

BOYD GAMING CORP  
Form 10-Q  
May 05, 2016

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 March 31, 2016

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.

| Class | Outstanding as of May 2, 2016 |
|-------|-------------------------------|
|-------|-------------------------------|

Common stock, \$0.01 par value 112,084,786

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BOYD GAMING CORPORATION  
 QUARTERLY REPORT ON FORM 10-Q  
 FOR THE PERIOD ENDED MARCH 31, 2016  
 TABLE OF CONTENTS

|  | Page<br>No. |
|--|-------------|
| <u>PART I. FINANCIAL INFORMATION</u>   |             |
| <u>Item 1.</u> <u>Financial Statements (Unaudited)</u>   | <u>3</u>    |
| <u>Condensed Consolidated Balance Sheets as of March 31, 2016 and December 31, 2015</u>  | <u>3</u>    |
| <u>Condensed Consolidated Statements of Income for the three months ended March 31, 2016 and 2015</u>                          | <u>4</u>    |
| <u>Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2016 and 2015</u>            | <u>5</u>    |
| <u>Condensed Consolidated Statements of Changes in Stockholders' Equity for the three months ended March 31, 2016 and 2015</u> | <u>6</u>    |
| <u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2016 and 2015</u>                      | <u>7</u>    |
| <u>Notes to Condensed Consolidated Financial Statements</u>  | <u>8</u>    |
| <u>Item 2.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                    | <u>31</u>   |
| <u>Item 3.</u> <u>Quantitative and Qualitative Disclosures about Market Risk</u>   | <u>45</u>   |
| <u>Item 4.</u> <u>Controls and Procedures</u>  | <u>46</u>   |
| <u>PART II. OTHER INFORMATION</u>  |             |
| <u>Item 1.</u> <u>Legal Proceedings</u>  | <u>47</u>   |
| <u>Item 1A.</u> <u>Risk Factors</u>  | <u>47</u>   |
| <u>Item 6.</u> <u>Exhibits</u>   | <u>47</u>   |
| <u>Signature</u>   | <u>48</u>   |
| <u>Page</u>  |             |

## PART I. Financial Information

## Item 1. Financial Statements (Unaudited)

BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

| (In thousands, except share data)   | March 31,   | December 31, |
|---|-------------|--------------|
| (Unaudited)   | 2016        | 2015         |
| <b>ASSETS</b>   |             |              |
| Current assets  |             |              |
| Cash and cash equivalents   | \$616,201   | \$158,821    |
| Restricted cash   | 22,375      | 19,030       |
| Accounts receivable, net  | 24,056      | 25,289       |
| Inventories   | 15,137      | 15,462       |
| Prepaid expenses and other current assets   | 34,359      | 37,250       |
| Income taxes receivable   | 556         | 1,380        |
| Total current assets  | 712,684     | 257,232      |
| Property and equipment, net   | 2,210,482   | 2,225,342    |
| Investment in unconsolidated subsidiary   | 253,598     | 244,621      |
| Other assets, net   | 48,947      | 48,341       |
| Intangible assets, net  | 886,062     | 890,054      |
| Goodwill, net   | 685,310     | 685,310      |
| Total assets  | \$4,797,083 | \$4,350,900  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |             |              |
| Current liabilities   |             |              |
| Current maturities of long-term debt  | \$27,688    | \$29,750     |
| Accounts payable  | 67,177      | 75,803       |
| Accrued liabilities   | 243,117     | 249,518      |
| Total current liabilities   | 337,982     | 355,071      |
| Long-term debt, net of current maturities and debt issuance costs   | 3,657,911   | 3,239,799    |
| Deferred income taxes   | 168,708     | 162,189      |
| Other long-term tax liabilities   | 3,149       | 3,085        |
| Other liabilities   | 85,734      | 82,745       |
| Commitments and contingencies (Note 8)  |             |              |
| Stockholders' equity  |             |              |
| Preferred stock, \$0.01 par value, 5,000,000 shares authorized  | —           | —            |
| Common stock, \$0.01 par value, 200,000,000 shares authorized; 111,990,303 and 111,614,420 shares outstanding | 1,120       | 1,117        |
| Additional paid-in capital  | 946,914     | 945,041      |
| Accumulated deficit   | (404,691)   | (437,881)    |
| Accumulated other comprehensive income (loss)   | 206         | (316)        |
| Total Boyd Gaming Corporation stockholders' equity  | 543,549     | 507,961      |
| Noncontrolling interest   | 50          | 50           |
| Total stockholders' equity  | 543,599     | 508,011      |
| Total liabilities and stockholders' equity  | \$4,797,083 | \$4,350,900  |

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



BOYD GAMING CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

| (In thousands, except per share data)<br>(Unaudited) | Three Months Ended |           |
|--|--------------------|-----------|
|  | March 31,          |           |
|  | 2016               | 2015      |
| Revenues   |                    |           |
| Gaming   | \$462,551          | \$464,757 |
| Food and beverage                                    | 76,800             | 76,296    |
| Room   | 41,875             | 39,353    |
| Other  | 31,466             | 29,685    |
| Gross revenues                                       | 612,692            | 610,091   |
| Less promotional allowances                          | 60,314             | 59,513    |
| Net revenues   | 552,378            | 550,578   |
| Operating costs and expenses                         |                    |           |
| Gaming   | 223,525            | 226,697   |
| Food and beverage                                    | 41,803             | 41,567    |
| Room   | 10,499             | 10,047    |
| Other  | 19,332             | 19,646    |
| Selling, general and administrative                  | 81,851             | 81,689    |
| Maintenance and utilities                            | 23,848             | 25,319    |
| Depreciation and amortization                        | 47,653             | 51,942    |
| Corporate expense                                    | 17,907             | 19,652    |
| Project development, preopening and writedowns       | 1,841              | 955       |
| Impairments of assets                                | 1,440              | 1,065     |
| Other operating items, net                           | 429                | 116       |
| Total operating costs and expenses                   | 470,128            | 478,695   |
| Boyd's share of Borgata's operating income           | 18,836             | 11,675    |
| Operating income                                     | 101,086            | 83,558    |
| Other expense (income)                               |                    |           |
| Interest income                                      | (497)              | (471)     |
| Interest expense, net of amounts capitalized         | 53,065             | 56,935    |
| Loss on early extinguishments of debt                | 427                | 508       |
| Other, net   | 77                 | 618       |
| Boyd's share of Borgata's non-operating items, net   | 7,206              | 7,661     |
| Total other expense, net                             | 60,278             | 65,251    |
| Income before income taxes                           | 40,808             | 18,307    |
| Income taxes benefit (provision)                     | (7,618)            | 16,796    |
| Net income   | \$33,190           | \$35,103  |
| Basic net income per common share                    | \$0.29             | \$0.31    |
| Weighted average basic shares outstanding            | 114,109            | 111,446   |
| Diluted net income per common share                  | \$0.29             | \$0.31    |
| Weighted average diluted shares outstanding          | 114,868            | 112,358   |

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

| (In thousands)<br>(Unaudited)  | Three Months<br>Ended |          |
|--|-----------------------|----------|
|  | March 31,<br>2016     | 2015     |
| Net income   | \$33,190              | \$35,103 |
| Other comprehensive income, net of tax:                                |                       |          |
| Fair value of adjustments to available-for-sale securities, net of tax | 522                   | 271      |
| Comprehensive income attributable to Boyd Gaming Corporation           | \$33,712              | \$35,374 |

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



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

| (In thousands, except share data)<br>(Unaudited)  | Boyd Gaming Corporation Stockholders' Equity |                        |                                  |                        |  |                            |            |
|---|--|------------------------|----------------------------------|------------------------|--|----------------------------|------------|
|   | Common Stock<br>Shares                       | Common Stock<br>Amount | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss), Net | Noncontrolling<br>Interest | Total      |
| Balances, January 1, 2016                         | 111,614,420                                  | \$ 1,117               | \$ 945,041                       | \$ (437,881 )          | \$ (316 )  | \$ 50                      | \$ 508,011 |
| Net income  | —  | —                      | —                                | 33,190                 | —  | —                          | 33,190     |
| Comprehensive income<br>attributable to Boyd      | —  | —                      | —                                | —                      | 522  | —                          | 522        |
| Stock options exercised                           | 53,013                                       | —                      | 321                              | —                      | —  | —                          | 321        |
| Release of restricted stock units,<br>net of tax  | 163,843                                      | 2                      | (842 )                           | —                      | —  | —                          | (840 )     |
| Release of performance stock<br>units, net of tax | 159,027                                      | 1                      | (869 )                           | —                      | —  | —                          | (868 )     |
| Share-based compensation costs<br>Other           | —  | —                      | 3,263                            | —                      | —  | —                          | 3,263      |
| Balances, March 31, 2016                          | 111,990,303                                  | \$ 1,120               | \$ 946,914                       | \$ (404,691 )          | \$ 206   | \$ 50                      | \$ 543,599 |
| Balances, January 1, 2015                         | 109,277,060                                  | \$ 1,093               | \$ 922,112                       | \$ (485,115 )          | \$ (53 )   | \$ 50                      | \$ 438,087 |
| Net income  | —  | —                      | —                                | 35,103                 | —  | —                          | 35,103     |
| Comprehensive income<br>attributable to Boyd      | —  | —                      | —                                | —                      | 271  | —                          | 271        |
| Stock options exercised                           | 610,274                                      | 6                      | 4,413                            | —                      | —  | —                          | 4,419      |
| Release of performance stock<br>units, net of tax | 477,204                                      | 5                      | (2,451 )                         | —                      | —  | —                          | (2,446 )   |
| Share-based compensation costs                    | —  | —                      | 3,441                            | —                      | —  | —                          | 3,441      |
| Balances, March 31, 2015                          | 110,364,538                                  | \$ 1,104               | \$ 927,515                       | \$ (450,012 )          | \$ 218   | \$ 50                      | \$ 478,875 |

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)<br>(Unaudited)   | Three Months Ended<br>March 31, |            |
|---|---------------------------------|------------|
|   | 2016                            | 2015       |
| Cash Flows from Operating Activities  |                                 |            |
| Net income  | \$33,190                        | \$35,103   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |            |
| Depreciation and amortization   | 47,653                          | 51,942     |
| Amortization of debt financing costs and discounts on debt                        | 4,594                           | 5,326      |
| Share-based compensation expense  | 3,263                           | 3,441      |
| Deferred income taxes   | 6,519                           | 5,394      |
| Non-cash impairment of assets   | 1,440                           | 1,065      |
| Distribution from unconsolidated subsidiary                                       | 2,654                           | —          |
| Loss on early extinguishments of debt   | 427                             | 508        |
| Boyd's share of Borgata's net income  | (11,631 )                       | (4,014 )   |
| Other operating activities  | 486                             | (1,559 )   |
| Changes in operating assets and liabilities:                                      |                                 |            |
| Restricted cash   | (3,345 )                        | (3,358 )   |
| Accounts receivable, net  | 1,330                           | 1,440      |
| Inventories   | 326                             | 968        |
| Prepaid expenses and other current assets   | 2,890                           | (615 )     |
| Current other tax asset   | —                               | 1,802      |
| Income taxes receivable   | 824                             | (4 )       |
| Other assets, net   | (654 )                          | 1,581      |
| Accounts payable and accrued liabilities  | (9,990 )                        | (19,725 )  |
| Other long-term tax liabilities   | 64                              | (23,002 )  |
| Other liabilities   | 2,990                           | 3,345      |
| Net cash provided by operating activities   | 83,030                          | 59,638     |
| Cash Flows from Investing Activities  |                                 |            |
| Capital expenditures  | (35,297 )                       | (19,269 )  |
| Other investing activities  | 5                               | 2,316      |
| Net cash used in investing activities   | (35,292 )                       | (16,953 )  |
| Cash Flows from Financing Activities  |                                 |            |
| Borrowings under Boyd Gaming bank credit facility                                 | 223,900                         | 203,700    |
| Payments under Boyd Gaming bank credit facility                                   | (530,350 )                      | (245,675 ) |
| Borrowings under Peninsula bank credit facility                                   | 95,200                          | 91,400     |
| Payments under Peninsula bank credit facility                                     | (114,725 )                      | (108,625 ) |
| Proceeds from issuance of senior notes  | 750,000                         | —          |
| Debt financing costs  | (12,996 )                       | —          |
| Payments on retirements of long-term debt   | —                               | (2 )       |
| Share-based compensation activities, net  | (1,387 )                        | 1,973      |
| Net cash provided by (used in) financing activities                               | 409,642                         | (57,229 )  |
| Change in cash and cash equivalents   | 457,380                         | (14,544 )  |
| Cash and cash equivalents, beginning of period                                    | 158,821                         | 145,341    |
| Cash and cash equivalents, end of period  | \$616,201                       | \$130,797  |
| Supplemental Disclosure of Cash Flow Information                                  |                                 |            |
| Cash paid for interest, net of amounts capitalized                                | \$50,600                        | \$52,239   |
| Cash paid (received) for income taxes, net of refunds                             | 204                             | (1,656 )   |

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Supplemental Schedule of Noncash Investing and Financing Activities

|  |         |         |
|--|---------|---------|
| Payables incurred for capital expenditures | \$6,610 | \$7,333 |
|--|---------|---------|

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

7

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

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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"). 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, 2015, as filed with the U.S. Securities and Exchange Commission ("SEC") on February 25, 2016.

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. (See Note 3, Investment in Borgata.) All significant intercompany accounts and transactions have been eliminated in consolidation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments, which include cash on hand and in banks, interest-bearing deposits and money market funds with maturities of three months or less at their date of purchase. The instruments are not restricted as to withdrawal or use and are on deposit with high credit quality financial institutions. Although these balances may at times exceed the federal insured deposit limit, we believe such risk is mitigated by the quality of the institution holding such deposit. The carrying values of these instruments approximate their fair values as such balances are generally available on demand.

Promotional Allowances

The retail value of accommodations, food and beverage, and other services furnished to guests without charge is included in gross revenues and then deducted as a promotional allowance. Promotional allowances also include

incentives earned in our slot bonus program such as cash and the estimated retail value of goods and services (such as complimentary rooms and food and beverages). We reward customers, through the use of bonus programs, with points based on amounts wagered that can be redeemed for a specified period of time for complimentary slot play, food and beverage, and to a lesser extent for other goods or services, depending upon the property.

8

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

The amounts included in promotional allowances are as follows:

| (In thousands)               | Three Months<br>Ended<br>March 31, |          |
|------------------------------|------------------------------------|----------|
|                              | 2016                               | 2015     |
| Rooms                        | \$18,945                           | \$18,744 |
| Food and beverage            | 37,452                             | 37,714   |
| Other                        | 3,917                              | 3,055    |
| Total promotional allowances | \$60,314                           | \$59,513 |

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

| (In thousands)                                 | Three Months<br>Ended<br>March 31, |          |
|--|------------------------------------|----------|
|  | 2016                               | 2015     |
| Rooms  | \$8,569                            | \$8,782  |
| Food and beverage                              | 33,271                             | 33,552   |
| Other  | 2,981                              | 2,787    |
| Total estimated cost of promotional allowances | \$44,821                           | \$45,121 |

#### 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 income. These taxes totaled approximately \$82.6 million and \$83.4 million for the three months ended March 31, 2016 and 2015, 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. 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 profitability and taxable income, the duration of statutory carryforward periods, our experience with the utilization of operating loss and tax credit carryforwards before expiration and tax planning strategies.

As of March 31, 2016, we concluded that it was not more likely than not that the benefit from our deferred tax assets would be realized. As a result of our analysis, a valuation allowance of \$240.4 million has been recorded on our federal and state income tax net operating loss carryforwards and other deferred tax assets. Valuation allowances are evaluated periodically and subject to change in future reporting periods as a result of changes in the factors noted above. Based on recent earnings, there is a reasonable possibility that, within the next year, sufficient positive evidence may become available to reach a conclusion that all or a portion of the valuation allowance will no longer be needed. As such, the Company may release a significant portion of its valuation allowance against its deferred tax assets within the next 12 months. However, the exact timing will be dependent on the levels of income achieved and

management's visibility into future period results. The release of our valuation allowance would result in the recognition of certain deferred tax assets and a non-cash income tax benefit in the period in which the release is recorded.

For the three months ended March 31, 2016 and 2015, we have computed our provision for income taxes by applying the actual effective tax rate, under the discrete method, to year-to-date income. The discrete method was used to calculate income tax expense or benefit as the annual effective tax rate was not considered a reliable estimate of year-to-date income tax expense or benefit. We believe this method provides the most reliable estimate of year-to-date income tax expense.

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

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

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

#### Other Long Term Tax Liabilities

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

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

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.

#### 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.

#### Reclassifications

Asset transaction costs that were previously disaggregated in our condensed consolidated statement of income for the three months ended March 31, 2015 were accumulated with preopening expenses. This reclassification had no effect on our retained earnings or net income as previously reported.

Amortization of debt financing costs and amortization of discounts on debt, which were previously disaggregated in our condensed consolidated statement of cash flows for the three months ended March 31, 2015, were combined. This reclassification had no effect on our cash provided by operating activities as previously reported.

#### Recently Issued Accounting Pronouncements

Accounting Standards Update 2016-09, Compensation - Stock Compensation ("Update 2016-09")

In March 2016, the Financial Accounting Standards Board ("FASB") issued Update 2016-09 which simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The standard is effective for financial statements issued for annual periods and interim periods within those annual periods beginning after



December 15, 2016, and early adoption is permitted. The Company is evaluating the impact of the adoption of Update 2016-09 to the financial statements.

Accounting Standards Update 2016-08, Revenue from Contracts with Customers ("Update 2016-08")

In March 2016, the FASB issued Update 2016-08 which amends the principal-versus agent implementation guidance and illustrations in Accounting Standards Update 2014-09, Revenue from Contracts with Customers ("Update 2014-09"). The standard is effective for financial statements issued for annual periods and interim periods within those annual periods beginning after December 15, 2017, and early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is evaluating the impact of the adoption of Updates 2016-08 and 2014-09 to the financial statements.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

## Accounting Standards Update 2016-07, Investments - Equity Method and Joint Ventures ("Update 2016-07")

In March 2016, the FASB issued Update 2016-07 which simplifies the equity method of accounting by eliminating the requirement to retrospectively apply the equity method to an investment that subsequently qualifies for such accounting as a result of an increase in the level of ownership interest or degree of influence. The standard is effective for financial statements issued for annual periods and interim periods within those annual periods beginning after December 15, 2016, and early adoption is permitted. The Company is evaluating the impact of the adoption of Update 2016-07 to the financial statements.

## Accounting Standards Update 2016-02, Leases ("Update 2016-02")

In February 2016, the FASB issued Update 2016-02 which requires the recognition of lease assets and lease liabilities on the balance sheet and the disclosure of key information about leasing arrangements. The standard is effective for financial statements issued for annual periods and interim periods within those annual periods beginning after December 15, 2018, and early adoption is permitted. The Company is evaluating the impact of the adoption of Update 2016-02 to the financial statements.

## Accounting Standards Update 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities ("Update 2016-01")

In January 2016, the FASB issued Update 2016-01, which addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is permitted only if explicit early adoption guidance is applied. The Company is evaluating the impact of the new standard on its consolidated financial statements.

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. INVESTMENT IN BORGATA

The Company and MGM Resorts International each hold a 50% interest in Marina District Development Holding Co., LLC ("Holding Company"). Holding Company owns all the equity interests in Marina District Development Company, LLC, d.b.a. Borgata. We are the managing member of Holding Company, and we are responsible for the day-to-day operations of Borgata. We account for our investment in Borgata by applying the equity method of accounting.

Select balance sheet information for Borgata is as follows:

|                           | March    | December |
|---------------------------|----------|----------|
| (In thousands)            | 31,      | 31,      |
|                           | 2016     | 2015     |
| Cash and cash equivalents | \$29,838 | \$44,134 |

## Outstanding Principal Balance of Long-term Debt

|                      |           |           |
|----------------------|-----------|-----------|
| Bank Credit Facility | \$11,600  | \$37,700  |
| 2018 Term Loan       | 223,000   | 240,900   |
| 2023 Term Loan       | 416,850   | 418,950   |
|                      | \$651,450 | \$697,550 |



## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

Summarized income statement information for Borgata is as follows:

|                        | Three Months<br>Ended<br>March 31, |           |
|------------------------|------------------------------------|-----------|
| (In thousands)         | 2016                               | 2015      |
| Net revenues           | \$190,293                          | \$182,589 |
| Operating expenses     | 152,620                            | 159,239   |
| Operating income       | 37,673                             | 23,350    |
| Non-operating expenses | 14,412                             | 15,322    |
| Net income             | \$23,261                           | \$8,028   |

## NOTE 4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

|                               | March 31,   | December<br>31, |
|-------------------------------|-------------|-----------------|
| (In thousands)                | 2016        | 2015            |
| Land                          | \$228,417   | \$229,857       |
| Buildings and improvements    | 2,553,426   | 2,539,578       |
| Furniture and equipment       | 1,173,338   | 1,152,277       |
| Riverboats and barges         | 238,730     | 238,743         |
| Construction in progress      | 36,668      | 42,497          |
| Other                         | 7,404       | 7,404           |
| Total property and equipment  | 4,237,983   | 4,210,356       |
| Less accumulated depreciation | 2,027,501   | 1,985,014       |
| Property and equipment, net   | \$2,210,482 | \$2,225,342     |

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 2013 sale of the Echelon development project. Such assets are not in service and are not currently being depreciated.

Depreciation expense is as follows:

|                      | Three Months<br>Ended<br>March 31, |          |
|----------------------|------------------------------------|----------|
| (In thousands)       | 2016                               | 2015     |
| Depreciation expense | \$43,556                           | \$45,102 |

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

## NOTE 5. INTANGIBLE ASSETS

Intangible assets consist of the following:

| (In thousands)                     | March 31, 2016                        |                            |                            |                                    |                              |
|------------------------------------|---------------------------------------|----------------------------|----------------------------|------------------------------------|------------------------------|
|                                    | Weighted<br>Average Life<br>Remaining | Gross<br>Carrying<br>Value | Cumulative<br>Amortization | Cumulative<br>Impairment<br>Losses | Intangible<br>Assets,<br>Net |
| Amortizing intangibles             |                                       |                            |                            |                                    |                              |
| Customer relationships             | 1.6 years                             | \$136,300                  | \$(113,711 )               | \$—                                | \$22,589                     |
| Favorable lease rates              | 32.2 years                            | 45,370                     | (12,272 )                  | —                                  | 33,098                       |
| Development agreement              | —                                     | 21,373                     | —                          | —                                  | 21,373                       |
|                                    |                                       | 203,043                    | (125,983 )                 | —                                  | 77,060                       |
| Indefinite lived intangible assets |                                       |                            |                            |                                    |                              |
| Trademarks and other               | Indefinite                            | 129,501                    | —                          | (3,500 )                           | 126,001                      |
| Gaming license rights              | Indefinite                            | 873,335                    | (33,960 )                  | (156,374 )                         | 683,001                      |
|                                    |                                       | 1,002,836                  | (33,960 )                  | (159,874 )                         | 809,002                      |
| Balance, March 31, 2016            |                                       | \$1,205,879                | \$(159,943 )               | \$(159,874 )                       | \$886,062                    |

| (In thousands)                     | December 31, 2015                     |                            |                            |                                    |                              |
|------------------------------------|---------------------------------------|----------------------------|----------------------------|------------------------------------|------------------------------|
|                                    | Weighted<br>Average Life<br>Remaining | Gross<br>Carrying<br>Value | Cumulative<br>Amortization | Cumulative<br>Impairment<br>Losses | Intangible<br>Assets,<br>Net |
| Amortizing intangibles             |                                       |                            |                            |                                    |                              |
| Customer relationships             | 1.9 years                             | \$136,300                  | \$(109,994 )               | \$—                                | \$26,306                     |
| Favorable lease rates              | 32.4 years                            | 45,370                     | (11,997 )                  | —                                  | 33,373                       |
| Development agreement              | —                                     | 21,373                     | —                          | —                                  | 21,373                       |
|                                    |                                       | 203,043                    | (121,991 )                 | —                                  | 81,052                       |
| Indefinite lived intangible assets |                                       |                            |                            |                                    |                              |
| Trademarks                         | Indefinite                            | 129,501                    | —                          | (3,500 )                           | 126,001                      |
| Gaming license rights              | Indefinite                            | 873,335                    | (33,960 )                  | (156,374 )                         | 683,001                      |
|                                    |                                       | 1,002,836                  | (33,960 )                  | (159,874 )                         | 809,002                      |
| Balance, December 31, 2015         |                                       | \$1,205,879                | \$(155,951 )               | \$(159,874 )                       | \$890,054                    |

## NOTE 6. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

| (In thousands)                     | March<br>31,<br>2016 | December<br>31,<br>2015 |
|------------------------------------|----------------------|-------------------------|
| Payroll and related expenses       | \$61,815             | \$71,815                |
| Interest                           | 32,546               | 35,337                  |
| Gaming liabilities                 | 33,104               | 37,496                  |
| Player loyalty program liabilities | 18,464               | 18,491                  |
| Accrued liabilities                | 97,188               | 86,379                  |

Total accrued liabilities            \$243,117 \$249,518

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

## NOTE 7. LONG-TERM DEBT

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

| (In thousands)                      | Interest Rates at Mar. 31, 2016 | March 31, 2016        |                      |  |                     |
|-------------------------------------|---------------------------------|-----------------------|----------------------|--|---------------------|
|                                     |                                 | Outstanding Principal | Unamortized Discount | Unamortized Origination Fees and Costs | Long-Term Debt, Net |
| <b>Boyd Gaming Corporation Debt</b> |                                 |                       |                      |  |                     |
| Bank credit facility                | 3.88 %                          | \$903,275             | \$ (2,288)           | \$ (8,894)                             | \$892,093           |
| 9.00% senior notes due 2020         | 9.00 %                          | 350,000               | —                    | (6,647)                                | 343,353             |
| 6.875% senior notes due 2023        | 6.88 %                          | 750,000               | —                    | (12,525)                               | 737,475             |
| 6.375% senior notes due 2026        | 6.38 %                          | 750,000               | —                    | (12,935)                               | 737,065             |
|                                     |                                 | 2,753,275             | (2,288)              | (41,001)                               | 2,709,986           |
| <b>Peninsula Segment Debt</b>       |                                 |                       |                      |  |                     |
| Bank credit facility                | 4.25 %                          | 643,225               | —                    | (11,939)                               | 631,286             |
| 8.375% senior notes due 2018        | 8.38 %                          | 350,000               | —                    | (5,673)                                | 344,327             |
|                                     |                                 | 993,225               | —                    | (17,612)                               | 975,613             |
| Total long-term debt                |                                 | 3,746,500             | (2,288)              | (58,613)                               | 3,685,599           |
| Less current maturities             |                                 | 27,688                | —                    | —                                      | 27,688              |
| Long-term debt, net                 |                                 | \$3,718,812           | \$ (2,288)           | \$ (58,613)                            | \$3,657,911         |

| (In thousands)                      | Interest Rates at Dec. 31, 2015 | December 31, 2015     |                      |  |                     |
|-------------------------------------|---------------------------------|-----------------------|----------------------|--|---------------------|
|                                     |                                 | Outstanding Principal | Unamortized Discount | Unamortized Origination Fees and Costs | Long-Term Debt, Net |
| <b>Boyd Gaming Corporation Debt</b> |                                 |                       |                      |  |                     |
| Bank credit facility                | 3.75 %                          | \$1,209,725           | \$ (2,702)           | \$ (9,746)                             | \$1,197,277         |
| 9.00% senior notes due 2020         | 9.00 %                          | 350,000               | —                    | (7,044)                                | 342,956             |
| 6.875% senior notes due 2023        | 6.88 %                          | 750,000               | —                    | (12,934)                               | 737,066             |
|                                     |                                 | 2,309,725             | (2,702)              | (29,724)                               | 2,277,299           |
| <b>Peninsula Segment Debt</b>       |                                 |                       |                      |  |                     |
| Bank credit facility                | 4.25 %                          | 662,750               | —                    | (14,143)                               | 648,607             |
| 8.375% senior notes due 2018        | 8.38 %                          | 350,000               | —                    | (6,357)                                | 343,643             |
|                                     |                                 | 1,012,750             | —                    | (20,500)                               | 992,250             |
| Total long-term debt                |                                 | 3,322,475             | (2,702)              | (50,224)                               | 3,269,549           |
| Less current maturities             |                                 | 29,750                | —                    | —                                      | 29,750              |
| Long-term debt, net                 |                                 | \$3,292,725           | \$ (2,702)           | \$ (50,224)                            | \$3,239,799         |





## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

## Boyd Gaming Debt

## Boyd Bank Credit Facility

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

|   | March     | December    |
|---|-----------|-------------|
| (In thousands)  | 31,       | 31,         |
|   | 2016      | 2015        |
| Revolving Credit Facility   | \$—       | \$240,000   |
| Term A Loan   | 177,025   | 183,275     |
| Term B Loan   | 726,250   | 730,750     |
| Swing Loan  | —         | 55,700      |
| Total outstanding principal amounts under the Boyd Gaming Credit Facility | \$903,275 | \$1,209,725 |

At March 31, 2016, approximately \$0.9 billion was outstanding under the Boyd Gaming Credit Facility and \$7.1 million was allocated to support various letters of credit, leaving remaining contractual availability of \$592.9 million.

## Senior Notes

## 6.375% Senior Notes due April 2026

## Significant Terms

On March 28, 2016, we issued \$750 million aggregate principal amount of 6.375% senior notes due April 2026 (the "6.375% Notes"). The 6.375% Notes require semi-annual interest payments on April 1 and October 1 of each year, commencing on October 1, 2016. The 6.375% Notes will mature on April 1, 2026 and are fully and unconditionally guaranteed, on a joint and several basis, by certain of our current and future domestic restricted subsidiaries, all of which are 100% owned by us. Net proceeds from the 6.375% Notes were used to pay down the outstanding amount under the Boyd Gaming Revolving Credit Facility and the balance was retained in money market funds and classified as cash equivalents on the condensed consolidated balance sheets.

In conjunction with the issuance of the 6.375% Notes, we incurred approximately \$13.0 million in debt financing costs that have been deferred and are being amortized over the term of the 6.375% Notes using the effective interest method.

The 6.375% Notes contain certain restrictive covenants that, subject to exceptions and qualifications, among other things, limit our ability and the ability of our restricted subsidiaries (as defined in the base and supplemental indentures governing the 6.375% Notes, together, the "Indenture") to incur additional indebtedness or liens, pay dividends or make distributions or repurchase our capital stock, make certain investments, and sell or merge with other companies. In addition, upon the occurrence of a change of control (as defined in the Indenture), we will be required, unless certain conditions are met, to offer to repurchase the 6.375% Notes at a price equal to 101% of the principal amount of the 6.375% Notes, plus accrued and unpaid interest and Additional Interest (as defined in the Indenture), if any, to, but not including, the date of purchase. If we sell assets or experience an event of loss, we will be required under certain circumstances to offer to purchase the 6.375% Notes.

At any time prior to April 1, 2021, we may redeem the 6.375% Notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Interest, if any, up to, but excluding, the applicable redemption date, plus a make whole premium. After April 1, 2021, we may redeem all or a portion of the 6.375% Notes at redemption prices (expressed as percentages of the principal amount) ranging from 103.188% in 2021 to 100% in 2024 and thereafter, plus accrued and unpaid interest and Additional Interest.

In connection with the private placement of the 6.375% Notes, we entered into a registration rights agreement with the initial purchasers in which we agreed to file a registration statement with the SEC to permit the holders to exchange or resell the 6.375% Notes. We must use commercially reasonable efforts to file a registration statement and to consummate an exchange offer within 365 days after the issuance of the 6.375% Notes, subject to certain suspension and other rights set forth in the registration rights agreement. Under certain circumstances, including our determination that we cannot complete an exchange offer, we are required to file a shelf registration statement for the resale of the 6.375% Notes and to cause such shelf registration statement to be declared effective as soon as reasonably practicable (but in no event later than the 365th day following the issuance of the 6.375% Notes) after the occurrence of such circumstances. Subject to certain suspension and other rights, in the event that the registration statement is not filed or declared effective within the time periods specified in the registration rights agreement, the exchange offer is not consummated within 365 days after the issuance of the 6.375% Notes, or the registration statement is filed and declared effective

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

but thereafter ceases to be effective or is unusable for its intended purpose for a period in excess of 30 days without being succeeded immediately by a post-effective amendment that cures such failure, the agreement provides that additional interest will accrue on the principal amount of the 6.375% Notes at a rate of 0.25% per annum during the 90-day period immediately following any of these events and will increase by 0.25% per annum at the end of each subsequent 90-day period, but in no event will the penalty rate exceed 1.00% per annum, until the default is cured. There are no other alternative settlement methods and, other than the 1.00% per annum maximum penalty rate, the agreement contains no limit on the maximum potential amount of consideration that could be transferred in the event we do not meet the registration statement filing requirements. We currently intend to file a registration statement, have it declared effective and consummate any exchange offer within these time periods. Accordingly, we do not believe that payment of additional interest under the registration payment arrangement is probable and, therefore, no related liability has been recorded in the consolidated financial statements.

## Peninsula Segment Debt

## Bank Credit Facility

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

|   | March<br>31,<br>2016 | December<br>31,<br>2015 |
|---|----------------------|-------------------------|
| (In thousands)  |                      |                         |
| Term Loan   | \$621,625            | \$647,750               |
| Revolving Facility  | 14,000               | 9,000                   |
| Swing Loan  | 7,600                | 6,000                   |
| Total outstanding principal amounts under the Peninsula Credit Facility | \$643,225            | \$662,750               |

At March 31, 2016, approximately \$643.2 million was outstanding under the Peninsula Credit Facility and \$5.0 million was allocated to support various letters of credit, leaving remaining contractual availability of \$23.4 million.

## Early Extinguishments of Debt

We incurred non-cash charges of \$0.4 million and \$0.5 million during the three months ended March 31, 2016 and 2015, respectively, for deferred debt financing costs written off related to the Peninsula Credit Facility, which represents the ratable reduction in borrowing capacity due to optional prepayments made during these periods.

## Covenant Compliance

As of March 31, 2016, we believe that Boyd Gaming and Peninsula were in compliance with the financial and other covenants of their respective debt instruments.

## NOTE 8. COMMITMENTS AND CONTINGENCIES

## Commitments

There have been no material changes to our commitments described under Note 10, Commitments and Contingencies, in our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on February 25, 2016, except for the pending acquisitions of ALST Casino Holdco, LLC, and the Las Vegas assets of Cannery Casino Resorts, LLC, as discussed in Note 13, Subsequent Events.

## Contingencies

## Legal Matters

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

NOTE 9. STOCKHOLDERS' EQUITY AND STOCK INCENTIVE PLANS

Share-Based Compensation

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

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

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 income.

| (In thousands)                         | Three Months<br>Ended<br>March 31, |         |
|--|------------------------------------|---------|
|  | 2016                               | 2015    |
| Gaming                                 | \$85                               | \$68    |
| Food and beverage                      | 16                                 | 13      |
| Room                                   | 8                                  | 6       |
| Selling, general and administrative    | 432                                | 344     |
| Corporate expense                      | 2,722                              | 3,010   |
| Total share-based compensation expense | \$3,263                            | \$3,441 |

## Performance Shares Vesting

The Performance Share Unit ("PSU") grants awarded in December 2012 and 2011 vested during first quarters of 2016 and 2015, respectively. Common shares were issued based on the determination by the Compensation Committee of the Board of Directors of our actual achievement of net revenue growth, Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") growth and customer service scores for the three-year performance period of the grant. As provided under the provisions of our stock incentive plan, certain of the participants elected to surrender a portion of the shares to be received to pay the withholding and other payroll taxes payable on the compensation resulting from the vesting of the PSUs.

The PSU grant awarded in December 2012 resulted in a total of 213,365 shares issued, representing approximately 0.59 shares per PSU. Of the 213,365 shares issued, a total of 54,338 were surrendered by the participants for payroll taxes, resulting a net issuance of 159,027 shares due to the vesting of the 2012 grant. The actual achievement level under the award metrics equaled the estimated performance as of year-end 2015; therefore, the vesting of the PSUs did not impact compensation costs in our 2016 condensed consolidated statement of income.

The PSU grant awarded in December 2011 resulted in a total of 654,478 shares issued, representing approximately 1.67 shares per PSU. Of the 654,478 shares issued, a total of 177,274 were surrendered by the participants for payroll taxes, resulting a net issuance of 477,204 shares due to the vesting of the 2011 grant. The actual achievement level under the award metrics equaled the estimated performance as of year-end 2014; therefore, the vesting of the PSUs did not impact compensation costs in our 2015 condensed consolidated statement of income.

## NOTE 10. FAIR VALUE MEASUREMENTS

The authoritative accounting guidance for fair value measurements specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These inputs create the following fair value hierarchy:

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

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

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

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

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

## Balances Measured at Fair Value

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

| March 31, 2016                |           |           |            |          |
|-------------------------------|-----------|-----------|------------|----------|
| (In thousands)                | Balance   | Level 1   | Level<br>2 | Level 3  |
| Assets                        |           |           |            |          |
| Cash and cash equivalents     | \$616,201 | \$616,201 | \$ —       | —        |
| Restricted cash               | 22,375    | 22,375    | —          | —        |
| Investment available for sale | 18,394    | —         | —          | 18,394   |
| Liabilities                   |           |           |            |          |
| Contingent payments           | \$3,560   | \$—       | \$ —       | —\$3,560 |

| December 31, 2015             |           |           |            |          |
|-------------------------------|-----------|-----------|------------|----------|
| (In thousands)                | Balance   | Level 1   | Level<br>2 | Level 3  |
| Assets                        |           |           |            |          |
| Cash and cash equivalents     | \$158,821 | \$158,821 | \$ —       | —        |
| Restricted cash               | 19,030    | 19,030    | —          | —        |
| Investment available for sale | 17,839    | —         | —          | 17,839   |
| Liabilities                   |           |           |            |          |
| Contingent payments           | \$3,632   | \$—       | \$ —       | —\$3,632 |

## 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 March 31, 2016 and December 31, 2015.

## Investment Available for Sale

We have an investment in a single municipal bond issuance of \$21.4 million aggregate principal amount of 7.5% Urban Renewal Tax Increment Revenue Bonds, Taxable Series 2007 that is classified as available for sale. We are the only holder of this instrument and there is no quoted market price for this instrument. As such, the fair value of this investment is classified as Level 3 in the fair value hierarchy. The estimate of the fair value of such investment was determined using a combination of current market rates and estimates of market conditions for instruments with similar terms, maturities, and degrees of risk and a discounted cash flows analysis as of March 31, 2016 and December 31, 2015. 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 in the stockholders' equity section of the condensed consolidated balance sheets. At both March 31, 2016 and December 31, 2015, \$0.4 million of the carrying value of the investment available for sale is included as a current asset in prepaid expenses and other current assets, and at March 31, 2016 and December 31, 2015, \$18.0 million and \$17.4 million, respectively, is included in other assets on the condensed consolidated balance sheets. The discount associated with this investment of \$3.2 million at both March 31, 2016 and December 31, 2015, 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 income.

### Contingent Payments

In connection with the development of the Kansas Star Casino ("KSC"), KSC agreed to pay a former casino project developer and option holder 1% of KSC's EBITDA each month for a period of ten years commencing on December 20, 2011. The liability is recorded at the estimated fair value of the contingent payments using a discounted cash flows approach and the significant unobservable input used in the valuation at both March 31, 2016 and December 31, 2015, is a discount rate of 18.5%. At both March 31, 2016 and December 31, 2015, there was a current liability of \$0.9 million related to this agreement, which is recorded in accrued liabilities on the respective condensed consolidated balance sheets, and long-term obligation at both March 31, 2016 and December 31, 2015, of \$2.7 million, which is 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 March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

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

| (In thousands)                                 | Three Months Ended March 31, 2016    |                               |
|--|--------------------------------------|-------------------------------|
|  | Assets Investment Available for Sale | Liability Contingent Payments |
| Balance at January 1, 2016                     | \$ 17,839                            | \$ (3,632 )                   |
| Total gains (losses) (realized or unrealized): |                                      |                               |
| Included in earnings                           | 33                                   | (154 )                        |
| Included in other comprehensive income         | 522                                  | —                             |
| Transfers in or out of Level 3                 | —                                    | —                             |
| Purchases, sales, issuances and settlements:   |                                      |                               |
| Settlements                                    | —                                    | 226                           |
| Balance at March 31, 2016                      | \$ 18,394                            | \$ (3,560 )                   |

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  | \$ 33 | \$ —   |
| Included in interest expense | —     | (154 ) |

| (In thousands)                                 | Three Months Ended March 31, 2015    |                            |                     |
|--|--------------------------------------|----------------------------|---------------------|
|  | Assets Investment Available for Sale | Liabilities Merger Earnout | Contingent Payments |
| Balance at January 1, 2015                     | \$ 18,357                            | \$ (75)                    | \$ (3,792 )         |
| Total gains (losses) (realized or unrealized): |                                      |                            |                     |
| Included in earnings                           | 31                                   | 75                         | (159 )              |
| Included in other comprehensive income         | 270                                  | —                          | —                   |
| Transfers in or out of Level 3                 | —                                    | —                          | —                   |
| Purchases, sales, issuances and settlements:   |                                      |                            |                     |
| Settlements                                    | —                                    | —                          | 230                 |
| Balance at March 31, 2015                      | \$ 18,658                            | \$ —                       | \$ (3,721 )         |

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

|                              |       |      |        |
|------------------------------|-------|------|--------|
| Included in interest income  | \$ 31 | \$ — | \$ —   |
| Included in interest expense | —     | —    | (159 ) |

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

|                               | Valuation<br>Technique  | Unobservable<br>Input | Rate   |
|-------------------------------|-------------------------|-----------------------|--------|
| Investment available for sale | Discounted<br>cash flow | Discount rate         | 9.9 %  |
| Contingent payments           | Discounted<br>cash flow | Discount rate         | 18.5 % |

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

## 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)                           | March 31, 2016                |                   |                            |                      |
|--|-------------------------------|-------------------|----------------------------|----------------------|
|  | Outstanding<br>Face<br>Amount | Carrying<br>Value | Estimated<br>Fair<br>Value | Fair Value Hierarchy |
| <b>Liabilities</b>                       |                               |                   |                            |                      |
| Obligation under assessment arrangements | \$34,655                      | \$27,357          | \$28,282                   | Level 3              |
| Other financial instruments              | 200                           | 189               | 189                        | Level 3              |

| (In thousands)                           | December 31, 2015             |                   |                            |                      |
|--|-------------------------------|-------------------|----------------------------|----------------------|
|  | Outstanding<br>Face<br>Amount | Carrying<br>Value | Estimated<br>Fair<br>Value | Fair Value Hierarchy |
| <b>Liabilities</b>                       |                               |                   |                            |                      |
| Obligation under assessment arrangements | \$35,126                      | \$27,660          | \$28,381                   | Level 3              |
| Other financial instruments              | 200                           | 186               | 186                        | Level 3              |

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

| (In thousands)                      | March 31, 2016                |                    |                            |                      |
|-------------------------------------|-------------------------------|--------------------|----------------------------|----------------------|
|                                     | Outstanding<br>Face<br>Amount | Carrying<br>Value  | Estimated<br>Fair<br>Value | Fair Value Hierarchy |
| <b>Boyd Gaming Corporation Debt</b> |                               |                    |                            |                      |
| Bank credit facility                | \$903,275                     | \$892,093          | \$901,204                  | Level 2              |
| 9.00% senior notes due 2020         | 350,000                       | 343,353            | 370,125                    | Level 1              |
| 6.875% senior notes due 2023        | 750,000                       | 737,475            | 798,750                    | Level 1              |
| 6.375% senior notes due 2026        | 750,000                       | 737,065            | 778,125                    | Level 1              |
|                                     | 2,753,275                     | 2,709,986          | 2,848,204                  |                      |
| <b>Peninsula Segment Debt</b>       |                               |                    |                            |                      |
| Bank credit facility                | 643,225                       | 631,286            | 642,479                    | Level 2              |
| 8.375% Senior Notes due 2018        | 350,000                       | 344,327            | 357,000                    | Level 2              |
|                                     | 993,225                       | 975,613            | 999,479                    |                      |
| <b>Total debt</b>                   | <b>\$3,746,500</b>            | <b>\$3,685,599</b> | <b>\$3,847,683</b>         |                      |

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

| (In thousands)                      | December 31, 2015       |                     |                      | Fair Value Hierarchy |
|-------------------------------------|-------------------------|---------------------|----------------------|----------------------|
|                                     | Outstanding Face Amount | Carrying Value      | Estimated Fair Value |                      |
| <b>Boyd Gaming Corporation Debt</b> |                         |                     |                      |                      |
| Bank credit facility                | \$ 1,209,725            | \$ 1,197,277        | \$ 1,202,870         | Level 2              |
| 9.00% senior notes due 2020         | 350,000                 | 342,956             | 372,750              | Level 1              |
| 6.875% senior notes due 2023        | 750,000                 | 737,066             | 772,500              | Level 1              |
|                                     | 2,309,725               | 2,277,299           | 2,348,120            |                      |
| <b>Peninsula Segment Debt</b>       |                         |                     |                      |                      |
| Bank credit facility                | 662,750                 | 648,607             | 661,131              | Level 2              |
| 8.375% senior notes due 2018        | 350,000                 | 343,643             | 357,000              | Level 2              |
|                                     | 1,012,750               | 992,250             | 1,018,131            |                      |
| <b>Total debt</b>                   | <b>\$ 3,322,475</b>     | <b>\$ 3,269,549</b> | <b>\$ 3,366,251</b>  |                      |

The estimated fair values of the Boyd Gaming Credit Facility and the Peninsula Credit Facility are based on a relative value analysis performed on or about March 31, 2016 and December 31, 2015. The estimated fair values of Boyd Gaming's senior notes and Peninsula's senior notes are based on quoted market prices as of March 31, 2016 and December 31, 2015. Debt included in the "Other" category is fixed-rate debt that is not traded and does not have an observable market input; therefore, we have estimated its fair value based on a discounted cash flow approach, after giving consideration to the changes in market rates of interest, creditworthiness of both parties, and credit spreads.

There were no transfers between Level 1, Level 2 and Level 3 measurements during the three months ended March 31, 2016 or 2015.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

## NOTE 11. 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 |
|----------------------------|---------------------------|

## 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, deferred rent, share-based compensation expense, project development, preopening and writedowns expenses, impairments of assets, other operating items, net, and gain or 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 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.

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

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 income:

| (In thousands)  | Three Months Ended |            |
|---|--------------------|------------|
|   | March 31,          |            |
|   | 2016               | 2015       |
| Net Revenues  |                    |            |
| Las Vegas Locals  | \$ 158,398         | \$ 150,302 |
| Downtown Las Vegas  | 58,605             | 56,603     |
| Midwest and South   | 209,185            | 217,764    |
| Peninsula   | 126,190            | 125,909    |
| Total Reportable Segment Net Revenues                     | \$ 552,378         | \$ 550,578 |
| Adjusted EBITDA   |                    |            |
| Las Vegas Locals  | \$ 44,271          | \$ 38,877  |
| Downtown Las Vegas  | 12,681             | 10,677     |
| Midwest and South   | 48,813             | 50,984     |
| Peninsula   | 47,112             | 46,363     |
| Borgata   | 22,668             | 18,913     |
| Total Reportable Segment Adjusted EBITDA                  | 175,545            | 165,814    |
| Corporate expense   | (15,185 )          | (16,642 )  |
| Adjusted EBITDA   | 160,360            | 149,172    |
| Other operating costs and expenses                        |                    |            |
| Deferred rent   | 817                | 857        |
| Depreciation and amortization                             | 47,653             | 51,942     |
| Share-based compensation expense                          | 3,263              | 3,441      |
| Project development, preopening and writedowns            | 1,841              | 955        |
| Impairments of assets                                     | 1,440              | 1,065      |
| Other operating items, net                                | 429                | 116        |
| Our share of Borgata's other operating costs and expenses | 3,831              | 7,238      |
| Total other operating costs and expenses                  | 59,274             | 65,614     |
| Operating income  | \$ 101,086         | \$ 83,558  |

## Total Reportable Segment Assets

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

| (In thousands)                  | March 31,    | December     |
|---------------------------------|--------------|--------------|
|                                 | 2016         | 31,<br>2015  |
| Assets                          |              |              |
| Las Vegas Locals                | \$ 1,139,016 | \$ 1,155,224 |
| Downtown Las Vegas              | 134,937      | 138,159      |
| Midwest and South               | 1,238,370    | 1,263,751    |
| Peninsula                       | 1,361,437    | 1,370,991    |
| Total Reportable Segment Assets | 3,873,760    | 3,928,125    |

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|              |             |             |
|--------------|-------------|-------------|
| Corporate    | 923,323     | 422,775     |
| Total Assets | \$4,797,083 | \$4,350,900 |

23

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## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

## NOTE 12. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Separate condensed consolidating financial information for our subsidiary guarantors and non-guarantors of our 9.00% Senior Notes due July 2020, our 6.875% Senior Notes due May 2023 and our 6.375% Senior Notes due April 2026 is presented below. The notes are fully and unconditionally guaranteed, on a joint and several basis, by certain of our current and future domestic restricted subsidiaries, all of which are 100% owned by us. The non-guarantors primarily represent those entities comprising our Peninsula segment, special purpose entities, tax holding companies, our less significant operating subsidiaries and our less than wholly owned subsidiaries.

## Condensed Consolidating Balance Sheets

| (In thousands)  | March 31, 2016 |                           |  |  |               | Eliminations | Consolidated |
|---|----------------|---------------------------|--|--|---------------|--------------|--------------|
|   | Parent         | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries<br>(100%<br>Owned) | Non-<br>Guarantor<br>Subsidiaries<br>(Not 100%<br>Owned) |               |              |              |
| <b>Assets</b>   |                |                           |  |  |               |              |              |
| Cash and cash equivalents   | \$502,247      | \$84,304                  | \$29,429   | \$ 221   | \$—           |              | \$ 616,201   |
| Other current assets  | 12,635         | 56,330                    | 28,564   | —  | (1,046)       | )            | 96,483       |
| Property and equipment, net                                       | 64,989         | 1,740,847                 | 404,646  | —  | —             |              | 2,210,482    |
| Investments in subsidiaries                                       | 3,616,657      | 174,761                   | —  | —  | (3,537,820)   | )            | 253,598      |
| Intercompany receivable   | —              | 1,974,486                 | —  | —  | (1,974,486)   | )            | —            |
| Other assets, net   | 13,033         | 9,180                     | 26,734   | —  | —             |              | 48,947       |
| Intangible assets, net  | —              | 406,265                   | 479,797  | —  | —             |              | 886,062      |
| Goodwill, net   | —              | 212,794                   | 472,516  | —  | —             |              | 685,310      |
| Total assets  | \$4,209,561    | \$4,658,967               | \$1,441,686  | \$ 221   | \$(5,513,352) |              | \$4,797,083  |
| <b>Liabilities and Stockholders' Equity</b>                       |                |                           |  |  |               |              |              |
| Current maturities of long-term debt                              | \$21,500       | \$—                       | \$6,188  | \$ —   | \$—           |              | \$ 27,688    |
| Other current liabilities   | 77,920         | 143,293                   | 89,367   | —  | (286)         | )            | 310,294      |
| Accumulated losses of subsidiaries in excess of investment        | —              | —                         | 315  | —  | (315)         | )            | —            |
| Intercompany payable  | 840,588        | —                         | 1,133,504  | 475  | (1,974,567)   | )            | —            |
| Long-term debt, net of current maturities and debt issuance costs | 2,688,486      | —                         | 969,425  | —  | —             |              | 3,657,911    |
| Other long-term liabilities                                       | 37,518         | 156,198                   | 63,875   | —  | —             |              | 257,591      |
| Boyd Gaming Corporation stockholders' equity (deficit)            | 543,549        | 4,359,476                 | (820,988)  | (254)  | (3,538,234)   | )            | 543,549      |
| Noncontrolling interest   | —              | —                         | —  | —  | 50            |              | 50           |
| Total stockholders' equity (deficit)                              | 543,549        | 4,359,476                 | (820,988)  | (254)  | (3,538,184)   | )            | 543,599      |
| Total liabilities and stockholders' equity                        | \$4,209,561    | \$4,658,967               | \$1,441,686  | \$ 221   | \$(5,513,352) |              | \$4,797,083  |



## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

## Condensed Consolidating Balance Sheets - continued

| (In thousands)  | December 31, 2015  |                           |  |  |                      | Consolidated       |
|---|--------------------|---------------------------|--|--|----------------------|--------------------|
|   | Parent             | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries<br>(100%<br>Owned) | Non-<br>Guarantor<br>Subsidiaries<br>(Not 100%<br>Owned) | Eliminations         |                    |
| <b>Assets</b>   |                    |                           |  |  |                      |                    |
| Cash and cash equivalents   | \$2                | \$124,426                 | \$34,172   | \$ 221   | \$—                  | \$ 158,821         |
| Other current assets  | 14,602             | 61,157                    | 23,660   | —  | (1,008 )             | 98,411             |
| Property and equipment, net                                       | 68,515             | 1,745,203                 | 411,624  | —  | —                    | 2,225,342          |
| Investments in subsidiaries                                       | 3,547,690          | 138,116                   | —  | —  | (3,441,185 )         | 244,621            |
| Intercompany receivable   | —                  | 1,867,783                 | —  | —  | (1,867,783 )         | —                  |
| Other assets, net   | 12,521             | 8,982                     | 26,838   | —  | —                    | 48,341             |
| Intangible assets, net  | —                  | 406,540                   | 483,514  | —  | —                    | 890,054            |
| Goodwill, net   | —                  | 212,794                   | 472,516  | —  | —                    | 685,310            |
| <b>Total assets</b>   | <b>\$3,643,330</b> | <b>\$4,565,001</b>        | <b>\$1,452,324</b>                                   | <b>\$ 221</b>  | <b>\$(5,309,976)</b> | <b>\$4,350,900</b> |
| <b>Liabilities and Stockholders' Equity</b>                       |                    |                           |  |  |                      |                    |
| Current maturities of long-term debt                              | \$21,500           | \$—                       | \$8,250  | \$ —   | \$—                  | \$ 29,750          |
| Other current liabilities   | 102,946            | 146,178                   | 76,482   | —  | (285 )               | 325,321            |
| Accumulated losses of subsidiaries in excess of investment        | —                  | —                         | 3,192  | —  | (3,192 )             | —                  |
| Intercompany payable  | 720,400            | —                         | 1,147,082  | 475  | (1,867,957 )         | —                  |
| Long-term debt, net of current maturities and debt issuance costs | 2,255,800          | —                         | 983,999  | —  | —                    | 3,239,799          |
| Other long-term liabilities                                       | 34,723             | 154,633                   | 58,663   | —  | —                    | 248,019            |
| Boyd Gaming Corporation stockholders' equity (deficit)            | 507,961            | 4,264,190                 | (825,344 )   | (254 )   | (3,438,592 )         | 507,961            |
| Noncontrolling interest   | —                  | —                         | —  | —  | 50                   | 50                 |
| <b>Total stockholders' equity (deficit)</b>                       | <b>507,961</b>     | <b>4,264,190</b>          | <b>(825,344 )</b>                                    | <b>(254 )</b>  | <b>(3,438,542 )</b>  | <b>508,011</b>     |
| <b>Total liabilities and stockholders' equity</b>                 | <b>\$3,643,330</b> | <b>\$4,565,001</b>        | <b>\$1,452,324</b>                                   | <b>\$ 221</b>  | <b>\$(5,309,976)</b> | <b>\$4,350,900</b> |

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

## Condensed Consolidating Statements of Income

|  | Three Months Ended March 31, 2016 |              |   |   |              | Consolidated |
|--|-----------------------------------|--------------|---|---|--------------|--------------|
|  | Parent                            | Subsidiaries | Non-Guarantor Subsidiaries (100% Owned) | Non-Guarantor Subsidiaries (Not 100% Owned) | Eliminations |              |
| (In thousands)                                     |                                   |              |   |   |              |              |
| Net revenues                                       | \$31,201                          | \$419,641    | \$138,316                               | \$  | —\$(36,780)  | \$552,378    |
| Operating costs and expenses                       |                                   |              |   |   |              |              |
| Operating  | 450                               | 221,709      | 73,000                                  | —   | —            | 295,159      |
| Selling, general and administrative                | 12,386                            | 54,173       | 15,290                                  | —   | 2            | 81,851       |
| Maintenance and utilities                          | —                                 | 20,447       | 3,401                                   | —   | —            | 23,848       |
| Depreciation and amortization                      | 1,778                             | 31,175       | 14,700                                  | —   | —            | 47,653       |
| Corporate expense                                  | 16,309                            | 53           | 1,545                                   | —   | —            | 17,907       |
| Project development, preopening and writedowns     | 756                               | 376          | 709                                     | —   | —            | 1,841        |
| Impairments of assets                              | 1,440                             | —            | —                                       | —   | —            | 1,440        |
| Other operating items, net                         | 106                               | 323          | —                                       | —   | —            | 429          |
| Intercompany expenses                              | 301                               | 31,238       | 5,243                                   | —   | (36,782)     | —            |
| Total operating costs and expenses                 | 33,526                            | 359,494      | 113,888                                 | —   | (36,780)     | 470,128      |
| Equity in earnings of subsidiaries                 | 68,519                            | 23,094       | —                                       | —   | (72,777)     | 18,836       |
| Operating income (loss)                            | 66,194                            | 83,241       | 24,428                                  | —   | (72,777)     | 101,086      |
| Other expense (income)                             |                                   |              |   |   |              |              |
| Interest expense, net                              | 32,928                            | 2,286        | 17,354                                  | —   | —            | 52,568       |
| Loss on early extinguishments of debt              | —                                 | —            | 427                                     | —   | —            | 427          |
| Other, net   | 1                                 | —            | 76                                      | —   | —            | 77           |
| Boyd's share of Borgata's non-operating items, net | —                                 | 7,206        | —                                       | —   | —            | 7,206        |
| Total other expense, net                           | 32,929                            | 9,492        | 17,857                                  | —   | —            | 60,278       |
| Income (loss) before income taxes                  | 33,265                            | 73,749       | 6,571                                   | —   | (72,777)     | 40,808       |
| Income taxes benefit (provision)                   | (75)                              | (1,918)      | (5,625)                                 | —   | —            | (7,618)      |
| Net income (loss)                                  | \$33,190                          | \$71,831     | \$946                                   | \$  | —\$(72,777)  | \$33,190     |
| Comprehensive income (loss)                        | \$33,712                          | \$72,353     | \$1,468                                 | \$  | —\$(73,821)  | \$33,712     |

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

## Condensed Consolidating Statements of Income - continued

| (In thousands)  | Three Months Ended March 31, 2015 |                           |  |  |              | Consolidated |
|---|-----------------------------------|---------------------------|--|--|--------------|--------------|
|   | Parent                            | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries<br>Owned<br>(100%) | Non-<br>Guarantor<br>Subsidiaries<br>Owned<br>(Not 100%) | Eliminations |              |
| Net revenues  | \$30,796                          | \$418,592                 | \$137,525  | \$ —   | \$(36,335)   | \$ 550,578   |
| Costs and expenses                                    |                                   |                           |  |  |              |              |
| Operating   | 450                               | 223,587                   | 73,920   | —  | —            | 297,957      |
| Selling, general and administrative                   | 12,403                            | 54,342                    | 14,944   | —  | —            | 81,689       |
| Maintenance and utilities                             | —                                 | 21,711                    | 3,608  | —  | —            | 25,319       |
| Depreciation and amortization                         | 1,287                             | 32,687                    | 17,968   | —  | —            | 51,942       |
| Corporate expense                                     | 18,467                            | 54                        | 1,131  | —  | —            | 19,652       |
| Project development, preopening and<br>writedowns     | (52 )                             | (17 )                     | 983  | 41   | —            | 955          |
| Impairments of assets                                 | —                                 | —                         | 1,065  | —  | —            | 1,065        |
| Other operating items, net                            | —                                 | 70                        | 46   | —  | —            | 116          |
| Intercompany expenses                                 | 301                               | 30,841                    | 5,193  | —  | (36,335 )    | —            |
| Total operating costs and expenses                    | 32,856                            | 363,275                   | 118,858  | 41   | (36,335 )    | 478,695      |
| Equity in earnings of subsidiaries                    | 47,768                            | 7,652                     | (41 )  | —  | (43,704 )    | 11,675       |
| Operating income (loss)                               | 45,708                            | 62,969                    | 18,626   | (41 )  | (43,704 )    | 83,558       |
| Other expense (income)                                |                                   |                           |  |  |              |              |
| Interest expense, net                                 | 33,396                            | 702                       | 22,366   | —  | —            | 56,464       |
| Loss on early extinguishments of debt                 | —                                 | —                         | 508  | —  | —            | 508          |
| Other, net  | 416                               | —                         | 202  | —  | —            | 618          |
| Boyd's share of Borgata's non-operating<br>items, net | —                                 | 7,661                     | —  | —  | —            | 7,661        |
| Total other expense, net                              | 33,812                            | 8,363                     | 23,076   | —  | —            | 65,251       |
| Income (loss) before income taxes                     | 11,896                            | 54,606                    | (4,450 )   | (41 )  | (43,704 )    | 18,307       |
| Income taxes benefit (provision)                      | 23,207                            | (1,927 )                  | (4,484 )   | —  | —            | 16,796       |
| Net income (loss)                                     | \$35,103                          | \$52,679                  | \$(8,934 )   | \$(41 )  | \$(43,704 )  | \$ 35,103    |
| Comprehensive income (loss)                           | \$35,374                          | \$52,950                  | \$(8,663 )   | \$(41 )  | \$(44,246 )  | \$ 35,374    |



## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

## Condensed Consolidating Statements of Cash Flows

| (In thousands)                                 | Three Months Ended March 31, 2016 |                           |  |  |              | Consolidated |
|--|-----------------------------------|---------------------------|--|--|--------------|--------------|
|  | Parent                            | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries<br>(100%<br>Owned) | Non-<br>Guarantor<br>Subsidiaries<br>(Not 100%<br>Owned) | Eliminations |              |
| Cash flows from operating activities           |                                   |                           |  |  |              |              |
| Net cash from operating activities             | \$(35,967 )                       | \$ 86,355                 | \$ 32,735  | \$ —   | \$ (93 )     | \$ 83,030    |
| Cash flows from investing activities           |                                   |                           |  |  |              |              |
| Capital expenditures                           | (11,143 )                         | (19,774 )                 | (4,380 )   | —  | —            | (35,297 )    |
| Net activity with affiliates                   | —                                 | (106,703 )                | —  | —  | 106,703      | —            |
| Other investing activities                     | —                                 | —                         | 5  | —  | —            | 5            |
| Net cash from investing activities             | (11,143 )                         | (126,477 )                | (4,375 )   | —  | 106,703      | (35,292 )    |
| Cash flows from financing activities           |                                   |                           |  |  |              |              |
| Borrowings under bank credit facility          | 223,900                           | —                         | 95,200   | —  | —            | 319,100      |
| Payments under bank credit facility            | (530,350 )                        | —                         | (114,725 )   | —  | —            | (645,075 )   |
| Proceeds from issuance of senior notes         | 750,000                           | —                         | —  | —  | —            | 750,000      |
| Debt financing costs, net                      | (12,996 )                         | —                         | —  | —  | —            | (12,996 )    |
| Net activity with affiliates                   | 120,188                           | —                         | (13,578 )  | —  | (106,610 )   | —            |
| Share-based compensation activities, net       | (1,387 )                          | —                         | —  | —  | —            | (1,387 )     |
| Net cash from financing activities             | 549,355                           | —                         | (33,103 )  | —  | (106,610 )   | 409,642      |
| Net change in cash and cash equivalents        | 502,245                           | (40,122 )                 | (4,743 )   | —  | —            | 457,380      |
| Cash and cash equivalents, beginning of period | 2                                 | 124,426                   | 34,172   | 221  | —            | 158,821      |
| Cash and cash equivalents, end of period       | \$ 502,247                        | \$ 84,304                 | \$ 29,429  | \$ 221   | \$ —         | \$ 616,201   |

## BOYD GAMING CORPORATION AND SUBSIDIARIES

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

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

## Condensed Consolidating Statements of Cash Flows - continued

| (In thousands)                                 | Three Months Ended March 31, 2015 |                           |  |  |           | Eliminations | Consolidated |
|--|-----------------------------------|---------------------------|--|--|-----------|--------------|--------------|
|  | Parent                            | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries<br>(100%<br>Owned) | Non-<br>Guarantor<br>Subsidiaries<br>(Not 100%<br>Owned) |           |              |              |
| Cash flows from operating activities           |                                   |                           |  |  |           |              |              |
| Net cash from operating activities             | \$ (26,888)                       | \$ 75,990                 | \$ 5,730   | \$ (41 )   | \$ 4,847  |              | \$ 59,638    |
| Cash flows from investing activities           |                                   |                           |  |  |           |              |              |
| Capital expenditures                           | (6,152 )                          | (6,006 )                  | (7,111 )   | —  | —         |              | (19,269 )    |
| Net activity with affiliates                   | —                                 | (83,331 )                 | —  | —  | 83,331    |              | —            |
| Other investing activities                     | —                                 | —                         | 2,316  | —  | —         |              | 2,316        |
| Net cash from investing activities             | (6,152 )                          | (89,337 )                 | (4,795 )   | —  | 83,331    |              | (16,953 )    |
| Cash flows from financing activities           |                                   |                           |  |  |           |              |              |
| Borrowings under bank credit facility          | 203,700                           | —                         | 91,400   | —  | —         |              | 295,100      |
| Payments under bank credit facility            | (245,675 )                        | —                         | (108,625 )   | —  | —         |              | (354,300 )   |
| Payments on long-term debt                     | —                                 | —                         | (2 )   | —  | —         |              | (2 )         |
| Net activity with affiliates                   | 73,815                            | —                         | 14,322   | 41   | (88,178 ) |              | —            |
| Share-based compensation activities, net       | 1,973                             | —                         | —  | —  | —         |              | 1,973        |
| Net cash from financing activities             | 33,813                            | —                         | (2,905 )   | 41   | (88,178 ) |              | (57,229 )    |
| Net change in cash and cash equivalents        | 773                               | (13,347 )                 | (1,970 )   | —  | —         |              | (14,544 )    |
| Cash and cash equivalents, beginning of period | 2                                 | 111,452                   | 33,668   | 219  | —         |              | 145,341      |
| Cash and cash equivalents, end of period       | \$ 775                            | \$ 98,105                 | \$ 31,698  | \$ 219   | \$ —      |              | \$ 130,797   |

## NOTE 13. SUBSEQUENT EVENTS

On April 21, 2016, Boyd Gaming announced it has entered into a definitive agreement to acquire ALST Casino Holdco, LLC (“ALST”), the holding company of Aliante Gaming, LLC (“Aliante”), the owner and operator of the Aliante Casino + Hotel + Spa, an upscale, resort-style casino and hotel situated in North Las Vegas and offering premium accommodations, gaming, dining, entertainment and retail for total net cash consideration of \$380 million.

Boyd Gaming will acquire ALST pursuant to an Agreement and Plan of Merger (the “ALST Merger Agreement”), entered into on April 21, 2016, by and among, Boyd Gaming, Boyd TCII Acquisition, LLC, a wholly-owned subsidiary of Boyd Gaming (“TCII Acquisition”), and ALST. The ALST Merger Agreement provides that, pursuant to the terms and subject to the conditions set forth therein, TCII Acquisition will merge (the “ALST Merger”) with and into ALST, and ALST will be the surviving entity in the ALST Merger, such that following the ALST Merger, ALST and Aliante will be wholly-owned subsidiaries of Boyd Gaming.

The ALST Merger Agreement contains certain termination rights for both Boyd Gaming and ALST and further provides that, in connection with the termination of the ALST Merger Agreement under specified circumstances, Boyd Gaming may be required to pay ALST a termination fee of \$30 million.



On April 25, 2016, Boyd Gaming announced it has entered into a definitive agreement to acquire The Cannery Hotel and Casino, LLC (“Cannery”), the owner and operator of Cannery Casino Hotel, located in North Las Vegas, and Nevada Palace, LLC (“Eastside”), the owner and operator of Eastside Cannery Casino and Hotel, located in the eastern part of the Las Vegas Valley, comprising the Las Vegas assets of Cannery Casino Resorts, LLC (“Seller”), for total cash consideration of \$230 million, subject to adjustment based on the working capital, including cash and less indebtedness of the acquired assets and less any transaction expenses.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015

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Boyd Gaming will acquire Cannery and Eastside pursuant to a Membership Interest Purchase Agreement (the “Cannery Purchase Agreement”), entered into on April 25, 2016, by and among, Boyd Gaming, Seller, Cannery and Eastside. The Cannery Purchase Agreement provides that, pursuant to the terms and subject to the conditions set forth therein, Boyd Gaming will acquire from Seller all of the issued and outstanding membership interests of Cannery and Eastside (the “Cannery Purchase”), such that following the Cannery Purchase, Cannery and Eastside will be wholly-owned subsidiaries of Boyd Gaming.

The Cannery Purchase Agreement contains customary representations, warranties, covenants and termination rights. In addition, \$20 million of the cash consideration will be placed in escrow to satisfy the indemnification obligations of Seller.

The completion of the ALST Merger and the Cannery Purchase are each subject to customary conditions and the receipt of all required regulatory approvals, including, among others, approval by the Nevada Gaming Commission and the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. Subject to the satisfaction or waiver of the respective conditions in each of the ALST Merger Agreement and the Cannery Purchase Agreement, we currently expect each of the transactions to close during the third quarter of 2016.

We have evaluated all events or transactions that occurred after March 31, 2016. During this period, up to the filing date, we did not identify any additional subsequent events, other than those disclosed above, the effects of which would require disclosure or adjustment to our financial position or results of operations.

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

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

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

Las Vegas Locals

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

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

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

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

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

#### Our Strategy

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

#### Strengthening our Balance Sheet

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

#### Operating Efficiently

We are committed to operating more efficiently and endeavor to prevent unneeded expense in our business. As we continue to experience revenue growth in both our gaming and non-gaming operations, the efficiencies of our business model position us to flow a substantial portion of the revenue growth directly to the bottom line.

#### Evaluating Acquisition Opportunities

Our evaluations of potential transactions and acquisitions are strategic, deliberate, and disciplined. Our goal is to identify and pursue opportunities that are a good fit for our business, deliver a solid return for shareholders, and are available at the right price, such as the recently announced acquisitions of ALST Casino Holdco, LLC, and the Las Vegas assets of Cannery Casino Resorts, LLC.

#### 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

|                  | Three Months<br>Ended<br>March 31, |         |
|------------------|------------------------------------|---------|
| (In millions)    | 2016                               | 2015    |
| Net revenues     | \$552.4                            | \$550.6 |
| Operating income | 101.1                              | 83.6    |
| Net income       | 33.2                               | 35.1    |

### Net Revenues

Net revenues increased \$1.8 million, or 0.3%, for the three months ended March 31, 2016, compared to the prior year period due to a \$2.5 million increase in gross rooms revenue, primarily in the Las Vegas Locals segment, and an increase of other revenues across all segments totaling \$1.8 million. These increases were partially offset by a decrease of \$2.2 million in gross gaming revenue, primarily due to a decrease in gross gaming revenues in the Midwest and South segment, offset by an increase in the Las Vegas Locals segment.

### Operating Income

The \$17.5 million, or 21.0%, increase in operating income during the three months ended March 31, 2016, compared to the corresponding period of the prior year reflects a \$7.2 million increase in Boyd's share of Borgata's operating income over the prior year period, as well as the impact of increased net revenues in our Las Vegas Locals, Downtown Las Vegas and Peninsula segments, and controlled operating expenses in our Midwest and South segment.

### Net Income

Net income for the three months ended March 31, 2016 was \$33.2 million, compared with net income of \$35.1 million for the corresponding period of the prior year. The change is primarily due to a \$23.2 million reduction in our income tax provision in the three months ended March 31, 2015, due to settlements of previous years' income tax appeals, partially offset by an increase in Boyd's share of Borgata's operating income and decreases in operating expenses and interest expense over the prior year period.

### Operating Revenues

We derive the majority of our gross revenues from our gaming operations, which produced approximately 75% and 76% of gross revenues for the three months ended March 31, 2016 and 2015, respectively. Food and beverage gross revenues represent our next most significant revenue source, generating approximately 13% of gross revenues for each of the three months ended March 31, 2016 and 2015. Room revenues and other revenues separately contributed less than 10% of gross revenues during these periods.

| (In millions)               | Three Months<br>Ended<br>March 31, |         |
|-----------------------------|------------------------------------|---------|
|                             | 2016                               | 2015    |
| <b>REVENUES</b>             |                                    |         |
| Gaming                      | \$462.6                            | \$464.8 |
| Food and beverage           | 76.8                               | 76.3    |
| Room                        | 41.9                               | 39.4    |
| Other                       | 31.4                               | 29.6    |
| Gross revenues              | 612.7                              | 610.1   |
| Less promotional allowances | 60.3                               | 59.5    |
| Net revenues                | \$552.4                            | \$550.6 |

### COSTS AND EXPENSES

|                          |         |         |
|--------------------------|---------|---------|
| Gaming                   | \$223.5 | \$226.7 |
| Food and beverage        | 41.8    | 41.6    |
| Room                     | 10.5    | 10.0    |
| Other                    | 19.3    | 19.6    |
| Total costs and expenses | \$295.1 | \$297.9 |

### MARGINS

|        |      |   |      |   |
|--------|------|---|------|---|
| Gaming | 51.7 | % | 51.2 | % |
|--------|------|---|------|---|

|                   |      |   |      |   |
|-------------------|------|---|------|---|
| Food and beverage | 45.6 | % | 45.5 | % |
| Room              | 74.9 | % | 74.5 | % |
| Other             | 38.6 | % | 33.8 | % |

Gaming

Gaming revenues are comprised primarily of the net win from our slot machine operations and table games. The \$2.2 million, or 0.5%, decrease in gaming revenues during the three months ended March 31, 2016 as compared to the corresponding period of the prior year, was due to a \$9.0 million decrease in Midwest and South segment gaming revenue, primarily attributable to a 4.2% decrease in slot handle. The decline was partially offset by increases in gaming revenue of \$4.9 million and \$1.7 million in the



Las Vegas Locals and Downtown Las Vegas segments, respectively. Gaming expenses decreased by \$3.2 million, or 1.4%, reflective of the overall reduction in gaming revenues.

#### Food and Beverage

Food and beverage revenues increased \$0.5 million, or 0.7%, during the three months ended March 31, 2016, as compared to the corresponding period of the prior year. The increase was due to an increase in average guest check across all segments. The effect of these increases was partially offset by decreases in food covers of 3.2%, 5.2%, and 7.3% in the Downtown Las Vegas, Midwest and South and Peninsula segments, respectively. Food and beverage expenses and margin remained consistent as compared to last year.

#### Room

Room revenues increased by \$2.5 million, or 6.4%, during the three months ended March 31, 2016, as compared to the corresponding period of the prior year due to increases in hotel occupancy in the Las Vegas Locals and Downtown Las Vegas segments, and in average daily rate across all segments. In particular, the Las Vegas Locals segment experienced an increase in hotel occupancy and average daily rate of 6.0% and 2.6%, respectively, over the prior year period. Room expenses and margin remained consistent as compared to last year.

#### Other

Other revenues relate to patronage visits at the amenities at our properties, including entertainment and nightclub revenues, retail sales, theater tickets and other venues. Other revenues increased \$1.8 million, or 6.0%, during the three months ended March 31, 2016, as compared to the prior year as a result of investment in property amenities and increased visitor spending.

#### Revenues and Adjusted EBITDA by Reportable Segment

We determine each of our properties' profitability based upon Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), which represents earnings before interest expense, income taxes, depreciation and amortization, deferred rent, share-based compensation expense, project development, preopening and writedowns expenses, impairments of assets 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<br>Ended<br>March 31, |          |
|---------------------------------------|------------------------------------|----------|
|                                       | 2016                               | 2015     |
| Net revenues                          |                                    |          |
| Las Vegas Locals                      | \$ 158.4                           | \$ 150.3 |
| Downtown Las Vegas                    | 58.6                               | 56.6     |
| Midwest and South                     | 209.2                              | 217.8    |
| Peninsula                             | 126.2                              | 125.9    |
| Net revenues                          | \$ 552.4                           | \$ 550.6 |
| Adjusted EBITDA (1)                   |                                    |          |
| Las Vegas Locals                      | \$ 44.3                            | \$ 38.9  |
| Downtown Las Vegas                    | 12.7                               | 10.7     |
| Midwest and South                     | 48.8                               | 50.9     |
| Peninsula                             | 47.1                               | 46.4     |
| Wholly owned Adjusted Property EBITDA | 152.9                              | 146.9    |
| Corporate expense                     | (15.2 )                            | (16.6 )  |
| Wholly owned Adjusted EBITDA          | 137.7                              | 130.3    |
| Borgata                               | 22.7                               | 18.9     |
| Adjusted EBITDA                       | \$ 160.4                           | \$ 149.2 |

(1) Refer to Note 11, Segment Information, in the notes to the condensed consolidated financial statements (unaudited) for a reconciliation of Total Reportable Segment Adjusted EBITDA to operating income, as reported in accordance with GAAP in our accompanying condensed consolidated statements of income.

#### Las Vegas Locals

Net revenues increased \$8.1 million, or 5.4%, during the three months ended March 31, 2016, as compared to the corresponding period of the prior year, due primarily to a \$4.9 million increase in gaming revenue resulting from a 6.2% increase in table game drop, a 0.6 percentage point increase in table game hold percentage and a 3.0% increase in slot handle. Average guest check increased 3.0%, the number of food covers increased 6.9%, hotel occupancy increased 6.0% and ADR increased 2.6%, resulting in an increase in food and beverage revenues and room revenues of 7.5% and 14.1%, respectively, over the prior year period.

Adjusted EBITDA increased by 13.9% for the three months ended March 31, 2016, over the comparable prior year period due to the flow-through effects of higher revenues and our on-going cost control efforts.

#### Downtown Las Vegas

Net revenues increased \$2.0 million, or 3.5%, during the three months ended March 31, 2016, as compared to the corresponding period of the prior year, due primarily to a \$1.7 million increase in gaming revenues resulting from a 2.0% increase in slot handle, and a 0.5 percentage point increase in table game hold percentage. Additionally, food and beverage revenue and room revenues had modest increases related to a 3.4% increase in average guest check and a 0.9% increase hotel occupancy, respectively. We continue to tailor our marketing programs in the Downtown segment to cater to our Hawaiian market. During the both of the three month periods ended March 31, 2016 and 2015, our Hawaiian market represented approximately 51% of our occupied rooms in this segment.

The revenue gains, coupled with our cost control efforts, resulted in a \$2.0 million increase in the segment's Adjusted EBITDA for the three months ended March 31, 2016, as compared to the corresponding prior year.

Midwest and South

Net revenues decreased \$8.6 million, or 3.9%, during the three months ended March 31, 2016, as compared to the corresponding period of the prior year, primarily due to a \$9.0 million decrease in gaming revenues resulting from a 4.2% decrease in both table game drop and slot handle. Food and beverage revenues decreased 4.0% from prior year due primarily to a decrease in food covers, and room revenues remained consistent with the prior year. The results for the segment were impacted by severe flooding that affected operations in portions of Louisiana and Mississippi and the short-term impact of the recent opening of a new competitor in the Biloxi market.

The segment reported a \$2.2 million decrease in Adjusted EBITDA for the three months ended March 31, 2016, as compared to the corresponding prior year period due to the decrease in revenues.

#### Peninsula

Net revenues in our Peninsula segment increased \$0.3 million, or 0.2%, for the three months ended March 31, 2016, as compared to the prior year period. Gaming revenues increased 0.2% during the three months ended March 31, 2016 over the prior year comparable period. Gaming revenue growth was driven by an increase in hold in both slots and table games of 0.2% and 2.0%, respectively, and offset by a 1.4% decrease in slot handle and 3.5% decrease in table game drop. Food and beverage revenues decreased by \$0.5 million, or 4.5%, during the three months ended March 31, 2016 as compared to the prior year comparable period due primarily to a reduction in complimentary food and beverage revenues.

Adjusted EBITDA for the Peninsula segment increased \$0.7 million during the three months ended March 31, 2016.

#### Borgata

Adjusted EBITDA for Borgata for the first quarter 2016 increased \$3.8 million as compared to the prior year. The increase reflects improved performance at the property. Adjusted EBITDA of \$22.7 million reported for Borgata for the first quarter 2016 reflects our 50% share of the \$45.3 million reported by the property on a standalone basis. The improved performance versus the prior year is primarily the result of revenue growth, including increased slot business, improved performance of the online operation and increased hotel occupancy.

#### Other Operating Costs and Expenses

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

| (In millions)                                  | Three<br>Months<br>Ended<br>March 31, |        |
|--|---------------------------------------|--------|
|  | 2016                                  | 2015   |
| Selling, general and administrative            | \$81.9                                | \$81.7 |
| Maintenance and utilities                      | 23.8                                  | 25.3   |
| Depreciation and amortization                  | 47.7                                  | 51.9   |
| Corporate expense                              | 17.9                                  | 19.7   |
| Project development, preopening and writedowns | 1.8                                   | 1.0    |
| Impairments of assets                          | 1.4                                   | 1.1    |
| Other operating items, net                     | 0.4                                   | 0.1    |

#### Selling, General and Administrative

Selling, general and administrative expenses, as a percentage of gross revenues, were 13.4% during both of the three months ended March 31, 2016 and 2015. 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 3.9% and 4.2% during the three months ended March 31, 2016 and 2015, respectively. The decrease between the periods is primarily due to the fact that no major maintenance projects were undertaken in the current year period, coupled with cost reductions associated with the Company's energy savings initiatives.

#### Depreciation and Amortization

Depreciation and amortization expenses, as a percentage of gross revenues, were 7.8% and 8.5% during the three months ended March 31, 2016 and 2015, respectively. Depreciation and amortization expense decreased \$4.3 million for the three months ended March 31, 2016, compared to the prior year period. The overall decrease is primarily due to the decrease in intangible asset amortization for the Peninsula segment as its customer relationships are amortized using an accelerated method over their approximate useful life of five years.

#### Corporate Expense

Corporate expense represents unallocated payroll, professional fees, rent and various other administrative expenses that are not directly related to our casino and/or hotel operations, in addition to the corporate portion of share-based compensation expense. Corporate expense represented 2.9% and 3.2% of gross revenues during each of the three months ended March 31, 2016 and 2015, respectively.

### Project Development, Preopening and Writedowns

Project development, preopening and writedowns represent: (i) certain costs incurred and recoveries realized related to the activities associated with various acquisition opportunities, dispositions and other business development activities in the ordinary course of business; (ii) certain costs of start-up activities that are expensed as incurred in our ongoing efforts to develop gaming activities in new jurisdictions and expenses related to other new business development activities, including internet gaming, and do not qualify as capital costs; and (iii) asset write-downs.

### Impairments of Assets

Impairments of assets for the three months ended March 31, 2016 and 2015, included non-cash impairment charges primarily related to the planned dispositions of non-operating assets.

### Other Operating Items, Net

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

### Other Expenses

#### Interest Expense, net

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

| (In millions)           | Three Months Ended |        |
|-------------------------|--------------------|--------|
|                         | March 31,          |        |
|                         | 2016               | 2015   |
| Interest Expense, net   |                    |        |
| Boyd Gaming Corporation | \$35.3             | \$38.3 |
| Peninsula               | 17.3               | 18.2   |
|                         | \$52.6             | \$56.5 |

#### Average Long-Term Debt Balance (1)

|                         |           |           |
|-------------------------|-----------|-----------|
| Boyd Gaming Corporation | \$2,342.5 | \$2,405.4 |
| Peninsula               | 1,003.2   | 1,083.4   |

#### Weighted Average Interest Rates

|                         |     |   |     |   |
|-------------------------|-----|---|-----|---|
| Boyd Gaming Corporation | 5.5 | % | 5.8 | % |
| Peninsula               | 5.7 | % | 5.6 | % |

(1) Average debt balance calculation does not include the related discounts or deferred finance charges.

Interest expense, net of capitalized interest and interest income, for the three months ended March 31, 2016, decreased \$3.9 million, or 6.9%, over the prior year. For Boyd Gaming, interest expense decreased compared to the corresponding period in the prior year due primarily to \$750 million of senior notes at 6.875% due 2023 which we issued in the second quarter of 2015, the proceeds of which were partially used to retire \$500 million of 9.125% senior notes due 2018, thus lowering our weighted average interest rate and providing a longer period before maturity. Additionally, other Boyd debt of \$151.7 million was outstanding at 8.0% interest in the first quarter of 2015. This debt was subsequently retired in the fourth quarter of 2015. Interest expense, net, for Peninsula for the three months ended March 31, 2016, reflects a \$0.9 million, or 4.7% decrease compared to the same period in 2015 primarily due to a reduction in average long-term borrowings outstanding of \$80.2 million during the three months ended March 31, 2016 as compared to the three months ended March 31, 2015.

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

The Company applies the equity method of accounting to its 50% investment in Borgata. Amounts reported as Boyd's share of Borgata's non-operating items, net, include the Company's share of a property tax recovery realized in first quarter 2016. As a result of the appeals of its 2009 and 2010 property taxes, Borgata was awarded a refund, including interest through March 31, 2016, of approximately \$62.9 million. The income statement impact of the refund will not be recognized by Borgata until collectability is certain. During first quarter 2016, Borgata offset its current property tax installment payment against the refund due to it and, as a result, realized \$7.3 million of the refund and recognized this amount as income in the first quarter.

## Income Taxes

The effective tax rates during the three months ended March 31, 2016 and 2015 were 18.67% and (91.7%), respectively. We have computed our provision or benefit for income taxes by applying the actual effective tax rate, under the discrete method, to year-to-date income. The discrete method was used to calculate income tax expense or benefit as the annual effective tax rate was not considered a reliable estimate of year-to-date income tax expense or benefit. Our effective tax rate is impacted by adjustments that are largely independent of our operating results before taxes. The tax provision or benefit was impacted by changes in the valuation allowance applied to our federal and state income tax net operating losses and 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. The tax benefit for the quarter ended March 31, 2015 was favorably impacted, as a result of an effective settlement in connection with our 2005 - 2009 IRS audit, by the realization of unrecognized tax benefits and reversal of related accrued interest.

A valuation allowance of \$240.4 million has been recorded against our deferred tax assets as of March 31, 2016 due to uncertainties related to our ability to recognize these assets. In assessing the need to establish a valuation allowance, we consider, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of profitability and taxable income, the duration of statutory carryforward periods, our experience with the utilization of operating loss and tax credit carryforwards before expiration and tax planning strategies. Valuation allowances are evaluated periodically and subject to change in future reporting periods as a result of changes in the factors noted above. Based on recent earnings, there is a reasonable possibility that, within the next year, sufficient positive evidence may become available to reach a conclusion that all or a portion of the valuation allowance will no longer be needed. As such, the Company may release a significant portion of its valuation allowance against its deferred tax assets within the next 12 months. However, the exact timing will be dependent on the levels of income achieved and management's visibility into future period results. The release of our valuation allowance would result in the recognition of certain deferred tax assets and a non-cash income tax benefit in the period in which the release is recorded.

## LIQUIDITY AND CAPITAL RESOURCES

### Financial Position

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

|                                   | March<br>31,<br>2016 | December<br>31,<br>2015 |
|-----------------------------------|----------------------|-------------------------|
| (In millions)                     |                      |                         |
| Cash balance                      |                      |                         |
| Boyd Gaming Corporation           | \$589.0              | \$ 129.3                |
| Peninsula                         | 27.2                 | 29.6                    |
| Working capital surplus (deficit) |                      |                         |
| Boyd Gaming Corporation           | \$386.1              | \$(79.5 )               |
| Peninsula                         | (11.4 )              | (17.9 )                 |



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

Each of the Businesses could also seek to secure additional working capital, repay respective current debt maturities, or fund respective development projects, in whole or in part, through incremental bank financing and additional debt or equity offerings.

## Cash Flows Summary

| (In millions)   | Three Months<br>Ended<br>March 31, |          |
|---|------------------------------------|----------|
|   | 2016                               | 2015     |
| Net cash provided by operating activities                       | \$83.0                             | \$59.6   |
| Cash flows from investing activities                            |                                    |          |
| Capital expenditures  | (35.3 )                            | (19.3 )  |
| Other investing activities                                      | —                                  | 2.3      |
| Net cash used in investing activities                           | (35.3 )                            | (17.0 )  |
| Cash flows from financing activities                            |                                    |          |
| Net payments under Boyd Gaming Corporation bank credit facility | (306.5 )                           | (42.0 )  |
| Net payments under Peninsula bank credit facility               | (19.5 )                            | (17.2 )  |
| Payments on retirements of long-term debt                       | —                                  | —        |
| Proceeds from issuance of senior secured notes                  | 750.0                              | —        |
| Other financing activities                                      | (14.3 )                            | 2.0      |
| Net cash provided by (used in) financing activities             | 409.7                              | (57.2 )  |
| Increase (decrease) in cash and cash equivalents                | \$457.4                            | \$(14.6) |

## Cash Flows from Operating Activities

During the three months ended March 31, 2016 and 2015, we generated net operating cash flow of \$83.0 million and \$59.6 million, respectively. Generally, operating cash flows increased during 2016 as compared to the prior year period due to the flow through effect of higher revenues, the timing of working capital spending and a distribution from our unconsolidated subsidiary of \$2.7 million.

## 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 three months ended March 31, 2016 and 2015, we incurred net cash outflows for investing activities of \$35.3 million and \$17.0 million, respectively, due to our capital expenditures during the respective periods of \$35.3 million and \$19.3 million. Increases in capital spending as compared to the prior year are due to our ongoing non-gaming amenities initiative and the hotel expansion project at our Delta Downs property.

## 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 inflows for financing activities in the three months ended March 31, 2016 reflect primarily the net proceeds from the issuance of the 6.375% Notes, as discussed further below.

### Indebtedness

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

| (In millions)                       | March 31, December 31, Increase/ |            | Decrease/   |
|-------------------------------------|----------------------------------|------------|-------------|
|                                     | 2016                             | 2015       |             |
| <b>Boyd Gaming Corporation Debt</b> |                                  |            |             |
| Bank credit facility                | \$ 903.3                         | \$ 1,209.7 | \$ (306.4 ) |
| 9.00% senior notes due 2020         | 350.0                            | 350.0      | —           |
| 6.875% senior notes due 2023        | 750.0                            | 750.0      | —           |
| 6.375% senior notes due 2026        | 750.0                            | —          | 750.0       |
|                                     | 2,753.3                          | 2,309.7    | 443.6       |
| <b>Peninsula Segment Debt</b>       |                                  |            |             |
| Bank credit facility                | 643.2                            | 662.8      | (19.6 )     |
| 8.375% senior notes due 2018        | 350.0                            | 350.0      | —           |
|                                     | 993.2                            | 1,012.8    | (19.6 )     |
| Total long-term debt                | 3,746.5                          | 3,322.5    | 424.0       |
| Less current maturities             | 27.7                             | 29.8       | (2.1 )      |
| Long-term debt, net                 | \$ 3,718.8                       | \$ 3,292.7 | \$ 426.1    |

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 3.9% at March 31, 2016 and 3.8% at December 31, 2015.

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

under the Boyd Gaming Credit Facility in connection with certain asset sales and issuances of certain additional secured indebtedness.

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

#### Amounts Outstanding

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

|   | March<br>31,<br>2016 | December<br>31,<br>2015 |
|---|----------------------|-------------------------|
| (In millions)   |                      |                         |
| Revolving Credit Facility   | \$—                  | \$ 240.0                |
| Term A Loan   | 177.0                | 183.3                   |
| Term B Loan   | 726.3                | 730.8                   |
| Swing Loan  | —                    | 55.6                    |
| Total outstanding principal amounts under the Boyd Gaming Credit Facility | \$903.3              | \$ 1,209.7              |

At March 31, 2016, approximately \$0.9 billion was outstanding under the Boyd Gaming Credit Facility and \$7.1 million was allocated to support various letters of credit, leaving remaining contractual availability of \$592.9 million.

#### Senior Notes

##### 6.375% Senior Notes due April 2026

##### Significant Terms

On March 28, 2016, we issued \$750 million aggregate principal amount of 6.375% senior notes due April 2026 (the "6.375% Notes"). The 6.375% Notes require semi-annual interest payments on April 1 and October 1 of each year, commencing on October 1, 2016. The 6.375% Notes will mature on April 1, 2026 and are fully and unconditionally guaranteed, on a joint and several basis, by certain of our current and future domestic restricted subsidiaries, all of which are 100% owned by us. Net proceeds from the 6.375% Notes were used to pay down the outstanding amount under the Boyd Gaming Revolving Credit Facility and the balance was retained in money market funds and classified as cash equivalents on the condensed consolidated balance sheet.

In conjunction with the issuance of the 6.375% Notes, we incurred approximately \$13.0 million in debt financing costs that have been deferred and are being amortized over the term of the 6.375% Notes using the effective interest method.

The 6.375% Notes contain certain restrictive covenants that, subject to exceptions and qualifications, among other things, limit our ability and the ability of our restricted subsidiaries (as defined in the base and supplemental indentures governing the 6.375% Notes, together, the "Indenture") to incur additional indebtedness or liens, pay dividends or make distributions or repurchase our capital stock, make certain investments, and sell or merge with other companies. In addition, upon the occurrence of a change of control (as defined in the Indenture), we will be required, unless certain conditions are met, to offer to repurchase the 6.375% Notes at a price equal to 101% of the principal amount of the 6.375% Notes, plus accrued and unpaid interest and Additional Interest (as defined in the Indenture), if any, to, but not including, the date of purchase. If we sell assets or experience an event of loss, we will be required under certain circumstances to offer to purchase the 6.375% Notes.

At any time prior to April 1, 2021, we may redeem the 6.375% Notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Interest, if any, up to, but excluding, the applicable redemption date, plus a make whole premium. Subsequent to April 1, 2021, we may redeem all or a portion of the 6.375% Notes at redemption prices (expressed as percentages of the principal amount) ranging from 103.188% in 2021 to 100% in 2024 and thereafter, plus accrued and unpaid interest and Additional Interest.

In connection with the private placement of the 6.375% Notes, we entered into a registration rights agreement with the initial purchasers in which we agreed to file a registration statement with the SEC to permit the holders to exchange or resell the 6.375% Notes. We must use commercially reasonable efforts to file a registration statement and to consummate an exchange offer within 365 days after the issuance of the 6.375% Notes, subject to certain suspension and other rights set forth in the registration rights agreement. Under certain circumstances, including our determination that we cannot complete an exchange offer, we are required to file a shelf registration statement for the resale of the 6.375% Notes and to cause such shelf registration statement to be declared effective as soon as reasonably practicable (but in no event later than the 365th day following the issuance of the 6.375% Notes)

after the occurrence of such circumstances. Subject to certain suspension and other rights, in the event that the registration statement is not filed or declared effective within the time periods specified in the registration rights agreement, the exchange offer is not consummated within 365 days after the issuance of the 6.375% Notes, or the registration statement is filed and declared effective but thereafter ceases to be effective or is unusable for its intended purpose for a period in excess of 30 days without being succeeded immediately by a post-effective amendment that cures such failure, the agreement provides that additional interest will accrue on the principal amount of the 6.375% Notes at a rate of 0.25% per annum during the 90-day period immediately following any of these events and will increase by 0.25% per annum at the end of each subsequent 90-day period, but in no event will the penalty rate exceed 1.00% per annum, until the default is cured. There are no other alternative settlement methods and, other than the 1.00% per annum maximum penalty rate, the agreement contains no limit on the maximum potential amount of consideration that could be transferred in the event we do not meet the registration statement filing requirements. We currently intend to file a registration statement, have it declared effective and consummate any exchange offer within these time periods. Accordingly, we do not believe that payment of additional interest under the registration payment arrangement is probable and, therefore, no related liability has been recorded in the consolidated financial statements.

#### Debt Service Requirements

Debt service requirements under our current outstanding senior notes consist of semi-annual interest payments (based upon fixed annual interest rates ranging from 6.375% to 9.00%) and principal repayments of our 9.00% senior notes due on July 1, 2020, our 6.875% senior notes due May 21, 2023, and our 6.375% senior notes due April 1, 2026.

#### Peninsula Segment Debt

##### Bank Credit Facility

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

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

The blended interest rate for outstanding borrowings under the Peninsula Credit Facility was 4.3% at both March 31, 2016 and December 31, 2015.

At March 31, 2016, approximately \$643.2 million was outstanding under the Peninsula Credit Facility and \$5.0 million was allocated to support various letters of credit, leaving remaining contractual availability of \$23.4 million.

Peninsula's obligations under the Peninsula Credit Facility, subject to certain exceptions, are guaranteed by Peninsula's subsidiaries and are secured by the capital stock and equity interests of Peninsula's subsidiaries. In addition, subject to certain exceptions, Peninsula and each of the guarantors granted the collateral agent first priority liens and security interests on substantially all of the real and personal property (other than gaming licenses and subject to certain other

exceptions) of Peninsula and its subsidiaries as additional security for the performance of the obligations under the Peninsula Credit Facility. The obligations under the Revolver rank senior in right of payment to the obligations under the Term Loan.

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

#### Covenant Compliance

As of March 31, 2016, 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 March 31, 2016, the available borrowing capacity under these credit facilities was \$592.9 million at Boyd Gaming Corporation and \$23.4 million at Peninsula.

#### Share Repurchase Program

Subject to applicable corporate securities laws, repurchases under our stock repurchase program may be made at such times and in such amounts as we deem appropriate. We are subject to certain limitations regarding the repurchase of common stock, such as restricted payment limitations related to our outstanding notes and Boyd Gaming Credit Facility. Purchases under our stock repurchase program can be discontinued at any time that we feel additional purchases are not warranted. We intend to fund the repurchases under the stock repurchase program with existing cash resources and availability under the Boyd Gaming Credit Facility. In July 2008, our Board of Directors authorized an amendment to our existing share repurchase program to increase the amount of common stock available to be repurchased to \$100 million. We are not obligated to purchase any shares under our stock repurchase program. During the three months ended March 31, 2016 and 2015, 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 on hand, cash flows from operations and availability under our Revolving Credit Facility, to the extent availability exists after we meet our working capital needs for the next twelve months. Any additional financing that is needed may not be available to us or, if available, may not be on terms favorable to us. The outcome of the specific matters discussed herein, including our commitments and contingencies, may also affect our liquidity.

#### Commitments

##### Capital Spending and Development

Our estimated total capital expenditures for 2016, excluding the pending acquisitions discussed below, are expected to be approximately \$204 million, primarily comprised of projects to reposition non-gaming amenities, the hotel expansion project at our Delta Downs property, and various maintenance capital expenditures across our properties. We intend to fund such capital expenditures through our credit facilities and operating cash flows.

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

#### Pending Acquisitions

Subsequent to the end of the first quarter, we announced two agreements to acquire three casino properties in southern Nevada.

On April 21, 2016, we announced that we had entered into a definitive agreement (the "ALST Merger Agreement") to acquire ALST Casino Holdco, LLC ("ALST"), the holding company of Aliante Gaming, LLC ("Aliante"), the owner and operator of the Aliante Casino + Hotel + Spa, an upscale, resort-style casino and hotel situated in North Las Vegas and offering premium accommodations, gaming, dining, entertainment and retail for total net cash consideration of \$380 million (the "ALST Merger").

On April 25, 2016, we announced that we had entered into a definitive agreement (the "Cannery Purchase Agreement") to acquire The Cannery Hotel and Casino, LLC ("Cannery"), the owner and operator of Cannery Casino Hotel, located in North Las Vegas, and Nevada Palace, LLC ("Eastside"), the owner and operator of Eastside Cannery Casino and Hotel, located in the eastern part of the Las Vegas Valley, comprising the Las Vegas assets of Cannery Casino Resorts, LLC ("Seller"), for total cash consideration of \$230 million, subject to adjustment based on the working capital, including cash and less indebtedness of the acquired assets and less any transaction expenses (the "Cannery Purchase").

The completion of the ALST Merger and the Cannery Purchase are each subject to customary conditions and the receipt of all required regulatory approvals, including, among others, approval by the Nevada Gaming Commission and the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. Subject to the satisfaction or waiver of the respective conditions in each of the ALST Merger Agreement and the Cannery Purchase

Agreement, we currently expect each of the transactions to close during the third quarter of 2016. The acquisitions will be funded with cash on hand and available revolver capacity under the Boyd Gaming Bank Credit Facility.

#### Contingencies

##### Legal Matters

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

##### Other Opportunities

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

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

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

##### Off Balance Sheet Arrangements

There have been no material changes to our off balance sheet arrangements as defined in Item 303(a)(4)(ii) and described under Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on February 25, 2016.

##### Critical Accounting Policies

There have been no material changes to our critical accounting policies described under Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the period ended December 31, 2015, as filed with the SEC on February 25, 2016.

##### Recently Issued Accounting Pronouncements

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

##### Important Information Regarding Forward-Looking Statements

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

and "continue," or the negative thereof or comparable terminology. 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 fact that our expansion, development and renovation projects (including enhancements to improve property performance) are subject to many risks inherent in expansion, development or construction of a new or existing project.

• The risk that 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 new gaming licenses or jurisdictions become available (or offer different gaming regulations or taxes) that results in increased competition to us.

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 risk 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 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.

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

The risk that we fail to adapt our business and amenities to changing customer preferences.

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

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

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

Our estimated effective income tax rates, estimated tax benefits, and merits of our tax positions;

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

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;

As well as other statements regarding our future operations, financial condition and prospects, and business strategies.

Additional factors that could cause actual results to differ are discussed in Part I. Item 1A. Risk Factors of our Annual Report on Form 10-K for the period ended December 31, 2015, and in other current and periodic reports filed from time to time with the SEC. All forward-looking statements in this document are made as of the date hereof, based on information available to us as of the date hereof, and we assume no obligation to update any forward-looking statement.

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

As of March 31, 2016, Boyd Gaming Corporation long-term variable-rate borrowings represented approximately 32.8% of total long-term debt. Based on March 31, 2016 debt levels, a 100 basis point change in the Eurodollar rate or

the base rate would cause the annual interest costs to change by approximately \$9.0 million.

As of March 31, 2016, Peninsula long-term variable-rate borrowings represented approximately 64.8% of total long-term debt. Based on March 31, 2016 debt levels, a 100 basis point increase in the Eurodollar rate or the base rate would cause the annual interest costs on the Revolving Credit Facility and Term Loan to increase by approximately \$0.2 million and \$2.7 million, respectively, and a 100 basis point decrease in the Eurodollar rate or the base rate would cause the annual interest costs on the Revolving Credit Facility to decrease by \$0.1 million. There would be no decrease to interest costs on the Term Loan as the interest rate at March 31, 2016 was at the floor. The impact of a 100 basis point increase in the Eurodollar rate or the base rate on the Term Loan is lessened as the current Eurodollar rate at March 31, 2016 is below the established minimum 1.0% rate. The impact of a 100 basis point decrease in the Eurodollar rate or the base rate on the Revolving Credit Facility is capped as the current rate at March 31, 2016 is less than 1.0% above the lowest possible rate of 4.0%.

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

There were no material changes from the risk factors set forth under Part I, Item 1A “Risk Factors” section of the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

## Item 6. Exhibits

| Exhibit Number | Document of Exhibit  | Method of Filing              |
|----------------|--|-------------------------------|
| 31.1           | Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act rule 13a-14(a).  | Filed electronically herewith |
| 31.2           | Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act rule 13a-14(a).  | Filed electronically herewith |
| 32.1           | Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. § 1350.   | Filed electronically herewith |
| 32.2           | Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. § 1350.   | Filed electronically herewith |
| 101            | The following materials from Boyd Gaming Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of March 31, 2016 and December 31, 2015, (ii) Condensed Consolidated Statements of Income for the three months ended March 31, 2016 and 2015, (iii) Condensed Consolidated Statements of Changes in Stockholders' Equity for the three months ended March 31, 2016 and 2015, (iv) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2016 and 2015, 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 May 5, 2016.

**BOYD GAMING CORPORATION**

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