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

BOYD GAMING CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Las Vegas Locals

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

Downtown Las Vegas

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

Midwest and South

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

Peninsula

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

Borgata

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





## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

## Basis of Presentation

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

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

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

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

## Cash and Cash Equivalents

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

## Restricted Cash

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

## Accounts Receivable, net

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

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

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

Inventories

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

Property and Equipment, net

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

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

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

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

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

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

#### Capitalized Interest

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

#### Investment in Unconsolidated Subsidiary

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

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

#### Debt Financing Costs

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

#### CRDA Investments

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

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

## Investment in Available for Sale Securities

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

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

(In thousands)

For the year ending December 31,

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

## Intangible Assets

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

## Amortizing Intangible Assets

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

## Indefinite-Lived Intangible Assets

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

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

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

**Goodwill**

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

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

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

#### Slot Bonus Point Program

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

#### Long-Term Debt, Net

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

#### Income Taxes

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

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



#### Other Long Term Tax Liabilities

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

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

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

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

## Self-Insurance Reserves

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

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

## Accumulated Other Comprehensive Income (Loss)

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

## Noncontrolling Interest

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

## Revenue Recognition

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

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

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

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

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

## Promotional Allowances

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

The amounts included in promotional allowances are as follows:

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

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

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

## Gaming Taxes

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

## Advertising Expense

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

## Corporate Expense

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

## Preopening Expenses

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

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

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

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

## Share-Based Compensation

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

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

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

## Net Income (loss) per Share

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

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

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

## Concentration of Credit Risk

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

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

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

## Use of Estimates

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

Actual results could differ from these estimates.

**Discontinued Operations**

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

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

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Recently Issued Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

## NOTE 2. ACQUISITIONS AND DIVESTITURES

### Peninsula Gaming

#### Overview

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

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

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

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

## Contingent Consideration

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

## Acquisition Method of Accounting

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

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

Net assets acquired

\$1,467,095

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

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

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

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

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

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

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

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

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

## Supplemental Unaudited Pro Forma Information

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

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

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

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

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Pro Forma and Other Adjustments

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

Disposition of Echelon

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

Discontinued Operations - Disposition of Dania Jai-Alai

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

NOTE 3. DECONSOLIDATION OF CERTAIN INTERESTS

Borgata Hotel Casino and Spa

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

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

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

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

## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

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

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

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

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

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

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

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

## LVE Energy Partners, LLC

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



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

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

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

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

## NOTE 4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

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

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

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

## NOTE 5. INTANGIBLE ASSETS

Intangible assets consist of the following:

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



## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

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

## Amortizing Intangible Assets

## Customer Relationships

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

## Favorable Lease Rates

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

## Development Agreement

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

## Indefinite Lived Intangible Assets

## Trademarks

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

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

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## Gaming License Rights

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

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

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

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

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

## Future Amortization

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

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

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

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

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

## Impairment Considerations

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

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

## NOTE 6. GOODWILL

Goodwill consists of the following:

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

## Changes in Goodwill

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

## NOTE 7. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

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





## BOYD GAMING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

## NOTE 8. LONG-TERM DEBT

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

(In thousands)	December 31, 2014				
	Interest Rates at Dec. 31, 2014	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
<b>Boyd Gaming Corporation Debt:</b>					
Bank credit facility	3.66	% \$1,387,425	\$(3,589)	) \$—	\$1,383,836
9.125% senior notes due 2018	9.13	% 500,000	—	(4,845)	) \$495,155
9.00% senior notes due 2020	9.00	% 350,000	—	—	\$350,000
HoldCo Note	8.00	% 151,740	(11,743)	) —	\$139,997
		2,389,165	(15,332)	) (4,845)	) 2,368,988
<b>Peninsula Segment Debt:</b>					
Bank credit facility	4.25	% 742,400	—	—	742,400
8.375% senior notes due 2018	8.38	% 350,000	—	—	350,000
Other	various	3	—	—	3
		1,092,403	—	—	1,092,403
Total long-term debt		3,481,568	(15,332)	) (4,845)	) 3,461,391
Less current maturities		29,753	—	—	29,753
Long-term debt, net		\$3,451,815	\$(15,332)	) \$(4,845)	) \$3,431,638

(In thousands)	December 31, 2013				
	Interest Rates at Dec. 31, 2013	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
<b>Boyd Debt:</b>					
<b>Boyd Gaming Corporation Debt:</b>					
Bank credit facility	3.66	% \$1,467,725	\$(4,233)	) \$—	\$1,463,492
9.125% senior notes due 2018	9.13	% 500,000	—	(6,082)	) 493,918
9.00% senior notes due 2020	9.00	% 350,000	—	—	350,000
HoldCo Note	6.00	% 143,030			