

BOYD GAMING CORP  
Form 10-Q  
November 07, 2014

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

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FORM 10-Q

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(Mark One)

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

For the quarterly period ended September 30, 2014

OR

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

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

Commission file number: 1-12882

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BOYD GAMING CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

Large accelerated filer  Accelerated filer

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

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

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

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Class	Outstanding as of October 31, 2014
Common stock, \$0.01 par value	108,424,772

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BOYD GAMING CORPORATION  
 QUARTERLY REPORT ON FORM 10-Q  
 FOR THE PERIOD ENDED SEPTEMBER 30, 2014  
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## PART I. Financial Information

## Item 1. Financial Statements (Unaudited)

BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

(Unaudited)

## ASSETS

## Current assets

Cash and cash equivalents

September 30, December 31,  
2014 2013

\$ 120,910 \$ 177,838

Restricted cash

25,163 20,686

Accounts receivable, net

26,873 65,569

Inventories

16,041 19,719

Prepaid expenses and other current assets

37,599 42,460

Income taxes receivable

738 1,143

Deferred income taxes and current tax assets

3,127 7,265

Total current assets

230,451 334,680

Property and equipment, net

2,278,854 3,505,613

Investment in unconsolidated subsidiary

221,400 —

Debt financing costs, net

60,679 84,209

Other assets, net

49,977 61,259

Intangible assets, net

982,910 1,070,660

Goodwill, net

685,310 685,310

Total assets

\$ 4,509,581 \$ 5,741,731

## LIABILITIES AND STOCKHOLDERS' EQUITY

## Current liabilities

Current maturities of long-term debt

\$ 27,693 \$ 33,559

Accounts payable

68,636 75,478

Accrued liabilities

251,109 341,947

Deferred income taxes and other current tax liabilities

2,849 2,879

Total current liabilities

350,287 453,863

Long-term debt, net of current maturities

3,432,725 4,352,932

Deferred income taxes

154,449 155,218

Other long-term tax liabilities

28,706 42,188

Other liabilities

80,807 87,093

Commitments and contingencies (Note 9)

Stockholders' equity

Preferred stock, \$0.01 par value, 5,000,000 shares authorized

— —

Common stock, \$0.01 par value, 200,000,000 shares authorized; 108,424,772 and  
108,155,002 shares outstanding

1,084 1,082

Additional paid-in capital

914,391 902,496

Accumulated deficit

(452,692 ) (432,074 )

Accumulated other comprehensive loss

(226 ) (1,517 )

Total Boyd Gaming Corporation stockholders' equity

462,557 469,987

Noncontrolling interest

50 180,450

Total stockholders' equity

462,607 650,437

Total liabilities and stockholders' equity

\$ 4,509,581 \$ 5,741,731

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

BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data) (Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
<b>REVENUES</b>				
Operating revenues				
Gaming	\$631,668	\$633,237	\$1,859,339	\$1,893,722
Food and beverage	115,072	114,397	332,068	338,975
Room	75,330	72,299	210,072	203,308
Other	44,441	43,808	124,574	125,017
Gross revenues	866,511	863,741	2,526,053	2,561,022
Less promotional allowances	127,668	125,172	356,327	348,121
Net revenues	738,843	738,569	2,169,726	2,212,901
<b>COST AND EXPENSES</b>				
Operating costs and expenses				
Gaming	294,118	302,373	867,506	887,436
Food and beverage	61,511	57,655	179,976	181,950
Room	14,679	12,556	42,330	41,611
Other	33,554	33,056	91,708	92,429
Selling, general and administrative	113,436	122,837	349,494	373,865
Maintenance and utilities	45,050	45,735	131,337	125,986
Depreciation and amortization	66,168	69,002	198,245	209,358
Corporate expense	15,064	12,084	52,605	42,588
Preopening expense	1,262	1,675	3,836	4,829
Impairments of assets	18,279	1,250	20,205	6,282
Asset transactions costs	3,064	(1,362)	5,078	2,265
Other operating items, net	(1,116)	3,386	(1,863)	5,181
Total operating costs and expenses	665,069	660,247	1,940,457	1,973,780
Operating income	73,774	78,322	229,269	239,121
Other expense (income)				
Interest income	(466)	(553)	(1,412)	(1,779)
Interest expense, net	75,420	83,145	226,219	266,953
Loss on early extinguishments of debt	71	27,141	1,129	29,513
Other, net	116	136	498	(335)
Total other expense, net	75,141	109,869	226,434	294,352
Income (loss) from continuing operations before income taxes	(1,367)	(31,547)	2,835	(55,231)
Income taxes benefit (expense)	(1,961)	(3,048)	(12,050)	3,478
Loss from continuing operations, net of tax	(3,328)	(34,595)	(9,215)	(51,753)
Income from discontinued operations, net of tax	—	—	—	10,790
Net loss	(3,328)	(34,595)	(9,215)	(40,963)
Net (income) loss attributable to noncontrolling interest	(11,777)	(2,672)	(11,403)	8,039
Net loss attributable to Boyd Gaming Corporation	\$(15,105)	\$(37,267)	\$(20,618)	\$(32,924)
<b>Basic net income (loss) per common share:</b>				
Continuing operations	\$(0.14)	\$(0.37)	\$(0.19)	\$(0.47)
Discontinued operations	—	—	—	0.12

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Basic net loss per common share	\$ (0.14	)	\$ (0.37	)	\$ (0.19	)	\$ (0.35	)
Weighted average basic shares outstanding	109,923		101,555		109,854		93,122	
Diluted net income (loss) per common share:								
Continuing operations	\$ (0.14	)	\$ (0.37	)	\$ (0.19	)	\$ (0.47	)
Discontinued operations	—		—		—		0.12	
Diluted net loss per common share	\$ (0.14	)	\$ (0.37	)	\$ (0.19	)	\$ (0.35	)
Weighted average diluted shares outstanding	109,923		101,555		109,854		93,122	

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

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

(In thousands) (Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net loss	\$ (3,328	) \$ (34,595	) \$ (9,215	) \$ (40,963
Other comprehensive loss, net of tax:				
Fair value of adjustments to available-for-sale securities, net of tax	681	52	1,291	167
Comprehensive loss	(2,647	) (34,543	) (7,924	) (40,796
Less: net income (loss) attributable to noncontrolling interest	11,777	2,672	11,403	(8,039
Comprehensive loss attributable to Boyd Gaming Corporation	\$ (14,424	) \$ (37,215	) \$ (19,327	) \$ (32,757

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



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

(In thousands, except share data) (Unaudited)	Boyd Gaming Corporation Stockholders' Equity						
	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss), Net	Noncontrolling Interest	Total	
	Shares	Amount					
Balances, January 1, 2014	108,155,002	\$ 1,082	\$ 902,496	\$(432,074 )	\$(1,517 )	\$ 180,450	\$ 650,437
Net income (loss)	—	—	—	(20,618 )	—	11,403	(9,215 )
Comprehensive income attributable to Boyd	—	—	—	—	1,291	—	1,291
Stock options exercised	131,229	2	982	—	—	—	984
Release of restricted stock units, net of tax	138,541	—	(326 )	—	—	—	(326 )
Share-based compensation costs	—	—	11,239	—	—	—	11,239
Noncontrolling interests contribution	—	—	—	—	—	30	30
Deconsolidation of Borgata on September 30, 2014	—	—	—	—	—	(191,833 )	(191,833 )
Balances, September 30, 2014	108,424,772	\$ 1,084	\$ 914,391	\$(452,692 )	\$(226 )	\$ 50	\$ 462,607
Balances, January 1, 2013	86,871,977	\$ 869	\$ 655,694	\$(351,810 )	\$(962 )	\$ 163,336	\$ 467,127
Net income (loss)	—	—	—	(32,924 )	—	(8,039 )	(40,963 )
Unrealized gain on investment available for sale	—	—	—	—	167	—	167
Equity offering	18,975,000	190	216,277	—	—	—	216,467
Stock options exercised	1,827,723	18	13,573	—	—	—	13,591
Restricted stock units released/settled	130,597	1	(355 )	—	—	—	(354 )
Share-based compensation costs	—	—	9,033	—	—	—	9,033
Deconsolidation of LVE	—	—	—	—	—	45,404	45,404
Balances, September 30, 2013	107,805,297	\$ 1,078	\$ 894,222	\$(384,734 )	\$(795 )	\$ 200,701	\$ 710,472

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

BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) (Unaudited)	Nine Months Ended September 30,	
	2014	2013
Cash Flows from Operating Activities		
Net loss	\$(9,215	) \$(40,963
Adjustments to reconcile net loss to net cash provided by operating activities:		
Gain on discontinued operations, net of tax	—	(10,790
Depreciation and amortization	198,245	209,358
Amortization of debt financing costs	14,498	16,726
Amortization of discounts on debt	5,860	13,862
Loss on early extinguishments of debt	1,129	29,513
Share-based compensation expense	11,239	9,033
Deferred income taxes	11,690	7,027
Noncash impairments of assets	20,205	8,198
Other operating activities	2,370	2,455
Changes in operating assets and liabilities:		
Restricted cash	(10,299	) (4,291
Accounts receivable, net	788	1,529
Inventories	(655	) 375
Prepaid expenses and other current assets	(18,041	) (1,489
Current other tax asset	3,575	4,062
Income taxes receivable	396	584
Other assets, net	(650	) 22,519
Accounts payable and accrued liabilities	7,651	(19,093
Other long-term tax liabilities	(3,843	) (19,569
Other liabilities	(2,442	) 4,737
Net cash provided by operating activities	232,501	233,783
Cash Flows from Investing Activities		
Capital expenditures	(94,617	) (100,618
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
Deconsolidation of Borgata	(26,891	) —
Other investing activities	3,187	198
Net cash provided by (used in) investing activities	(118,321	) 61,205
Cash Flows from Financing Activities		
Borrowings under Boyd Gaming bank credit facility	605,000	2,711,375
Payments under Boyd Gaming bank credit facility	(698,400	) (2,738,325
Borrowings under Peninsula bank credit facility	242,100	268,500
Payments under Peninsula bank credit facility	(283,350	) (296,688
Borrowings under Borgata bank credit facility	410,900	297,100
Payments under Borgata bank credit facility	(444,900	) (300,800
Debt financing costs	(289	) (36,396
Payments on long-term debt	(7	) (10,818
Payments on retirements of long-term debt	(2,850	) (500,272
Stock options exercised	984	13,591
Restricted stock units released, net	(201	) (354

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Proceeds from sale of common stock	—	216,467	
Other financing activities	(95	) —	
Net cash used in financing activities	(171,108	) (376,620	)
Cash Flows from Discontinued Operations			
Cash flows from operating activities	—	(2,144	)
Cash flows from investing activities	—	56,751	
Net cash used in discontinued operations	—	54,607	
Change in cash and cash equivalents	(56,928	) (27,025	)
Cash and cash equivalents, beginning of period	177,838	192,545	
Change in cash classified as discontinued operations	—	283	
Cash and cash equivalents, end of period	\$ 120,910	\$ 165,803	
Supplemental Disclosure of Cash Flow Information			
Cash paid for interest, net of amounts capitalized	\$ 218,499	\$ 248,862	
Cash paid (received) for income taxes, net of refunds	232	(6,424	)
Supplemental Schedule of Noncash Investing and Financing Activities			
Payables incurred for capital expenditures	\$ 10,005	\$ 7,849	
The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.			

BOYD GAMING CORPORATION AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

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NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

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

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

Basis of Presentation

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

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

The accompanying condensed consolidated financial statements include the accounts of Boyd Gaming and its wholly owned subsidiaries. Investments in unconsolidated affiliates, which do not meet the consolidation criteria of the authoritative accounting guidance for voting interest, controlling interest or variable interest entities, are accounted for under the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation.

On September 30, 2014, our Atlantic City partner reacquired its ownership interest in and its substantive participation rights in the management of Borgata. As a result, we deconsolidated Borgata as of the close of business on September 30, 2014, eliminating the assets, liabilities and non-controlling interests from our balance sheet. We will account for our investment in Borgata applying the equity method for periods subsequent to the deconsolidation. (See Note 4.)

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the U.S. Securities and Exchange Commission ("SEC") on March 14, 2014.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Promotional Allowances

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

complimentary slot play, food and beverage, and to a lesser extent for other goods or services, depending upon the property.

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

The amounts included in promotional allowances are as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Rooms	\$40,420	\$39,296	\$112,825	\$109,737
Food and beverage	53,247	52,708	152,462	153,361
Other	34,001	33,168	91,040	85,023
Total promotional allowances	\$127,668	\$125,172	\$356,327	\$348,121

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Rooms	\$15,371	\$15,361	\$43,956	\$44,505
Food and beverage	46,841	47,252	133,889	136,435
Other	6,512	6,499	17,199	17,058
Total cost of promotional allowances	\$68,724	\$69,112	\$195,044	\$197,998

#### Gaming Taxes

We are subject to taxes based on gross gaming revenues in the jurisdictions in which we operate. These gaming taxes are assessed based on our gaming revenues and are recorded as a gaming expense in the condensed consolidated statements of operations. These taxes totaled approximately \$96.8 million and \$99.2 million for the three months ended September 30, 2014 and 2013, respectively, and \$289.4 million and \$303.3 million for the nine months ended September 30, 2014 and 2013, respectively.

#### Income Taxes

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

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

Our current rate is impacted by adjustments that are largely independent of our operating results before taxes. Such adjustments relate primarily to the accrual of non-cash tax expense in connection with the tax amortization of

indefinite-lived intangible assets that are not available to offset existing deferred tax assets. The deferred tax liabilities created by the tax amortization of these intangibles cannot be used to offset corresponding increases in the net operating loss deferred tax assets when determining our valuation allowance.

#### 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.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

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

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

#### 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 loss for the nine months ended September 30, 2014, the effect of all potential common share equivalents was anti-dilutive, and therefore all such shares were excluded from the computation of diluted weighted average shares outstanding for this period. The amount of potential common share equivalents were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2014	2013	2014	2013
Potential dilutive effect	904.6	952.8	926.1	942.4

#### Use of Estimates

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

#### Recently Issued Accounting Pronouncements

Accounting Standards Update 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 Financial Accounting Standards Board ("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.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

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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 is 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.

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 with early adoption permitted. The Company is currently assessing the potential impact that the adoption of this guidance will have on its financial position and results of operations.

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

**NOTE 3. DISPOSITION**

Discontinued Operations - Disposition of Dania Jai-Alai

On May 22, 2013, we consummated the sale of certain assets and liabilities of the Dania pari-mutuel facility ("Dania Jai-Alia"), located in 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 in second quarter 2013. We have presented the results of Dania Jai-Alai Business as discontinued operations for all periods presented in these condensed consolidated financial statements. There were no assets and liabilities of the discontinued operation as of September 30, 2014 and December 31, 2013.

**NOTE 4. DECONSOLIDATION OF CERTAIN INTERESTS**

Borgata Hotel Casino and Spa

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

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

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 will account 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 condensed consolidated statement of operations. We will account for our investment in Borgata applying the equity method for periods subsequent to the deconsolidation.

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 the Borgata for a finite period of years and discounting them to present value. The market approach focuses on comparing the 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.

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 are 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

LVE Energy Partners, LLC

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.

In connection with the disposition of Echelon on March 4, 2013, 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 was terminated. As a result, we ceased consolidation of LVE as of that date.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

## NOTE 5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

(In thousands)	September 30, 2014	December 31, 2013
Land	\$229,684	\$336,079
Buildings and improvements	2,508,826	3,852,039
Furniture and equipment	1,067,571	1,332,090
Riverboats and barges	189,536	189,175
Construction in progress	82,493	72,141
Other	14,555	21,750
Total property and equipment	4,092,665	5,803,274
Less accumulated depreciation	1,813,811	2,297,661
Property and equipment, net	\$2,278,854	\$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 three months ended September 30, 2014 and 2013 was \$57.5 million and \$56.9 million, respectively. Depreciation expense for the nine months ended September 30, 2014 and 2013 was \$172.6 million and \$173.6 million, respectively.

## NOTE 6. INTANGIBLE ASSETS

Intangible assets consist of the following:

(In thousands)	September 30, 2014		Cumulative	Cumulative	Intangible
	Weighted	Gross	Amortization	Impairment	Assets, Net
	Average Life	Carrying		Losses	
	Remaining	Value			
Amortizing intangibles:					
Customer relationships	2.8 years	\$154,000	\$(93,715	) \$—	\$60,285
Favorable lease rates	32.7 years	45,370	(10,694	) —	34,676
Development agreement	—	21,373	—	—	21,373
		220,743	(104,409	) —	116,334
Indefinite lived intangible assets:					
Trademarks and other	Indefinite	129,501	—	(3,200	) 126,301
Gaming license rights	Indefinite	955,135	(33,960	) (180,900	) 740,275
		1,084,636	(33,960	) (184,100	) 866,576
Balance, September 30, 2014		\$1,305,379	\$(138,369	) \$(184,100	) \$982,910



## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

(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 and other	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

## NOTE 7. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

(In thousands)	September 30, 2014	December 31, 2013
Payroll and related expenses	\$67,371	\$90,602
Interest	28,290	47,497
Gaming liabilities	38,880	58,145
Player loyalty program liabilities	19,360	25,159
Accrued liabilities	97,208	120,544
Total accrued liabilities	\$251,109	\$341,947



## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

## NOTE 8. LONG-TERM DEBT

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

(In thousands)	Interest Rates at Sept. 30, 2014	September 30, 2014		Unamortized Origination Fees	Long-Term Debt, Net
		Outstanding Principal	Unamortized Discount		
Boyd Debt:					
Boyd Gaming Debt:					
Bank credit facility	3.67	% \$1,374,325	\$(3,750)	) \$—	\$1,370,575
9.125% senior notes due 2018	9.13	% 500,000	—	(5,155)	) 494,845
9.00% senior notes due 2020	9.00	% 350,000	—	—	350,000
HoldCo Note	6.00	% 147,320	(13,228)	) —	134,092
		2,371,645	(16,978)	) (5,155)	) 2,349,512
Peninsula Segment Debt:					
Bank credit facility	4.25	% 760,900	—	—	760,900
8.375% senior notes due 2018	8.38	% 350,000	—	—	350,000
Other	various	6	—	—	6
		1,110,906	—	—	1,110,906
Total long-term debt		3,482,551	(16,978)	) (5,155)	) 3,460,418
Less current maturities		27,693	—	—	27,693
Long-term debt, net		\$3,454,858	\$(16,978)	) \$(5,155)	) \$3,432,725

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

(In thousands)	Interest Rates at Dec. 31, 2013	December 31, 2013			
		Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
<b>Boyd Debt:</b>					
<b>Boyd Gaming Debt:</b>					
Bank credit facility	3.66	% \$1,467,725	\$(4,233)	) \$—	\$1,463,492
9.125% senior notes due 2018	9.13	% 500,000	—	(6,082)	) 493,918
9.00% senior notes due 2020	9.00	% 350,000	—	—	) 350,000
HoldCo Note	6.00	% 143,030	(17,371)	) —	) 125,659
		2,460,755	(21,604)	(6,082)	) 2,433,069
<b>Peninsula Segment Debt:</b>					
Bank credit facility	4.20	% 802,150	—	—	802,150
8.375% senior notes due 2018	8.38	% 350,000	—	—	350,000
Other	various	12	—	—	12
		1,152,162	—	—	1,152,162
<b>Total Boyd Debt</b>		<b>3,612,917</b>	<b>(21,604)</b>	<b>(6,082)</b>	<b>) 3,585,231</b>
<b>Borgata Debt:</b>					
Bank credit facility	3.86	% 39,900	—	—	39,900
Incremental term loan	6.75	% 380,000	(3,766)	) —	376,234
9.875% senior secured notes due 2018	9.88	% 393,500	(1,811)	(6,563)	) 385,126
<b>Total Borgata Debt</b>		<b>813,400</b>	<b>(5,577)</b>	<b>(6,563)</b>	<b>) 801,260</b>
Less current maturities		33,559	—	—	33,559
<b>Long-term debt, net</b>		<b>\$4,392,758</b>	<b>\$(27,181)</b>	<b>\$(12,645)</b>	<b>) \$4,352,932</b>

## Boyd Gaming Debt

## Boyd Bank Credit Facility

The net amounts outstanding under the Third Amended and Restated Credit Agreement (the "Boyd Gaming Credit Facility") were:

(In thousands)	September 30, 2014	December 31, 2013
Revolving Credit Facility	\$266,250	\$295,000
Term A Loan	234,375	246,875
Term B Loan	858,750	897,750
Swing Loan	11,200	23,867
<b>Total outstanding borrowings under the Boyd Gaming Credit Facility</b>	<b>\$1,370,575</b>	<b>\$1,463,492</b>

At September 30, 2014, approximately \$1.4 billion was outstanding under the Boyd Gaming Credit Facility and \$7.7 million was allocated to support various letters of credit, leaving remaining contractual availability of \$311.1 million.



BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

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HoldCo Note

In accordance with its terms, \$4.3 million of accrued and unpaid interest was added to the principal balance of the HoldCo Note during the second quarter of 2014.

Peninsula Segment Debt

Bank Credit Facility

At September 30, 2014, approximately \$760.9 million was outstanding under the Peninsula senior secured credit facility (the "Peninsula Credit Facility") and \$5.6 million was allocated to support various letters of credit, leaving remaining contractual availability of \$30.0 million.

Under the First Amendment to the Credit Agreement entered into on May 1, 2013 (the "Amendment"), Peninsula is allowed to pay its quarterly amortization installments prior to the last day of the applicable quarter. As of September 30, 2014, Peninsula has voluntarily paid its quarterly amortization installment due on or before December 31, 2014. As such, current maturities of long-term debt and leases on the condensed consolidated balance sheet as of September 30, 2014, reflect only three quarterly amortization installments for those installment payments due on or before March 31, 2015, June 30, 2015, and September 30, 2015.

Loss on Debt Extinguishments and Modifications

During the three and nine months ended September 30, 2014, Peninsula incurred non-cash charges of \$0.1 million and \$1.1 million, respectively, for deferred debt financing costs written off, which represents the ratable reduction in borrowing capacity due to optional prepayments made during these periods.

Covenant Compliance

As of September 30, 2014, we believe that Boyd Gaming and Peninsula were in compliance with the financial and other covenants of their respective debt instruments.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Commitments

There have been no material changes to our commitments described under Note 13, Commitments and Contingencies, in our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on March 14, 2014.

Contingencies

Legal Matters

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

NOTE 10. STOCKHOLDERS' EQUITY AND STOCK INCENTIVE PLANS

Share-Based Compensation

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



## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Gaming	\$49	\$59	\$231	\$176
Food and beverage	9	12	44	34
Room	4	5	21	16
Selling, general and administrative	247	298	1,173	894
Corporate expense	1,217	1,675	9,962	7,913
Other operating items, net	(192	) —	(192	) —
Total share-based compensation expense	\$1,334	\$2,049	\$11,239	\$9,033

## NOTE 11. NONCONTROLLING INTEREST

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

Changes in the noncontrolling interest are as follows:

(In thousands)	Nine Months Ended September 30, 2014				
	Holding Company	Other	Total		
Balance, January 1, 2014	\$180,430	\$20	\$180,450		
Attributable net income	11,403	—	11,403		
Capital contributions	—	30	30		
Deconsolidation of Borgata on September 30, 2014	(191,833	) —	(191,833	)	
Balance, September 30, 2014	\$—	\$50	\$50		
(In thousands)	Nine Months Ended September 30, 2013				
	Holding Company	LVE	Other	Total	
Balance, January 1, 2013	\$208,277	\$(44,961	) \$20	\$163,336	
Attributable net loss	(7,596	) (443	) —	(8,039	)
Deconsolidation of LVE on March 4, 2013	—	45,404	—	45,404	
Balance, September 30, 2013	\$200,681	\$—	\$20	\$200,701	

## NOTE 12. FAIR VALUE MEASUREMENTS

We have adopted the authoritative accounting guidance for fair value measurements, which does not determine or affect the circumstances under which fair value measurements are used, but defines fair value, expands disclosure requirements around fair value and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions.

These inputs create the following fair value hierarchy:

Level 1: Quoted prices for identical instruments in active markets.

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

As required by the guidance for fair value measurements, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Thus, assets and liabilities categorized as Level 3 may be measured at fair value using inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Management's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

## Balances Measured at Fair Value

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

(In thousands)	September 30, 2014			
	Balance	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and cash equivalents	\$120,910	\$120,910	\$—	\$—
Restricted cash	25,163	25,163	—	—
Investment available for sale	18,153	—	—	18,153
<b>Liabilities</b>				
Merger earnout	\$225	\$—	\$—	\$225
Contingent payments	4,258	—	—	4,258
(In thousands)	December 31, 2013			
	Balance	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and cash equivalents	\$177,838	\$177,838	\$—	\$—
Restricted cash	20,686	20,686	—	—
CRDA deposits	4,613	—	—	4,613
Investment available for sale	17,128	—	—	17,128
<b>Liabilities</b>				
Merger earnout	\$1,125	\$—	\$—	\$1,125
Contingent payments	4,343	—	—	4,343

## Cash and Cash Equivalents and Restricted Cash

The fair value of our cash and cash equivalents and restricted cash, classified in the fair value hierarchy as Level 1, are based on statements received from our banks at September 30, 2014 and December 31, 2013.

## CRDA Deposits



The fair value of Borgata's CRDA deposits, classified in the fair value hierarchy as Level 3, is based on estimates of the realizable value applied to the balances on statements received from the CRDA at December 31, 2013.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

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Investment Available for Sale

We have an investment in a single municipal bond issuance of \$21.7 million aggregate principal amount of 7.5% Urban Renewal Tax Increment Revenue Bonds, Taxable Series 2007 that is classified as available for sale. We are the only holder of this instrument and there is no quoted market price for this instrument. As such, the fair value of this investment is classified as Level 3 in the fair value hierarchy. The estimate of the fair value of such investment was determined using a combination of current market rates and estimates of market conditions for instruments with similar terms, maturities, and degrees of risk and a discounted cash flows analysis as of September 30, 2014 and December 31, 2013. Unrealized gains and losses on this instrument resulting from changes in the fair value of the instrument are not charged to earnings, but rather are recorded as other comprehensive income (loss) in the stockholders' equity section of the condensed consolidated balance sheets. At September 30, 2014 and December 31, 2013, \$0.4 million and \$0.3 million, respectively, of the carrying value of the investment available for sale is included as a current asset in prepaid expenses and other current assets, and at September 30, 2014 and December 31, 2013, \$17.8 million and \$16.8 million, respectively, is included in other assets on the condensed consolidated balance sheets. The discount associated with this investment of \$3.4 million and \$3.5 million as of September 30, 2014 and December 31, 2013, respectively, is netted with the investment balance and is being accreted over the life of the investment using the effective interest method. The accretion of such discount is included in interest income on the condensed consolidated statements of operations.

Merger Earnout

Under the terms of the Merger Agreement, Boyd Acquisition II, LLC, an indirect wholly owned subsidiary of Boyd, is obligated to make an additional payment to Peninsula Gaming Partners, LLC, in 2016 if Kansas Star Casino's ("KSC") EBITDA, as defined in the Merger Agreement, for 2015 exceeds \$105.0 million. The additional payment would be equal to 7.5 times the amount by which KSC's 2015 EBITDA exceeds \$105.0 million. The actual payout will be determined based on actual EBITDA of KSC for calendar year 2015, and payments are not limited by a maximum value. If the actual 2015 EBITDA of KSC is less than the target, the Company is not required to make any additional consideration payment. The value of this contingency was calculated using a probability-based model. This model requires estimates of forecasted 2015 EBITDA and of probability of exceeding the threshold at which a payment would be made. We formed our valuation assumptions using historical experience in the gaming industry and observable market conditions. The assumptions will be reviewed periodically and any change in the value of the obligation will be included in the consolidated statements of operations. At September 30, 2014 and December 31, 2013, there were outstanding liabilities of \$0.2 million and \$1.1 million, respectively, related to the merger earnout which are included in other liabilities on the condensed consolidated balance sheets.

Contingent Payments

In connection with the development of the Kansas Star Casino, KSC agreed to pay a former casino project developer and option holder 1% of KSC's EBITDA each month for a period of ten years commencing December 20, 2011. The liability was initially recorded upon consummation of the Merger, at the estimated fair value of the contingent land purchase price using a discounted cash flows approach. At both September 30, 2014 and December 31, 2013, there was a current liability of \$0.9 million related to this agreement, which was recorded in accrued liabilities on the respective condensed consolidated balance sheets, and long-term obligations of \$3.4 million, which were included in other liabilities on the respective condensed consolidated balance sheets.



## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

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

(In thousands)	Three Months Ended September 30, 2014		
	Assets	Liabilities	
	Investment Available for Sale	Merger Earnout	Contingent Payments
Balance at July 1, 2014	\$17,443	\$(450)	\$(4,278)
Deposits	—	—	—
Total gains (losses) (realized or unrealized):			
Included in earnings	29	225	(181)
Included in other comprehensive income (loss)	681	—	—
Transfers in or out of Level 3	—	—	—
Purchases, sales, issuances and settlements:			
Settlements	—	—	201
Ending balance at September 30, 2014	\$18,153	\$(225)	\$(4,258)

Gains (losses) included in earnings attributable to the change in unrealized gains relating to assets and liabilities still held at the reporting date:

Included in interest income	\$29	\$—	\$—
Included in interest expense	—	—	(181)

(In thousands)	Three Months Ended September 30, 2013			
	Assets	Liabilities		
	Investment Available for Sale	CRDA Deposits	Merger Earnout	Contingent Payments
Balance at July 1, 2013	\$17,742	\$25,114	\$(8,983)	\$(4,470)
Deposits	—	1,738	—	—
Total gains (losses) (realized or unrealized):				
Included in earnings	28	(581)	—	(191)
Included in other comprehensive income (loss)	167	—	—	—
Transfers in or out of Level 3	—	—	—	—
Purchases, sales, issuances and settlements:				
Settlements	—	(22,545)	—	214
Ending balance at September 30, 2013	\$17,937	\$3,726	\$(8,983)	\$(4,447)

Gains (losses) included in earnings attributable to the change in unrealized gains relating to assets and liabilities still held at the reporting date:

Included in interest income	\$28	\$—	\$—	\$—
Included in interest expense	—	—	—	(191)



## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

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

Gains (losses) included in earnings attributable to the change in unrealized gains relating to assets and liabilities still held at the reporting date:

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

(In thousands)	Nine Months Ended September 30, 2013			
	Assets	Liabilities		
	Investment Available for Sale	CRDA Deposits	Merger Earnout	Contingent Payments
Balance at January 1, 2013	\$17,907	\$28,464	\$(9,800)	\$(4,563)
Deposits	—	5,145	—	—
Total gains (losses) (realized or unrealized):				
Included in earnings	78	(7,338)	817	(578)
Included in other comprehensive income (loss)	282	—	—	—
Transfers in or out of Level 3	—	—	—	—
Purchases, sales, issuances and settlements:				
Settlements	(330)	(22,545)	—	694
Ending balance at September 30, 2013	\$17,937	\$3,726	\$(8,983)	\$(4,447)

Gains (losses) included in earnings attributable to the change in unrealized gains relating to assets and liabilities still held at the reporting date:

Included in interest income	\$78	\$—	\$—	\$167
Included in interest expense	—	—	—	(578)
Included in non-operating income	—	—	817	—



## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

The table below summarizes the significant unobservable inputs used in calculating fair value for our Level 3 assets and liabilities:

	Valuation Technique	Unobservable Input	Rate	
Investment available for sale	Discounted cash flow	Discount rate	10.2	%
Merger earnout	Probability-based model	Estimated probability	2.0	%
Contingent payments	Discounted cash flow	Discount rate	18.5	%

## Balances Disclosed at Fair Value

The following tables provide the fair value measurement information about our obligation under minimum assessment agreements and other financial instruments:

(In thousands)	September 30, 2014			
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Liabilities				
Obligation under assessment arrangements	\$37,094	\$28,788	\$28,942	Level 3
Other financial instruments	300	262	262	Level 3

(In thousands)	December 31, 2013			
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Liabilities				
Obligation under assessment arrangements	\$37,783	\$28,980	\$27,608	Level 3
Other financial instruments	400	343	343	Level 3

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

(In thousands)	September 30, 2014			
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Boyd Debt:				
Boyd Gaming Debt:				
Bank credit facility	\$1,374,325	\$1,370,575	\$1,384,027	Level 2
9.125% Senior Notes due 2018	500,000	494,845	527,500	Level 1
9.00% Senior Notes due 2020	350,000	350,000	378,455	Level 1
HoldCo Note	147,320	134,092	139,954	Level 3
	2,371,645	2,349,512	2,429,936	
Peninsula Segment Debt:				
Bank credit facility	760,900	760,900	773,068	Level 2
8.375% Senior Notes due 2018	350,000	350,000	367,500	Level 2
Other	6	6	6	Level 3
	1,110,906	1,110,906	1,140,574	
Total debt	\$3,482,551	\$3,460,418	\$3,570,510	





## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

(In thousands)	December 31, 2013		Estimated Fair Value	Fair Value Hierarchy
	Outstanding Face Amount	Carrying Value		
Boyd Debt:				
Boyd Gaming Debt:				
Bank credit facility	\$1,467,725	\$1,463,492	\$1,469,969	Level 2
9.125% Senior Notes due 2018	500,000	493,918	543,750	Level 1
9.00% Senior Notes due 2020	350,000	350,000	383,250	Level 1
HoldCo Note	143,030	125,659	125,659	Level 3
	2,460,755	2,433,069	2,522,628	
Peninsula Segment Debt:				
Bank credit facility	802,150	802,150	814,941	Level 2
8.375% Senior Notes due 2018	350,000	350,000	381,500	Level 2
Other	12	12	12	Level 3
	1,152,162	1,152,162	1,196,453	
Total Boyd Debt	3,612,917	3,585,231	3,719,081	
Borgata Debt:				
Bank credit facility	39,900	39,900	39,900	Level 2
Incremental term loan	380,000	376,234	381,900	Level 2
9.875% senior secured notes due 2018	393,500	385,126	425,472	Level 1
Total Borgata Debt	813,400	801,260	847,272	
Total debt	\$4,426,317	\$4,386,491	\$4,566,353	

The estimated fair value of the Boyd Gaming Credit Facility is based on a relative value analysis performed on or about September 30, 2014 and December 31, 2013. The estimated fair value of the Peninsula Credit Facility is based on a relative value analysis performed on or about September 30, 2014 and December 31, 2013. The estimated fair values of our senior notes and Peninsula's senior notes are based on quoted market prices as of September 30, 2014 and December 31, 2013. Debt included in the "Other" category is fixed-rate debt that is not traded and does not have an observable market input; therefore, we have estimated its fair value based on a discounted cash flow approach, after giving consideration to the changes in market rates of interest, creditworthiness of both parties, and credit spreads.

Due to the deconsolidation of Borgata on September 30, 2014, (see Note 4), Borgata's debt is not included in our September 30, 2014, balance sheet; therefore, estimated fair value information for Borgata's debt is not presented as of that date. The estimated fair value of the Borgata Credit Facility at December 31, 2013 approximates its carrying value due to the short-term nature and variable repricing of the underlying Eurodollar loans comprising the Borgata Credit Facility. The estimated fair value of the Borgata incremental term loan is based on a relative value analysis performed on or about December 31, 2013. The estimated fair values of Borgata's senior secured notes as of December 31, 2013 are based on quoted market prices.

There were no transfers between Level 1, Level 2 and Level 3 measurements during the nine months ended September 30, 2014 or 2013.



## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

## NOTE 13. SEGMENT INFORMATION

We have aggregated certain of our properties in order to present five Reportable Segments: (i) Las Vegas Locals; (ii) Downtown Las Vegas; (iii) Midwest and South; (iv) Peninsula; and (v) Borgata. The table below lists the classification of each of our properties.

## Las Vegas Locals

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

## Midwest and South

Sam's Town Hotel and Gambling Hall	Tunica, Mississippi
IP Casino Resort Spa	Biloxi, Mississippi
Par-A-Dice Hotel Casino	East Peoria, Illinois
Blue Chip Casino, Hotel & Spa	Michigan City, Indiana
Treasure Chest Casino	Kenner, Louisiana
Delta Downs Racetrack Casino & Hotel	Vinton, Louisiana
Sam's Town Hotel and Casino	Shreveport, Louisiana
Peninsula	
Diamond Jo Dubuque	Dubuque, Iowa
Diamond Jo Worth	Northwood, Iowa
Evangeline Downs Racetrack and Casino	Opelousas, Louisiana
Amelia Belle Casino	Amelia, Louisiana
Kansas Star Casino	Mulvane, Kansas

## Borgata

Borgata Hotel Casino & Spa	Atlantic City, New Jersey
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## Results of Operations - Total Reportable Segment Net Revenues and Adjusted EBITDA

We evaluate each of our wholly owned property's profitability based upon Property EBITDA, which represents each property's earnings before interest expense, income taxes, depreciation and amortization, preopening expenses, other operating charges, net, share-based compensation expense, deferred rent, change in value of derivative instruments, and gain/loss on early retirements of debt, as applicable. Total Reportable Segment Adjusted EBITDA is the aggregate sum of the Property EBITDA for each of the properties included in our Las Vegas Locals, Downtown Las Vegas, and Midwest and South, and Peninsula segments, and also includes Borgata's operating income before net amortization, preopening and other items. Results for Downtown Las Vegas include the results of our Hawaii-based travel agency and captive insurance company. EBITDA is a commonly used measure of performance in our industry that we believe, when considered with measures calculated in accordance with GAAP, provides our investors a more complete understanding of our operating results before the impact of investing and financing transactions and income

taxes and facilitates comparisons between us and our competitors. Management has historically adjusted EBITDA when evaluating operating performance because we believe that the inclusion or exclusion of certain recurring and non-recurring items is necessary to provide the most accurate measure of our core operating results and as a means to evaluate period-to-period results.

We reclassify the reporting of corporate expense on the accompanying table in order to exclude it from our subtotal for Total Reportable Segment Adjusted EBITDA and include it as part of total other operating costs and expenses. Furthermore, corporate

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

expense excludes its portion of share-based compensation expense. Corporate expense represents unallocated payroll, professional fees, aircraft expenses and various other expenses not directly related to our casino and hotel operations.

The following table sets forth, for the periods indicated, certain operating data for our Reportable Segments, and reconciles Total Reportable Segment Adjusted EBITDA to operating income, as reported in our accompanying condensed consolidated statements of operations:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net Revenues				
Las Vegas Locals	\$ 141,207	\$ 140,291	\$ 440,920	\$ 442,808
Downtown Las Vegas	53,379	52,674	164,664	162,884
Midwest and South	210,732	214,831	631,472	668,221
Peninsula	123,579	130,722	373,606	400,416
Borgata	209,946	200,051	559,064	538,572
Total Reportable Segment Net Revenues	\$ 738,843	\$ 738,569	\$ 2,169,726	\$ 2,212,901
Reportable Segment Adjusted EBITDA				
Las Vegas Locals	\$ 28,052	\$ 26,350	\$ 104,640	\$ 104,278
Downtown Las Vegas	6,315	5,534	24,193	21,942
Midwest and South	43,593	41,936	129,890	140,243
Peninsula	42,875	45,274	132,918	144,309
Borgata	56,873	46,592	119,917	102,844
Total Reportable Segment Adjusted EBITDA	177,708	165,686	511,558	513,616
Other operating costs and expenses				
Corporate expense	13,848	10,409	42,643	34,675
Deferred rent	903	956	2,714	2,872
Depreciation and amortization	66,168	69,002	198,245	209,358
Preopening expense	1,262	1,675	3,836	4,829
Share-based compensation expense	1,526	2,048	11,431	9,033
Impairments of assets	18,279	1,250	20,205	6,282
Asset transaction costs	3,064	(1,362)	5,078	2,265
Other operating charges and credits, net	(1,116)	3,386	(1,863)	5,181
Total other operating costs and expenses	103,934	87,364	282,289	274,495
Operating income	\$ 73,774	\$ 78,322	\$ 229,269	\$ 239,121

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

## Total Reportable Segment Assets

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

(In thousands)	September 30, 2014	December 31, 2013
Assets		
Las Vegas Locals	\$1,162,456	\$1,190,234
Downtown Las Vegas	124,980	125,618
Midwest and South	1,330,648	1,349,155
Peninsula	1,473,592	1,511,606
Borgata	—	1,334,714
Total Reportable Segment Assets	4,091,676	5,511,327
Corporate	417,905	230,267
Other	—	137
Total Assets	\$4,509,581	\$5,741,731

## NOTE 14. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Separate condensed consolidating financial information for our subsidiary guarantors and non-guarantors of our 9.125% Senior Notes due December 2018 and 9.00% Senior Notes due July 2020 is presented below. The notes are fully and unconditionally guaranteed, on a joint and several basis, by certain of our current and future domestic restricted subsidiaries, all of which are 100% owned by us. The non-guarantors primarily represent special purpose entities, tax holding companies, our less significant operating subsidiaries and our less than wholly owned subsidiaries.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

## Condensed Consolidating Balance Sheets

(In thousands)	September 30, 2014				Eliminations	Consolidated
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)		
<b>Assets</b>						
Cash and cash equivalents	\$2	\$91,028	\$29,661	\$219	\$—	\$120,910
Other current assets	7,391	73,633	30,061	—	(1,544 )	109,541
Property and equipment, net	56,617	1,773,400	448,837	—	—	2,278,854
Investments in subsidiaries	3,340,711	177,048	—	—	(3,296,359 )	221,400
Intercompany receivable	—	1,644,006	—	—	(1,644,006 )	—
Other assets, net	37,872	6,638	66,146	—	—	110,656
Intangible assets, net	—	463,910	519,000	—	—	982,910
Goodwill, net	—	212,794	472,516	—	—	685,310
Total assets	\$3,442,593	\$4,442,457	\$1,566,221	\$219	\$(4,941,909 )	\$4,509,581
<b>Liabilities and Stockholders'</b>						
<b>Equity</b>						
Current maturities of long-term debt	\$21,500	\$—	\$6,193	\$—	\$—	\$27,693
Other current liabilities	52,748	190,007	80,349	—	(510 )	322,594
Accumulated losses of subsidiaries in excess of investment	—	—	228	—	(228 )	—
Intercompany payable	672,643	—	971,726	363	(1,644,732 )	—
Long-term debt, net of current maturities	2,193,920	—	1,238,805	—	—	3,432,725
Other long-term liabilities	39,225	180,754	43,983	—	—	263,962
Common stock	1,084	31,124	(27 )	—	(31,097 )	1,084
Additional paid-in capital	914,391	2,717,796	248,203	4,250	(2,970,249 )	914,391
Retained earnings (deficit)	(452,692 )	1,323,001	(1,023,014 )	(4,394 )	(295,593 )	(452,692 )
Accumulated other comprehensive loss, net	(226 )	(225 )	(225 )	—	450 )	(226 )
Total Boyd Gaming Corporation stockholders' equity (deficit)	462,557	4,071,696	(775,063 )	(144 )	(3,296,489 )	462,557
Noncontrolling interest	—	—	—	—	50	50



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Total stockholders' equity (deficit)	462,557	4,071,696	(775,063 )	(144 )	(3,296,439 )	462,607
Total liabilities and stockholders' equity	\$3,442,593	\$4,442,457	\$1,566,221	\$219	\$(4,941,909 )	\$4,509,581

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

## Condensed Consolidating Balance Sheets - continued

December 31, 2013

(In thousands)	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
<b>Assets</b>						
Cash and cash equivalents	\$—	\$106,445	\$33,766	\$37,627	\$—	\$177,838
Other current assets	13,772	67,991	28,639	48,414	(1,974 )	156,842
Property and equipment, net	69,309	1,808,450	460,789	1,167,065	—	3,505,613
Investments in subsidiaries	3,265,579	129,692	—	—	(3,395,271 )	—
Intercompany receivable	—	1,474,412	—	—	(1,474,412 )	—
Other assets, net	43,470	8,105	72,185	21,708	—	145,468
Intangible assets, net	—	465,259	545,401	60,000	—	1,070,660
Goodwill, net	—	212,794	472,516	—	—	685,310
<b>Total assets</b>	<b>\$3,392,130</b>	<b>\$4,273,148</b>	<b>\$1,613,296</b>	<b>\$1,334,814</b>	<b>\$(4,871,657 )</b>	<b>\$5,741,731</b>
<b>Liabilities and Stockholders'</b>						
<b>Equity</b>						
Current maturities of long-term debt	\$21,500	\$—	\$8,259	\$3,800	\$—	\$33,559
Other current liabilities	57,156	186,539	70,678	103,833	2,098	420,304
Accumulated losses of subsidiaries in excess of investment	—	—	2,026	—	(2,026 )	—
Intercompany payable	512,358	—	966,128	265	(1,478,751 )	—
Long-term debt, net of current maturities	2,285,910	—	1,269,562	797,460	—	4,352,932
Other long-term liabilities	45,219	178,764	33,297	27,219	—	284,499
Common stock	1,082	31,124	(27 )	—	(31,097 )	1,082
Additional paid-in capital	902,496	2,736,895	248,083	480,833	(3,465,811 )	902,496
Retained earnings (deficit)	(432,074 )	1,139,826	(983,193 )	(78,596 )	(78,037 )	(432,074 )
Accumulated other comprehensive loss, net	(1,517 )	—	(1,517 )	—	1,517	(1,517 )
<b>Total Boyd Gaming Corporation stockholders' equity (deficit)</b>	<b>469,987</b>	<b>3,907,845</b>	<b>(736,654 )</b>	<b>402,237</b>	<b>(3,573,428 )</b>	<b>469,987</b>
Noncontrolling interest	—	—	—	—	180,450	180,450
<b>Total stockholders' equity (deficit)</b>	<b>469,987</b>	<b>3,907,845</b>	<b>(736,654 )</b>	<b>402,237</b>	<b>(3,392,978 )</b>	<b>650,437</b>
	<b>\$3,392,130</b>	<b>\$4,273,148</b>	<b>\$1,613,296</b>	<b>\$1,334,814</b>	<b>\$(4,871,657 )</b>	<b>\$5,741,731</b>

Total liabilities and  
stockholders' equity

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

## Condensed Consolidating Statements of Operations

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

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Net income (loss) attributable to controlling interest	\$(15,105 )	\$26,970	\$(19,761 )	\$23,538	\$(30,747 )	\$(15,105 )
Comprehensive income (loss)	\$(14,424 )	\$27,651	\$(19,080 )	\$23,538	\$(20,332 )	\$(2,647 )

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

## Condensed Consolidating Statements of Operations - continued

(In thousands)	Three Months Ended September 30, 2013					Eliminations	Consolidated		
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)					
Net revenues	\$32,018	\$400,874	\$143,022	\$200,051	\$(37,396	)	\$738,569		
Costs and expenses									
Operating	462	223,748	80,857	100,573	—		405,640		
Selling, general and administrative	11,698	58,809	15,510	36,830	(10	)	122,837		
Maintenance and utilities	—	25,639	4,040	16,056	—		45,735		
Depreciation and amortization	1,610	30,281	22,774	14,337	—		69,002		
Corporate expense	11,423	(7	)	668	—		12,084		
Preopening expense	(537	)	—	1,883	329	—	1,675		
Impairments of assets	—	—	1,250	—	—		1,250		
Asset transactions costs	(1,692	)	232	299	(201	)	(1,362		
Other operating items, net	134	43	63	3,146	—		3,386		
Intercompany expenses	301	31,768	5,317	—	(37,386	)	—		
Total costs and expenses	23,399	370,513	132,661	171,070	(37,396	)	660,247		
Equity in earnings of subsidiaries	16,822	(13,041	)	—	—	(3,781	)	—	
Operating income (loss)	25,441	17,320	10,361	28,981	(3,781	)	78,322		
Other expense (income)									
Interest expense, net	36,936	2,270	23,104	20,282	—		82,592		
Loss on early extinguishments of debt	24,605	—	—	2,536	—		27,141		
Other, net	136	—	—	—	—		136		
Total other expense, net	61,677	2,270	23,104	22,818	—		109,869		
Income (loss) from continuing operations before income taxes	(36,236	)	15,050	(12,743	)	6,163	(3,781	)	(31,547
Income taxes benefit (expense)	(1,031	)	1,973	(3,259	)	(731	)	—	(3,048
	(37,267	)	17,023	(16,002	)	5,432	(3,781	)	(34,595

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Income (loss) from continuing operations, net of tax						
Income (loss) from discontinued operations, net of tax	—	—	—	—	—	—
Net income (loss)	(37,267 )	17,023	(16,002 )	5,432	(3,781 )	(34,595 )
Net income attributable to noncontrolling interest	—	—	—	—	(2,672 )	(2,672 )
Net income (loss) attributable to controlling interest	\$(37,267 )	\$17,023	\$(16,002 )	\$5,432	\$(6,453 )	\$(37,267 )
Comprehensive income (loss)	\$(37,216 )	\$17,074	\$(15,951 )	\$5,432	\$(3,882 )	\$(34,543 )

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

## Condensed Consolidating Statements of Operations - continued

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



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Net income (loss) attributable to controlling interest	\$ (20,618 )	\$ 105,686	\$ (41,526 )	\$ 22,677	\$ (86,837 )	\$ (20,618 )
Comprehensive income (loss)	\$ (19,327 )	\$ 106,977	\$ (40,235 )	\$ 22,677	\$ (78,016 )	\$ (7,924 )

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

## Condensed Consolidating Statements of Operations - continued

(In thousands)	Nine Months Ended September 30, 2013					Eliminations	Consolidated	
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)				
Net revenues	\$ 106,132	\$ 1,253,582	\$ 437,395	\$ 540,505	\$(124,713	)	\$ 2,212,901	
Costs and expenses								
Operating	1,386	680,970	241,394	279,676	—		1,203,426	
Selling, general and administrative	35,183	179,365	48,131	111,227	(41	)	373,865	
Maintenance and utilities	—	70,087	11,073	44,826	—		125,986	
Depreciation and amortization	5,008	90,992	67,910	45,448	—		209,358	
Corporate expense	39,463	87	3,038	—	—		42,588	
Preopening expense	563	—	5,812	387	(1,933	)	4,829	
Impairments of assets	—	12,734	1,250	5,032	(12,734	)	6,282	
Asset transactions costs	1,043	300	717	205	—		2,265	
Other operating items, net	412	1,396	227	3,146	—		5,181	
Intercompany expenses	912	105,158	16,669	—	(122,739	)	—	
Total costs and expenses	83,970	1,141,089	396,221	489,947	(137,447	)	1,973,780	
Equity in earnings of subsidiaries	89,932	(10,480	)	—	(79,452	)	—	
Operating income (loss)	112,094	102,013	41,174	50,558	(66,718	)	239,121	
Other expense (income)								
Interest expense, net	121,004	7,630	72,264	64,276	—		265,174	
Loss on early extinguishments of debt	25,001	—	1,976	2,536	—		29,513	
Other income	136	—	(471	)	—		(335	
Total other expense, net	146,141	7,630	73,769	66,812	—		294,352	
Income (loss) from continuing operations before income taxes	(34,047	)	94,383	(32,595	)	(16,254	)	(66,718
Income taxes benefit (expense)	1,123	5,939	(4,286	)	702	—	3,478	

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Income (loss) from continuing operations, net of tax	(32,924	) 100,322	(36,881	) (15,552	) (66,718	) (51,753	)
Income (loss) from discontinued operations, net of tax	—	—	23,524	—	(12,734	) 10,790	
Net income (loss)	(32,924	) 100,322	(13,357	) (15,552	) (79,452	) (40,963	)
Net loss attributable to noncontrolling interest	—	—	—	—	8,039	8,039	
Net income (loss) attributable to controlling interest	\$(32,924	) \$100,322	\$(13,357	) \$(15,552	) \$(71,413	) \$(32,924	)
Comprehensive income (loss)	\$(32,757	) \$100,489	\$(13,190	) \$(15,552	) \$(79,786	) \$(40,796	)

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

## Condensed Consolidating Statements of Cash Flows

(In thousands)	Nine Months Ended September 30, 2014					Eliminations	Consolidated
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)			
Cash flows from operating activities							
Net cash from operating activities	\$(43,397 )	\$188,817	\$54,828	\$35,866	\$(3,613 )	\$232,501	
Cash flows from investing activities							
Capital expenditures	(24,090 )	(36,269 )	(22,635 )	(11,623 )	—	(94,617 )	
Deconsolidation of Borgata	—	—	—	(26,891 )	—	(26,891 )	
Net activity with affiliates	—	(169,594 )	5,598	98	163,898	—	
Other investing activities	—	1,629	(639 )	2,197	—	3,187	
Net cash from investing activities	(24,090 )	(204,234 )	(17,676 )	(36,219 )	163,898	(118,321 )	
Cash flows from financing activities							
Borrowings under bank credit facility	605,000	—	242,100	410,900	—	1,258,000	
Payments under bank credit facility	(698,400 )	—	(283,350 )	(444,900 )	—	(1,426,650 )	
Debt financing costs	(84 )	—	—	(205 )	—	(289 )	
Payments on long-term debt	—	—	(7 )	—	—	(7 )	
Payments on retirements of long-term debt	—	—	—	(2,850 )	—	(2,850 )	
Net activity with affiliates	160,285	—	—	—	(160,285 )	—	
Stock options exercised	984	—	—	—	—	984	
Restricted stock units released, net	(201 )	—	—	—	—	(201 )	
Other financing activities	(95 )	—	—	—	—	(95 )	
Net cash from financing activities	67,489	—	(41,257 )	(37,055 )	(160,285 )	(171,108 )	
Net change in cash and cash equivalents	2	(15,417 )	(4,105 )	(37,408 )	—	(56,928 )	
	—	106,445	33,766	37,627	—	177,838	

Cash and cash equivalents,  
beginning  
of period

Cash and cash equivalents,  
end of  
period

\$2	\$91,028	\$29,661	\$219	\$—	\$120,910
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## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

## Condensed Consolidating Statements of Cash Flows - continued

Nine Months Ended September 30, 2013

(In thousands)	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Cash flows from operating activities						
Net cash from operating activities	\$(204,968 )	\$348,667	\$29,757	\$60,308	\$19	\$233,783
Cash flows from investing activities						
Capital expenditures	(22,927 )	(36,191 )	(25,102 )	(16,398 )	—	(100,618 )
Proceeds from sale of Echelon, net	343,750	—	—	—	—	343,750
Proceeds from sale of other assets, net	4,875	—	—	—	—	4,875
Cash paid for exercise of LVE option	(187,000 )	—	—	—	—	(187,000 )
Investments in and advances to unconsolidated subsidiaries, net	(4,233 )	—	—	—	4,233	—
Net activity with affiliates	—	(331,703 )	(17,067 )	(121 )	348,891	—
Distributions from subsidiary	9,500	—	—	—	(9,500 )	—
Other investing activities	—	—	222	(24 )	—	198
Net cash from investing activities	143,965	(367,894 )	(41,947 )	(16,543 )	343,624	61,205
Cash flows from financing activities						
Borrowings under bank credit facility	2,711,375	—	268,500	297,100	—	3,276,975
Payments under bank credit facility	(2,738,325 )	—	(296,688 )	(300,800 )	—	(3,335,813 )
Debt financing costs	(23,562 )	—	(10,288 )	(2,546 )	—	(36,396 )
Payments on long-term debt	(10,341 )	—	(477 )	—	—	(10,818 )
Payments on retirements of long-term debt	(459,278 )	—	—	(40,994 )	—	(500,272 )
Advances from parent	—	—	—	4,233	(4,233 )	—
Net activity with affiliates	348,910	—	—	—	(348,910 )	—

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Distributions to parent	—	—	(9,500	) —	9,500	—
Stock options exercised	13,591	—	—	—	—	13,591
Restricted stock units released, net	(354	) —	—	—	—	(354
Proceeds from sale of common stock	216,467	—	—	—	—	216,467
Net cash from financing activities	58,483	—	(48,453	) (43,007	) (343,643	) (376,620
Cash flows from discontinued operations						
Cash flows from operating activities	—	—	(2,144	) —	—	(2,144
Cash flows from investing activities	—	—	56,751	—	—	56,751
Cash flows from financing activities	—	—	—	—	—	—
Net cash from discontinued operations	—	—	54,607	—	—	54,607
Net change in cash and cash equivalents	(2,520	) (19,227	) (6,036	) 758	—	(27,025
Cash and cash equivalents, beginning of period	2,520	118,714	36,619	34,692	—	192,545
Change in cash classified as discontinued operations	—	—	283	—	—	283
Cash and cash equivalents, end of period	\$—	\$99,487	\$30,866	\$35,450	\$—	\$165,803

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

The Company has adjusted certain prior year amounts in the above condensed consolidating financial information to (1) correct the December 31, 2013 condensed consolidating balance sheet and correct the condensed consolidating statements of operations and cash flows for the three and nine months ended September 30, 2013 to add Boyd Acquisition, LLC as a Guarantor and to release Echelon Resorts, LLC as a Guarantor as a result of Supplemental Indentures to the notes, (2) correct prior year intercompany revenues and expenses and equity in earnings of subsidiaries presented in the statement of operations information, (3) correct prior year amounts in the statements of cash flows to reflect certain intercompany activities between the parent and the sub-groups as cash flows from investing and financing activities that had previously been reflected within cash flows from operating activities, and (4) properly record the impact of certain reclassification and tax entries within the correct sub-group. We believe the effect of the corrections are immaterial to the prior year financial statements. The application of these adjustments to the prior year consolidating information are summarized as follows:

(In thousands)	As Previously Reported	Adjustment	As Reclassified and Restated
<b>Year Ended December 31, 2013</b>			
Total Assets			
Parent	\$3,392,130	\$—	\$3,392,130
Guarantor Subsidiaries	3,468,242	804,906	4,273,148
Non-Guarantor Subsidiaries (100% Owned)	1,592,946	20,350	1,613,296
Non-Guarantor Subsidiaries (Not 100% Owned)	1,334,814	—	1,334,814
Eliminations	(4,046,401	) (825,256	) (4,871,657
Consolidated	\$5,741,731	\$—	\$5,741,731
<b>Three Months Ended September 30, 2013</b>			
Net income (loss)			
Parent	\$(37,267	) \$—	\$(37,267
Guarantor Subsidiaries	21,047	(4,024	) 17,023
Non-Guarantor Subsidiaries (100% Owned)	(17,086	) 1,084	(16,002
Non-Guarantor Subsidiaries (Not 100% Owned)	5,432	—	5,432
Eliminations	(6,721	) 2,940	(3,781
Consolidated	\$(34,595	) \$—	\$(34,595
<b>Nine Months Ended September 30, 2013</b>			
Net income (loss)			
Parent	\$(32,924	) \$—	\$(32,924
Guarantor Subsidiaries	109,280	(8,958	) 100,322
Non-Guarantor Subsidiaries (100% Owned)	(4,266	) (9,091	) (13,357
Non-Guarantor Subsidiaries (Not 100% Owned)	(15,552	) —	(15,552
Eliminations	(97,501	) 18,049	(79,452
Consolidated	\$(40,963	) \$—	\$(40,963



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(In thousands)	As Previously Reported	Adjustment	As Reclassified and Restated
Nine Months Ended September 30, 2013			
Cash flows from operating activities			
Parent	\$143,937	\$(348,905	) \$(204,968 )
Guarantor Subsidiaries	16,964	331,703	348,667
Non-Guarantor Subsidiaries (100% Owned)	12,695	17,062	29,757
Non-Guarantor Subsidiaries (Not 100% Owned)	64,420	(4,112	) 60,308
Eliminations	(4,233	) 4,252	19
Consolidated	\$233,783	\$—	\$233,783

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013

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NOTE 15. SUBSEQUENT EVENTS

We have evaluated all events or transactions that occurred after September 30, 2014. During this period, up to the filing date, we did not identify any subsequent events, the effects of which would require disclosure or adjustment to our financial position or results of operations.

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

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

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

Las Vegas Locals	
Gold Coast Hotel and Casino	Las Vegas, Nevada
The Orleans Hotel and Casino	Las Vegas, Nevada
Sam's Town Hotel and Gambling Hall	Las Vegas, Nevada
Suncoast Hotel and Casino	Las Vegas, Nevada
Eldorado Casino	Henderson, Nevada
Jokers Wild Casino	Henderson, Nevada
Downtown Las Vegas	
California Hotel and Casino	Las Vegas, Nevada
Fremont Hotel and Casino	Las Vegas, Nevada
Main Street Station Casino, Brewery and Hotel	Las Vegas, Nevada
Midwest and South	
Sam's Town Hotel and Gambling Hall	Tunica, Mississippi
IP Casino Resort Spa	Biloxi, Mississippi
Par-A-Dice Hotel Casino	East Peoria, Illinois
Blue Chip Casino, Hotel & Spa	Michigan City, Indiana
Treasure Chest Casino	Kenner, Louisiana
Delta Downs Racetrack Casino & Hotel	Vinton, Louisiana
Sam's Town Hotel and Casino	Shreveport, Louisiana
Peninsula	
Diamond Jo Dubuque	Dubuque, Iowa
Diamond Jo Worth	Northwood, Iowa
Evangeline Downs Racetrack and Casino	Opelousas, Louisiana
Amelia Belle Casino	Amelia, Louisiana
Kansas Star Casino	Mulvane, Kansas
Borgata	
Borgata Hotel Casino & Spa	Atlantic City, New Jersey

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

applying the equity method for periods subsequent to the deconsolidation.

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.

Most of our gaming entertainment properties also include hotel, dining, retail and other amenities. Our main business emphasis is on slot revenues, which are highly dependent upon the number and spending levels of customers at our properties, which affects our operating results.

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 Strategy

Our overriding strategy is to increase shareholder value by pursuing strategic initiatives that improve and grow our business.

#### Strengthening our Balance Sheet

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

#### Operating Efficiently

We are committed to operating more efficiently, and endeavor to prevent unneeded expense in our business. The efficiencies of our business model position us to capture a substantial portion of revenue gains, which directly improves 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 strategic 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") is a price measure.

## RESULTS OF OPERATIONS

## Overview

(In millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Net revenues	\$738.8	\$738.6	\$2,169.7	\$2,212.9
Operating income	73.8	78.3	229.3	239.1
Net income (loss) attributable to Boyd Gaming Corporation	(15.1	) (37.3	) (20.6	) (32.9

## Net Revenues

Net revenues for the three months ended September 30, 2014, were essentially flat compared to the prior year period. Revenue increases at Borgata and in our Nevada segments were offset by revenue declines in the Midwest and South and Peninsula segments. The revenue increase at Borgata primarily reflects the addition of revenues from its real-money online gaming website, launched in fourth quarter 2013, and increased slot revenue due to a 26 basis point increase in slot win percentage. In our Nevada segments, revenue growth in non-gaming departments was primarily responsible for the increased revenues of those segments. The revenue declines in the Midwest and South and Peninsula segments reflect the continuing impact of a slowly recovering economy on consumer spending.

For the nine months ended September 30, 2014, net revenues declined 2.0% compared to the prior year period primarily due to revenue declines in the Midwest and South and Peninsula segments. The impact of the economy on consumer spending, compounded by the unusually severe winter weather experienced during the first quarter of 2014, negatively impacted these segments. The addition of revenues from Borgata's real-money online gaming website partially offset the revenue declines.

## Operating Income

Operating income decreased 5.8% during the three months ended September 30, 2014, compared to the corresponding period of the prior year, primarily due to the inclusion in the current year of \$18.3 million of impairment charges, comprised primarily of a \$12.1 million charge to adjust the value of our investment in Borgata to its fair value as of the date of deconsolidation and a \$6.2 million charge to adjust the carrying value of the Echelon-related construction materials inventory to its estimated net realizable value. Excluding the impairment charges from both periods, operating income increased \$12.4 million, or 15.7%. The primary contributor to this increase was reduced property taxes at the Borgata.

The decline in operating income during the nine months ended September 30, 2014, compared to the corresponding period of the prior year, reflects the impairment charges recorded in the current period, the flow-through impact of the decline in revenues and increased corporate expense due to additional costs associated with corporate initiatives and higher share-based compensation expense. These increases were partially offset by lower property taxes at Borgata and reduced operating expenses reflecting our continuing emphasis on controlling our costs.

## Net income (loss) attributable to Boyd Gaming Corporation

Net loss attributable to Boyd Gaming for the three months ended September 30, 2014 was \$15.1 million, compared with a net loss of \$37.3 million for the corresponding period of the prior year. The reduction in the net loss attributable to Boyd Gaming is primarily due to the inclusion in the prior year of \$27.1 million in loss on early extinguishments of debt, and the reduction of interest expense.

For the nine months ended September 30, 2014, the net loss attributable to Boyd Gaming was \$20.6 million, compared with a net loss of \$32.9 million for the corresponding period of the prior year. The \$12.3 million reduction

is primarily due to the inclusion in the prior year of \$29.5 million of loss on early extinguishments of debt and \$10.8 million in income from discontinued operations reflecting the disposition of Dania Jai Alai, as compared to inclusion in the current year of \$20.2 million of impairment charges and increased corporate expense due to additional costs associated with corporate initiatives and higher share-based compensation expense. The reduction of interest expense largely mitigated the impact of the revenue declines experienced in the first nine months of 2014 as compared to the prior year.



### Operating Revenues

We derive the majority of our gross revenues from our gaming operations, which produced approximately 73% of gross revenues for each of the three months ended September 30, 2014 and 2013, and 74% of gross revenues for each of the nine months ended September 30, 2014 and 2013. Food and beverage gross revenues represent our next most significant revenue source, generating approximately 13% of gross revenues for each of the three months ended September 30, 2014 and 2013, and 13% for each of the nine months ended September 30, 2014 and 2013. Room revenues and other revenues separately contributed less than 10% of gross revenues during these periods.

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
<b>REVENUES</b>				
Gaming	\$631.7	\$633.2	\$1,859.3	\$1,893.7
Food and beverage	115.1	114.4	332.1	339.0
Room	75.3	72.3	210.1	203.3
Other	44.4	43.9	124.5	125.0
Gross revenues	866.5	863.8	2,526.0	2,561.0
Less promotional allowances	127.7	125.2	356.3	348.1
Net revenues	\$738.8	\$738.6	\$2,169.7	\$2,212.9
<b>COSTS AND EXPENSES</b>				
Gaming	\$294.1	\$302.4	\$867.5	\$887.4
Food and beverage	61.5	57.7	180.0	182.0
Room	14.7	12.6	42.3	41.6
Other	33.6	33.1	91.7	92.4
Total costs and expenses	\$403.9	\$405.8	\$1,181.5	\$1,203.4
<b>MARGINS</b>				
Gaming	53.4%	52.2%	53.3%	53.1%
Food and beverage	46.5%	49.6%	45.8%	46.3%
Room	80.5%	82.6%	80.0%	79.5%
Other	24.5%	24.5%	26.4%	26.1%

### Gaming

Gaming revenues are comprised primarily of the net win from our slot machine operations and table games. The \$1.6 million, or 0.2%, decrease in gaming revenues during the three months ended September 30, 2014 as compared to the corresponding period of the prior year, was due primarily to slot volume decreases reflecting declines in casual play experienced in all segments. The revenue at Borgata from Borgata's real-money online gaming website, launched in fourth quarter 2013, and a 26 basis point increase in slot win percentage partially offset the revenue decline. Gaming expense decreased during the three months ended September 30, 2014 as compared to the same period in the prior year reflecting our focus on cost management.

The \$34.4 million, or 1.8%, decrease in gaming revenues during the nine months ended September 30, 2014 as compared to the corresponding period of the prior year, was due primarily to gaming volume decreases experienced in the Midwest and South and Peninsula segments. Gaming expense decreased 2.2% during the nine months ended September 30, 2014 as compared to the same period in the prior year due to our focus on cost management.

### Food and Beverage

Food and beverage revenues increased \$0.7 million, or 0.6%, during the three months ended September 30, 2014, as compared to the corresponding period of the prior year, primarily as a result of a 3.2% increase in the average guest check, which was partially offset by a 1.6% decrease in food covers. The \$3.9 million increase in food and beverage costs during the three months ended September 30, 2014, versus the prior year period reflects increased cost per guest served experienced in the current year.

Food and beverage revenues decreased \$6.9 million, or 2.0%, during the nine months ended September 30, 2014, as compared to the corresponding period of the prior year, primarily as a result of lower casual player visitation in second quarter of 2014 and the impact of the unusually severe winter weather on the Midwest and South and Peninsula segments during the first quarter of 2014. The \$2.0 million decrease in food and beverage costs reflects our adjustment to the lower demand, especially during the first six months of 2014, and our emphasis on cost controls.

#### Room

Room revenues increased by \$3.0 million, or 4.2%, during the three months ended September 30, 2014, due to a 3.6% increase in ADR, compared to the corresponding period of the prior year. Room expenses increased \$2.1 million during the three months ended September 30, 2014, compared to the same period in the prior year.

Room revenues increased by \$6.8 million, or 3.3%, during the nine months ended September 30, 2014, due to a 2.0% increase in ADR and a 0.3 percentage point increase in the hotel occupancy rate compared to the corresponding period of the prior year. Room expenses increased \$0.7 million during the nine months ended September 30, 2014, compared to the same period in the prior year.

#### Other

Other revenues increased \$0.6 million and other expenses increased \$0.5 million during the three months ended September 30, 2014, as compared to the corresponding period of the prior year. Other revenues relate to patronage visits at the amenities at our properties, including entertainment and nightclub revenues, retail sales, theater tickets and other venues.

Other revenues decreased \$0.4 million and other expenses decreased \$0.7 million during the nine months ended September 30, 2014, as compared to the corresponding period of the prior year.

#### Revenues and Adjusted EBITDA by Reportable Segment

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

EBITDA is a commonly used measure of performance in our industry that we believe, when considered with measures calculated in accordance with GAAP, provides our investors a more complete understanding of our operating results before the impact of investing and financing transactions and income taxes and facilitates comparisons between us and our competitors. Management has historically adjusted EBITDA when evaluating operating performance because we believe that the inclusion or exclusion of certain recurring and non-recurring items is necessary to provide the most accurate measure of our core operating results and as a means to evaluate period-to-period results.

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

(In millions)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2014	2013	2014	2013
Net revenues				
Las Vegas Locals	\$ 141.2	\$ 140.3	\$ 440.9	\$ 442.8
Downtown Las Vegas	53.4	52.7	164.7	162.9
Midwest and South	210.6	214.8	631.4	668.2
Peninsula	123.6	130.7	373.6	400.4
Borgata	210.0	200.1	559.1	538.6
Net revenues	\$ 738.8	\$ 738.6	\$ 2,169.7	\$ 2,212.9
Adjusted EBITDA				
Las Vegas Locals	\$ 28.1	\$ 26.4	\$ 104.6	\$ 104.3
Downtown Las Vegas	6.3	5.5	24.2	21.9
Midwest and South	43.6	41.9	129.9	140.3
Peninsula	42.9	45.3	132.9	144.3
Wholly owned Adjusted Property EBITDA	120.9	119.1	391.6	410.8
Corporate expense	(13.8)	(10.4)	(42.6)	(34.7)
Wholly owned Adjusted EBITDA	107.1	108.7	349.0	376.1
Borgata	56.9	46.6	119.9	102.8
Adjusted EBITDA	\$ 164.0	\$ 155.3	\$ 468.9	\$ 478.9

#### Las Vegas Locals

Net revenues increased \$0.9 million during the three months ended September 30, 2014, as compared to the corresponding period of the prior year, due primarily to improvements in non-gaming departments. Room revenues for the segment increased due to a 6.5% increase in the ADR, which was partially offset by a 1.7 percentage point decline in hotel occupancy rate. Food and beverage revenue for the segment increased due to a 7.3% increase in the average guest check, partially offset by a 2.4% decrease in food covers.

Net revenues decreased \$1.9 million during the nine months ended September 30, 2014, as compared to the corresponding period of the prior year, due primarily to a 3.3% decrease in slot handle. Table game win decreased 1.8% due to a 0.39 percentage point decline in table game win percentage. Room revenues for the segment increased due to a 4.5% increase in the ADR.

Adjusted EBITDA decreased by 6.4% and 0.3%, respectively, for the three and nine months ended September 30, 2014, over the comparable prior year periods due to cost control efforts.

#### Downtown Las Vegas

Net revenues increased \$0.7 million during the three months ended September 30, 2014, as compared to the corresponding period of the prior year, due to growth in non-gaming departments. Slot handle and table game drop decreased 5.2% and 1.0%, respectively, for the second quarter of 2014 versus the comparable prior year period. ADR for the segment increased 3.1%, partially offset by a decline in hotel occupancy rates of 2.5%. Food and beverage revenues improved due to a 1.4% increase in the average guest check and a 0.2% increase in food covers. We continue to tailor our marketing programs in the Downtown segment to cater to our Hawaiian market. During the three months ended September 30, 2014, our Hawaiian market represented approximately 51% of our occupied rooms in this segment compared to 49% in the corresponding period of the prior year.

Net revenues increased \$1.8 million during the nine months ended September 30, 2014, as compared to the corresponding period of the prior year, due primarily to revenue improvements in non-gaming departments. ADR increased 3.4%, which was partially offset by a 1.5% decline in hotel occupancy. Food and beverage revenues improved due to a 1.5% increase in the average guest check, which was partially offset by a 1.4% decrease in food covers. Gaming revenues decreased due to a 5.2% decrease in slot handle for the nine months ended September 30, 2014 as compared to the comparable prior year period. During each of the nine month periods ended September 30, 2014 and 2013, our Hawaiian market represented approximately 52% of our occupied rooms in this segment.

Adjusted EBITDA for the segment for the three months ended September 30, 2014, increased \$0.8 million, as compared to the corresponding prior year periods, primarily due to the flow-through effects of the revenues increases and cost control efforts.

For the nine months ended September 30, 2014, the revenue gains, coupled with our cost control efforts, resulted in the \$2.3 million increase in Adjusted EBITDA, as compared to the corresponding prior year period.

#### Midwest and South

Net revenues decreased \$4.1 million, or 1.9%, during the three months ended September 30, 2014, as compared to the corresponding period of the prior year, primarily due to the increased gaming capacity impacting three markets: Biloxi, Shreveport and central Illinois. Gaming revenues decreased due to 2.5% and 2.0% decreases in table games drop and slot handle, respectively. The hotel occupancy rate increased 2.3% in the segment while the ADR decreased 1.3%. Food covers decreased 1.2% and average guest check increased 0.5%.

Net revenues decreased \$36.7 million, or 5.5%, during the nine months ended September 30, 2014, as compared to the corresponding period of the prior year, due to competitive issues and unusually severe winter weather in the region during the first quarter of 2014. Gaming revenues decreased due to 5.9% and 6.3% decreases in table games drop and slot handle, respectively. The hotel occupancy rate increased 2.1% in the segment while the ADR decreased 0.9%. Food covers decreased 3.3% and average guest check increased 0.4%.

The segment reported an Adjusted EBITDA increase of \$1.7 million and a decrease of \$10.4 million for the three and nine months ended September 30, 2014, respectively, as compared to the corresponding prior year periods. The increase in Adjusted EBITDA, despite the decrease in revenues, during the three months ended September 30, 2014, reflects our cost control efforts. The Adjusted EBITDA decline for the nine month period reflects the flow through impact of the revenue declines experienced during the period.

#### Peninsula

Net revenues in our Peninsula segment decreased \$7.1 million, or 5.5%, for the three months ended September 30, 2014, as compared to the prior year period, due to declines in casual player visitation. Adjusted EBITDA for the Peninsula segment decreased by \$2.4 million, or 5.3%, due to the revenue decline.

Net revenues in our Peninsula segment decreased \$26.8 million, or 6.7%, for the nine months ended September 30, 2014, as compared to the prior year period. Operations were impacted by declines in casual player visitation and the unusually severe winter weather during the first quarter of 2014, which reduced leisure travel. Adjusted EBITDA for the Peninsula segment decreased by \$11.4 million, or 7.9%, due to the revenue decline.

#### Borgata

Borgata's net revenues increased by \$9.9 million, or 4.9%, during the three months ended September 30, 2014, as compared to the three months ended September 30, 2013. Borgata's real-money online gaming website, launched in the fourth quarter of 2013, contributed \$7.9 million in gross revenues, and the revenue for the land-based operation increased \$3.7 million. Land-based gaming revenues benefited from an increase in slot hold percentage, which increased 0.26 percentage points compared to the same period in the prior year. Borgata retains the position as the premiere destination in the Atlantic City market with a 24.0% market share. Borgata is also the leader in the New Jersey online gaming market with a 27.4% market share for the first nine months of 2014.

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 \$26.2 million in gross revenues, while the land-based operation experienced a revenue decline of \$0.1 million.

Adjusted EBITDA for Borgata increased \$10.3 million during the three months ended September 30, 2014, as compared to the prior year period primarily due to the impact of a lower property tax accrual due to the recent settlement with the City of Atlantic City and the flow-through effect of the increased revenues.

Adjusted EBITDA for Borgata increased \$17.1 million during the nine months ended September 30, 2014, as compared to the prior year period due to the impact of the property tax accrual adjustment, partially offset by the expenses incurred related to the real-money online gaming website and higher utility costs.

### Other Operating Costs and Expenses

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

(In millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Selling, general and administrative	\$113.2	\$122.8	\$349.6	\$373.9
Maintenance and utilities	45.1	45.7	131.3	126.0
Depreciation and amortization	66.2	69.0	198.2	209.4
Corporate expense	15.1	12.1	52.6	42.6
Preopening expense	1.3	1.7	3.8	4.8
Impairments of assets	18.3	1.3	20.2	6.3
Asset transactions costs	3.1	(1.4)	5.1	2.3
Other operating items, net	(1.1)	) 3.4	(1.9)	) 5.2

#### Selling, general and administrative

Selling, general and administrative expenses, as a percentage of gross revenues, were 13.1% and 14.2%, during the three months ended September 30, 2014 and 2013, respectively, and were 13.8% and 14.6%, during the nine months ended September 30, 2014 and 2013, respectively. The reduction in these costs in the current year versus the comparable prior year periods include in the impact of the reduced Borgata property taxes as a result of the recent settlement agreement. These costs also include marketing, technology, compliance and risk, surveillance and security. We continue to focus on disciplined and targeted marketing spend, and our ongoing cost containment efforts.

#### Maintenance and Utilities

Maintenance and utilities expenses, as a percentage of gross revenues, were 5.2% and 5.3% during the three months ended September 30, 2014 and 2013, respectively, and were 5.2% and 4.9% during the nine months ended September 30, 2014 and 2013, respectively. Maintenance and utilities expense increased compared to the same period in the prior year due to higher utility costs, especially in the Las Vegas Locals and Borgata segments.

#### Depreciation and Amortization

Depreciation and amortization expenses, as a percentage of gross revenues, were 7.6% and 8.0% during the three months ended September 30, 2014 and 2013, respectively, and were 7.8% and 8.2% during the nine months ended September 30, 2014 and 2013, respectively. The decreases in depreciation compared to the same periods in the prior year is primarily due to a decrease in the level of amortization of intangible assets for the Peninsula segment.

#### 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, and also includes professional services and other costs incurred related to certain strategic initiatives and the corporate portion of share-based compensation expense. Corporate expense represented 1.7% and 1.4% of gross revenues during each of the three months ended September 30, 2014 and 2013, respectively, and 2.1% and 1.7% of gross revenues during each of the nine months ended September 30, 2014 and 2013, respectively.

#### Preopening Expense

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

#### Impairments of Assets



Impairments of assets for the three and nine months ended September 30, 2014, included a \$12.1 million charge due to the deconsolidation of Borgata and \$6.2 million charge to write down the value of certain non-operating assets, both recorded during the three months ended September 30, 2014. The prior year impairment charges included a \$5.0 million loss on the impairment of Borgata's CRDA deposits

#### Asset Transactions Costs

Asset transactions costs are comprised of certain costs incurred and recoveries realized related to the activities associated with various acquisition opportunities, dispositions and other business development activities.

## Other Operating Charges, Net

Other operating charges, net, generally include direct and non-reimbursable costs associated with natural disasters and severe weather, including hurricane and flood expenses, and subsequent recoveries of such costs, as applicable.

## Other Expenses

## Interest Expense, net

The following table presents our interest expense, net:

(In millions)	Three Months Ended September 30		Nine Months Ended September 30		
	2014	2013	2014	2013	
Interest Expense, net					
Boyd Gaming Corporation	\$38.4	\$42.9	\$115.3	\$139.4	
Peninsula	18.7	19.4	56.2	61.5	
Borgata	17.8	20.3	53.3	61.9	
Variable Interest Entity	—	—	—	2.4	
	\$74.9	\$82.6	\$224.8	\$265.2	
Average Long-Term Debt Balance					
Boyd Gaming Corporation	\$2,427.1	\$2,563.1	\$2,441.6	\$2,743.3	
Peninsula	1,113.0	1,179.1	1,126.6	1,186.8	
Borgata	794.2	786.7	800.3	798.0	
Weighted Average Interest Rates					
Boyd Gaming Corporation	5.7	% 6.7	% 5.7	% 6.8	%
Peninsula	5.5	% 5.5	% 5.5	% 5.9	%
Borgata	8.3	% 10.3	% 8.3	% 10.3	%

On a consolidated basis, interest expense, net of capitalized interest and interest income, for the three months ended September 30, 2014 decreased \$7.8 million, or 9.4%, as compared to the prior year period. For Boyd Gaming Corporation, interest expense, net, decreased \$4.6 million, or 10.7%, due to the impact of refinancing activities undertaken during the third quarter of 2013. Boyd Gaming Corporation 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 5.3% decline in its average long-term debt balance in the three months ended September 30, 2014 versus the comparable period of 2013. The refinancing of debt also reduced the weighted average interest rate. Interest expense, net, for Peninsula for the three months ended September 30, 2014 declined \$0.7 million primarily due to debt refinancing activity. The decline in interest expense, net, at Borgata for the current year period versus the prior year is due to the impact of debt refinancing activities that reduced Borgata's weighted average interest rate.

On a consolidated basis, interest expense, net of capitalized interest and interest income, for the nine months ended September 30, 2014 decreased \$40.4 million, or 15.2%, as compared to the prior year period, primarily as a result of the same factors that impacted the second quarter comparison as described above. In addition, our 2013 results also included the interest expense related to the non-recourse debt of a variable interest entity. We discontinued the recognition of this interest expense upon the March 2013 sale of Echelon and the resulting deconsolidation of the variable interest entity.



#### Income Taxes

The effective tax rates during the three months ended September 30, 2014 and 2013 were -143.6% and -9.7%, respectively. The effective tax rates during the nine months ended September 30, 2014 and 2013 were 424.9% and 6.3%, respectively. In accordance with GAAP, we have computed our provision for income taxes by applying the actual effective tax rate, under the discrete method, to quarter-to-date income. The discrete method was used to calculate the income tax expense or benefit as the annual effective tax rate was not considered a reliable estimate of year-to-date income tax expense or benefit. Our tax rate is impacted by adjustments that are largely independent of our operating results before taxes. The tax provision for the quarter ended September 30, 2014 was favorably impacted by tax adjustments related to the deconsolidation of Borgata. The tax provision for the nine months ended September 30, 2014 was favorably impacted as a result of statute expirations and the reversal of interest accrued on the related unrecognized tax benefits. The tax benefit for the nine months ended September 30, 2013 was favorably impacted, as a result of an effective settlement in connection with an IRS audit, by the reversal of interest accrued on unrecognized tax benefits, our share of the tax benefit from the Borgata's loss and by an intra-period tax allocation between continuing and discontinued operations.

The tax provision or benefit in both periods was impacted by a 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 that was not available to offset existing deferred tax assets. The deferred tax liabilities created by the tax amortization of these intangibles cannot be used to offset corresponding increases in the net operating loss deferred tax assets when determining our valuation allowance.

#### Adjusted Earnings (Loss) and Adjusted EPS

We believe that Adjusted Earnings (Loss) and Adjusted Earnings Per Share ("EPS") are important supplemental measures of operating performance to investors, and management believes that Adjusted Earnings (Loss) and Adjusted EPS are widely used measures of performance in the gaming industry. We use Adjusted Earnings (Loss) and Adjusted EPS in this Quarterly Report on Form 10-Q because we believe they are useful to investors in allowing greater transparency related to significant measures used by management in its financial and operational decision-making. Management believes it is appropriate to adjust net income (loss) attributable to Boyd Gaming Corporation for certain items, which are eliminated from net income (loss) in order to enable investors to isolate the core operating results of the Company.

Adjusted Earnings (Loss) is net income (loss) before preopening expenses, adjustments to property tax accruals, net, change in value of derivative instruments, write-downs and other items, net, gain on early retirements of debt, other non-recurring items and our share of Borgata's other items and other operating charges, net.

The following tables present our Adjusted Earnings (Loss) and Adjusted Earnings per Share:

(In millions, except per share data) (Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net loss attributable to Boyd Gaming Corporation	\$(15.1	) \$(37.3	) \$(20.6	) \$(32.9
Less: income from discontinued operations, net of tax	—	—	—	(10.8
Adjusted net loss attributable to Boyd Gaming Corporation	(15.1	) (37.3	) (20.6	) (43.7
Pretax adjustments related to Boyd Gaming:				
Preopening expenses, excluding impact of LVE	1.3	1.3	3.6	6.3
Loss on early extinguishments of debt	—	24.6	1.1	27.0
Impairments of assets	18.3	1.3	20.2	1.3
Asset transactions costs	2.7	(1.2	) 4.7	2.1
Other operating charges and credits, net	0.6	0.1	0.2	2.0
Other (income) loss	0.1	—	0.4	(0.8
Pretax adjustments related to Borgata:				
Preopening expenses	—	0.4	0.3	0.5
Loss on early extinguishments of debt	—	2.5	—	2.5
Valuation adjustments related to consolidation, net	(0.7	) (0.2	) (2.0	) (0.7
Impairments of assets	—	—	—	5.0
Asset transactions costs	0.4	(0.2	) 0.4	0.2
Other operating charges and credits, net	(1.7	) 3.3	(2.1	) 3.1
Total adjustments	21.0	31.9	26.8	48.5
Income tax effect for above adjustments	(6.6	) —	(6.5	) (6.4
Impact on noncontrolling interest, net	1.0	(2.9	) 1.7	(5.4
Adjusted earnings (loss)	\$0.3	) \$(8.3	) \$1.4	) \$(7.0
Basis Net loss per common share	\$(0.14	) \$(0.37	) \$(0.19	) \$(0.35
Less: (income) loss from discontinued operations, net of tax	—	—	—	(0.12
Adjusted net loss per share attributable to Boyd Gaming Corporation	(0.14	) (0.37	) (0.19	) (0.47
Pretax adjustments related to Boyd Gaming:				
Preopening expenses, excluding impact of LVE	0.01	0.01	0.03	0.07
Loss on early extinguishments of debt	—	0.26	0.01	0.29
Impairments of assets	0.17	0.01	0.19	0.01
Asset transactions costs	0.03	(0.01	) 0.05	0.02
Other operating charges and credits, net	—	—	—	0.02
Other (income) loss	—	—	—	(0.01
Pretax adjustments related to Borgata:				
Preopening expenses	—	—	—	0.01
Loss on early extinguishments of debt	—	0.02	—	0.03
Valuation adjustments related to consolidation, net	(0.01	) —	(0.02	) (0.01
Impairments of assets	—	—	—	0.05
Asset transactions costs	—	—	—	—

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Other expense (income)	(0.01	) 0.03	(0.02	) 10.03	
Total adjustments	0.19	0.32	0.24	10.51	
Income tax effect for above adjustments	(0.06	) —	(0.06	) (0.07	)
Impact on noncontrolling interest	0.01	(0.03	) 0.02	9.94	
Adjusted earnings (loss) per share	\$—	\$(0.08	) \$0.01	\$19.91	
Weighted average shares outstanding	110.8	101.6	110.8	93.1	

During the three and nine months ended September 30, 2014 and 2013, the following items were included in the calculation of Adjusted Earnings and Adjusted Earnings per Share (as stated in the above table):

Adjustments Related to Boyd Gaming Corporation

Preopening Expense, Excluding Impact of Consolidation of LVE

Preopening expenses are comprised of costs primarily related to opening new business operations and expenditures for the exploration of new business development initiatives.

#### Loss on Early Extinguishments of Debt

The write-off of deferred finance charges was due to the early retirement of a portion of the Peninsula Credit Facility.

#### Impairments of Assets

The 2014 impairment includes the loss due to the deconsolidation of Borgata and the write-down of non-operating assets, including the Echelon construction materials inventory.

#### 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 Charges, net

Other operating charges, net, generally include direct and non-reimbursable costs associated with natural disasters and severe weather, including hurricane and flood expenses.

#### Other Expense (Income), net

Other expense (income), net, primarily consists of the change in fair value of the contingent consideration obligation associated with the Kansas Star merger earnout, and income (loss) associated with equity affiliates.

#### Adjustments Related to Borgata

##### Preopening Expense

Preopening expenses are comprised of costs primarily related to opening new business operations and expenditures for the exploration of new business development initiatives.

#### Valuation Adjustments Related to Consolidation, net

These adjustments represent the aggregate impact of the measurement activity associated with the changes from historical value to fair value of Borgata, upon consolidation, primarily representing depreciation and amortization expense resulting from the recordation of certain tangible and intangible assets.

#### Asset Transactions Costs

Asset transactions costs are comprised of certain costs incurred related to the activities associated with various acquisition opportunities and other business development activities, as well as transaction costs incurred to dispose of assets.

#### Other Operating Charges and Credits, net

Other is comprised primarily of insurance proceeds received by Borgata related to the subrogation of insurance claims related to a 2007 fire during the construction of The Water Club.

## LIQUIDITY AND CAPITAL RESOURCES

### Financial Position

Due to our organization and debt structures, we separately manage the working capital positions of Boyd Gaming Corporation, 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. The cash balances and working capital deficits of the Businesses were as follows:





(In millions)	September 30, 2014	December 31, 2013
Cash balance:		
Boyd Gaming Corporation	\$95.5	\$109.1
Peninsula	25.4	31.2
Borgata (1)	—	37.5
Working capital (deficit):		
Boyd Gaming Corporation	\$(103.5	) \$(80.9
Peninsula	(15.3	) (17.1
Borgata (1)	—	(21.6

(1) As a result of the deconsolidation of Borgata, our consolidated balance sheet does not include the accounts of Borgata, including its cash account, at September 30, 2014.

We separately manage the working capital positions, including levels of cash and indebtedness of Boyd Gaming Corporation, Peninsula and Borgata. Each of the Businesses' respective bank credit facilities generally provide all necessary funds for the day-to-day operations, interest and tax payments, as well as capital expenditures, of each Business. On a daily basis, we evaluate the cash positions and adjust the balances under each Business's respective bank credit facilities as necessary, by either borrowing against the respective facility or paying the facility down with excess cash. We also plan the timing and the amounts of each Business's capital expenditures. We each believe that the borrowing capacity under the respective bank credit facilities, subject to restrictive covenants, and cash flows from operating activities will be sufficient to meet each Business's projected operating and maintenance capital expenditures for at least the next twelve months. The source of funds for the repayment of the respective debt or development projects is derived primarily from cash flows from operations and availability under the respective bank credit facilities, to the extent availability exists after we meet each Business's respective working capital needs, and subject to restrictive covenants.

Boyd Gaming Corporation, Peninsula or Borgata could also seek to secure additional working capital, repay their respective current debt maturities, or fund development projects, in whole or in part, through incremental bank financing and additional debt or equity offerings. If availability does not exist under each of the bank credit facilities, or if the Business is not otherwise able to draw funds on our respective bank credit facilities, additional financing may not be available to Boyd Gaming Corporation, Peninsula or Borgata, and if available, may not be on terms favorable to Boyd Gaming Corporation, Peninsula or Borgata, as applicable.

As a result of the deconsolidation of Borgata, our consolidated balance sheet does not include the accounts of Borgata, including its cash account, at September 30, 2014.

## Cash Flows Summary

(In millions)	Nine Months Ended September 30	
	2014	2013
Net cash provided by operating activities	\$232.5	\$233.8
Cash flows from investing activities:		
Capital expenditures	(94.6	) (100.6
Deconsolidation of Borgata	(26.9	) —
Proceeds from sale of Echelon, net	—	343.8
Proceeds from sale of other assets, net	—	4.9
Cash paid for exercise of LVE option	—	(187.0
Other investing activities	3.2	0.1
Net cash provided by (used in) investing activities	(118.3	) 61.2
Cash flows from financing activities:		
Net payments under Boyd Gaming Corporation bank credit facility	(93.4	) (27.0
Net payments under Peninsula bank credit facility	(41.3	) (28.2
Net payments under Borgata bank credit facility	(34.0	) (3.7
Payments on retirements of long-term debt	(2.9	) (500.3
Proceeds from sale of common stock	—	216.5
Other financing activities	0.5	(33.9
Net cash used in financing activities	(171.1	) (376.6
Net cash provided by (used in) discontinued operation	—	54.6
(Decrease) Increase in cash and cash equivalents	\$(56.9	) \$(27.0

## Cash Flows from Operating Activities

During the nine months ended September 30, 2014 and 2013, we generated net operating cash flow of \$232.5 million and \$233.8 million, respectively. Generally, operating cash flows decreased during first nine months of 2014 as compared to the prior year period due primarily to timing of working capital spending.

## Cash Flows from Investing Activities

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

During the nine months ended September 30, 2014, we incurred net cash outflows for investing activities of \$118.3 million due to our capital expenditures during the period of \$94.6 million, and the \$26.9 million reduction in cash due to the deconsolidation of Borgata.

During the nine months ended September 30, 2013, we generated net cash inflows from investing activities of \$61.2 million primarily due to the disposition of Echelon. After consideration of the payment to exercise the option to acquire the central energy center assets from LVE, the sale of Echelon generated approximately \$157.0 million in cash. Our capital expenditures for the nine months ended September 30, 2013 totaled \$100.6 million.

## Cash Flows from Financing Activities

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

The net cash outflows for financing activities in both the nine months ended September 30, 2014 and 2013 reflect primarily the use of cash to retire outstanding debt.



### Cash Flows from Discontinued Operations

As a result of the May 2013 sale, 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 the first half of 2013 reflects the net cash received upon the sale of Dania, net of cash used in operations during that period.

### Deconsolidation of Borgata

As a result of the deconsolidation of Borgata on September 30, 2014, our consolidated balance sheet does not include the accounts of Borgata, including its cash account, as of that date. This adjustment reflects the balance of cash attributable to Borgata at the time of its deconsolidation.

### Indebtedness

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

(In millions)	September 30, 2014	December 31, 2013	Increase/ (Decrease)	
<b>Boyd Gaming Debt:</b>				
<b>Boyd Gaming Corporation Debt:</b>				
Bank credit facility	\$1,374.3	\$1,467.8	\$(93.5)	)
9.125% senior notes due 2018	500.0	500.0	—	
9.00% senior notes due 2020	350.0	350.0	—	
HoldCo Note	147.3	143.0	4.3	
	2,371.6	2,460.8	(89.2)	)
<b>Peninsula Segment Debt:</b>				
Bank credit facility	760.9	802.2	(41.3)	)
8.375% senior notes due 2018	350.0	350.0	—	
Other	—	—	—	
	1,110.9	1,152.2	(41.3)	)
<b>Total Boyd Gaming Debt</b>	<b>3,482.5</b>	<b>3,613.0</b>	<b>(130.5)</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)	)
	—	813.4	(813.4)	)
Less current maturities	27.7	33.6	(5.9)	)
<b>Long-term debt, net</b>	<b>\$3,454.8</b>	<b>\$4,392.8</b>	<b>\$(938.0)</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 the Third Amended and Restated Credit Agreement (the "Boyd Gaming Credit Facility"), among the Company, certain financial institutions, Bank of America, N.A., as administrative agent and letter of credit issuer, and Wells Fargo Bank, National Association, as swing line lender.

The Boyd Gaming Credit Facility provides for (i) a \$600.0 million senior secured revolving credit facility (the "Revolving Credit Facility"), (ii) a \$250.0 million senior secured term A loan (the "Term A Loan"), and (iii) a \$900.0

million senior secured term B loan (the "Term B Loan"). The Revolving Credit Facility and Term A Loan mature in August 2018 (or earlier upon the occurrence or non-occurrence of certain events) and the Term B Loan matures in August 2020 (or earlier upon occurrence or non-occurrence of certain events).

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

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

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

The blended interest rate for outstanding borrowings under the Boyd Gaming Credit Facility was 3.7% at both September 30, 2014 and December 31, 2013.

The Boyd Gaming Credit Facility contains certain financial and other covenants, including, without limitation, various covenants (i) requiring the maintenance of a minimum consolidated interest coverage ratio, (ii) establishing a maximum permitted consolidated total leverage ratio, (iii) establishing a maximum permitted secured leverage ratio, (iv) imposing limitations on the incurrence of indebtedness, (v) imposing limitations on transfers, sales and other dispositions and (vi) imposing restrictions on investments, dividends and certain other payments. Subject to certain exceptions, the Company may be required to repay the amounts outstanding under the Boyd Gaming Credit Facility in connection with certain asset sales and issuances of certain additional secured indebtedness.

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

#### Amounts Outstanding

The net amounts outstanding under the Boyd Gaming Credit Facility were:

(In millions)	September 30, 2014	December 31, 2013
Revolving Credit Facility	\$266.2	\$295.0
Term A Loan	234.4	246.9
Term B Loan	858.8	897.8
Swing Loan	11.2	23.8
Total outstanding borrowings under the Boyd Gaming Credit Facility	\$1,370.6	\$1,463.5

After consideration of \$7.7 million allocated to support various letters of credit, approximately \$311.1 million of availability remained under the Boyd Gaming Credit Facility at September 30, 2014.

#### HoldCo Note

The terms of the HoldCo Note provide that the balance of accrued but unpaid interest be added to the principal balance on a semi-annual basis. In accordance with its terms, \$4.3 million was added to the principal balance of the

HoldCo Note during the second quarter of 2014.

**Debt Service Requirements**

Debt service requirements under our current outstanding senior notes consist of semi-annual interest payments (based upon fixed annual interest rates ranging from 9.00% to 9.125%) and principal repayments of our 9.125% senior notes due on December 1, 2018, and our 9.00% senior notes due on July 1, 2020.

**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 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 September 30, 2014 and December 31, 2013, respectively.

At September 30, 2014, approximately \$760.9 million was outstanding under the Peninsula Credit Facility and \$5.6 million was allocated to support various letters of credit, leaving remaining contractual availability of \$30.0 million. The maturity date for obligations under the Peninsula Credit Facility is November 17, 2017 (or earlier upon occurrence or non-occurrence of certain events).

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.

#### Covenant Compliance

As of September 30, 2014, we believe that Boyd Gaming Corporation and Peninsula were in compliance with the financial and other covenants of their respective debt instruments.

The indentures governing the notes issued by each of the Businesses contain provisions that allow for the incurrence of additional indebtedness, if after giving effect to such incurrence, the coverage ratio (as defined in the respective indentures, essentially a ratio of the Business's consolidated EBITDA to fixed charges, including interest) for the Business's trailing four quarter period on a pro forma basis would be at least 2.0 to 1.0. Should this provision prohibit the incurrence of additional debt, each Business may still borrow under its existing credit facility. At September 30, 2014, the available borrowing capacity under these credit facilities was \$311 million at Boyd Gaming Corporation and \$30 million at Peninsula.



#### Borgata Debt

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

#### Borgata Bank Credit Facility

On July 24, 2013, the Marina District Finance Company Inc. ("MDFC") entered into an Amended and Restated Credit Agreement (the "Borgata Credit Facility") with MDDC, certain financial institutions, and Wells Fargo Bank, National Association, as administrative agent, letter of credit issuer and swing line lender.

The Borgata Credit Facility is guaranteed on a senior secured basis by MDDC and any future subsidiaries of MDDC and is secured by a first priority lien on substantially all of the assets of MDFC, MDDC and any future subsidiaries of MDDC, subject to certain exceptions. The obligations under the Borgata Credit Facility will have priority in payment to the payment of the Borgata's 9.875% senior notes due 2018. Neither we nor our subsidiaries (other than MDDC) are a guarantor of the Borgata Credit Facility. The obligations under the Borgata Credit Facility mature in February 2018 (or earlier upon the occurrence or non-occurrence of certain events).

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

The blended interest rate for outstanding borrowings under the Borgata Credit Facility was 3.9% at December 31, 2013.

The Borgata Credit Facility contains customary affirmative and negative covenants, including but not limited to, (i) establishing a minimum Consolidated EBITDA (as defined in the Borgata Credit Facility) of \$110 million over each trailing twelve-month period ending on the last day of each calendar quarter; (ii) imposing limitations on MDFC's and MDDC's ability to incur additional debt, create liens, enter into transactions with affiliates, merge or consolidate, and engage in unrelated business activities; and (iii) imposing restrictions on MDDC's ability to pay dividends.

#### Share Repurchase Program

Subject to applicable corporate securities laws, repurchases under our stock repurchase program may be made at such times and in such amounts as we deem appropriate. We are subject to certain limitations regarding the repurchase of common stock, such as restricted payment limitations related to our outstanding notes and Boyd Gaming Credit Facility. Purchases under our stock repurchase program can be discontinued at any time that we feel additional purchases are not warranted. We intend to fund the repurchases under the stock repurchase program with existing cash resources and availability under the Boyd Gaming Credit Facility. In July 2008, our Board of Directors authorized an amendment to our existing share repurchase program to increase the amount of common stock available to be repurchased to \$100 million. We are not obligated to purchase any shares under our stock repurchase program. During the nine months ended September 30, 2014 and 2013, we did not repurchase any shares of our common stock. We are currently authorized to repurchase up to an additional \$92.1 million in shares of our common stock under the share repurchase program.

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

#### Other Items Affecting Liquidity

We anticipate funding our capital requirements using cash flows from operations and availability under our Revolving Credit Facility, to the extent availability exists after we meet our working capital needs for the next twelve months. Any additional financing that is needed may not be available to us or, if available, may not be on terms favorable to us. The outcome of the specific matters discussed herein, including our commitments and contingencies, may also affect our liquidity.

#### Commitments

There have been no material changes to our commitments described in our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on March 14, 2014.

#### Contingencies

##### Legal Matters

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

operations.

#### Other Opportunities

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

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

Additional projects may require us to make substantial investments or may cause us to incur substantial costs related to the investigation and pursuit of such opportunities, which investments and costs we may fund through cash flow from operations or availability under the Boyd Gaming Credit Facility. To the extent such sources of funds are not sufficient, we may also seek to

raise such additional funds through public or private equity or debt financings or from other sources. 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

There have been no material changes to our off balance sheet arrangements as defined in Item 303(a)(4)(ii) and described under Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on March 14, 2014.

#### Critical Accounting Policies

There have been no material changes to our commitments described under Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Quarterly Report on Form 10-Q for the period ended June 30, 2014, as filed with the SEC on August 8, 2014.

#### Recently Issued Accounting Pronouncements

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

#### Important Information Regarding Forward-Looking Statements

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

- 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 realizing improved results when normalized business volumes return;
- 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 merger and acquisition activity in general;
- our belief that consumer confidence will strengthen as the job market recovers and expands;
- 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;
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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 from Borgata;
- 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, Adjusted Earnings (Loss) and Adjusted Earnings Per Share and their usefulness as measures 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 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 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;
- 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 resolution of our pending litigation;
- the likelihood of interruptions to our rights in the land we lease under long-term leases for certain of our hotel and casinos;
- 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 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;
- the future results of Peninsula's gaming properties;
- our expectations with respect to Kansas Star, including our expectation to continue to meet completion dates for the future development of the Kansas Star facility;
- our belief that recently issued accounting pronouncements 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, the Peninsula Revolving Credit Facility or the Borgata's 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 the Credit Agreement, and the risks associated with Borgata's ability to comply with the minimum consolidated EBITDA and minimum liquidity covenants in its Borgata Credit Agreement, 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.

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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 the Revolving Credit Facility and the Peninsula Revolving 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 mid-Atlantic region.

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

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

Additional factors that could cause actual results to differ are discussed in Part II. Item 1A. Risk Factors of this Quarterly Report on Form 10-Q for the quarter ended September 30, 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 3. Quantitative and Qualitative Disclosures about Market Risk

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

As of September 30, 2014, Boyd Gaming Corporation and Peninsula long-term variable-rate borrowings represented approximately 64.2% and 68.5% of total long-term debt, respectively. Based on September 30, 2014 debt levels, a 100 basis point change in LIBOR or the base rate would cause the annual interest costs to change by approximately \$13.7 million and \$7.6 million for Boyd Gaming Corporation and Peninsula, respectively.

See also "Liquidity and Capital Resources" above.

### Item 4. Controls and Procedures

As of the end of the period covered by this Report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Our disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on the evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, our Chief

Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Report.

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

## PART II. Other Information

### Item 1. Legal Proceedings

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

### Item 1A. Risk Factors

We have revised the risk factors that relate to our business as set forth below. These risks include any material changes to and supersede the risks previously disclosed in Part I. Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2013. We encourage investors to review the risks and uncertainties relating to our business disclosed in that Annual Report on Form 10-K, as well as those contained in Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Important Information Regarding Forward-Looking Statements, above.

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

#### Risks Related to our Business

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

Consumer demand for entertainment and other amenities at casino hotel properties, such as ours, are particularly sensitive to downturns in the economy and the corresponding impact on discretionary spending on leisure activities. Changes in discretionary consumer spending or consumer preferences brought about by factors such as perceived or actual general economic conditions, effects of declines in consumer confidence in the economy, including the recent housing, employment and credit crisis, the impact of high energy and food costs, the increased cost of travel, the potential for bank failures, decreased disposable consumer income and wealth, or fears of war and future acts of terrorism could further reduce customer demand for the amenities that we offer, thus imposing practical limits on pricing and negatively impacting our results of operations and financial condition.

For example, we have recently experienced one of the toughest economic periods in Las Vegas history. The recent housing crisis and economic slowdown in the United States resulted in a significant decline in the amount of tourism and spending in Las Vegas and other locations in which we own or invest in casino hotel properties. While the economy has recently shown signs of recovery, we are unable to determine the sustainability or strength of any economic recovery. Since our business model relies on consumer expenditures on entertainment, luxury and other discretionary items, a slowing or stoppage of the economic recovery or a return to an economic downturn will further adversely affect our results of operations and financial condition.

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

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

Following legalization in New Jersey in February 2013, Borgata launched its real-money online gaming site with bwin.party Digital Entertainment PLC ("bwin") in November 2013. While this site has captured a 37.0% 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. A new property is also under construction in Lake Charles, Louisiana, that could 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.

For example, the expansion of casino gaming in or near the mid-Atlantic region from which Borgata attracts and expects to attract most of its customers has had an adverse effect on its business, results of operations and financial condition. In January 2010, table game legislation was signed in Pennsylvania, and other states near New Jersey, including New York, Delaware and Maryland, either have or are currently contemplating gaming legislation. In January 2010, Delaware legalized table games, and in November 2012, Maryland legalized table games, which became operational beginning in March 2013. Convenience may be a more important factor than amenities for some customers, especially mid-week and repeat customers. These customers may prefer the convenience of a closer drive to a nearby casino rather than dealing with a longer drive to enjoy the amenities that Borgata has to offer. Expansion of gaming facilities in Pennsylvania and other nearby states therefore has resulted in fewer customer visits to Borgata, which has adversely impacted Borgata's business, results of operations and financial condition.

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 economic recovery or the resulting impact on the solvency or liquidity of our lenders. 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 2013 required us to record non-cash impairment charges of \$4.1 million, 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, including the development costs associated with the Kansas Star facility, may face significant risks inherent in construction projects.

We regularly evaluate expansion, development, investment and renovation opportunities. For example, we are undergoing further development of the Kansas Star facility, which entails significant risks.

This project and any other 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 (including changes for the Kansas Star facility, some of which could require the approval of the Kansas Lottery Commission);
- 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, including by the Kansas Racing and Gaming Commission;
- 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, including the Kansas Star facility, or delay or prevent the construction or opening or otherwise affect the

design and features of our construction projects, such as the Kansas Star facility, 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.

The development costs of the Kansas Star facility are estimates only, and actual development costs may be higher than expected.

We have developed our budgets based on our plans, which are subject to change. While we believe that the overall budget for the development costs for the Kansas Star facility is reasonable, these development costs are only estimates and the actual development costs may be significantly higher than expected. Unforeseen or unexpected difficulties or delays during construction may also adversely impact the Kansas Star facility's budget. Our inability to pay development costs as they are incurred would negatively affect our ability to complete the Kansas Star facility on time.

Our Lottery Gaming Facility Management Contract with the State of Kansas contractually obligates us to open certain phases of our project by certain specified dates. While thus far we have satisfied all such contractual obligations with respect to the phased construction, the final phase of the construction project (which is not yet complete) must be completed no later than January 2015, as set forth in the Management Contract. However, if we fail to meet the future completion date for our entire construction project, we would be in breach of the Management Contract. If we breach our Management Contract, the State of Kansas has certain remedies, up to and including cancellation of our contract, which if it occurred, would cause a material adverse impact with respect to our business, results of operations, cash flows and financial condition.

#### 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 is subject to extensive laws, regulations and ordinances, which are administered by the Nevada Gaming Commission and Gaming Control Board, Mississippi Gaming Commission, Indiana Gaming Commission, Illinois Gaming Board, New Jersey Casino Control Commission, New Jersey Division of Gaming Enforcement, Iowa Racing and Gaming Commission, the Kansas Lottery Commission, the Kansas Racing and Gaming Commission, the Louisiana State Gaming Control Board, the Louisiana State Racing Commission and various other federal, state and local government entities and agencies. We are subject to regulations that apply specifically to the gaming industry and horse racetracks and casinos, in addition to regulations applicable to businesses generally. A more detailed description of the governmental gaming regulations to which we are subject has been filed as Exhibit 99.3 to our Registration Statement on Form S-4, which was filed on April 19, 2013. 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 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. KSC 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 be approximately \$3.9 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. Further, 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 September 30, 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 10, Long-Term Debt, included in the notes to our audited consolidated financial statements provided in Item 15 of our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on March 14, 2014, contains further disclosure regarding our, Peninsula's and Borgata'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, the Peninsula Credit Facility and the Borgata 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 Revolving 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 September 30, 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 6. Exhibits

## Exhibits

Exhibit No.	Document of Exhibit	Method of Filing
10.1	Separation Agreement and Release, Dated September 19, 2014, by and between Paul J. Chakmak and the Registrant.	Filed electronically herewith
31.1	Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act rule 13a-14(a).	Filed electronically herewith
31.2	Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act rule 13a-14(a).	Filed electronically herewith
32.1	Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. § 1350.	Filed electronically herewith
32.2	Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. § 1350.	Filed electronically herewith
101	The following materials from Boyd Gaming Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013, (ii) Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2014 and 2013, (iii) Condensed Consolidated Statement of Changes in Stockholders' Equity for the nine months ended September 30, 2014, (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013, and (vi) Notes to Condensed Consolidated Financial Statements.	Filed electronically herewith

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 7, 2014.

**BOYD GAMING CORPORATION**

By: /S/ ANTHONY D. MCDUFFIE  
Anthony D. McDuffie  
Vice President and Chief Accounting Officer