

BOYD GAMING CORP

Form 10-K

February 23, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2016

OR

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

Commission file number: 1-12882

BOYD GAMING CORPORATION

(Exact name of registrant as specified in its charter)

Nevada

88-0242733

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

3883 Howard Hughes Parkway, Ninth Floor, Las Vegas, NV 89169

(Address of principal executive offices) (Zip Code)

(702) 792-7200

(Registrant's telephone number, including area code)

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

Title of each class

Name of each exchange on which registered

Common Stock, par value of \$0.01 per share New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities

Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the

Act. Yes ☐ No ☒

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

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

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

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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 ☒ x

Accelerated filer ☐ o

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

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

As of June 30, 2016, the aggregate market value of the voting common stock held by non-affiliates of the registrant, based on the closing price on the New York Stock Exchange for such date, was approximately \$1.5 billion.

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

Class	Outstanding as of February 21, 2017
Common stock, \$0.01 par value	113,052,125

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the registrant's 2017 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A within 120 days after the registrant's fiscal year end of December 31, 2016 are incorporated by reference into Part III of this Form 10-K.

BOYD GAMING CORPORATION
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016
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PART I

ITEM 1. Business

Overview

Boyd Gaming Corporation (the "Company," the "Registrant," "Boyd Gaming," "we" or "us") is a multi-jurisdictional gaming company that has been in operation since 1975. Headquartered in Las Vegas, we have 24 wholly-owned gaming entertainment properties in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana and Mississippi.

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

Over the past several years, we have undertaken several programs aimed at reducing our cost structure in an effort to manage our properties' operations under tightened revenue trends. We have established a more efficient business model that we believe is helping us to realize improved results, and we believe we have an opportunity to realize additional cost savings by better leveraging our size and scale. We are strategically reinvesting in our non-gaming amenities, including hotel rooms and restaurants, in order to better capitalize on customers' evolving spending behaviors. We continue to manage our cost and expense structure to adjust to current business volumes and to generate strong and stable cash flows.

During 2016, we completed several transactions that improved our long-term financial position and strengthened our balance sheet. During first quarter 2016, we issued \$750 million aggregate principal amount of 6.375% senior notes due April 2026, and used a portion of the net proceeds to pay down the outstanding amount under our senior secured revolving credit facility (the "Revolving Credit Facility"). During the third quarter, we redeemed all of our 9.00% senior notes due July 2020, redeemed our 8.375% senior notes due February 2018 and repaid all of the outstanding amounts under the Peninsula Gaming LLC ("Peninsula") senior secured credit facility (the "Peninsula Credit Facility"). Additionally in the third quarter, we amended our Credit Facility (as defined below) to increase commitments and provide for a new \$1.0 billion senior secured term B-2 loan. Since the second quarter of 2015 we have effectively refinanced approximately \$3 billion in debt, lowered interest rates and extended maturities.

We continually work to position our Company for greater success by strengthening our existing operations and growing through capital investment and other strategic initiatives. An example is our current strategic initiative to enhance our non-gaming amenities at properties across the country that is designed to ensure our properties remain competitive and compelling to customers across generations. This initiative began in 2014 and will continue into 2017, a period during which we expect to invest over \$100 million in these amenities. Thus far, we have redesigned and enhanced approximately 3,100 hotel rooms at our properties across the country. We have also introduced more than ten new food and beverage concepts, including Alder & Birch, Copper Whisk, Ondori and Bailiwick at The Orleans, California Noodle House at the California, the Filament at Fremont, the Spotted Horse and Fast & Lucy's Pub at Evangeline Downs, Angry Butcher and Big Mess BBQ at Sam's Town Las Vegas and Brigg's Oyster Company at Suncoast.

On August 1, 2016, we completed the sale of our 50% equity interest in Marina District Development Holding Company, LLC ("MDDHC"), the parent company of Borgata Hotel Casino and Spa ("Borgata"), to MGM Resorts International ("MGM"). In consideration for the transaction, MGM paid us \$900 million. The initial net pretax cash proceeds were approximately \$589 million, net of certain expenses and adjustments on the closing date, including outstanding indebtedness, cash and working capital.

On September 27, 2016, we completed the acquisition of ALST, the holding company of Aliante Gaming, LLC ("Aliante"), the owner and operator of the Aliante Casino + Hotel + Spa. Aliante is an upscale, resort-style casino and hotel situated in North Las Vegas offering premium accommodations, gaming, dining, entertainment and retail, and is aggregated into our Las Vegas Locals segment.

On December 20, 2016, we completed the acquisitions of The Cannery Hotel and Casino, LLC ("Cannery"), the owner and operator of Cannery Casino Hotel, and Nevada Palace, LLC ("Eastside Cannery"), the owner and operator of Eastside Cannery Casino and Hotel. The Cannery and Eastside Cannery are modern casinos and hotels in the Las Vegas Valley that offer premium accommodations, gaming, dining, entertainment and retail, and are aggregated into our Las Vegas Locals segment.

Also in 2016, we completed a \$45 million expansion of our Delta Downs property in Vinton, Louisiana. The centerpiece of this project is a new hotel tower, featuring 167 additional guest rooms and suites. The project also included the redesign of all 200 existing rooms and of its food and beverage facilities. The special events center was also expanded to better accommodate meeting and banquet functions.

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

• nine of our Las Vegas properties, including three recent acquisitions, are well-positioned to capitalize on the attractive Las Vegas locals market;

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

• our operations are geographically diversified within the United States;

• we have strengthened our balance sheet and have increasing free cash flow;

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

• we have an experienced management team.

Properties

As of December 31, 2016, we own and operate 24 properties offering a total of 1,314,557 square feet of casino space, 31,006 slot machines, 656 table games and 9,513 hotel rooms. We derive the majority of our gross revenues from our gaming operations, which generated approximately 75% of gross revenues for 2016 and 76% of gross revenues in both 2015 and 2014. Food and beverage gross revenues represent our next most significant revenue source, generating approximately 13% of gross revenues for 2016, 2015, and 2014. Room revenues and other revenues each contributed less than 10% of gross revenues during each year.

We view each operating property as an operating segment. For financial reporting purposes, we aggregate our properties into three reportable business segments: (i) Las Vegas Locals; (ii) Downtown Las Vegas; and (iii) Midwest and South.

As a result of the sale of our equity interest in Borgata (see Note 2, Acquisitions and Divestitures), we no longer report our interest in Borgata as a Reportable Segment. In third quarter 2016, the Peninsula debt was refinanced, eliminating the financing structure that restricted our ability to transfer cash from Peninsula to Boyd Gaming. As a result, management concluded that the properties previously comprising the Peninsula segment would be aggregated into the Midwest and South reportable segment, and retrospectively adjusted the presentation for all periods presented. Also, as of September 27, 2016, our Las Vegas Locals segment includes our wholly-owned subsidiary Aliante, and as of December 20, 2016, our Las Vegas Locals segment includes our wholly-owned subsidiaries Cannery and Eastside Cannery. See Note 2, Acquisitions and Divestitures, to our consolidated financial statements presented in Part II, Item 8 for further discussion of these activities.

For financial information related to our segments as of and for the three years in the period ended December 31, 2016, see Note 14, Segment Information, to our consolidated financial statements presented in Part II, Item 8.

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The following table sets forth certain information regarding our properties (listed by the Reportable Segment in which each such property is reported), as of and for the year ended December 31, 2016:

	Year Opened or Acquired	Casino Space (Sq. ft.)	Slot Machines	Table Games	Hotel Rooms	Hotel Occupancy	Average Daily Rate
Las Vegas Locals							
Las Vegas, Nevada							
Gold Coast Hotel and Casino	2004	88,915	1,767	49	712	87 %	\$ 53
The Orleans Hotel and Casino	2004	137,000	2,443	60	1,885	87 %	\$ 64
Sam's Town Hotel and Gambling Hall	1979	120,681	1,936	29	645	93 %	\$ 52
Suncoast Hotel and Casino	2004	95,898	1,801	31	427	82 %	\$ 80
Eastside Cannery Casino and Hotel	2016	63,879	1,484	17	306	91 %	\$ 56
North Las Vegas, Nevada							
Aliante Casino + Hotel + Spa	2016	82,000	1,860	40	202	89 %	\$ 98
Cannery Casino Hotel	2016	86,000	1,620	26	199	83 %	\$ 60
Henderson, Nevada							
Eldorado Casino	1993	17,756	365	—	N/A	N/A	N/A
Jokers Wild Casino	1993	23,698	422	7	N/A	N/A	N/A
Downtown Las Vegas							
Las Vegas, Nevada							
California Hotel and Casino	1975	35,848	995	28	781	85 %	\$ 36
Fremont Hotel and Casino	1985	30,244	943	26	447	89 %	\$ 40
Main Street Station Casino, Brewery and Hotel	1993	26,918	835	19	406	92 %	\$ 41
Midwest and South							
East Peoria, Illinois							
Par-A-Dice Hotel Casino	1996	26,116	924	26	202	81 %	\$ 67
Michigan City, Indiana							
Blue Chip Casino, Hotel & Spa	1999	65,000	1,700	42	486	81 %	\$ 77
Dubuque, Iowa							
Diamond Jo Dubuque	2012	43,495	951	20	N/A	N/A	N/A
Northwood, Iowa							
Diamond Jo Worth	2012	38,721	962	32	N/A	N/A	N/A
Mulvane, Kansas							
Kansas Star Casino	2012	70,010	1,772	52	N/A	N/A	N/A
Amelia, Louisiana							
Amelia Belle Casino	2012	27,484	838	15	N/A	N/A	N/A
Vinton, Louisiana							
Delta Downs Racetrack Casino & Hotel	2001	15,000	1,639	—	370	85 %	\$ 57
Opelousas, Louisiana							
Evangeline Downs Racetrack and Casino	2012	39,208	1,360	—	N/A	N/A	N/A
Shreveport, Louisiana							
Sam's Town Hotel and Casino	2004	29,285	975	25	514	71 %	\$ 80
Kenner, Louisiana							
Treasure Chest Casino	1997	23,668	1,000	36	N/A	N/A	N/A
Biloxi, Mississippi							

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IP Casino Resort Spa Tunica, Mississippi	2011	81,733	1,595	57	1,089	88	%	\$ 84
Sam's Town Hotel and Gambling Hall	1994	46,000	819	19	842	56	%	\$ 48
Total		1,314,557	31,006	656	9,513			
N/A = Not Applicable								

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

Las Vegas Locals Properties

Our Las Vegas Locals segment consists of nine casinos that primarily serve the resident population of the Las Vegas metropolitan area. Las Vegas has historically been characterized by a vibrant economy and strong demographics that include a large population of retirees and other active gaming customers. In recent years, the Las Vegas economy has strengthened, as reflected in the positive trends in unemployment, construction activity and visitation. Our Las Vegas Locals segment competes directly with other locals casinos and gaming companies, some of which operate larger casinos and offer different promotions than ours.

Gold Coast Hotel and Casino

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

The Orleans Hotel and Casino

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

Sam's Town Hotel and Gambling Hall

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

Suncoast Hotel and Casino

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

Eastside Cannery Casino and Hotel

Eastside Cannery is located directly south of Sam's Town Las Vegas at the intersection of Boulder Highway and Harmon Avenue in Las Vegas. Its location offers easy access for both the Las Vegas and Henderson valleys. Eastside Cannery has a 63,879-square-foot casino, 306 hotel rooms, five restaurants and four bars, 20,000 square feet of meeting and ballroom space, and a 250-seat entertainment lounge.

Aliante Casino + Hotel + Spa

Aliante is located in North Las Vegas adjacent to an 18-hole championship course and has convenient access to major freeways connecting it to points throughout Las Vegas. The primary target market for Aliante consists of local

high-end customers who gamble frequently. Aliante features a full-service Scottsdale-modern, desert-inspired casino and resort which includes 202 hotel rooms, multiple restaurant options, 82,000 square feet of gaming space, 200 seat bingo room, 16-screen movie theater complex, 650 seat showroom, spa, and resort style pool with cabanas.

Cannery Casino Hotel

Cannery is located in eastern part of the Las Vegas Valley and has convenient access to major freeways connecting it to points throughout Las Vegas. The primary target market for Cannery consists of local, casual working class customers who gamble frequently. The Cannery has an 86,000-square-foot casino, a 199-room hotel, five restaurants and five bars, a 30,000 square foot entertainment venue and a 14-screen movie theater.

Eldorado Casino and Jokers Wild Casino

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

Downtown Las Vegas Properties

Our three Downtown Las Vegas properties directly compete with nine other casinos that operate in downtown Las Vegas. As such, we have developed a distinct niche for our downtown properties by focusing on customers from Hawaii. Our downtown properties focus their marketing on gaming enthusiasts from Hawaii and tour and travel agents in Hawaii with whom we have cultivated relationships since we opened our California Hotel and Casino (the "Cal") in 1975. Through our Hawaiian travel agency, Vacations Hawaii, we operate as many as four charter flights from Honolulu to Las Vegas each week, helping to provide air transportation for our customers. We also have strong, informal relationships with other Hawaiian travel agencies and offer affordable all-inclusive packages. These relationships, combined with our Hawaiian promotions, have allowed the Cal, Fremont Hotel and Casino ("Fremont") and Main Street Station Casino, Brewery and Hotel ("Main Street Station") to capture a significant share of the Hawaiian tourist trade in Las Vegas. During the year ended December 31, 2016, patrons from Hawaii comprised approximately 62% of the occupied room nights at the Cal, 40% of the occupied room nights at Fremont, and 46% of the occupied room nights at Main Street Station.

California Hotel and Casino

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

Fremont Hotel and Casino

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

Main Street Station Casino, Brewery and Hotel

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

Midwest and South Properties

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

Par-A-Dice Hotel Casino

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

Blue Chip Casino, Hotel & Spa

Blue Chip Casino Hotel & Spa ("Blue Chip") is a dockside riverboat casino located in Michigan City, Indiana, which is 40 miles west of South Bend, Indiana and 60 miles east of Chicago, Illinois. The property competes primarily with

five casinos in northern Indiana and southern Michigan and, to a lesser extent, with casinos in the Chicago area and racinos located near Indianapolis. The property features 486 guest rooms, a spa and fitness center, dining and nightlife venues, and meeting and event space, including a land based pavilion.

Diamond Jo Dubuque

Diamond Jo is a land-based casino located in the Port of Dubuque, a waterfront development on the Mississippi River in downtown Dubuque, Iowa. Diamond Jo is a two-story, approximately 188,000 square foot property that includes 951 slot machines and 20 table games. Additional amenities include a 30-lane bowling center, a 33,000 square foot event center, and two banquet rooms. The property also features five dining outlets, including the Kitchen Buffet, a 190-seat live action buffet, Woodfire Grille, the casino's 118-seat high-end restaurant, Mojo's, a 122-seat sports bar, a deli and a snack shop, as well as three full service bars and Mississippi Moon Bar, a live music venue.

Diamond Jo Worth

Diamond Jo Worth is a land-based casino situated on a 36-acre site in Northwood, Iowa, which is located in north-central Iowa, near the Minnesota border and approximately 30 miles north of Mason City. The casino currently has 962 slot machines and 32 table games in operation, as well as a 5,200 square foot event center and several dining options, including the Kitchen Buffet, a 190-seat buffet restaurant, and Woodfire Grille, a 114-seat high-end restaurant. There is a 100-room hotel and a 60-room hotel adjacent to the casino, both of which are owned and operated by third parties. Under terms of an agreement with the owner, Diamond Jo Worth has the option to purchase the 100-room hotel.

Kansas Star Casino

Kansas Star serves as Lottery Gaming Facility Manager for the South Central Gaming Zone on behalf of the Kansas Lottery pursuant to the Lottery Gaming Facility Management Contract (the "Kansas Management Contract"). The casino is located in Mulvane, Kansas, approximately 20 miles south of Wichita, Kansas and has 1,772 slot machines, 52 table games, a 250-seat buffet, a 140-seat steakhouse and a number of other amenities including a deli, noodle bar and casino bars. Kansas Star also has a 162,000 square foot arena designed to host various events, including concerts, trade shows and equestrian events. In addition, the property has an event center for conventions, banquets and other events and an equestrian pavilion that includes a practice arena and covered stalls. There is a 300-room hotel adjacent to the casino that is operated by a third party.

Amelia Belle Casino

The Amelia Belle Casino is located in south-central Louisiana, and is a three-level riverboat with gaming located on the first two decks, and includes 838 slot machines and 15 table games. The third deck of the riverboat includes a 140-seat buffet and banquet room.

Delta Downs Racetrack Casino & Hotel

Delta Downs Racetrack Casino & Hotel ("Delta Downs") is located in Vinton, Louisiana and conducts horse races on a seasonal basis and operates year-round simulcast facilities for customers to wager on races held at other tracks. In addition, Delta Downs offers slot play and a 370-room hotel. Delta Downs is approximately 25 miles closer to Houston than the next closest gaming properties, located in Lake Charles, Louisiana, and is conveniently located near a travel route taken by customers traveling between Houston, Beaumont and other parts of southeastern Texas to Lake Charles, Louisiana. We recently completed a \$45 million expansion of Delta Downs that added a new hotel tower, redesigned all existing rooms and food and beverage facilities, and expanded the special events center.

Evangeline Downs

The Evangeline Downs is a land-based racino located in Louisiana. The racino currently includes a casino with 1,360 slot machines and a 23,000 square foot convention center. The racino features multiple food venues, including The Cajun Buffet, a 300-seat buffet; Café 24/7, an 89-seat restaurant; The Spotted Horse Tavern and Dining Parlor, a 132-seat restaurant and tavern that opened in September 2015; and Fast and Lucy's Pub, a newly renovated 110-seat restaurant and bar. The racino includes a one-mile dirt track, a 7/8-mile turf track and stables for 980 horses. The Clubhouse, together with the grandstand and patio area, provides seating capacity for up to 4,295 patrons. In the Clubhouse, Silk's Fine Dining offers a varied menu and the grandstand area contains a concession and bar. There is also a 117-room hotel adjacent to the racino, which is operated by a third party.

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

Sam's Town Hotel and Casino

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

Treasure Chest Casino

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

IP Casino Resort Spa

The IP Casino Resort Spa ("IP") overlooks the scenic back bay of Biloxi and is one of the premier resorts on the Mississippi Gulf Coast, and a recipient of a AAA Four Diamond Award. The property features more than 1,000 hotel rooms and suites; 81,733-square-feet of casino space with 1,595 slot machines and 57 table games; more than 65,000 square feet of convention and meeting space; a spa and salon; a 1,400-seat theater offering regular headline entertainment; six lounges and bars; and eight restaurants, including a steak and seafood restaurant and an upscale Asian restaurant.

Sam's Town Hotel and Gambling Hall

Sam's Town Hotel and Gambling Hall ("Sam's Town Tunica") is a barge-based casino located in Tunica County, Mississippi. The property has extensive amenities, including 842 hotel rooms, an entertainment lounge, four dining venues, and the 1,600-seat River Palace Arena. Tunica is the closest gaming market to Memphis, Tennessee and is located approximately 30 miles south of Memphis.

Competition

Our properties generally operate in highly competitive environments. We compete against other gaming companies as well as other hospitality, entertainment and leisure companies. We face significant competition in each of the jurisdictions in which we operate. Such competition may intensify in some of these jurisdictions if new gaming operations open in these markets or existing competitors expand their operations. Our properties compete directly with other gaming properties in each state in which we operate, as well as in adjacent states. We also compete for customers with other casino operators in other markets, including casinos located on Native American reservations, and other forms of gaming, such as lotteries and internet gaming. Many of our competitors are larger and have substantially greater name recognition and marketing and financial resources. In some instances, particularly with Native American casinos, our competitors pay substantially lower taxes or no taxes at all. We believe that increased legalized gaming in other states, particularly in areas close to our existing gaming properties and the development or expansion of Native American gaming in or near the states in which we operate, could create additional competition for us and could adversely affect our operations or future development projects.

Future Development Opportunities

Development agreement with Wilton Rancheria

We have a development agreement and a management agreement with Wilton Rancheria, a federally-recognized tribe located southeast of Sacramento, California, to develop and manage a gaming entertainment complex, subject to approval by the National Indian Gaming Commission. In January 2017, the tribe received a favorable Record of Decision from the Bureau of Indian Affairs and in February 2017, the land was taken into trust on behalf of the tribe. Additionally, the tribe must agree to a compact with the State of California, and receive approval of the management contract between the tribe and our Company, prior to proceeding. It has not been determined how long this process will take. The land parcel taken into trust is located next to a mall being developed by the Howard Hughes Corporation, approximately 15 miles southeast of Sacramento. The project is located on Highway 99, one of the two major north-south freeways in the Sacramento area.

Frequent Player Loyalty Programs

B Connected

We have established a nationwide branding initiative and loyalty program. Our players use their "B Connected" cards to earn and redeem points at nearly all of our properties. The "B Connected" club, among other benefits, rewards players for their loyalty as well as entitles them to qualify for promotions and earn rewards toward slot, video poker, or table games play.

In addition to the "B Connected" player loyalty program, we operate the "B Connected Mobile" program, the first multi-property, loyalty program-based iPhone and Android applications of its kind in the gaming industry. B Connected Mobile is a personalized mobile application that delivers customized offers and information directly to a

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

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

interfacing with "B Connected Online" or "B Connected Mobile", participate in online contests, and register for alerts to deliver targeted information specific to the "B Connected" member.

Other Programs

Kansas Star, Diamond Jo Dubuque, Aliante, Cannery, and Eastside Cannery continue to sponsor their own player loyalty programs to build brand awareness and leverage loyalty through marketing and promotional programs to retain existing customers, maintain trip frequency, acquire new customers, and recover lapsed customers. These properties offer their guests comprehensive, competitive and targeted marketing and promotion programs. Each program offers players a hassle-free way of earning points redeemable at each respective property for slot and table games play, food, beverage and retail items as well as complementaries and other rewards and benefits based on play. In addition, each property strives to differentiate its casino with high-quality guest services to further enhance overall brand and customer experience.

In the future we plan to extend the B Connected program to these properties, subject to the receipt of regulatory approvals. The implementation of "B Connected" will replace the individual property programs described above and provide our customers at these properties even more value for their rewards with a multi-property player loyalty program.

Other Promotional Activities

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

Government Regulation

We are subject to extensive regulation under laws, rules and supervisory procedures primarily in the jurisdictions where our facilities are located or docked. Some jurisdictions, including Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana and Mississippi, empower their regulators to investigate participation by licensees in gaming outside their jurisdiction and may require access to periodic reports respecting those gaming activities. Violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. A detailed description of the governmental gaming regulations to which we are subject is filed as Exhibit 99.1 and is herein incorporated by reference.

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

Employees and Labor Relations

At December 31, 2016, we employed approximately 19,932 persons, and had collective bargaining agreements with three unions covering 1,867 employees. Negotiations for a first contract with a newly organized bargaining unit are in progress at one of our Midwest and South properties.

Corporate Information

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

Available Information

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These filings are also available on the SEC's website at www.sec.gov. In addition, the public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549 and may obtain additional information and guidance by calling the SEC Investor Information Service at 1-800-SEC-0330. You also may read and copy reports and other information filed by us at the office of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

We make our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K, and all amendments to these reports, available free of charge on our corporate website as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC. In addition, our Code of Business Conduct and Ethics, Corporate Governance Guidelines,

and charters of the Audit Committee, Compensation and Stock Option Committee, and the Corporate Governance and Nominating Committee are available on our website. We will provide reasonable quantities of electronic or paper copies of filings free of charge upon request. In addition, we will provide a copy of the above referenced charters to stockholders upon request.

Important Information Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such statements contain words such as "may," "will," "might," "expect," "believe," "anticipate," "could," "would," "estimate," "pursue," "target," "project," "intend," "plan," "seek," "should," "assume," and "continue," or the negative thereof or comparable terminology. 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 risk that our acquisitions and other expansion opportunities divert management's attention or incur substantial costs, or that we are otherwise unable to develop, profitably manage or successfully integrate the businesses we acquire.

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 may be unable to refinance our outstanding indebtedness as it comes due, or that if we 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, 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 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 this Annual Report on Form 10-K for the year ended December 31, 2016 and in other current and periodic reports filed from time to time with the SEC.

All forward-looking statements in this document are made as of the date hereof, based on information available to us as of the date hereof, and we assume no obligation to update any forward-looking statement.

ITEM 1A. Risk Factors

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

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

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

Risks Related to our Business

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

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

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

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

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

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

With fewer other new markets opening for development, competition in existing markets has intensified in recent years. We and our competitors have invested in expanding existing facilities, developing new facilities, and acquiring established facilities in existing markets. This expansion of existing casino entertainment properties, the increase in the number of properties and the aggressive marketing strategies of many of our competitors have increased competition in many markets in which we compete, and this intense competition can be expected to continue. For example, a new property opened in Shreveport, Louisiana, during June 2013, which competes with Sam's Town Shreveport for gaming customers. In December 2014, a new property also opened in Lake Charles, Louisiana, that increased competition with Delta Downs Racetrack Casino & Hotel. At the end of December 2015, a new casino opened in D'Iberville, Mississippi that competes with IP Casino Resort Spa. In Illinois, the legalization of video lottery terminals in recent years has added more than 22,000 new gaming devices across the state, including nearly 4,000 in the immediate market of the Par-A-Dice Hotel Casino, increasing competition for that property. Additionally, competition may intensify if our competitors commit additional resources to aggressive pricing and promotional activities in order to attract customers.

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

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

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

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

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

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

affected.

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

The significant economic distress affecting financial institutions during periods of global financial crisis can have far-reaching adverse consequences across many industries, including the gaming industry. A crisis may greatly restrict the availability of capital and cause the cost of capital (if available) to be much higher than it has traditionally been. Although the financial markets have generally recovered from the most recent financial crisis and availability of capital has increased, the financial markets remain volatile. Although we successfully refinanced a significant amount of our indebtedness in 2015 and in 2016, we have no assurance that we will continue to have access to credit or capital markets at desirable times or at rates that we would consider acceptable, and the lack of such funding could have a material adverse effect on our business, results of operations and financial condition,

including our ability to refinance Boyd Gaming's indebtedness, our flexibility to react to changing economic and business conditions and our ability or willingness to fund new development projects.

We are not able to predict the duration or strength of the current economic recovery, the resulting impact on the solvency or liquidity of our lenders, or the possibility of a future recession. Prolonged slow growth or a downturn, or further worsening or broadening of adverse conditions in worldwide and domestic economies could affect our lenders. If a large percentage of our lenders were to file for bankruptcy or otherwise default on their obligations to us, we may not have the liquidity under the Credit Facility to fund our current projects. There is no certainty that our lenders will continue to remain solvent or fund their respective obligations under the Credit Facility. If we were otherwise required to renegotiate or replace the Credit Facility, there is no assurance that we would be able to secure terms that are as favorable to us, if at all.

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

In accordance with the authoritative accounting guidance for goodwill and other intangible assets, we test our goodwill and indefinite-lived intangible assets for impairment annually or if a triggering event occurs. We perform our annual impairment testing for goodwill and indefinite-lived intangible assets as of October 1. We recorded a non-cash impairment charge of \$36.9 million in connection with the 2016 annual impairment test, comprised of impairment charges of \$23.6 million to the Par-A-Dice gaming license, \$12.5 million to Amelia Belle goodwill, and \$800k to trademarks in the Midwest and South segment. In connection with the 2015 annual impairment test, we recorded a non-cash impairment charge of \$17.5 million to the Par-A-Dice gaming license. The results of our annual scheduled impairment tests performed in fourth quarter 2014 required us to record non-cash impairment charges of \$40.1 million which was comprised of \$39.8 million of impairments of gaming licenses and \$0.3 million in trademarks in our Midwest and South segment.

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

We face risks associated with growth and acquisitions.

As part of our business strategy, we regularly evaluate opportunities for growth through development of gaming operations in existing or new markets, through acquiring other gaming entertainment facilities or through redeveloping our existing gaming facilities. For example, on September 27, 2016 we acquired Aliante and on December 20, 2016 we completed the Cannery Purchase (the Cannery Purchase, together with the acquisition of Aliante, the "Acquisitions"). In the future, we may also pursue expansion opportunities, including joint ventures, in jurisdictions where casino gaming is not currently permitted in order to be prepared to develop projects upon approval of casino gaming.

Although we only intend to engage in acquisitions that, if consummated, will be accretive to us and our shareholders, acquisitions require significant management attention and resources to integrating new properties, businesses and operations. Additionally, we will need to successfully integrate three additional properties into Boyd Gaming's operating structure in order to realize the anticipated benefits of the Acquisitions. Potential difficulties we may encounter as part of the integration process include the following:

- the inability to successfully incorporate the assets in a manner that permits the us to achieve the full revenue and other benefits anticipated to result from the Acquisitions;
- complexities associated with managing the combined business, including difficulty addressing possible differences in cultures and management philosophies and the challenge of integrating complex systems, technology, networks and other assets of each of the companies in a seamless manner that minimizes any adverse impact on customers, suppliers, employees and other constituencies; and
- potential unknown liabilities and unforeseen increased expenses associated with the Acquisitions.

In addition, it is possible that the integration process could result in:

- diversion of the attention of our management; and
- the disruption of, or the loss of momentum in, each our ongoing business or inconsistencies in standards, controls, procedures and policies,

any of which could adversely affect our ability to maintain relationships with customers, suppliers, employees and other constituencies or our ability to achieve the anticipated benefits, or could reduce our earnings or otherwise adversely affect our business and financial results.

There can be no assurance that we will be able to identify, acquire, develop or profitably manage additional companies or operations or successfully integrate such companies or operations, including the three properties associated with the Acquisitions into our

existing operations without substantial costs, delays or other problems. Additionally, there can be no assurance that we will receive gaming or other necessary licenses or approvals for new projects that we may pursue or that gaming will be approved in jurisdictions where it is not currently approved.

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

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

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

Any such development projects are subject to many other risks inherent in the expansion or renovation of an existing enterprise or construction of a new enterprise, including unanticipated design, construction, regulatory, environmental and operating problems and lack of demand for our projects. Our current and future projects could also experience:

- changes to plans and specifications;
- delays and significant cost increases;
- shortages of materials;
- shortages of skilled labor or work stoppages for contractors and subcontractors;
- labor disputes or work stoppages;
- disputes with and defaults by contractors and subcontractors;
- health and safety incidents and site accidents;
- engineering problems, including defective plans and specifications;
- poor performance or nonperformance by any of our joint venture partners or other third parties on whom we place reliance;
- changes in laws and regulations, or in the interpretation and enforcement of laws and regulations, applicable to gaming facilities, real estate development or construction projects;
- unforeseen construction scheduling, engineering, environmental, permitting, construction or geological problems;
- environmental issues, including the discovery of unknown environmental contamination;

• weather interference, floods, fires or other casualty losses;

• other unanticipated circumstances or cost increases; and

• failure to obtain necessary licenses, permits, entitlements or other governmental approvals.

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

In addition, actual costs and construction periods for any of our projects can differ significantly from initial expectations. Our initial project costs and construction periods are based upon budgets, conceptual design documents and construction schedule

estimates prepared at inception of the project in consultation with architects and contractors. Many of these costs can increase over time as the project is built to completion. We can provide no assurance that any project will be completed on time, if at all, or within established budgets, or that any project will result in increased earnings to us. Significant delays, cost overruns, or failures of our projects to achieve market acceptance could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

Additionally, the collection of customer and employee personal information imposes various privacy compliance related obligations on our business and increases the risks associated with a breach or failure of the integrity of our information technology systems. The collection and use of personal information is governed by privacy laws and regulations enacted in the United States and other jurisdictions around the world. Privacy regulations continue to evolve and on occasion may be inconsistent from one jurisdiction to another. Compliance with applicable privacy laws and regulations may increase our operating costs and/or adversely impact our ability to market our products, properties and services to our customers. In addition, non-compliance with applicable privacy laws and regulations by us (or in some circumstances non-compliance by third party service providers engaged by us) may also result in damage of reputation, result in vulnerabilities that could be exploited to breach our systems and/or subject us to fines, payment of damages, lawsuits or restrictions on our use or transfer of personal information.

While we maintain cyber insurance coverage to protect against these risks to the Company, such insurance is unlikely to fully mitigate the impact of any information breach.

Risks Related to the Regulation of our Industry

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

Our ownership, management and operation of gaming facilities are subject to extensive laws, regulations and ordinances which are administered by the Nevada Gaming Commission and Gaming Control Board, Mississippi Gaming Commission, Indiana Gaming Commission, Illinois Gaming Board, Iowa Racing and Gaming Commission, the Kansas Lottery Commission, the Kansas Racing and Gaming Commission, the Louisiana State Gaming Control Board, the Louisiana State Racing Commission and various other federal, state and local government entities and agencies. We are subject to regulations that apply specifically to the gaming industry and horse racetracks and casinos, in addition to regulations applicable to businesses generally. A more detailed description of the governmental gaming regulations to which we are subject is filed as Exhibit 99.1 herewith. If additional gaming regulations

are adopted in a jurisdiction in which we operate, such regulations could impose restrictions or costs that could have a significant adverse effect on us. From time to time, various proposals are introduced in the legislatures of some of the jurisdictions in which we have existing or planned operations that, if enacted, could adversely affect the tax, regulatory, operational or other aspects of the gaming industry and our company.

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

Gambling

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

The legislation permitting gaming in Iowa authorizes the granting of licenses to "qualified sponsoring organizations." Such "qualified sponsoring organizations" may operate the gambling structure itself, subject to satisfying necessary licensing requirements, or it may enter into an agreement with an operator to operate gambling on its behalf. An operator must be approved and licensed by the Iowa Racing and Gaming Commission. The Dubuque Racing Association ("DRA"), a not-for-profit corporation organized for the purpose of operating a pari-mutuel greyhound racing facility in Dubuque, Iowa, first received a riverboat gaming license in 1990 and, pursuant to the Amended DRA Operating Agreement, has served as the "qualified sponsoring organization" of the Diamond Jo since March 18, 1993. The term of the Amended DRA Operating Agreement expires on December 31, 2018. The Worth County Development Authority ("WCDA"), pursuant to the WCDA Operating Agreement, serves as the "qualified sponsoring organization" of Diamond Jo Worth. The term of the WCDA Operating Agreement expires on March 31, 2025, and is subject to automatic ten-year renewal periods. If the Amended DRA Operating Agreement or WCDA Operating Agreement were to terminate, or if the DRA or WCDA were to otherwise discontinue acting as our "qualified sponsoring organization" with respect to our operation of the Diamond Jo or Diamond Jo Worth, respectively, and we were unable to obtain approval from the Iowa Racing and Gaming Commission to partner with an alternative "qualified sponsoring organization" as required by our gaming license, we would no longer be able to continue our Diamond Jo or Diamond Jo Worth operations, which would materially and adversely affect our business, results of operations and cash flows.

Regulation of Smoking

Illinois has adopted laws that significantly restrict, or otherwise ban, smoking at our properties in those jurisdictions. The Illinois laws that restrict smoking at casinos, and similar legislation in other jurisdictions in which we operate, could materially impact the results of operations of our properties in those jurisdictions. Indiana imposes a state wide smoking ban in specified businesses, buildings, public places and other articulated locations. Indiana's statute

specifically exempted riverboat casinos, and all other gaming facilities in Indiana, from the smoking ban; however, the statute also allowed local governments to enact more restrictive smoking bans than the state statute and also left in place any more restrictive local legislation that existed as of the effective date of the statute. To date, neither Michigan City nor LaPorte County, where Blue Chip is located, has enacted any ordinance or other law that would impose a smoking ban on Blue Chip.

Regulation of Directors, Officers, Key Employees and Partners

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

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

Live Racing Regulations

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

Regulations Affecting Businesses in General

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

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

The federal government has, from time to time, considered a federal tax on casino revenues and may consider such a tax in the future. If such an increase were to be enacted, it could adversely affect our business, financial conditions, results of operations and cash flow. Our ability to incur additional indebtedness in the future to finance casino development projects could be materially and adversely affected.

In addition, gaming companies are often subject to significant state and local taxes and fees, in addition to normal federal and state corporate income taxes, and such taxes and fees are subject to increase at any time and which increase may be retroactive to prior years.

Currently, in Iowa, we are taxed at an effective rate of approximately 21.5% of our adjusted gross receipts by the State of Iowa, we pay the city of Dubuque a fee equal to \$500,000 per year and we pay a fee equal to 4.5% and 5.76% of adjusted gross receipts to the DRA and WCDA, respectively. In addition, all Iowa gaming licensees share equally in the costs of the Iowa Racing and Gaming Commission and related entities to administer gaming in Iowa, which is currently approximately \$0.8 million per year per facility. Currently, at Evangeline Downs, we are taxed at an effective rate of approximately 36.5% of our adjusted gross slot revenue and pay to the Louisiana State Racing Commission a fee of \$0.25 for each patron who enters the racino on live race days from the hours of 6:00 pm to midnight, enters the racino during non-racing season from the hours of noon to midnight Thursday through Monday, or enters any one of our off-track betting parlors. Our Amelia Belle riverboat casino in Louisiana pays an annual state gaming tax rate of 21.5% of adjusted gross receipts. Additionally, Amelia Belle has an agreement with the Parish of St. Mary to permit the berthing of the riverboat casino in Amelia, Louisiana. That agreement provides for percentage fees based on the level of net gaming revenue as follows: the first \$60 million, 2.5%; \$60 to \$96 million, 3.5%; and greater than \$96 million, 5.0%. The annual minimum fee due under the agreement is \$1.5 million. Kansas Star, pursuant to its Management Contract with the State of Kansas pays total taxes of between 27% and 31% of gross gaming revenue, based on achievement of the following revenue levels: 27% on gross gaming revenue up to \$180 million, 29% on amounts from \$180 million to \$220 million, and 31% on amounts above \$220 million in gross

gaming revenue. Kansas Star is also contractually obligated to pay its proportionate share of certain expenses incurred by the Kansas Lottery Commission and the Kansas Racing and Gaming Commission, which historically have ranged from \$3.0 million to \$3.5 million on an annual basis.

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

Risks Related to our Properties

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

We are subject to various federal, state and local environmental laws, ordinances and regulations, including those governing discharges to air and water, the generation, handling, management and disposal of petroleum products or hazardous substances

or wastes, and the health and safety of our employees. Permits may be required for our operations and these permits are subject to renewal, modification and, in some cases, revocation. In addition, under environmental laws, ordinances or regulations, a current or previous owner or operator of property may be liable for the costs of investigation and removal or remediation of some kinds of hazardous substances or petroleum products on, under, or in its property, without regard to whether the owner or operator knew of, or caused, the presence of the contaminants, and regardless of whether the practices that resulted in the contamination were legal at the time they occurred. Additionally, as an owner or operator, we could also be held responsible to a governmental entity or third parties for property damage, personal injury and investigation and cleanup costs incurred by them in connection with any contamination. The liability under those laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of the responsibility. The costs of investigation, remediation or removal of those substances may be substantial, and the presence of those substances, or the failure to remediate a property properly, may impair our ability to use our property.

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

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

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

Future developments regarding environmental matters could lead to material costs of environmental compliance for us and such costs could have a material adverse effect on our business and financial condition, operating results and cash flows.

Additionally, our horse racing operations are subject to oversight by the Environmental Protection Agency ("EPA"), including regulations governing concentrated animal feeding operations and the related processing of animal waste water. In 2015, Delta Downs commenced a remediation project, as a result of an EPA examination, to ensure its future compliance with the Clean Water Act. However, the ongoing operations of our horse racing operations could result in future violations of EPA regulations and exposure to associated potential fines.

We own facilities that are located in areas that experience extreme weather conditions. Extreme weather conditions may interrupt our operations, damage our properties and reduce the number of customers who visit our facilities in the affected areas.

For example, certain of the properties we operate have been forced to close for extended periods due to floods and hurricanes, including Treasure Chest and Delta Downs, which have experienced closures for over 40 days on separate occasions in the past.

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

risk of experiencing snowstorms, tornadoes and flooding.

In addition to the risk of flooding and hurricanes, snowstorms and other adverse weather conditions may interrupt our operations, damage our properties and reduce the number of customers who visit our facilities in an affected area. For example, during the first quarter of 2011, and again in 2014, much of the country was impacted by unusually severe winter weather, particularly in the Midwest. These storms made it very difficult for our customers to visit, and we believe such winter weather had a material and adverse impact on the results of our operations during such times. If there is a prolonged disruption at any of our properties due to natural disasters, terrorist attacks or other catastrophic events, our results of operations and financial condition could be materially adversely affected.

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

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

Our insurance coverage may not be adequate to cover all possible losses that our properties could suffer, our insurance costs may increase, and we may not be able to obtain similar insurance coverage in the future.

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

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

We maintain cyber insurance coverage that insures against certain expenses incurred by the Company in the event of any information breach, as well as insuring against certain costs and damages associated with losses by third parties. However, such insurance is unlikely to fully mitigate the impact of such an information breach.

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

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

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

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

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

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

The strength and profitability of our business depends on consumer demand for hotel casino resorts in general and for the type of amenities our properties offer. Changes in consumer preferences or discretionary consumer spending could harm our business. Terrorist activities in the United States and elsewhere, military conflicts in Iraq, Afghanistan and elsewhere, outbreaks of infectious disease and pandemics, adverse weather conditions and natural disasters, among other things, have had negative impacts on travel and leisure expenditures. In addition, other factors affecting travel and discretionary consumer spending, including general economic conditions, disposable consumer income, fears of further economic decline and reduced consumer confidence in the economy, may negatively impact our business. We cannot predict the extent to which similar events and conditions may continue

to affect us in the future. An extended period of reduced discretionary spending and/or disruptions or declines in tourism could significantly harm our operations.

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

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

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

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

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

USCG regulations require a hull inspection for all riverboats at five-year intervals. Under certain circumstances, alternative hull inspections may be approved. The USCG may require that such hull inspections be conducted at a dry-docking facility, and if so required, the cost of travel to and from such docking facility, as well as the time required for inspections of the affected riverboats, could be significant. To date, the USCG has allowed in-place underwater inspections of our riverboats twice every five years on alternate two and three year schedules. The USCG may not continue to allow these types of inspections in the future. The loss of a dockside casino or riverboat casino from service for any period of time could adversely affect our business, financial condition and results of operations.

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

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

Some of our hotels and casinos are located on leased property. If we default on one or more leases, the applicable lessors could terminate the affected leases and we could lose possession of the affected hotel and/or casino.

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

effect on our business, financial condition and results of operations as we would then be unable to operate all or portions of the affected facilities.

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

As of December 31, 2016, we had net operating losses ("NOLs") for federal income tax purposes. Under Section 382 of the Internal Revenue Code, if a corporation undergoes an "ownership change" as defined in that section, the corporation's ability to use its pre-change NOLs and other pre-change tax attributes to offset its post-change income may become subject to significant limitations. We may experience an ownership change in the future as a result of shifts in our stock ownership, which may result from the issuance of our common stock, the exercise of stock options and other equity compensation awards, as well as ordinary sales and purchases of our common stock, among other things. If an ownership change in our stock were to be triggered in the future, our subsequent ability to use any NOLs existing at that time could be significantly limited.

Risks Related to our Indebtedness

We have a significant amount of indebtedness.

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

- difficulty in satisfying our obligations under our current indebtedness;

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

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

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

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

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

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

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

- incur liens securing indebtedness or other obligations;

- make certain investments;

- dispose of assets;

- make certain acquisitions;

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

enter into sale and leaseback transactions;

engage in any new businesses; and

enter into transactions with our stockholders and our affiliates.

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

Note 7, Long-Term Debt, included in the notes to our audited consolidated financial statements presented in Part II, Item 8, contains further disclosure regarding our current outstanding debt.

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

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

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

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

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

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

We intend to finance our current and future expansion, development, investment and renovation projects, as well as our other capital expenditures, primarily with cash flow from operations, borrowings under our Credit Facility, and equity or debt financings. If we are unable to finance our current or future expansion, development, investment and renovation projects, or our other capital expenditures, we will have to adopt one or more alternatives, such as reducing, delaying or abandoning planned expansion, development, investment and renovation projects as well as other capital expenditures, selling assets, restructuring debt, obtaining additional equity financing or joint venture partners, or modifying the Credit Facility. These sources of funds may not be sufficient to finance our expansion, development, investment and renovation projects, and other financing may not be available on acceptable terms, in a timely manner, or at all. In addition, our existing indebtedness contains certain restrictions on our ability to incur additional indebtedness.

In the past, there have been significant disruptions in the global capital markets that adversely impacted the ability of borrowers to access capital. Although we currently anticipate that we will be able to fund any expansion projects using cash flows from operations and availability under the Credit Facility (to the extent that availability exists after we meet our working capital needs), if availability under our Credit Facility does not exist or we are otherwise unable to make sufficient borrowings thereunder, any additional financing that is needed may not be available to us or, if available, may not be on terms favorable to us. As a result, if we are unable to obtain adequate project financing in a timely manner, or at all, we may be forced to sell assets in order to raise capital for projects, limit the scope of, or defer such projects, or cancel the projects altogether. In the event that capital markets do not improve and we are unable to access capital with more favorable terms, additional equity and/or credit support may be necessary to obtain construction financing for the remaining cost of the project.

Risks Related to our Equity Ownership

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

- actual or anticipated fluctuations in our results of operations;
- announcements of significant acquisitions or other agreements by us or by our competitors;
- our sale of common stock or other securities in the future;
- trading volume of our common stock;

- conditions and trends in the gaming and destination entertainment industries;

• changes in the estimation of the future size and growth of our markets; and

• general economic conditions, including, without limitation, changes in the cost of fuel and air travel.

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

Certain of our stockholders own large interests in our capital stock and may significantly influence our affairs. William S. Boyd, our Executive Chairman of the Board of Directors, together with his immediate family, beneficially owned approximately 27% of the Company's outstanding shares of common stock as of December 31, 2016. As such, the Boyd family has the ability to significantly influence our affairs, including the election of members of our Board of Directors and, except as otherwise provided by law, approving or disapproving other matters submitted to a vote of our stockholders, including a merger, consolidation, or sale of assets.

ITEM 1B. Unresolved Staff Comments

None

ITEM 2. Properties

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

As of December 31, 2016, some of our properties are located on leased property, including:

• The Orleans, located on 77 acres of leased land. (On February 1, 2017, we exercised our option to purchase this land.)

• Suncoast, located on 49 acres of leased land.

• Eastside Cannery, located on 30 acres of leased land.

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

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

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

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

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

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

• Diamond Jo Worth, located on 46 acres of owned land. Diamond Jo Worth also leases 298 acres of land in Emmons, Minnesota on which a nine-hole golf course and a nine-station sporting clay course and hunting facility are located.

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

ITEM 3. Legal Proceedings

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

ITEM 4. Mine Safety Disclosures

Not applicable

PART II

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

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

Market Information

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

	High	Low
Year Ended December 31, 2016		
First Quarter	\$20.74	\$14.96
Second Quarter	21.35	17.45
Third Quarter	20.26	18.13
Fourth Quarter	21.46	17.00
Year Ended December 31, 2015		
First Quarter	\$14.62	\$12.16
Second Quarter	15.40	13.01
Third Quarter	17.99	14.90
Fourth Quarter	21.12	16.82

On February 21, 2017, the closing sales price of our common stock on the NYSE was \$20.16 per share. On that date, we had approximately 713 holders of record of our common stock and our directors and executive officers owned approximately 28% of the outstanding shares. There are no other classes of common equity outstanding.

Dividends

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

Share Repurchase Program

In July 2008, our Board of Directors authorized an amendment to an existing share repurchase program to increase the amount of common stock available to be repurchased to \$100 million. We have repurchased 1.7 million shares of our common stock pursuant to this authorization, and we are authorized to repurchase up to an additional \$92.1 million in shares. We are not obligated to repurchase any shares under this program, and no repurchases were made during the year ended December 31, 2016. Subject to applicable corporate securities laws, repurchases under this program may be made at such times and in such amounts as we deem appropriate. Repurchases would be funded with existing cash resources and availability under the Credit Facility. We are subject to certain limitations regarding the repurchase of common stock, such as restricted payment limitations contained in our Credit Facility and the indentures for our outstanding notes.

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

Our Definitive Proxy Statement to be filed in connection with our 2017 Annual Meeting of Stockholders, incorporated herein by reference, contains information concerning securities authorized for issuance under equity compensation plans within the captions Ownership of Certain Beneficial Owners and Management and Equity Compensation Plan

Information

Stock Performance Graph

The graph below compares the five-year cumulative total return on our common stock to the cumulative total return of the Standard & Poor's MidCap 400 Index ("S&P 400") and to companies in our peer group, which is comprised of Isle of Capri Casinos, Inc., Penn National Gaming, Inc. and Pinnacle Entertainment, Inc. The performance graph assumes that \$100 was invested on December 31, 2011 in each of the Company's common stock, the S&P 400 and our peer group, and that all dividends were reinvested. For purposes of the performance graph, in cases in which a shareholder of a peer group company received shares of another

company in a corporate transaction, the value of the additional shares received are considered to be a dividend and assumed to be reinvested in the stock of the peer company on the date of the transaction. The stock price performance shown in this graph is neither necessarily indicative of, nor intended to suggest, future stock price performance.

Indexed Returns

	Boyd Gaming Corp.	S&P 400	Peer Group
December 2012	\$89.01	\$ 117.88	\$ 128.48
December 2013	150.94	157.37	168.10
December 2014	171.31	172.74	159.90
December 2015	266.35	168.98	205.40
December 2016	270.38	204.03	234.17

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

ITEM 6. Selected Financial Data

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

(In thousands, except per share data)	Year Ended December 31,				
	2016 (a)	2015 (b)	2014 (c)	2013 (d)	2012 (e)
Statement of Operations Data:					
Net revenues	\$2,183,976	\$2,199,432	\$2,142,255	\$2,198,738	\$1,796,606
Operating income (loss)	260,627	271,202	173,732	231,217	(906,428)
Income (loss) from continuing operations before income taxes	7,987	4,061	(56,033)	(55,887)	(1,112,498)
Income (loss) from continuing operations, net of tax	205,473	10,695	(50,625)	(63,571)	(916,913)
Income (loss) from discontinued operations, net of tax	212,530	36,539	8,987	(44,983)	(6,162)
Net income (loss) attributable to Boyd Gaming Corporation	418,003	47,234	(53,041)	(80,264)	(908,865)
Income (loss) from continuing operations per common share					
Basic	\$1.79	\$0.10	\$(0.46)	\$(0.65)	\$(10.44)
Diluted	\$1.78	\$0.10	\$(0.46)	\$(0.65)	\$(10.44)
Balance Sheet Data:					
Cash and cash equivalents	\$193,862	\$158,821	\$145,341	\$140,311	\$158,421
Total assets	4,670,751	4,350,900	4,422,384	5,657,522	6,246,725
Long-term debt, net of current maturities	3,199,119	3,239,799	3,375,098	3,482,610	3,953,359
Total stockholders' equity	934,126	508,011	438,087	650,437	467,127
Other Data:					
Ratio of earnings to fixed charges (f)	1.0x	1.0x	—	—	—

(a) 2016 includes \$38.3 million in pretax, non-cash impairment charges which includes non-cash impairment charges of \$23.6 million, \$12.5 million and \$0.8 million for a gaming license, goodwill and trademarks, respectively, in our Midwest and South segment; and \$42.4 million in pretax loss on early extinguishments and modifications of debt. Additionally, 2016 includes a noncash income tax benefit of \$201.5 million resulting from the release of a previously recorded deferred tax asset valuation allowance. The financial results of Aliante are included in these financial results from its September 27, 2016 date of acquisition, and the financial results of Cannery and Eastside Cannery are included from their December 20, 2016 date of acquisition. Discontinued operations for 2016 include an after-tax gain on the sale of our equity interest in Borgata of \$181.7 million. The Company has accounted for its 50% investment in Borgata as discontinued operations for all periods presented in these consolidated financial statements.

(b) 2015 includes \$18.6 million in pretax, non-cash impairment charges, which includes a \$17.5 million non-cash impairment charge for a gaming license in our Midwest and South segment; and \$40.7 million in pretax loss on early

extinguishments and modifications of debt.

(c) 2014 includes \$48.7 million in pretax, non-cash impairment charges, which includes impairment charges of \$39.8 million for gaming licenses and \$0.3 million of trademarks in our Midwest and South segment, and a \$8.7 million charge to write down the value of certain non-operating assets.

(d) 2013 includes \$5.4 million in pretax, non-cash impairment charges; and \$28.3 million in pretax loss on early extinguishments and modifications of debt. We completed the sale of certain assets and liabilities of the Dania Jai-Alai business on May 22, 2013, and have presented its results as discontinued operations for all periods presented. As a result of the sale of the Echelon site on March 4, 2013, we ceased consolidation of LVE Energy Partners, LLC, as of that date. 2013 also includes a full year of financial results for Peninsula, which we acquired in November 2012.

(e) 2012 includes \$1.05 billion of pretax, non-cash impairment charges, primarily consisting of \$993.9 million related to the Echelon development, \$39.4 million related to various parcels of undeveloped land and \$17.5 million for the write-down of the Sam's Town Shreveport gaming license; \$18.7 million of pretax acquisition costs, primarily related to the acquisition of Peninsula and a \$7.1 million pretax gain from business interruption proceeds due to the temporary closure of our Tunica property in May 2011 due to flooding. 2012 also includes financial results of Peninsula from its November 20, 2012, date of acquisition and a full year of the results of the IP, which we acquired in October 2011.

(f) For purposes of computing this ratio, "earnings" consist of income before income taxes and income/(loss) from unconsolidated affiliates, plus fixed charges (excluding capitalized interest) and distributed income of equity investees. "Fixed charges" include interest whether expensed or capitalized, amortization of debt expense, discount, or premium related to indebtedness (included in interest expense), and such portion of rental expense that we deem to be a reasonable representation of the interest factor. Due primarily to certain non-cash charges deducted in the determination of our earnings, the earnings were less than fixed charges by \$57.3 million, \$57.0 million and \$1.11 billion for 2014, 2013 and 2012, respectively.

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

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

EXECUTIVE OVERVIEW

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

As of December, 31 2016, we are a diversified operator of 24 wholly-owned gaming entertainment properties. Headquartered in Las Vegas, Nevada, we have gaming operations in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana and Mississippi. We view each operating property as an operating segment. For financial reporting purposes, we aggregate our wholly-owned properties into the following three 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
Eastside Cannery Casino and Hotel	Las Vegas, Nevada
Aliante Casino + Hotel + Spa	North Las Vegas, Nevada
Cannery Casino Hotel	North 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	
Par-A-Dice Hotel and Casino	East Peoria, Illinois
Blue Chip Casino, Hotel & Spa	Michigan City, Indiana
Diamond Jo Dubuque	Dubuque, Iowa
Diamond Jo Worth	Northwood, Iowa
Kansas Star Casino	Mulvane, Kansas
Amelia Belle Casino	Amelia, Louisiana
Delta Downs Racetrack Casino & Hotel	Vinton, Louisiana
Evangeline Downs Racetrack and Casino	Opelousas, Louisiana
Sam's Town Hotel and Casino	Shreveport, Louisiana
Treasure Chest Casino	Kenner, Louisiana
IP Casino Resort Spa	Biloxi, Mississippi
Sam's Town Hotel and Gambling Hall	Tunica, Mississippi

In addition to these properties, we own and operate a travel agency and a captive insurance company that underwrites travel-related insurance, each located in Hawaii. Financial results for these operations are included in our Downtown

Las Vegas segment, as our Downtown Las Vegas properties concentrate their marketing efforts on gaming customers from Hawaii.

On May 31, 2016, we announced that we had entered into an Equity Purchase Agreement to sell our 50% equity interest in the parent company of Borgata Hotel Casino and Spa ("Borgata") to MGM Resorts International ("MGM"). This transaction closed on August 1, 2016. We accounted for our investment in Borgata by applying the equity method and reported its results as discontinued operations for all periods presented in this Annual Report on Form 10-K.

In third quarter 2016, the Peninsula Gaming, LLC ("Peninsula") debt was refinanced, eliminating the financing structure that restricted our ability to transfer cash from Peninsula to Boyd Gaming. As a result of the elimination of this restriction, management concluded that the properties previously comprising the Peninsula segment would be aggregated into the Midwest and South reportable segment.

Our Las Vegas Locals segment includes our wholly-owned subsidiaries Aliante Casino + Hotel + Spa ("Aliante") for the period following its September 27, 2016 acquisition, and Cannery Casino Hotel and Eastside Cannery Casino and Hotel (together, the "Cannery Properties") for the period following their December 20, 2016 acquisition. See Note 2, Acquisitions and Divestitures, to our consolidated financial statements presented in Part II, Item 8.

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

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

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

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

Our Strategy

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

Strengthening our Balance Sheet

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

Operating Efficiently

We are committed to operating more efficiently, and endeavor to prevent unneeded expense in our business. The efficiencies of our business model position us to flow a substantial portion of revenue gains directly to the bottom line. We manage our business operations to maintain and improve our margins in order to drive profit growth in our business.

Evaluating Acquisition Opportunities

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

Maintaining our Brand

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

Our Key Performance Indicators

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

Gaming revenue measures: slot handle, which means the dollar amount wagered in slot machines, and table game drop, which means the total amount of cash deposited in table games drop boxes, plus the sum of markers issued at all table games, 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, represent the amount of wagers retained by us and recorded as gaming revenues. Slot win percentage and table game hold percentage, which are not fully

controllable by us, represent the relationship between slot handle to slot win and table game drop to table game hold, respectively.

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

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

RESULTS OF OPERATIONS

Overview

(In millions)	Year Ended December 31,		
	2016	2015	2014
Net revenues	\$2,184.0	\$2,199.4	\$2,142.3
Operating income	260.6	271.2	173.7
Income (loss) from continuing operations, net of tax	205.5	10.7	(50.6)
Income from discontinued operations, net of tax	212.5	36.5	9.0
Net income (loss) attributable to Boyd Gaming Corporation	418.0	47.2	(53.0)

Net Revenues

Net revenues decreased approximately \$15.5 million, or 0.7%, for 2016 as compared to 2015 due to a \$55.4 million decrease in net revenues in the Midwest and South segment, primarily in gaming revenue. These decreases were primarily at IP, Evangeline Downs and Par-A-Dice. The three markets in which these casinos operate continue to struggle with soft markets and increased gaming capacity. Offsetting this decrease were increases of \$37.8 million and \$2.2 million in net revenues in the Las Vegas Locals segment and the Downtown Las Vegas segment, respectively.

Net revenues increased approximately \$57.2 million, or 2.7%, for 2015 as compared to 2014 due to increases of \$29.8 million, \$17.5 million and \$9.9 million in the Midwest and South segment, Las Vegas Locals segment and the Downtown Las Vegas segment, respectively. These increases were due primarily to improved slot hold percentages and ADR percentage across all segments. Offsetting this increase were decreases of \$1.2 million and \$1.1 million in rooms revenue and food and beverage revenue, respectively, in the Midwest and South segment compared to the prior year.

Operating Income

In 2016, our operating income decreased \$10.6 million as compared to 2015 due to a \$19.7 million increase in impairment charges and a \$15.2 million increase in project development, preopening and writedowns costs over the prior year period, related primarily to costs surrounding our acquisitions of Aliante and the Cannery Properties (the "Acquisitions"), which more than offset decreases in maintenance and utilities and depreciation and amortization expenses.

In 2015, our operating income increased \$97.5 million from the operating income reported for 2014. The increase is due to a \$30.1 million decrease in impairment charges in 2015 compared to in the prior year, as well as the impact of increased net revenues and controlled operating expenses in all segments.

Income (Loss) From Continuing Operations, Net of Tax

Income from continuing operations in 2016 increased \$194.8 million, as compared to the comparable prior year period, due to an income tax benefit of \$201.5 million related to the release of a valuation allowance on our federal and state income tax net operating loss carryforwards and other deferred tax assets. Interest expense, net of amounts capitalized, for 2016 decreased \$11.9 million compared to the prior year primarily due to interest rate effects of our

debt refinancing transactions. These items were offset by the increase in impairment charges and in project development, preopening and writedowns expenses.

Income from continuing operations for 2015 was \$10.7 million, as compared to a loss from continuing operations of \$50.6 million in the comparable prior year period. The improved operating results are due to the improvements in operating income discussed above and a \$5.5 million decrease in interest expense, net of amounts capitalized, for 2015 compared to the prior year period due to a lower average long term debt balance. Partially offsetting these improvements was \$39.2 million of additional loss on early extinguishment of debt in 2015 compared to the prior year period.

Income From Discontinued Operations, Net of Tax

Income from discontinued operation, net of tax, reflects the results of our equity method investment in Borgata. The increase in

2016 compared to 2015 is primarily a result of the \$181.7 million after-tax gain on the sale of our equity interest in Borgata and the property tax refunds of \$9.1 million received subsequent to the sale, both of which are included in discontinued operations in 2016. The increase in 2015 compared to 2014 is a result of an increase in Borgata's net income driven by increased revenues and decreased operating expenses and interest expense.

Net Income (Loss) Attributable to Boyd Gaming Corporation

For the year ended December 31, 2016, the net income attributable to Boyd Gaming was \$418.0 million, compared with net income attributable to Boyd Gaming of \$47.2 million for the corresponding period of the prior year. The \$370.8 million increase is primarily due to an income tax benefit of \$201.5 million related to the release of a valuation allowance on our federal and state income tax net operating loss carryforwards and other deferred tax assets and to the gain on the sale of our equity interest in Borgata on August 1, 2016.

For the year ended December 31, 2015, the net income attributable to Boyd Gaming was \$47.2 million compared with net loss attributable to Boyd Gaming of \$53.0 million for the corresponding period of the prior year. The \$100.3 million increase is primarily due to increased gaming revenues and improved results at Borgata in discontinued operations, net of tax, and partially offset by an increase of \$39.2 million of loss on early extinguishments and modifications of debt.

Operating Revenues

We derive the majority of our gross revenues from our gaming operations, which generated approximately 75% of gross revenues for 2016 and 76% of gross revenues in both 2015 and 2014. Food and beverage gross revenues represent our next most significant revenue source, generating approximately 13% of gross revenues for 2016, 2015, and 2014. Room revenues and other revenues separately contributed less than 10% of gross revenues during each year.

(In millions)	Year Ended December 31,		
	2016	2015	2014
REVENUES			
Gaming	\$1,820.2	\$1,847.2	\$1,799.7
Food and beverage	306.1	307.4	303.4
Room	170.8	163.5	157.4
Other	122.5	124.0	122.3
Gross revenues	2,419.6	2,442.1	2,382.8
Less promotional allowances	235.6	242.7	240.5
Net revenues	\$2,184.0	\$2,199.4	\$2,142.3

COSTS AND EXPENSES

Gaming	\$880.7	\$900.9	\$888.4
Food and beverage	170.1	168.1	168.7
Room	44.2	41.3	41.1
Other	76.7	80.5	86.2
Total costs and expenses	\$1,171.7	\$1,190.8	\$1,184.4

MARGINS

Gaming	51.61	%	51.23	%	50.64	%
Food and beverage	44.45	%	45.32	%	44.39	%
Room	74.10	%	74.74	%	73.87	%
Other	37.33	%	35.05	%	29.51	%

Gaming

Gaming revenues are comprised primarily of the net win from our slot machine operations and to a lesser extent from table games win. Gross gaming revenues decreased by \$27.0 million, or 1.5%, during 2016 as compared to the prior year, which was due to a decrease of \$58.3 million in the Midwest and South segment. The Midwest and South segment experienced a 4.8% decrease in slot handle and a 5.1% decrease in table game drop. Partially offsetting this decrease was an increase of \$29.2 million in the Las Vegas Locals segment attributable primarily to the acquisitions of Aliante and the Cannery Properties in September and December

2016, respectively, an overall increase in both table game drop and slot hold, as well as a \$2.1 million increase in the Downtown Las Vegas segment. Gaming expenses decreased by \$20.2 million, or 2.2%, reflective of the overall reduction in gaming revenues.

In 2015, gross gaming revenues increased by \$47.4 million, or 2.6%, as compared to the prior year due to \$26.6 million, \$11.2 million and \$9.6 million increases in the Midwest and South, Las Vegas Locals and Downtown Las Vegas segments, respectively, primarily related to increases in table game hold percentages across all segments. Our overall slot and table game hold increased 0.1% and 0.3%, respectively, from 2014 to 2015. Gaming margin improved in 2015 versus the prior year as gaming revenue increases outpaced the increase in expenses.

Food and Beverage

Food and beverage revenues decreased \$1.3 million, or 0.4%, during 2016 as compared to 2015 due to a \$7.2 million decrease in the Midwest and South segment, primarily at Par-A-Dice and Evangeline Downs. The decrease in food and beverage revenue was also a result of a decline in food covers across all segments. Offsetting this decrease were increases of food and beverage revenues of \$5.2 million and \$0.7 million in the Las Vegas Locals segment and Downtown Las Vegas segment, respectively, related to the Acquisitions and to increases in average guest check. Food and beverage expenses increased by \$2.0 million and margin remained consistent as compared to last year.

Food and beverage revenues increased \$4.0 million, or 1.3%, during 2015 as compared to 2014 due to a \$3.2 million and \$1.9 million increase in the Las Vegas Locals and Downtown Las Vegas segments, respectively, related to increases in average guest check. Offsetting this increase was a decrease in food and beverage revenues of \$1.1 million in the Midwest and South segment primarily related to a decrease in food covers. Food and beverage expenses decreased by \$0.6 million and margin remained consistent as compared to 2014.

Room

Room revenues increased \$7.3 million, or 4.5%, in 2016 compared to 2015 due to an increases in average daily rates across all segments. The increase was offset by a \$0.4 million decrease in the Midwest and South segment due primarily to a 3.1% decrease in hotel occupancy over the prior year.

Room revenues increased by \$6.1 million, or 3.9%, in 2015 compared to 2014 due primarily to a \$6.4 million increase in the Las Vegas Locals segment related to an 11.0% increase in average daily rate. The increase was partially offset by a \$1.2 million decrease in the Midwest and South segment as a result of lower occupancy in some of the properties. Room expenses and margin remained consistent as compared to the prior period.

Other

Other revenues relate to patronage visits at the amenities at our properties, including entertainment and nightclub revenues, retail sales, theater tickets and other venues. Other revenues decreased by \$1.5 million, or 1.2%, during 2016 as compared to the prior year due to decreased visitor spending.

Other revenues increased by \$1.7 million, or 1.4%, during 2015 as compared to the prior year due to an increase in other revenue in the Midwest and South segment. Other operating margin remained consistent as compared to the prior period.

Revenues by Reportable Segment

The following table presents our net revenues by Reportable Segment:

	Year Ended December 31,		
(In millions)	2016	2015	2014
Net Revenues by Reportable Segment			
Las Vegas Locals	\$647.9	\$610.1	\$592.7
Downtown Las Vegas	236.4	234.2	224.3

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Midwest and South	1,299.7	1,355.1	1,325.3
Net revenues	\$2,184.0	\$2,199.4	\$2,142.3

Las Vegas Locals

Net revenues increased \$37.8 million, or 6.2%, during 2016 as compared the comparable prior year period. Gaming revenues increased \$29.2 million, or 6.4%, due primarily to the acquisitions of Aliante and the Cannery Properties in September and December 2016, respectively. Table game drop and slot hold increased 0.3 and 0.2 percentage points, respectively, as compared to prior year. Room revenue increased \$7.3 million resulting from increases of 2.7% in ADR and 0.8% in hotel occupancy rate.

Food and beverage revenues increased by 5.0%, due primarily to a 2.0% increase in average guest check, offset by a 3.7% decrease in food covers.

Net revenues for our Las Vegas Locals segment in 2015 increased \$17.5 million, or 2.9%, compared to the prior year. Gaming revenues increased \$11.2 million, or 2.5%, due primarily to an increase in slot hold percentage point and table games drop. Increases of 9.2% in room revenues and 3.2% in food and beverage revenues reflect an 11.0% increase in average daily rate and a 5.2% increase in average guest check, respectively.

Downtown Las Vegas

Net revenues increased by \$2.2 million, or 0.9%, in 2016 as compared to the prior year due to an increase in all Downtown Las Vegas revenue sources. Gaming revenues increased \$2.1 million, resulting from a 0.8% increases in slot handle. Additionally, food and beverage increased \$0.7 million due to 2.7% increase in average guest check, which more than offset a 2.7% decrease in food covers. Room revenues and other revenues remained largely consistent with the prior year.

Net revenues increased by \$9.9 million, or 4.4%, in 2015 as compared to the prior year due to 6.7% and 3.8% increases in gaming and food and beverage revenues, respectively. Gaming revenues increased \$9.6 million due to 1.0% and 0.2% increases in table games hold percentage and slot hold percentage, respectively, along with increases in both slot handle and table games drop. The \$1.9 million increase in food and beverage revenues reflects a 4.0% increase in average guest check. Room revenues and other revenues remained largely consistent with the prior year.

Midwest and South

Net revenues decreased \$55.4 million, or 4.1%, during 2016 as compared to 2015 due to a decrease in all revenue sources at many of the Midwest and South properties. This decrease was primarily due to a \$58.3 million, or 4.7%, decrease in gaming revenues coupled with a \$7.2 million, or 4.8%, decrease in food and beverage, offset by an \$11.0 million decrease in promotional allowances. The decrease in food and beverage revenues from the prior year was due primarily to a 7.3% decrease in food covers. Room revenues remained largely consistent with the prior year.

Net revenues increased \$29.8 million, or 2.2%, during 2015 as compared to 2014. This increase was primarily due to a \$26.6 million, or 2.2%, increase in gaming revenues coupled with a \$2.2 million, or 5.1%, increase in other revenues, and a \$3.3 million decrease in promotional allowances. Table games hold percentage and slot hold percentage increased 0.4% and 0.1%, respectively, as compared to prior year. Food and beverage revenues decreased \$1.1 million, or 0.7%, due primarily to a decrease in food covers. Room revenues decreased \$1.2 million, or 1.8%, despite a 1.3% increase in average daily rate compared to the prior year.

Other Operating Costs and Expenses

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

(In millions)	Year Ended December 31,		
	2016	2015	2014
Selling, general and administrative	\$322.0	\$322.4	\$327.6
Maintenance and utilities	100.0	104.5	109.5
Depreciation and amortization	196.2	207.1	208.9
Corporate expense	72.7	76.9	75.6
Project development, preopening and writedowns	22.1	6.9	13.7
Impairment of assets	38.3	18.6	48.7
Other operating items, net	0.3	0.9	—

Selling, General and Administrative

Selling, general and administrative expenses include marketing, technology, compliance and risk, surveillance and security. These costs, as a percentage of gross revenues, were 13.3%, 13.2% and 13.7% for 2016, 2015 and 2014, respectively. We continue to focus on disciplined and targeted marketing spend and on our cost containment efforts.

Maintenance and Utilities

Maintenance and utilities expenses, as a percentage of gross revenues, were 4.1%, 4.3% and 4.6% for 2016, 2015 and 2014, respectively. The decreases between the periods are primarily due to the fact that no major maintenance projects were undertaken in the periods, coupled with cost reductions associated with the Company's energy savings initiatives.

Depreciation and Amortization

Depreciation and amortization expense, as a percentage of gross revenues, was 8.1%, 8.5% and 8.8% for 2016, 2015 and 2014, respectively. The overall year-over-year decreases are primarily due to the decrease in intangible asset amortization for the Midwest and South 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 3.0%, 3.2% and 3.2%, of gross revenues, for 2016, 2015 and 2014, 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 that do not qualify as capital costs; and (iii) asset write-downs. The increase in such costs in the current year periods as compared to the prior year is primarily due to the costs incurred related to the acquisitions of Aliante and the Cannery Properties and to the pursuit of strategic initiatives.

Impairment of Assets

Impairments of assets of \$38.3 million in 2016 include non-cash impairment charges of \$23.6 million for a gaming license, \$12.5 million for goodwill and \$0.8 million for trademarks in our Midwest and South segment.

Impairment of assets of \$18.6 million in 2015 include a \$17.5 million non-cash impairment charge for a gaming license in our Midwest and South segment and a \$1.1 million charge to write down the value of certain non-operating assets.

Impairment of assets in 2014 include non-cash impairment charges of \$39.8 million for gaming licenses and \$0.3 million for trademarks in our Midwest and South segment, and an \$8.7 million charge to write down the value of certain 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 Expense (Income)

Interest Expense, net

(In millions)	Year Ended December 31,					
	2016	2015	2014			
Interest Expense, net	\$209.7	\$222.7	\$228.2			
Average Long-Term Debt Balance	3,337.0	3,416.5	3,545.9			
Loss on Early Extinguishments and Modifications of Debt	42.4	40.7	1.5			
Weighted Average Interest Rates	5.3	% 5.3	% 5.4	%		

Mix of Boyd Gaming Corporation Debt at Year End

Fixed rate debt	45.7	%	43.6	%	36.0	%
Variable rate debt	54.3	%	56.4	%	64.0	%

Interest expense, net of capitalized interest and interest income, for 2016 decreased \$13.0 million, or 5.8%, due to the reduction in our average long-term debt balance during the period.

Interest expense, net of capitalized interest and interest income, for 2015 decreased \$5.4 million, or 2.4%, over the prior year, reflecting a \$129.4 million reduction in average long-term borrowing outstanding and a lower average interest rate in 2015.

Loss on Early Extinguishments of Debt

The components of the loss on early extinguishments and modifications of debt, are as follows:

(In thousands)	December 31,		
	2016	2015	2014
9.00% Senior Notes premium and consent fees	\$15,750	\$—	\$—
9.00% Senior Notes deferred finance charges	5,976	—	—
8.375% Senior Notes deferred finance charges	4,497	—	—
9.125% Senior Notes premium and consent fees	—	23,962	—
9.125% Senior Notes deferred finance charges	—	4,888	—
HoldCo Note	—	7,819	—
Boyd Gaming Credit Facility deferred finance charges	6,629	1,978	—
Peninsula Credit Facility deferred finance charges	9,512	2,086	1,536
Total loss on early extinguishments and modifications of debt	\$42,364	\$40,733	\$1,536

Income Taxes

The effective tax rate on income or loss from continuing operations during 2016, 2015 and 2014 was (2,472.2%), (163.4%) and 9.7%, respectively. Our effective tax rate is impacted by adjustments that are largely independent of our operating results before taxes. During 2016, our tax benefit was primarily a result of the release of a valuation allowance on our federal and state net operating loss carryforwards and other deferred tax assets. The tax benefit for the years ended December 31, 2015 and 2014 was favorably impacted by impairment charges to indefinite lived intangible assets which resulted in a reduction in our recognized deferred tax liability on these assets and adversely impacted by an accrual of non-cash tax expense in connection with the tax amortization of indefinite lived intangible assets. The deferred tax liabilities created by the tax amortization of these intangibles could not be used to offset our net operating loss or other deferred tax assets in determining our valuation allowance. In 2015, the tax benefit was favorably impacted by the partial release of the valuation allowance attributable to income from continuing operations and the federal and state release of unrecognized tax benefits (including associated interest reserves) in connection with our Internal Revenue Service (“IRS”) and New Jersey income tax examinations. The tax provision for the year ended December 31, 2014 was adversely impacted by the valuation allowance applied to our federal and state income tax net operating losses and certain other deferred tax assets. Additionally, in 2014, the tax provision was favorably impacted by the realization of certain unrecognized tax benefits, inclusive of the reversal of related accrued interest, as a result of statute expirations.

Valuation allowances are evaluated periodically and subject to change in future reporting periods as a result of changes in the factors noted above. As part of our review in determining the need for a valuation allowance, we assess the positive and negative evidence in each tax jurisdiction. In performing our analysis in 2016, we determined that the positive evidence in favor of releasing the valuation allowance, particularly evidence that was objectively verifiable, outweighed the negative evidence. We utilize a rolling twelve quarters of pretax income adjusted for permanent book to tax differences as a measure of cumulative results in recent years. We transitioned from a cumulative loss position to a cumulative income position over the rolling twelve quarters during 2016. Other evidence considered in the analysis included, but was not limited to, a trend reflective of improvement in recent earnings, forecasts of profitability and taxable income and the reversal of existing temporary differences. The change in these conditions during 2016 provided positive evidence that supported the release of the valuation allowance against a significant portion of our deferred tax assets. As such, we concluded that it was more likely than not that the benefit from these deferred tax assets would be realized. As a result, during the year ended December 31, 2016, we released \$201.5 million of valuation allowance on our federal and state income tax net operating loss carryforwards and other deferred tax assets.

We have maintained a valuation allowance of \$28.4 million against certain federal and state deferred tax assets as of December 31, 2016 due to uncertainties related to our ability to realize the tax benefits associated with these assets. We considered, 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.

Income from Discontinued Operations, Net of Tax

Income from discontinued operations reflects the \$181.7 million after-tax gain on the August 1, 2016, sale of our equity interest

in Borgata, our share of the results of Borgata through the date of sale and our portion of property tax refunds received in 2016 subsequent to the sale of our ownership interest. The Company applied the equity method of accounting to its 50% investment in Borgata.

LIQUIDITY AND CAPITAL RESOURCES

Financial Position

We operate our business with minimal or negative levels of working capital in order to minimize borrowings and related interest costs. Our cash and cash equivalents balance was \$193.9 million and \$158.8 million at December 31, 2016 and 2015, respectively. Our working capital deficit at December 31, 2016 and 2015 was \$57.6 million and \$97.4 million, respectively.

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

We could also seek to secure additional working capital, repay current debt maturities, or fund development projects, in whole or in part, through incremental bank financing and additional debt or equity offerings. If availability does not exist under our credit facility, or we are not otherwise able to draw funds on our credit facility, additional financing may not be available to us, and if available, may not be on terms favorable us.

Cash Flows Summary

(In millions)	Year Ended December 31,		
	2016	2015	2014
Net cash provided by operating activities	\$302.9	\$325.8	\$289.9
Cash Flows from Investing Activities			
Capital expenditures	(160.4)	(131.2)	(137.8)
Cash paid for acquisitions, net of cash received	(592.7)	—	—
Investments in and advances to unconsolidated subsidiaries, net	—	—	0.2
Other investing activities	14.1	4.5	(5.9)
Net cash used in investing activities	(739.0)	(126.7)	(143.5)
Cash Flows from Financing Activities			
Net payments of debt	(97.9)	(203.4)	(140.1)
Share-based compensation activities, net	(1.3)	3.7	1.8
Net cash used in financing activities	(99.2)	(199.7)	(138.3)
Net cash provided by (used in) discontinued operations	570.3	14.1	(40.6)
Net increase (decrease) in cash and cash equivalents	\$35.0	\$13.5	\$(32.5)

Cash Flows from Operating Activities

During 2016, 2015 and 2014, we generated net operating cash flow of \$302.9 million, \$325.8 million and \$289.9 million, respectively. Generally, operating cash flows decreased \$22.9 million in 2016 compared to 2015 due to the flow through effect of lower revenues and increased project development expenses, offset by reduced interest expense. Generally, operating cash flows increased \$35.9 million in 2015 compared to 2014 due to the flow through effect of higher revenues, partially offset by the timing of working capital spending.

Cash Flows from Investing Activities

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

During 2016, we incurred net cash outflows for investing activities of \$739.0 million due to our acquisitions of Aliante and the Cannery Properties and capital expenditures during the period of \$160.4 million.

During 2015, we incurred net cash outflows for investing activities of \$126.7 million due to our capital expenditures during the period of \$131.2 million.

In 2014, we incurred net cash outflows for investing activities of \$143.5 million due to our capital expenditures during the period of \$137.8 million.

Cash Flows from Financing Activities

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

In 2016, 2015 and 2014, our net cash outflows for financing activities totaled \$99.2 million, \$199.7 million and \$138.3 million, respectively, as we used cash generated from operations to extinguish outstanding debt.

Cash Flows from Discontinued Operations

Discontinued operations activities in 2016, 2015 and 2014 represents Borgata. The net cash inflow of \$570.3 million in 2016 includes the pretax cash proceeds of \$589 million received from the sale of our equity interest in Borgata.

Indebtedness

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

(In millions)	December 31, 2016	December 31, 2015	Increase/ (Decrease)
Boyd Gaming Corporation Debt:			
Bank credit facility	\$ 1,782.5	\$ 1,209.7	\$ 572.8
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
Other	0.6	—	0.6
	3,283.1	2,309.7	973.4
Peninsula Gaming Debt:			
Bank credit facility	—	662.8	(662.8)
8.375% senior notes due 2018	—	350.0	(350.0)
	—	1,012.8	(1,012.8)
Total long-term debt	3,283.1	3,322.5	(39.4)
Less current maturities	30.3	29.8	0.5
Long-term debt, net	\$ 3,252.8	\$ 3,292.7	\$ (39.9)

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

Credit Facility

On September 15, 2016, the Company entered into an Amendment No. 1 and Joinder Agreement (the "Amendment") 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 Amendment modified the Third Amended and Restated Credit Agreement dated August 14, 2013 (the "Prior Credit Facility" together with the Amendment referred to as the "Credit Facility" or the "Credit Agreement").

As modified by the Amendment, the Credit Facility provides for: (i) increased commitments under the existing senior secured revolving credit facility (the "Revolving Credit Facility") to an amount equal to \$775.0 million, (ii) commitments under the existing senior secured term A loan (the "Term A Loan") in an amount equal to \$225.0 million, and (iii) a new \$1.0 billion senior secured term B-2 loan (the "Term B-2 Loan"). The maturity dates of the

Revolving Credit Facility and the Term A Loan have been extended to September 15, 2021 (or earlier upon the occurrence or non-occurrence of certain events); the Term B-2 Loan matures on September 15, 2023 (or earlier upon the occurrence or non-occurrence of certain events); the maturity date of the existing senior secured term B-1 loan (the "Term B-1 Loan"), remains August 14, 2020. The increase to the Term A Loan and the new Term B-2 Loan were fully funded on the effective date of the Amendment. Proceeds from the Credit Facility were used to refinance all

outstanding obligations under the Prior Credit Facility, to fund transaction costs in connection with the Credit Facility, and for working capital and other general corporate purposes.

The Credit Facility includes an accordion feature which permits an increase in the Revolving Credit Facility and the issuance and increase of senior secured term loans in an amount up to (i) \$550.0 million, plus (ii) certain voluntary permanent reductions of the Revolving Credit Facility and certain voluntary prepayments of the senior secured term loans, plus (iii) certain reductions in the outstanding principal amounts under the term loans or the Revolving Credit Facility, plus (iv) any additional amount if, after giving effect thereto, the First Lien Leverage Ratio (as defined in the Credit Agreement) would not exceed 4.25 to 1.00 on a pro forma basis, less (v) any Incremental Equivalent Debt (as defined in the Credit Agreement), in each case, subject to the satisfaction of certain conditions.

Pursuant to the terms of the Credit Facility (i) the loans under the Term A Loan amortize in an annual amount equal to 5.00% of the original principal amount thereof, commencing December 31, 2016, payable on a quarterly basis; (ii) the loans under the Term B-1 Loan amortize in an annual amount equal to 1.00% of the original principal amount thereof, commencing December 31, 2013, payable on a quarterly basis; (iii) the loans under the Term B-2 Loan amortize in an annual amount equal to 1.00% of the original principal amount thereof, commencing December 31, 2016, payable on a quarterly basis; and (iv) beginning with the fiscal year ending December 31, 2016, the Company is required to use a portion of its annual Excess Cash Flow, as defined in the Credit Agreement, to prepay loans outstanding under the Credit Facility.

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 1.75% to 2.75% (if using the Eurodollar rate) and from 0.75% to 1.75% (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-1 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 interest rate on the outstanding balance from time to time of the Term B-2 Loan is based upon, at the Company's option, either: (i) the Eurodollar rate (subject to a 0.00% minimum) plus 3.00% or (ii) the base rate plus 2.00%.

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

The blended interest rate for outstanding borrowings under for the Credit Facility was 3.4% at December 31, 2016 and 3.8% at December 31, 2015.

Pursuant to the terms of the Credit Facility (i) the loans under the Term A Loan amortize in an annual amount equal to 5.00% of the original principal amount thereof, commencing December 31, 2016, payable on a quarterly basis, (ii) the loans under the Term B-2 Loan amortize in an annual amount equal to 1.00% of the original principal amount thereof, commencing December 31, 2016, payable on a quarterly basis, and (iii) beginning with the fiscal year ending December 31, 2016, the Company is required to use a portion of its annual Excess Cash Flow, as defined in the Credit Agreement, to prepay loans outstanding under the Credit Facility.

Amounts outstanding under the Credit Agreement may be prepaid without premium or penalty, and the unutilized portion of the commitments may be terminated without penalty, subject to certain exceptions, including a 1.00% prepayment premium for any prepayment of the Term B-2 Loan prior to March 15, 2017 that is accompanied by a

repricing of the Term B-2 Loan.

Subject to certain exceptions, the Company may be required to repay the amounts outstanding under the Credit Facility in connection with certain asset sales and issuances of certain additional secured indebtedness.

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

The Company's obligations under the 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 Credit Facility.

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

	December 31,	
(In millions)	2016	2015
Revolving Credit Facility	\$245.0	\$240.0
Term A Loan	222.2	183.3
Term B-1 Loan	271.8	730.8
Term B-2 Loan	997.5	—
Swing Loan	46.0	55.6
Total outstanding principal amounts under the Credit Facility	\$1,782.5	\$1,209.7

After consideration of \$12.0 million allocated to support various letters of credit, approximately \$471.9 million of availability remained under our Credit Facility at December 31, 2016.

Senior Notes

6.875% Senior Notes due May 2023

Significant Terms

On May 21, 2015, we issued \$750 million aggregate principal amount of 6.875% senior notes due May 2023 (the "6.875% Notes"). The 6.875% Notes require semi-annual interest payments on May 15 and November 15 of each year, commencing on November 15, 2015. The 6.875% Notes will mature on May 15, 2023 and are fully and unconditionally guaranteed, on a joint and several basis, by certain of our current and future domestic restricted subsidiaries, all of which are 100% owned by us.

The 6.875% 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 6.875% Notes, together, the "6.875% 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 6.875% Indenture), we will be required, unless certain conditions are met, to offer to repurchase the 6.875% Notes at a price equal to 101% of the principal amount of the 6.875% Notes, plus accrued and unpaid interest and Additional Interest (as defined in the 6.875% 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 6.875% Notes.

At any time prior to May 15, 2018, we may redeem the 6.875% Notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Interest, if any, up to, but excluding, the applicable redemption date, plus a make whole premium. Subsequent to May 15, 2018, we may redeem all or a portion of the 6.875% Notes at redemption prices (expressed as percentages of the principal amount) ranging from 105.156% in 2018 to 100% in 2021 and thereafter, plus accrued and unpaid interest and Additional Interest.

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 Revolving Credit Facility and the balance was deposited in money market funds and classified as cash equivalents on the 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 "6.375% 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 6.375% 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 6.375% 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 filed the required registration statement and commenced the exchange offer during December 2016. The exchange offer was completed on February 10, 2017 and our obligations under the registration rights agreement have been fulfilled.

Senior Notes

9.00% Senior Notes due July 2020

On September 6, 2016 we redeemed all of our 9.00% senior notes due July 2020 (the "9.00% Notes") at a redemption price of 104.50% plus accrued and unpaid interest to the redemption date. The redemption was funded using cash on hand.

As a result of this redemption, the 9.00% Notes have been fully extinguished.

Peninsula Gaming Debt

Peninsula Credit Facility

On September 2, 2016, Peninsula repaid all of the outstanding amounts, including all principal and accrued interest amounts, under the Peninsula senior secured credit facility (the "Peninsula Credit Facility") pursuant to the Peninsula Credit Agreement. In connection with the repayment in full of the Peninsula Credit Facility (the "Repayment"), the Peninsula Credit Agreement was terminated.

Senior Notes

8.375% Senior Notes due February 2018

On September 2, 2016 we redeemed all of our 8.375% senior notes due February 2018 (the "8.375% Notes") at a redemption price of 100.0% plus accrued and unpaid interest to the redemption date. The redemption was funded using cash on hand.

As a result of this redemption, the 8.375% Notes have been fully extinguished.

Covenant Compliance

As of December 31, 2016, we believe that we were in compliance with the financial and other covenants contained in our debt instruments.

Scheduled Maturities of Long-Term Debt

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

(In millions)	Total
For the year ending December 31,	

2017	\$30.3
2018	76.4
2019	30.3
2020	266.1
2021	432.3
Thereafter	2,447.7
Total outstanding principal of long-term debt	\$3,283.1

Dividends

Dividends are declared at the discretion of our Board of Directors. We are subject to certain limitations regarding payment of dividends, such as restricted payment limitations related to our outstanding notes and our Credit Facility. In July 2008, our Board

of Directors suspended the quarterly dividend for the current and future periods; therefore, we did not declare a dividend during 2016, 2015 and 2014.

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 our 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 our Credit Facility.

In July 2008, our Board of Directors authorized an amendment to our existing share repurchase program to increase the total amount of common stock available to be repurchased to \$100 million. We are not obligated to purchase any shares under our stock repurchase program, and we did not repurchase any shares of our common stock during 2016, 2015 and 2014. We are currently authorized to repurchase up to an additional \$92.1 million in shares of our common stock under the share repurchase program.

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

Other Items Affecting Liquidity

We anticipate the ability to fund our capital requirements using our free cash flow from operations and availability under our 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 following specific matters, including our commitments and contingencies, may also affect our liquidity.

Divestiture of Borgata

The proceeds we received upon the sale of our equity interest in Borgata did not include our 50% share of any future property tax settlement benefits, from the time period during which we held a 50% ownership in MDDHC, subsequently received by Borgata and to which Boyd Gaming retains the right to receive payment. On February 15, 2017, Borgata announced that it had entered into a settlement agreement under which it will receive payments totaling \$72 million to resolve the property tax issues. We will receive 50% of those payments once Borgata receives the payments from the city.

Commitments

Capital Spending and Development

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

Our estimated total capital expenditures for 2017 are expected to be approximately \$248 million, primarily comprised of land purchases totaling \$78 million and various maintenance capital expenditures across our properties. We intend to fund such capital expenditures through our credit facility 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.

CONTRACTUAL OBLIGATIONS

The following summarizes our contractual obligations as of December 31, 2016:

(In millions)	Year Ending December 31,						
	Total	2017	2018	2019	2020	2021	Thereafter
CONTRACTUAL OBLIGATIONS:							
Long-Term Debt							
Bank credit facility	\$1,782.5	\$30.2	\$76.3	\$30.2	\$266.0	\$432.2	\$ 947.6
6.375% senior notes due 2026	750.0	—	—	—	—	—	750.0
6.875% senior notes due 2023	750.0	—	—	—	—	—	750.0
Other	0.6	0.1	0.1	0.1	0.1	0.1	0.1
Total long-term debt	3,283.1	30.3	76.4	30.3	266.1	432.3	2,447.7
Interest on Fixed Rate Debt	769.0	99.4	99.4	99.4	99.4	99.4	272.0
Interest on Variable Rate Debt (1)	336.7	61.2	60.2	59.2	53.7	43.1	59.3
Operating Leases	430.8	46.0	18.5	16.3	14.1	13.7	322.2
Purchase Obligations (2)	38.5	11.4	6.2	3.2	2.3	2.3	13.1
TOTAL CONTRACTUAL OBLIGATIONS	\$4,858.1	\$248.3	\$260.7	\$208.4	\$435.6	\$590.8	\$ 3,114.3

(1) Estimated interest payments are based on principal amounts and scheduled maturities of debt outstanding at December 31, 2016. Estimated interest payments for variable-rate debt are based on rates at December 31, 2016.

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

Other Opportunities

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

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

Additional projects may require us to make substantial investments or may cause us to incur substantial costs related to the investigation and pursuit of such opportunities, which investments and costs we may fund through cash flow from operations or availability under our Credit Facility. To the extent such sources of funds are not sufficient, we may also seek to raise such additional funds through public or private equity or debt financings or from other sources. No assurance can be given that additional financing will be available or that, if available, such financing will be obtainable on terms favorable to us. Moreover, we can provide no assurances that any expansion opportunity will result in a completed transaction.

Off Balance Sheet Arrangements

Our off balance sheet arrangements consist of the following:

Indemnification

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

Outstanding Letters of Credit

At December 31, 2016, we had outstanding letters of credit totaling \$12.0 million.

Other Arrangements

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

CRITICAL ACCOUNTING POLICIES

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

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

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

Recoverability of Long-Lived Assets

Our long-lived assets were carried at \$2.6 billion at December 31, 2016, or 55.8% of our consolidated total assets. We evaluate the carrying value of long-lived assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. If triggering events are identified, we then compare the estimated undiscounted future cash flows of the asset to the carrying value of the asset. The asset is not impaired if the undiscounted future cash flows exceed its carrying value. If the carrying value exceeds the undiscounted future cash flows, then an impairment charge is recorded, typically measured using a discounted cash flow model, which is based on the estimated future results of the relevant reporting unit discounted using our weighted-average cost of capital and market indicators of terminal year free cash flow multiples.

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

- i. a significant decrease in the market price of a long-lived asset;
- ii. a significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition;
- iii. a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, including an adverse action or assessment by a regulator;
- iv. an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset;
- v. a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset; and/or
- vi. a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

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

Developing an opinion of land value is typically accomplished using a sales comparison approach by analyzing recent sales transactions of similar sites. Potential comparables are researched and the pertinent facts are confirmed with parties involved in the transaction. This process fosters a general understanding of the potential comparable sales and facilitates the selection of the most relevant comparables by the appraiser. Valuation is typically accomplished using a unit of comparison such as price per

square foot of land or potential building area. Adjustments are applied to the unit of comparison from an analysis of comparable sales, and the adjusted unit of comparison is then used to derive a value for the property.

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

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

Application of Acquisition Method of Accounting

Acquisition of Cannery Casino Hotel and Nevada Palace, LLC

On December 20, 2016, we acquired The Cannery Hotel and Casino, LLC ("Cannery"), the owner and operator of Cannery Casino Hotel, and Nevada Palace, LLC ("Eastside Cannery"), the owner and operator of Eastside Cannery Casino and Hotel, pursuant to a Membership Interest Purchase Agreement (the "Purchase Agreement") dated as of April 25, 2016, as amended on October 28, 2016, by and among Boyd, Cannery Casino Resorts, LLC ("Seller"), Cannery and Eastside Cannery. Accordingly, the acquired assets and liabilities of Cannery and Eastside Cannery are included in our consolidated balance sheet as of December 31, 2016 and the results of its operations and cash flows are reported in our consolidated statements of operations and cash flows, respectively, from December 20, 2016 through December 31, 2016, during the year ended December 31, 2016. The net purchase price was \$228.2 million.

The Company is following the acquisition method of accounting per ASC 805 guidance. For purposes of these financial statements, we have allocated the purchase price to the assets acquired and the liabilities assumed based on preliminary estimates of fair value as determined by management based on its judgment with assistance from preliminary third party appraisals. The excess of the purchase price over the net book value of the assets acquired and liabilities assumed has been recorded as goodwill. The Company will recognize the assets acquired and liabilities assumed in the acquisitions based on fair value estimates as of the date of the Acquisition. The determination of the fair values of the acquired assets and assumed liabilities (and the related determination of estimated lives of depreciable tangible and identifiable intangible assets) is currently in process. This determination requires significant judgment. As such, management has not completed its valuation analysis and calculations in sufficient detail necessary to finalize the determination of the fair value of the assets acquired and liabilities assumed, along with the related allocations of goodwill and intangible assets. The final fair value determinations are expected to be completed no later than third quarter of 2017. The final fair value determinations may be significantly different than those reflected in the consolidated financial statements at December 31, 2016.

Acquisition of Aliante

On September 27, 2016, we acquired ALST, the holding company of Aliante Gaming, LLC ("Aliante"), the owner and operator of the Aliante Casino + Hotel + Spa, pursuant to the Merger Agreement. Pursuant to the Merger Agreement, Merger Sub merged (the "Merger") with and into ALST, with ALST surviving the Merger. ALST and Aliante are now wholly-owned subsidiaries of Boyd Gaming. Accordingly, the acquired assets and liabilities of Aliante are included in our consolidated balance sheet as of December 31, 2016 and the results of its operations and cash flows are reported in our consolidated statements of operations and cash flows, respectively, from September 27, 2016 through December 31, 2016, during the year ended December 31, 2016. The net purchase price was \$372.3 million.

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

Valuation of Indefinite-Lived Intangible Assets

Gaming license rights represent the value of the license to conduct gaming in certain jurisdictions, which is subject to highly extensive regulatory oversight and a limitation on the number of licenses available for issuance with these certain jurisdictions. License rights are tested for impairment using a discounted cash flow approach, and trademarks are tested for impairment using the relief-from-royalty method. The value of gaming licenses is determined using a multi-period excess earnings method, which is a specific discounted cash flow model. The value is determined at an amount equal to the present value of the incremental after-tax cash flows attributable only to future gaming revenue, discounted to present value at a risk-adjusted rate of return. With respect to the application of this methodology, we used the following significant projections and assumptions: gaming revenues; gaming operating expenses; general and administrative expenses; tax expense; terminal value; and discount rate. These projections are modeled for a five-year period.

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

Gaming license rights and trademarks are indefinite-lived intangible assets and are not subject to amortization, but are subject to an annual impairment test and between annual test dates in certain circumstances. If the fair value of an indefinite-lived intangible asset is less than its carrying amount, an impairment loss is recognized equal to the difference. Gaming license rights are tested for impairment using a discounted cash flow approach. Trademarks are tested for impairment using the relief-from-royalty method. As part of our annual impairment testing, management assesses the likelihood of impairment and solicits third party valuation expertise to assist in the valuation of indefinite-lived intangible assets that are deemed to have a greater likelihood of impairment. Our annual impairment test, performed as of October 1, 2016, resulted in a \$23.6 million impairment charge for one of our gaming licenses.

We evaluate whether any triggering events or changes in circumstances had occurred subsequent to our annual impairment test that would indicate an impairment condition may exist. This evaluation required significant judgment, including consideration of whether there had been any significant adverse changes in legal factors or in our business climate, adverse action or assessment by a regulator, unanticipated competition, loss of key personnel or likely sale or disposal of all or a significant portion of a reporting unit. Based upon this evaluation, we concluded that there had not been any triggering events or changes in circumstances that indicated an impairment condition existed as of December 31, 2016. If an event described above occurs, and results in a significant impact to our revenue and profitability projections, or any significant assumption in our valuations methods is adversely impacted, the impact could result in a material impairment charge in the future.

Valuation of Goodwill

The authoritative guidance related to goodwill impairment requires goodwill to be tested for impairment at the reporting unit level at least annually. The guidance permits an entity to make a qualitative assessment, referred to as “Step Zero,” of whether it is more likely than not that a reporting unit’s fair value is less than its carrying amount before applying a two-step goodwill impairment test. If the entity concludes that it is not likely that the fair value of the reporting unit is less than its carrying amount, it is not required to perform the two-step test for that reporting unit. The guidance lists certain factors to consider when making this qualitative assessment. In the event that the entity concludes the two-step test is required, Step One of the test is a screen used to identify whether or not goodwill impairment may exist. In Step One, an entity compares the fair value of a reporting unit with its carrying amount. If a reporting unit's carrying amount exceeds its fair value, goodwill impairment may exist. Step Two of the test must then be performed to measure the amount of impairment, if any. In Step Two, an entity compares the implied fair value of goodwill with its carrying amount. An impairment loss is measured by the excess of the carrying amount of goodwill over its implied fair value. The implied fair value of goodwill should be determined in the same manner that goodwill is measured in a business combination; that is, an entity must allocate the fair value of a reporting unit to the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination.

As part of our annual impairment testing, management assesses the likelihood of impairment and solicits third party valuation expertise to assist in the performance of the Step One valuations of goodwill for those reporting units that are deemed to have a

greater likelihood of impairment. We perform the test as of October 1, using a weighting of two different approaches to determine fair value: (i) the income approach; and (ii) the market approach.

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

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

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

The two methodologies were weighted 60.0% toward the income approach and 40.0% toward the market approach, to arrive at an overall fair value. At October 1, 2016, the fair value of our reporting units exceeded their carrying value with the exception of one reporting unit in our Midwest and South segment. For that reporting unit, we performed the Step 2 test and concluded that a \$12.5 million impairment of goodwill had occurred. At December 31, 2016, we evaluated whether any triggering events or changes in circumstances had occurred subsequent to our annual impairment test that would indicate an impairment condition may exist. This evaluation required significant judgment, including consideration of whether there had been any significant adverse changes in legal factors or in our business climate, adverse action or assessment by a regulator, unanticipated competition, loss of key personnel or likely sale or disposal of all or a significant portion of a reporting unit. Based upon this evaluation, we concluded that there had not been a triggering event or change in circumstances that indicated an impairment condition existed at December 31, 2016.

Although, with the one exception described above, we satisfied Step One for each reporting unit tested, changes to certain underlying assumptions and variables, many of which are derived from external factors, could greatly impact the results of future tests. We cannot control or influence the impact of these factors from a fair valuation perspective, but they could nonetheless have a material effect on the results of valuation, particularly the guideline company method under the market approach, in the future.

Additionally, several of the assumptions underlying the discounted cash flow method under the income approach could pose a high degree of sensitivity to the resulting fair value. These factors include, but are not limited to, the

following: total revenue, depreciation expense, depreciation overhang, tax expense and effective rates, debt-free net working capital, capital additions, terminal year growth factor, discount rate and the capitalization rate. A change in any of these variables that cause our undiscounted cash flows or terminal value or both to adversely and materially change could result in the failure of the Step One test, and a resulting impairment of our goodwill in an amount up to its book value of \$826.5 million.

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

Determination of Self-Insured Reserves

We are fully self-insured for general liability costs and self-insured for workers' compensation costs up to a stop loss limit of \$0.5 million. Self-insurance reserves include accruals of estimated settlements for known claims, ("Case Reserves") as well as accruals of estimates for claims incurred but not yet reported ("IBNR"). Case reserves represent estimated liability for unpaid loss, based on a claims administrator's estimates of future payments on individual reported claims, including Loss Adjustment Expenses

("LAE"). Generally, LAE includes claims settlement costs directly assigned to specific claims, such as legal fees. We estimate case and LAE reserves on a combined basis, but do not include claim administration costs in our estimated ultimate loss reserves. IBNR reserves include the provision for unreported claims, changes in case reserves, and future payments on reopened claims.

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

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

In the computation of workers' compensation claims, we exclude any claim which has reached our stop loss limitation; and therefore, we do not include any allowance for expected recoverable from excess or reinsurance. We are, however, contingently liable in the event such reinsurer cannot meet its obligations. Although we place this risk with insurers rated better than A with AM Best, a national insurance company rating agency, there can be no assurance that such reinsurer will be able to meet their obligations in the future. At December 31, 2016, unpaid case reserves on claims in excess of \$0.5 million, which we have subrogated to the reinsurer, totaled less than \$0.9 million.

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

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

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

Income taxes are recorded under the asset and liability method, whereby deferred tax assets and liabilities are recognized based on the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and attributable to operating loss and tax credit carryforwards. We reduce the carrying amounts of deferred tax assets by a valuation allowance, if based on the available evidence it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically based on more-likely-than-not realization

threshold. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, our experience with the usability of operating loss and tax credit carryforwards before expiration, and tax planning alternatives.

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

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

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

Our balance for uncertain tax benefits as of December 31, 2016 was \$2.5 million. While we believe that our reserves are adequate to cover reasonably expected tax risks, in the event that the ultimate resolution of our uncertain tax positions differ from our estimates, we may be exposed to material increases in income tax expense, which could materially impact our financial position, results of operations and cash flows.

Recently Issued Accounting Pronouncements

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

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Table of Debt Maturities and Interest Rates

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

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

	Scheduled Maturity Date Year Ending December 31,							
(In millions, except percentages)	2017	2018	2019	2020	2021	Thereafter	Total	Fair Value
Boyd Gaming Debt								
Long-term debt (including current portion):								
Fixed-rate	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$1,500.1	\$1,500.6	\$1,611.2
Average interest rate	6.6 %	6.6 %	6.6 %	6.6 %	6.6 %	6.6 %	6.6 %	%
Variable-rate	\$30.2	\$76.3	\$30.2	\$266.0	\$432.2	\$947.6	\$1,782.5	\$1,791.9
Average interest rate	3.4 %	3.4 %	3.4 %	3.4 %	3.5 %	3.8 %	3.4 %	%

As of December 31, 2016, our long-term variable-rate borrowings represented approximately 54.3% of total long-term debt. Based on December 31, 2016 debt levels, a 100 basis point change in LIBOR or the base rate would cause our annual interest costs to change by approximately \$17.8 million.

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

(In millions)	December 31, 2016			
	Outstanding	Carrying	Estimated	Fair
	Face Amount	Value	Fair Value	Value Hierarchy
Bank credit facility	\$1,782.5	\$1,752.1	\$1,791.9	Level 2
6.875% senior notes due 2023	750.0	738.8	806.2	Level 1
6.375% senior notes due 2026	750.0	738.0	804.4	Level 1
Other	0.6	0.6	0.6	Level 3
Total long-term debt	\$3,283.1	\$3,229.5	\$3,403.1	

The estimated fair value of our Credit Facility is based on a relative value analysis performed on or about December 31, 2016.

ITEM 8. Financial Statements and Supplementary Data

The following consolidated financial statements for the three years in the period ended December 31, 2016 are filed as part of this Report:

<u>Report of Independent Registered Public Accounting Firm</u>	Page No. <u>51</u>
<u>Consolidated Balance Sheets at December 31, 2016 and 2015</u>	<u>52</u>
<u>Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014</u>	<u>53</u>
<u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014</u>	<u>54</u>
<u>Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2016, 2015 and 2014</u>	<u>55</u>
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014</u>	<u>56</u>
<u>Notes to Consolidated Financial Statements</u>	<u>57</u>

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Boyd Gaming Corporation and Subsidiaries (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Boyd Gaming Corporation and subsidiaries at December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 23, 2017 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada
February 23, 2017

BOYD GAMING CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
(In thousands, except share data)	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$193,862	\$158,821
Restricted cash	16,488	19,030
Accounts receivable, net	30,371	25,289
Inventories	18,568	15,462
Prepaid expenses and other current assets	46,214	37,250
Income taxes receivable	2,444	1,380
Total current assets	307,947	257,232
Property and equipment, net	2,605,169	2,225,342
Other assets, net	49,205	48,341
Intangible assets, net	881,954	890,054
Goodwill, net	826,476	685,310
Investment in unconsolidated subsidiary held for sale	—	244,621
Total assets	\$4,670,751	\$4,350,900
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	\$30,336	\$29,750
Accounts payable	84,086	75,803
Accrued liabilities	251,082	249,518
Total current liabilities	365,504	355,071
Long-term debt, net of current maturities and debt issuance costs	3,199,119	3,239,799
Deferred income taxes	83,980	162,189
Other long-term tax liabilities	3,307	3,085
Other liabilities	84,715	82,745
Commitments and contingencies (Note 9)		
Stockholders' equity		
Preferred stock, \$0.01 par value, 5,000,000 shares authorized	—	—
Common stock, \$0.01 par value, 200,000,000 shares authorized; 112,896,377 and 111,614,420 shares outstanding	1,129	1,117
Additional paid-in capital	953,440	945,041
Retained earnings (accumulated deficit)	(19,878)	(437,881)
Accumulated other comprehensive income (loss)	(615)	(316)
Total Boyd Gaming Corporation stockholders' equity	934,076	507,961
Noncontrolling interest	50	50
Total stockholders' equity	934,126	508,011
Total liabilities and stockholders' equity	\$4,670,751	\$4,350,900

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

BOYD GAMING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	Year Ended December 31,		
	2016	2015	2014
Revenues			
Gaming	\$1,820,176	\$1,847,167	\$1,799,724
Food and beverage	306,145	307,442	303,404
Room	170,816	163,509	157,427
Other	122,416	123,959	122,237
Gross revenues	2,419,553	2,442,077	2,382,792
Less promotional allowances	235,577	242,645	240,537
Net revenues	2,183,976	2,199,432	2,142,255
Operating costs and expenses			
Gaming	880,716	900,922	888,414
Food and beverage	170,053	168,096	168,730
Room	44,245	41,298	41,132
Other	76,719	80,508	86,166
Selling, general and administrative	322,009	322,420	327,599
Maintenance and utilities	100,020	104,548	109,526
Depreciation and amortization	196,226	207,118	208,915
Corporate expense	72,668	76,941	75,626
Project development, preopening and writedowns	22,107	6,907	13,747
Impairments of assets	38,302	18,565	48,681
Other operating items, net	284	907	(13)
Total operating costs and expenses	1,923,349	1,928,230	1,968,523
Operating income	260,627	271,202	173,732
Other expense (income)			
Interest income	(2,961)	(1,858)	(1,879)
Interest expense, net of amounts capitalized	212,692	224,590	230,060
Loss on early extinguishments and modifications of debt	42,364	40,733	1,536
Other, net	545	3,676	48
Total other expense, net	252,640	267,141	229,765
Income (loss) from continuing operations before income taxes	7,987	4,061	(56,033)
Income taxes benefit	197,486	6,634	5,408
Income (loss) from continuing operations, net of tax	205,473	10,695	(50,625)
Income from discontinued operations, net of tax	212,530	36,539	8,987
Income from discontinued operations attributable to noncontrolling interest, net of tax	—	—	(11,403)
Net income (loss) attributable to Boyd Gaming Corporation	\$418,003	\$47,234	\$(53,041)
Basic net income (loss) per common share			
Continuing operations	\$1.79	\$0.10	\$(0.46)
Discontinued operations	1.86	0.32	(0.02)
Basic net income (loss) per common share	\$3.65	\$0.42	\$(0.48)
Weighted average basic shares outstanding	114,507	112,789	109,979
Diluted net income (loss) per common share			
Continuing operations	\$1.78	\$0.10	\$(0.46)
Discontinued operations	1.85	0.32	(0.02)

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Diluted net income (loss) per common share	\$3.63	\$0.42	\$(0.48)
Weighted average diluted shares outstanding	115,189	113,676	109,979
The accompanying notes are an integral part of these consolidated financial statements.			

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

(In thousands)	Year Ended December 31,		
	2016	2015	2014
Net income (loss)	\$418,003	\$47,234	\$(53,041)
Other comprehensive income (loss), net of tax:			
Fair value of adjustments to available-for-sale securities	(299)	(263)	1,464
Comprehensive income (loss)	\$417,704	\$46,971	\$(51,577)

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

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

	Boyd Gaming Corporation Stockholders' Equity						
	Common Stock	Additional Paid-in	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Loss, Net	Noncontrolling Interest	Total Stockholders' Equity	
(In thousands, except share data)	Shares	Amount	Capital	Deficit)	Loss, Net	Interest	Equity
Balances, January 1, 2014	108,155,002	\$ 1,082	\$ 902,496	\$ (432,074)	\$ (1,517)	\$ 180,450	\$ 650,437
Net income (loss)	—	—	—	(53,041)	—	11,403	(41,638)
Comprehensive income attributable to Boyd	—	—	(640)	—	1,464	—	824
Stock options exercised	562,234	6	4,146	—	—	—	4,152
Release of restricted stock units, net of tax	559,824	5	(2,366)	—	—	—	(2,361)
Share-based compensation costs	—	—	18,476	—	—	—	18,476
Noncontrolling interests contribution	—	—	—	—	—	30	30
Deconsolidation of Borgata	—	—	—	—	—	(191,833)	(191,833)
Balances, December 31, 2014	109,277,060	1,093	922,112	(485,115)	(53)	50	438,087
Net income	—	—	—	47,234	—	—	47,234
Comprehensive loss attributable to Boyd	—	—	—	—	(263)	—	(263)
Stock options exercised	1,301,789	13	9,794	—	—	—	9,807
Release of restricted stock units, net of tax	553,822	6	(3,678)	—	—	—	(3,672)
Release of performance stock units, net of tax	481,749	5	(2,451)	—	—	—	(2,446)
Share-based compensation costs	—	—	19,264	—	—	—	19,264
Balances, December 31, 2015	111,614,420	1,117	945,041	(437,881)	(316)	50	508,011
Net income (loss)	—	—	—	418,003	—	—	418,003
Comprehensive loss attributable to Boyd	—	—	—	—	(299)	—	(299)
Stock options exercised	452,898	4	2,936	—	—	—	2,940
Release of restricted stock units, net of tax	670,032	6	(3,374)	—	—	—	(3,368)
Release of performance stock units, net of tax	159,027	2	(869)	—	—	—	(867)
Tax effect from share-based compensation arrangements	—	—	(5,812)	—	—	—	(5,812)
Share-based compensation costs	—	—	15,518	—	—	—	15,518
Balances, December 31, 2016	112,896,377	\$ 1,129	\$ 953,440	\$ (19,878)	\$ (615)	\$ 50	\$ 934,126

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

BOYD GAMING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
(In thousands)	2016	2015	2014
Cash Flows from Operating Activities			
Net income (loss)	\$418,003	\$47,234	\$(53,041)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Income from discontinued operations, net of tax	(212,530)	(36,539)	(8,987)
Income from discontinued operations attributable to noncontrolling interest, net of tax	—	—	11,403
Depreciation and amortization	196,226	207,118	208,915
Amortization of debt financing costs and discounts on debt	14,870	21,308	22,377
Share-based compensation expense	15,518	19,264	18,476
Deferred income taxes	(199,051)	16,846	(870)
Non-cash impairment of assets	38,302	18,565	48,681
Gain on sale of assets	(6,288)	—	—
Loss on early extinguishments and modifications of debt	42,364	40,733	1,536
Other operating activities	1,625	2,145	467
Changes in operating assets and liabilities:			
Restricted cash	2,542	(923)	2,579
Accounts receivable, net	45	1,971	6,988
Inventories	884	(301)	374
Prepaid expenses and other current assets	1,691	(4,275)	2,161
Current other tax asset	—	1,802	88
Income taxes receivable	(1,064)	(137)	(1,137)
Other assets, net	(626)	922	2,146
Accounts payable and accrued liabilities	(11,824)	13,207	28,572
Other long-term tax liabilities	222	(25,566)	(1,067)
Other liabilities	1,972	2,377	237
Net cash provided by operating activities	302,881	325,751	289,898
Cash Flows from Investing Activities			
Capital expenditures	(160,358)	(131,170)	(137,751)
Cash paid for acquisitions, net of cash received	(592,703)	—	—
Investments in and advances to unconsolidated subsidiaries, net	—	—	153
Other investing activities	14,207	4,528	(5,912)
Net cash used in investing activities	(738,854)	(126,642)	(143,510)

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

(In thousands)	Year Ended December 31,		
	2016	2015	2014
Cash Flows from Financing Activities			
Borrowings under Boyd Gaming bank credit facility	2,039,175	1,033,500	830,400
Payments under Boyd Gaming bank credit facility	(1,466,362)	(1,211,200)	(910,700)
Borrowings under Peninsula bank credit facility	237,000	345,500	317,400
Payments under Peninsula bank credit facility	(899,750)	(425,150)	(377,150)
Proceeds from issuance of senior notes	750,000	750,000	—
Debt financing costs, net	(42,220)	(14,004)	(83)
Retirements of senior notes	(700,000)	(657,813)	—
Premium and consent fees paid	(15,750)	(24,246)	—
Payments under note payable	—	—	(9)
Share-based compensation activities, net	(1,295)	3,689	1,791
Other financing activities	(45)	—	30
Net cash used in financing activities	(99,247)	(199,724)	(138,321)
Cash Flows from Discontinued Operations			
Cash flows from operating activities	(27,796)	14,095	32,961
Cash flows from investing activities	598,057	—	(36,470)
Cash flows from financing activities	—	—	(37,055)
Net cash provided by (used in) discontinued operations	570,261	14,095	(40,564)
Change in cash and cash equivalents	35,041	13,480	(32,497)
Cash and cash equivalents, beginning of period	158,821	145,341	140,311
Change in cash classified as discontinued operations	—	—	37,527
Cash and cash equivalents, end of period	\$193,862	\$158,821	\$145,341
Supplemental Disclosure of Cash Flow Information			
Cash paid for interest, net of amounts capitalized	\$197,475	\$178,433	\$203,758
Cash paid (received) for income taxes, net of refunds	33,723	(1,159)	1,255
Supplemental Schedule of Non-cash Investing and Financing Activities			
Payables incurred for capital expenditures	\$9,334	\$7,235	\$16,844

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

BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Boyd Gaming Corporation (and together with its subsidiaries, the "Company", the "Registrant", "Boyd Gaming", "Boyd", "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".

As of December 31, 2016, we are a diversified operator of 24 wholly owned gaming entertainment properties. Headquartered in Las Vegas, we have gaming operations in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana and Mississippi, which we aggregate in order to present the following three 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
Eastside Cannery Casino and Hotel	Las Vegas, Nevada
Aliante Casino + Hotel + Spa	North Las Vegas, Nevada
Cannery Casino Hotel	North 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

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

As a result of the sale of our equity interest in Borgata (see Note 2, Acquisitions and Divestitures), we no longer report our interest in Borgata as a Reportable Segment.

Our Las Vegas Locals segment includes the results of Aliante Gaming, LLC ("Aliante"), The Cannery Hotel and Casino, LLC ("Cannery") and Nevada Palace, LLC ("Eastside Cannery") (see Note 2, Acquisitions and Divestitures).

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

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

Basis of Presentation

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

See Note 2, Acquisitions and Divestitures, for discussion of our acquisitions of Aliante, Cannery and Eastside Cannery, which were completed during the year ended December 31, 2016. We have not disclosed the pro forma impact of these acquisitions to our results of operations, as the pro forma impact was deemed immaterial.

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

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

Discontinued Operations

On August 1, 2016, Boyd Gaming completed the sale of its 50% equity interest in Marina District Development Holding Company, LLC ("MDDHC"), the parent company of Borgata, to MGM Resorts International ("MGM") pursuant to an Equity Purchase Agreement (the "Purchase Agreement") entered into on May 31, 2016, as amended on July 19, 2016 by and among Boyd, Boyd Atlantic City, Inc., a wholly-owned subsidiary of Boyd, and MGM. (See Note 2, Acquisitions and Divestitures.) We accounted for our investment in Borgata by applying the equity method and reported its results as discontinued operations for all periods presented in these consolidated financial statements.

Cash and Cash Equivalents

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

Restricted Cash

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

Accounts Receivable, net

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

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

	Year Ended December 31,		
(In thousands)	2016	2015	2014

Beginning balance, January 1,	\$2,087	\$1,971	\$2,913
Additions due to Acquisitions	87	—	—
Additions	345	361	277
Deductions	(548)	(245)	(1,219)
Ending balance	\$1,971	\$2,087	\$1,971

Inventories

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

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

Property and Equipment, net

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

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

Building and improvements 3 through 40 years

Riverboats and barges 5 through 40 years

Furniture and equipment 1 through 10 years

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

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

Capitalized Interest

Interest costs associated with major construction projects are capitalized as part of the cost of the constructed assets. When no debt is incurred specifically for a project, interest is capitalized on amounts expended for the project using our weighted-average cost of borrowing. Capitalization of interest ceases when the project (or discernible portions of the project) is substantially complete. If substantially all of the construction activities of a project are suspended, capitalization of interest will cease until such activities are resumed. Interest capitalized during the years ended December 31, 2016, 2015 and 2014 was \$0.5 million, \$0.1 million and \$1.4 million, respectively.

Investment in Available for Sale Securities

We have an investment in \$21.0 million aggregate principal amount of 7.5% Urban Renewal Tax Increment Revenue Bonds, Taxable Series 2007 ("City Bonds"). This investment is classified as available-for-sale and is recorded at fair value. The fair value at December 31, 2016 and 2015 was \$17.3 million and \$17.8 million, respectively. At both December 31, 2016 and 2015, \$0.4 million is included in prepaid expenses and other current assets, and \$16.8 million and \$17.4 million, respectively, is included in other assets, net.

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

(In thousands)

For the year ending December 31,

2017	\$440
2018	475
2019	510
2020	550

2021	590
Thereafter	18,395
Total	\$20,960

Intangible Assets

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

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

Amortizing Intangible Assets

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

Indefinite-Lived Intangible Assets

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

Goodwill

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

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

Player Loyalty Point Program

We have established promotional programs to encourage repeat business from frequent and active slot machine customers and other patrons. Members earn points based on gaming activity and such points can be redeemed for complimentary slot play, food and beverage, and other free goods and services. We record points redeemed for complimentary slot play as a reduction to gaming revenue and points redeemed for food and beverage and other free goods and services as promotional allowances. The accrual for unredeemed points is based on estimates and assumptions regarding the redemption mix of complimentary slot play, food and beverage, and other free goods and

services and the costs of providing those benefits. Historical data is used to assist in the determination of the estimated accruals. The player loyalty point program accrual is included in accrued liabilities on our consolidated balance sheets.

Long-Term Debt, Net

Long-term debt, net is reported as the outstanding debt amount net of amortized cost. Any unamortized debt issuance costs, which include legal and other direct costs related to the issuance of our outstanding debt, or discount granted to the initial purchasers or lenders upon issuance of our debt instruments is recorded as a direct reduction to the face amount of our outstanding debt. The debt issuance costs and discount are accreted to interest expense using the effective interest method over the contractual term of the underlying debt. In the event that our debt is modified, repurchased or otherwise reduced prior to its original maturity date, we ratably reduce the unamortized debt issuance costs and discount and record a loss on extinguishment of debt.

Income Taxes

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

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. Use of the term "more likely than not" indicates the likelihood of occurrence is greater than 50%. 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, the duration of statutory carryforward periods, our experience with the utilization of operating loss and tax credit carryforwards before expiration and tax planning strategies. In making such judgments, significant weight is given to evidence that can be objectively verified.

In performing our valuation allowance analysis in 2016, we determined that the positive evidence in favor of releasing the valuation allowance, particularly evidence that was objectively verifiable, outweighed the negative evidence. We utilize a rolling twelve quarters of pretax income adjusted for permanent book to tax differences as a measure of cumulative results in recent years. We transitioned from a cumulative loss position to a cumulative income position over the rolling twelve quarters during 2016. Other evidence considered in the analysis included, but was not limited to, a trend reflective of improvement in recent earnings, forecasts of profitability and taxable income and the reversal of existing temporary differences. The change in these conditions during the year ended December 31, 2016 provided positive evidence that supported the release of the valuation allowance against a significant portion of our deferred tax assets. As such, we concluded that it was more likely than not that the benefit from our deferred tax assets would be realized. As a result, in 2016, we released \$201.5 million of valuation allowance on our federal and state income tax net operating loss carryforwards and other deferred tax assets.

Our current tax rate is impacted by adjustments that are largely independent of our operating results before taxes. In the current year, such adjustments relate primarily to the release of the valuation allowance on a significant portion of our deferred tax assets. In the prior year, the adjustments relate primarily to changes in our valuation allowance, the realization of certain unrecognized tax benefits inclusive of the reversal of related accrued interest and impairment charges to indefinite lived intangible assets which resulted in a reduction in our recognized deferred tax liability.

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.

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

unrecognized tax benefits in the provision for income taxes. Accrued interest and penalties are included in other long-term tax liabilities on the balance sheet.

Self-Insurance Reserves

We are self-insured for various insurance coverages such as property, general liability, employee health and workers' compensation costs with the appropriate levels of deductibles and retentions. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of estimates for claims incurred but not yet reported. In estimating these accruals, we consider historical loss experience and make judgments about the expected levels of costs per claim. Management believes the estimates of future liability are reasonable based upon our methodology; however, changes in health care costs, accident frequency and severity and other factors could materially affect the estimate for these liabilities. Certain of these claims represent obligations to make future payments; and therefore we discount such reserves to an amount representing the present value of the

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

claims which will be paid in the future using a blended rate, which represents the inherent risk and the average payout duration. Self-insurance reserves are included in other liabilities on our consolidated balance sheets.

The activity comprising our self-insurance reserves is as follows:

	Year Ended December 31,		
(In thousands)	2016	2015	2014
Beginning balance	\$30,068	\$33,004	\$32,507
Additions			
Charged to costs and expenses	79,685	80,311	80,734
Due to acquisitions	14	—	—
Payments made	(78,745)	(83,247)	(80,237)
Ending balance	\$31,022	\$30,068	\$33,004

Accumulated Other Comprehensive Income (Loss)

Comprehensive income (loss) includes net income (loss) and other comprehensive income (loss). Components of the Company's comprehensive income (loss) are reported in the accompanying consolidated statements of changes in stockholders' equity and consolidated statements of comprehensive income (loss). The accumulated other comprehensive income (loss) at December 31, 2016, consists of unrealized gains and losses on the investment available for sale resulting from changes in fair value.

Noncontrolling Interest

Noncontrolling interest represents the ownership interest in one of our subsidiaries that is held by a third party.

Revenue Recognition

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

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

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

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

Promotional Allowances

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

The amounts included in promotional allowances are as follows:

	Year Ended December 31,		
(In thousands)	2016	2015	2014

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Rooms	\$74,937	\$77,177	\$77,751
Food and beverage	146,946	150,598	151,677
Other	13,694	14,870	11,109
Total promotional allowances	\$235,577	\$242,645	\$240,537

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

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

	Year Ended December 31,		
(In thousands)	2016	2015	2014
Rooms	\$33,514	\$35,605	\$36,837
Food and beverage	130,941	133,717	138,040
Other	12,417	12,290	11,407
Total cost of promotional allowances	\$176,872	\$181,612	\$186,284

Gaming Taxes

We are subject to taxes based on gross gaming revenues in the jurisdictions in which we operate. These gaming taxes are assessed based on our gaming revenues and are recorded as a gaming expense in the consolidated statements of operations. These taxes totaled approximately \$321.7 million, \$332.1 million and \$330.8 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Advertising Expense

Direct advertising costs are expensed the first time such advertising appears. Advertising costs are included in selling, general and administrative expenses on the consolidated statements of operations and totaled \$32.3 million, \$33.4 million and \$32.2 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Corporate Expense

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

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 and do not qualify as capital costs; and (iii) asset write-downs.

Share-Based Compensation

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

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

	Year Ended December 31,		
	2016	2015	2014
Expected stock price volatility	46.62 %	49.06 %	54.14 %
Risk-free interest rate	1.39 %	1.59 %	1.64 %
Expected option life (in years)	5.4	5.3	5.4
Estimated fair value per share	\$7.67	\$9.06	\$5.70

Net Income (Loss) per Share

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

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

Due to the net loss for the year ended December 31, 2014, the effect of all potential common share equivalents was anti-dilutive, and therefore all such shares were excluded from the computation of diluted weighted average shares outstanding for this period. The amount of potential common share equivalents were 913,900 for year ended December 31, 2014.

Concentration of Credit Risk

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

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

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

Use of Estimates

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

Recently Issued Accounting Pronouncements

Accounting Standards Update 2017-04, Intangibles-Goodwill and Other ("Update 2017-04")

In January 2017, the Financial Accounting Standards Board ("FASB") issued Update 2017-04, which addresses goodwill impairment testing. Instead of determining goodwill impairment by calculating the implied fair value of goodwill, an entity should perform goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The standard is effective for financial statements issued for annual periods and interim periods within those annual periods beginning after December 15, 2019, and early adoption is permitted. The Company is evaluating the impact of the adoption of Update 2017-04 to the financial statements.

Accounting Standards Update 2016-18, Statement of Cash Flows ("Update 2016-18")

In November 2016, the FASB issued Update 2016-18, which amends Accounting Standards Codification ("ASC") 230 to add or clarify the guidance on the classification and presentation of restricted cash in 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, 2018, and early adoption is permitted. The Company is evaluating the impact of the adoption of Update 2016-18 to the financial statements.

Accounting Standards Update 2016-17, Consolidation ("Update 2016-17")

In October 2016, the FASB issued Update 2016-17, which amends the guidance on related parties that are under common control.

The ASU provides guidance on a single decision maker does not consider indirect interest held through related parties as equivalent to direct interests in determining whether it meets the economics criterion to be a primary beneficiary. 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. The Company is evaluating the impact of the adoption of Update 2016-17 to the financial statements.

Accounting Standards Update 2016-16, Income Taxes ("Update 2016-16")

In October 2016, the FASB issued Update 2016-16, which addresses the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. The standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, and early adoption is permitted. The Company is evaluating the impact of the new standard on its consolidated financial statements.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

Accounting Standards Update 2016-15, Statement of Cash Flows ("Update 2016-15")

In August 2016, the FASB issued Update 2016-15, which amends the guidance on the classification of certain cash receipts and payments in the statement of cash flows. The Accounting Standards Update ("ASU") is intended to reduce the lack of consistent principles on certain classifications such as debt prepayment, debt extinguishment costs, distributions, insurance claims and beneficial interest in securitization transactions. 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. The Company is evaluating the impact of the adoption of Update 2016-15 to the financial statements.

Accounting Standards Update 2016-13, Financial Instruments-Credit Losses ("Update 2016-13")

In June 2016, the FASB issued Update 2016-13, which amends the guidance on the impairment of financial instruments. Update 2016-13 adds to GAAP an impairment model (known as the current expected credit loss ("CECL") model) that is based on expected losses rather than incurred losses. The standard is effective for financial statements issued for annual periods and interim periods within those annual periods beginning after December 15, 2019, and early adoption is permitted. The Company is evaluating the impact of the adoption of Update 2016-13 to the financial statements.

Accounting Standards Update 2016-12, Revenue from Contracts with Customers - Narrow-Scope Improvements and Practical Expedients ("Update 2016-12"); Accounting Standards Update 2016-11, Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815) - Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting ("Update 2016-11"); Accounting Standards Update 2016-10, Revenue from Contracts with Customers - Identifying Performance Obligations and Licensing ("Update 2016-10"); and Accounting Standards Update 2016-08, Revenue from Contracts with Customers - Principal versus Agent Considerations (Reporting Revenue Gross versus Net) ("Update 2016-08") In March 2016 through May 2016, the FASB issued Update 2016-08, Update 2016-10, Update 2016-11 and Update 2016-12, which amend and further clarify the new revenue standard, Accounting Standards Update 2014-09, Revenue from Contracts with Customers ("Update 2014-09"), which was subsequently amended and deferred in Accounting Standards Update 2015-14, Revenue from Contracts with Customers - Deferral of the Effective Date ("Update 2015-14", and collectively with the original standard, Update 2014-09, and subsequent amendments, Update 2016-08, Update 2016-10, Update 2016-11 and Update 2016-12, the "Revenue Standard"). The Revenue Standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Earlier application is permitted only for fiscal years, and interim periods within those years, beginning after December 15, 2016. The Company is evaluating the impact of the new guidance and has neither determined the full impact this standard may have on our financial statements nor decided upon the planned method of adoption. Interpretations of the new guidance are on-going and could have a significant impact on our implementation. Currently, we expect decreases in departmental revenues, since the historical presentation that reflects revenues gross for goods and services given to our customers as an inducement to play with us, with an offsetting reduction for promotional allowances to derive net revenues, will no longer be allowed. We also expect the accounting for our frequent player programs to be impacted, with possible changes to the timing and/or classification of certain transactions within revenues and between revenues and operating expenses. We will continue to update our assessment of the effects of the new guidance on our financial statements, and we will disclose further those effects when known.

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

In March 2016, the 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. Update 2016-09 requires excess tax benefits and deficiencies to be recorded in income tax expense instead of equity which we anticipate will cause volatility in our future effective tax rate. The Company will adopt this standard in the first quarter 2017. The cumulative effect of this change in accounting method will be recorded as an increase in retained earnings by approximately \$15.8 million.

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 determined that the impact of the new standard on its consolidated financial statements will not be material.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

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 2. ACQUISITIONS AND DIVESTITURES

Acquisition - Cannery Casino Hotel and Nevada Palace, LLC

Overview

On December 20, 2016, Boyd Gaming completed its previously announced acquisitions of Cannery, the owner and operator of Cannery Casino Hotel, and Eastside Cannery, the owner and operator of Eastside Cannery Casino and Hotel, pursuant to a Membership Interest Purchase Agreement (the "Purchase Agreement") dated as of April 25, 2016, as amended on October 28, 2016, by and among Boyd, Cannery Casino Resorts, LLC ("Seller"), Cannery and Eastside Cannery.

Pursuant to the terms of the Purchase Agreement, Boyd acquired from Seller all of the issued and outstanding membership interests of Cannery and Eastside Cannery (the "Acquisitions"). With the closing of the Acquisitions, each of Cannery and Eastside Cannery became wholly-owned subsidiaries of Boyd. The Cannery and Eastside Cannery are modern casinos and hotels in the Las Vegas Valley that offer premium accommodations, gaming, dining, entertainment and retail, and are aggregated into our Las Vegas Locals segment (See Note 1, Summary of Significant Accounting Policies.) The net purchase price was \$228.2 million.

Consideration Transferred

The fair value of the consideration transferred on the acquisition date included the purchase price of the net assets transferred. The total gross consideration was \$238.6 million.

Status of Purchase Price Allocation

The Company is following the acquisition method of accounting per ASC 805 guidance. For purposes of these financial statements, we have allocated the purchase price to the assets acquired and the liabilities assumed based on preliminary estimates of fair value as determined by management based on its judgment with assistance from preliminary third party appraisals. The excess of the purchase price over the net book value of the assets acquired and liabilities assumed has been recorded as goodwill. The Company will recognize the assets acquired and liabilities assumed in the Acquisitions based on fair value estimates as of the date of the Acquisitions. The determination of the

fair values of the acquired assets and assumed liabilities (and the related determination of estimated lives of depreciable tangible and identifiable intangible assets) is currently in process. This determination requires significant judgment. As such, management has not completed its valuation analysis and calculations in sufficient detail necessary to finalize the determination of the fair value of the assets acquired and liabilities assumed, along with the related allocations of goodwill and intangible assets. The final fair value determinations are expected to be completed no later than third quarter of 2017. The final fair value determinations may be significantly different than those reflected in the consolidated financial statements at December 31, 2016.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

The following table summarizes the preliminary allocation of the purchase price:

(In thousands)	As Recorded
Current assets	\$ 29,929
Property and equipment	181,757
Intangible assets	16,330
Total acquired assets	228,016
Current liabilities	15,850
Total liabilities assumed	15,850
Net identifiable assets acquired	212,166
Goodwill	26,401
Net assets acquired	\$ 238,567

The following table summarizes the preliminary values assigned to acquired property and equipment and estimated useful lives:

(In thousands)	Useful Lives	As Recorded
Land		\$ 6,650
Buildings and improvements	10 - 40 years	167,208
Furniture and equipment	3 - 7 years	7,264
Construction in progress		635
Property and equipment acquired		\$ 181,757

The goodwill was assigned to the Las Vegas Locals reportable segment. All of the goodwill is expected to be deductible for income tax purposes.

The Company recognized \$10.5 million of acquisition related costs that were expensed for the year ended December 31, 2016. These costs are included in the consolidated statements of operations in the line item entitled "Project development, preopening and writedowns".

Acquisition - Aliante Casino + Hotel + Spa

Overview

On September 27, 2016, Boyd Gaming completed the acquisition of ALST, the holding company of Aliante, the owner and operator of the Aliante Casino + Hotel + Spa. Pursuant to the Merger Agreement, Merger Sub merged (the "Merger") with and into ALST, with ALST surviving the Merger. ALST and Aliante are now wholly-owned subsidiaries of Boyd Gaming. Aliante is an upscale, resort-style casino and hotel situated in North Las Vegas offering premium accommodations, gaming, dining, entertainment and retail, and is aggregated into our Las Vegas Locals segment (See Note 1, Summary of Significant Accounting Policies.) The net purchase price was \$372.3 million.

Consideration Transferred

The fair value of the consideration transferred on the acquisition date included the purchase price of the net assets transferred. The total gross consideration was \$399.1 million.

Status of Purchase Price Allocation

The Company is following the acquisition method of accounting per ASC 805 guidance. In accordance with ASC 805, the Company allocated the purchase price to the tangible and intangible assets acquired and liabilities assumed based

on their estimated fair values as of the acquisition date, which was determined primarily by management with assistance from third-party appraisals. The excess of the purchase price over those fair values has been recorded as goodwill.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

The following table summarizes the preliminary allocation of the purchase price:

(In thousands)	As Recorded
Current assets	\$31,886
Property and equipment	226,309
Intangible and other assets	20,791
Total acquired assets	278,986
Current liabilities	5,693
Other liabilities	636
Total liabilities assumed	6,329
Net identifiable assets acquired	272,657
Goodwill	126,489
Net assets acquired	\$399,146

The following table summarizes the preliminary values assigned to acquired property and equipment and estimated useful lives:

(In thousands)	Useful Lives	As Recorded
Land		\$16,680
Buildings and improvements	10 - 45 years	200,770
Furniture and equipment	3 - 7 years	8,217
Construction in progress		642
Property and equipment acquired		\$226,309

All of the goodwill was assigned to the Las Vegas Locals reportable segment. All of the goodwill is expected to be deductible for income tax purposes.

The Company recognized \$2.2 million of acquisition related costs that were expensed for the year ended December 31, 2016, respectively. These costs are included in the consolidated statements of operations in the line item entitled "Project development, preopening and writedowns".

We have not provided the amount of revenue and earnings included in our consolidated financial results from the Aliante or Cannery acquisitions for the period subsequent to their respective acquisitions as such amounts are not material for the twelve months ended December 31, 2016.

Investment in and Divestiture of Borgata

On August 1, 2016, Boyd Gaming completed the sale of its 50% equity interest in Marina District Development Holding Company, LLC ("MDDHC"), the parent company of Borgata, to MGM, pursuant to an Equity Purchase Agreement ("Purchase Agreement") entered into on May 31, 2016, as amended on July 19, 2016, by and among Boyd, Boyd Atlantic City, Inc., a wholly-owned subsidiary of Boyd ("Seller"), and MGM. Pursuant to the Purchase Agreement, MGM acquired from Boyd Gaming 49% of its 50% membership interest in MDDHC and, immediately thereafter, MDDHC redeemed Boyd Gaming's remaining 1% membership interest in MDDHC (collectively, the "Transaction"). Following the Transaction, MDDHC became a wholly-owned subsidiary of MGM.

In consideration for the Transaction, MGM paid Boyd Gaming \$900 million. The initial net cash proceeds were approximately \$589 million, net of certain expenses and adjustments on the closing date, including outstanding

indebtedness, cash and working capital. The after-tax gain on the sale of Borgata was \$181.7 million and is included in discontinued operations in the year ended December 31, 2016. The initial proceeds do not include our 50% share of any future property tax settlement benefits, from the time period during which we held a 50% ownership in MDDHC, to which Boyd Gaming retains the right to receive upon payment. During 2016, we recognized \$9.1 million in income, which is included in discontinued operations, for the cash we received for our share of property tax benefits realized by Borgata subsequent to the closing of the sale. On February 15, 2017, Borgata announced that it had entered into a settlement agreement under which it will receive payments totaling \$72 million to resolve the property tax issues. We will receive 50% of those payments once Borgata receives the payments from the city.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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Prior to the sale of our equity interest, the Company and MGM each held a 50% interest in MDDHC, which owns all the equity interests in Borgata. Until the closing of the sale, we were the managing member of MDDHC, and we were responsible for the day-to-day operations of Borgata. On September 30, 2014, MGM reacquired its ownership interest in and its substantive participation rights in the management of Borgata. As a result, we deconsolidated Borgata as of the close of business on September 30, 2014, eliminating the assets, liabilities and non-controlling interests from our balance sheet.

As a result of the deconsolidation, we adjusted the book value of our investment to equal fair value. We determined the fair value of our investment in Borgata as of the date of deconsolidation using a weighted average allocation of both the income and market approach models. Using these models, we determined that the fair value of our investment in Borgata at September 30, 2014, was \$221.4 million and recognized a loss due to the deconsolidation of \$12.1 million in our third quarter 2014 results, which was recorded in impairments of assets on our consolidated statement of operations. We accounted for our investment in Borgata applying the equity method for periods subsequent to the deconsolidation, through the date of the sale, and, as a result of the sale, we reported the results as discontinued operations for all periods presented in these consolidated financial statements.

The table below summarizes the results of operations information for periods subsequent to the September 30, 2014 deconsolidation of Borgata through the date of divestiture:

	Seven Months Ended July 31, 2016	Twelve Months Ended December 31, 2015	Three Months Ended December 31, 2014
(In thousands)			
Net revenues	\$485,510	\$804,166	\$179,147
Operating expenses	366,812	657,324	157,896
Operating income	118,698	146,842	21,251
Interest expense	26,378	59,681	17,431
Loss on early extinguishments of debt	1,628	18,895	740
State income tax expense (benefit)	8,274	(3,731)	446
Net income	\$82,418	\$71,997	\$2,634

NOTE 3. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	December 31,	
(In thousands)	2016	2015
Land	\$251,316	\$229,857
Buildings and improvements	2,915,664	2,539,578
Furniture and equipment	1,243,724	1,152,277
Riverboats and barges	239,264	238,743
Construction in progress	86,226	42,497
Other	726	7,404
Total property and equipment	4,736,920	4,210,356
Less accumulated depreciation	2,131,751	1,985,014
Property and equipment, net	\$2,605,169	\$2,225,342

Construction in progress primarily relates to costs capitalized in conjunction with major improvements that have not yet been placed into service, and accordingly, such costs are not currently being depreciated. Other property and equipment relates to the estimated net realizable value of construction materials inventory that was not disposed of with the sale of the Echelon project in 2013. Such assets are not in service and are not currently being depreciated.

Depreciation expense for the years ended December 31, 2016, 2015 and 2014 was \$179.6 million, \$179.9 million and \$174.8 million, respectively.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

NOTE 4. INTANGIBLE ASSETS

Intangible assets consist of the following:

(In thousands)	December 31, 2016		Cumulative Amortization	Cumulative Impairment Losses	Intangible Assets, Net
	Weighted Average Life Remaining	Gross Carrying Value			
Amortizing intangibles:					
Customer relationships	1.1 years	\$ 144,780	\$ (125,318)	\$—	\$ 19,462
Favorable lease rates	31.4 years	45,370	(13,039)	—	32,331
Development agreement	—	21,373	—	—	21,373
		211,523	(138,357)	—	73,166

Indefinite lived intangible assets:

Trademarks	Indefinite	153,687	—	(4,300)	149,387
Gaming license rights	Indefinite	873,335	(33,960)	(179,974)	659,401
		1,027,022	(33,960)	(184,274)	808,788
Balance, December 31, 2016		\$ 1,238,545	\$ (172,317)	\$ (184,274)	\$ 881,954

(In thousands)	December 31, 2015		Cumulative Amortization	Cumulative Impairment Losses	Intangible Assets, Net
	Weighted Average Life Remaining	Gross Carrying Value			
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

Amortizing Intangible Assets

Customer Relationships

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

Favorable Lease Rates

Favorable lease rates represent the rental rates for assumed land leases that are favorable to comparable market rates. The fair value is determined on a technique whereby the difference between the lease rate and the then current market rate for the remaining contractual term is discounted to present value. The assumptions underlying this computation include the actual lease rates, the

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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expected remaining lease term, including renewal options, based on the existing lease; current rates of rent for leases on comparable properties with similar terms obtained from market data and analysis; and an assumed discount rate. The estimates underlying the result covered a term of 41 to 52 years.

Development Agreement

Development agreement is an acquired contract with a Native American tribe (the "Tribe") under which the Company has the right to assist the Tribe in the development and management of a gaming facility on the Tribe's land. This asset although amortizable, is not amortized until development is completed, which at December 31, 2016 remains indeterminate. In the interim, this asset is subject to periodic impairment reviews.

Indefinite Lived Intangible Assets

Trademarks

Trademarks are based on the value of our brands, which reflect the level of service and quality we provide and from which we generate repeat business. Trademarks are valued using the relief from royalty method, which presumes that without ownership of such trademark, we would have to make a stream of payments to a brand or franchise owner in return for the right to use their name. By virtue of this asset, we avoid any such payments and record the related intangible value of our ownership of the trade name. We used the following significant projections and assumptions to determine value under the relief from royalty method: revenue from gaming and hotel activities; royalty rate; tax expense; terminal growth rate; discount rate; and the present value of tax benefit.

Gaming License Rights

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

Activity for the Years Ended December 31, 2016, 2015 and 2014

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

(In thousands)	Customer Relationships	Favorable Lease Rates	Development Agreements	Trademarks	Gaming License Rights	Intangible Assets, Net
Balance, January 1, 2014	\$ 85,267	\$35,458	\$ 21,373	\$ 128,287	\$740,275	\$1,010,660
Additions	—	—	—	14	—	14
Impairments	—	—	—	(300)	(39,772)	(40,072)
Amortization	(33,309)	(1,044)	—	—	—	(34,353)
Other	—	—	—	(2,000)	—	(2,000)
Balance, December 31, 2014	51,958	34,414	21,373	126,001	700,503	934,249
Additions	—	—	—	—	—	—
Impairments	—	—	—	—	(17,502)	(17,502)
Amortization	(25,652)	(1,041)	—	—	—	(26,693)

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Balance, December 31, 2015	26,306	33,373	21,373	126,001	683,001	890,054
Additions	8,480	—	—	24,200	—	32,680
Impairments	—	—	—	(800	) (23,600	) (24,400)
Amortization	(15,324	) (1,042	) —	—	—	(16,366)
Other	—	—	—	(14) —	(14)
Balance, December 31, 2016	\$ 19,462	\$32,331	\$ 21,373	\$ 149,387	\$659,401	\$881,954

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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Other activity during 2014 in the table above is primarily due to the effects of the deconsolidation of Borgata (see Note 2, Acquisitions and Divestitures).

Future Amortization

Customer relationships are being amortized on an accelerated basis over an estimated life of five years. Favorable lease rates are being amortized on a straight-line basis over a weighted-average original useful life of 43.9 years.

Future amortization is as follows:

(In thousands)	Customer Relationships	Favorable Lease Rates	Total
For the year ending December 31,			
2017	\$ 14,599	\$ 1,043	\$15,642
2018	2,308	1,043	3,351
2019	1,529	1,043	2,572
2020	828	1,043	1,871
2021	198	1,043	1,241
Thereafter	—	27,116	27,116
Total future amortization	\$ 19,462	\$ 32,331	\$51,793

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

Impairment Considerations

As a result of our annual impairment testing in the fourth quarter of 2016, we recognized non-cash impairment charges of \$23.6 million of gaming licenses and \$0.8 million of trademarks in our Midwest and South segment. These amounts are included in impairments of assets in the consolidated statements of operations for the year ended December 31, 2016.

During the year ended 2015, we recognized non-cash impairment charges of \$17.5 million of a gaming license in our Midwest and South segment. During the year ended 2014, we recognized non-cash impairment charges of \$39.8 million of gaming licenses and \$0.3 million of trademarks in our Midwest and South segment.

NOTE 5. GOODWILL

Goodwill consists of the following:

(In thousands)	Gross Carrying Value	Cumulative Amortization	Cumulative Impairment Losses	Goodwill, Net
Goodwill, net by Reportable Segment:				
Las Vegas Locals	\$531,819	\$ —	\$(165,479)	\$366,340
Downtown Las Vegas	6,997	(6,134)	—	863
Midwest and South	471,735	—	(12,462)	459,273
Balance, December 31, 2016	\$1,010,551	\$ (6,134)	\$(177,941)	\$826,476

Changes in Goodwill

During the year ended December 31, 2016, we recorded \$153.6 million of goodwill due to our acquisitions of Aliante on September 27, 2016 and Cannery and Eastside Cannery on December 20, 2016 (see Note 2, Acquisitions and Divestitures).

Goodwill decreased approximately \$12.5 million during 2016 due to an impairment in the Midwest and South segment.

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The following table sets forth the changes in our goodwill, net, during the years ended December 31, 2016, 2015 and 2014.

(In thousands)	Goodwill, Net
Balance, January 1, 2014	\$685,310
Additions	—
Impairments	—
Balance, December 31, 2014	685,310
Additions	—
Impairments	—
Balance, December 31, 2015	685,310
Additions	153,628
Impairments	(12,462)
Balance, December 31, 2016	\$826,476

NOTE 6. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

(In thousands)	December 31,	
	2016	2015
Payroll and related expenses	\$68,102	\$71,815
Interest	33,407	35,337
Gaming liabilities	41,942	37,496
Player loyalty program liabilities	19,076	18,491
Other accrued liabilities	88,555	86,379
Total accrued liabilities	\$251,082	\$249,518

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NOTE 7. LONG-TERM DEBT

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

	December 31, 2016				
	Interest Rates at Dec. 31, 2016	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees and Costs	Long-Term Debt, Net
(In thousands)					
Bank credit facility	3.44 %	\$ 1,782,538	\$ (1,888)	\$ (28,503)	\$ 1,752,147
6.875% senior notes due 2023	6.88 %	750,000	—	(11,209)	738,791
6.375% senior notes due 2026	6.38 %	750,000	—	(12,074)	737,926
Other	5.80 %	591	—	—	591
Total long-term debt		3,283,129	(1,888)	(51,786)	3,229,455
Less current maturities		30,336	—	—	30,336
Long-term debt, net		\$3,252,793	\$ (1,888)	\$ (51,786)	\$3,199,119

	December 31, 2015				
	Interest Rates at Dec. 31, 2015	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees and Costs	Long-Term Debt, Net
(In thousands)					
Boyd Gaming Corporation Debt:					
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
Peninsula Gaming Debt:					
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 Debt

Bank Credit Facility

Credit Agreement

On September 15, 2016, the Company entered into an Amendment No. 1 and Joinder Agreement (the "Amendment") 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 Amendment modified the Third Amended and Restated Credit Agreement dated August 14, 2013 (the "Prior Credit Facility" together with the Amendment referred to as the "Credit Facility" or the "Credit Agreement").

As modified by the Amendment, the Credit Facility provides for: (i) increased commitments under the existing senior secured revolving credit facility (the "Revolving Credit Facility") to an amount equal to \$775.0 million, (ii) commitments under the existing senior secured term A loan (the "Term A Loan") in an amount equal to \$225.0 million, and (iii) a new \$1.0 billion senior secured term B-2 loan (the "Term B-2 Loan"). The maturity dates of the Revolving Credit Facility and the Term A Loan have been extended to September 15, 2021 (or earlier upon the occurrence or non-occurrence of certain events); the Term B-2 Loan matures on September 15, 2023 (or earlier upon the occurrence or non-occurrence of certain events); the maturity date of the existing senior secured term B-1 loan (the "Term B-1 Loan") remains August 14, 2020. The increase to the Term A Loan and the new Term B-2 Loan were fully funded on the effective date of the Amendment. Proceeds from the Credit Facility were used to refinance all outstanding obligations under the Prior Credit Facility, to fund transaction costs in connection with the Credit Facility, and for working capital and other general corporate purposes.

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The Credit Facility includes an accordion feature which permits an increase in the Revolving Credit Facility and the issuance and increase of senior secured term loans in an amount up to (i) \$550.0 million, plus (ii) certain voluntary permanent reductions of the Revolving Credit Facility and certain voluntary prepayments of the senior secured term loans, plus (iii) certain reductions in the outstanding principal amounts under the term loans or the Revolving Credit Facility, plus (iv) any additional amount if, after giving effect thereto, the First Lien Leverage Ratio (as defined in the Credit Agreement) would not exceed 4.25 to 1.00 on a pro forma basis, less (v) any Incremental Equivalent Debt (as defined in the Credit Agreement), in each case, subject to the satisfaction of certain conditions.

Pursuant to the terms of the Credit Facility (i) the loans under the Term A Loan amortize in an annual amount equal to 5.00% of the original principal amount thereof, commencing December 31, 2016, payable on a quarterly basis, (ii) the loans under the Term B-1 Loan amortize in an annual amount equal to 1.00% of the original principal amount thereof, commencing December 31, 2013, payable on a quarterly basis, (iii) the loans under the Term B-2 Loan amortize in an annual amount equal to 1.00% of the original principal amount thereof, commencing December 31, 2016, payable on a quarterly basis, and (iv) beginning with the fiscal year ending December 31, 2016, the Company is required to use a portion of its annual Excess Cash Flow, as defined in the Credit Agreement, to prepay loans outstanding under the Credit Facility.

Amounts Outstanding

The outstanding principal amounts at December 31, 2016 under the Credit Facility and at December 31, 2015 under the Prior Credit Facility are comprised of the following:

	December 31,	
(In thousands)	2016	2015
Revolving Credit Facility	\$245,000	\$240,000
Term A Loan	222,188	183,275
Term B-1 Loan	271,750	730,750
Term B-2 Loan	997,500	—
Swing Loan	46,100	55,700
Total outstanding principal amounts	\$1,782,538	\$1,209,725

At December 31, 2016 approximately \$1.8 billion was outstanding under the Credit Facility and \$12.0 million was allocated to support various letters of credit, leaving remaining contractual availability of \$471.9 million.

Interest and Fees

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 1.75% to 2.75% (if using the Eurodollar rate) and from 0.75% to 1.75% (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-1 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 interest rate on the outstanding balance from time to time of the Term B-2 Loan is based upon, at the Company's option, either: (i) the Eurodollar rate (subject to a 0.00% minimum) plus 3.00%, or (ii) the base rate plus 2.00%.

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

Optional and Mandatory Prepayments

Pursuant to the terms of the Credit Facility (i) the loans under the Term A Loan amortize in an annual amount equal to 5.00% of the original principal amount thereof, commencing December 31, 2016, payable on a quarterly basis, (ii) the loans under the Term B-2 Loan amortize in an annual amount equal to 1.00% of the original principal amount thereof, commencing December 31, 2016,

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payable on a quarterly basis, and (iii) beginning with the fiscal year ending December 31, 2016, the Company is required to use a portion of its annual Excess Cash Flow, as defined in the Credit Agreement, to prepay loans outstanding under the Credit Facility.

Amounts outstanding under the Credit Agreement may be prepaid without premium or penalty, and the unutilized portion of the commitments may be terminated without penalty, subject to certain exceptions, including a 1.00% prepayment premium for any prepayment of the Term B-2 Loan prior to March 15, 2017 that is accompanied by a repricing of the Term B-2 Loan.

Subject to certain exceptions, the Company may be required to repay the amounts outstanding under the Credit Facility in connection with certain asset sales and issuances of certain additional secured indebtedness.

Guarantees and Collateral

The Company's obligations under the 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 Credit Facility.

Financial and Other Covenants

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

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

	Maximum Total Leverage Ratio
For the Trailing Four Quarters Ending	
September 30, 2016 through December 31, 2016	7.75 to 1.00
March 31, 2017 through December 31, 2017	7.00 to 1.00
March 31, 2018 through December 31, 2018	6.25 to 1.00
March 31, 2019 through December 31, 2019	6.00 to 1.00
March 31, 2020 through December 31, 2020	5.75 to 1.00
March 31, 2021 and thereafter	5.50 to 1.00

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

Maximum
Secured

For the Trailing Four Quarters Ending	Leverage Ratio
September 30, 2016 through December 31, 2017	4.50to 1.00
March 31, 2018 through December 31, 2018	4.00to 1.00
March 31, 2019 through December 31, 2019	3.75to 1.00
March 31, 2020 and thereafter	3.50to 1.00

Current Maturities of Our Indebtedness

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

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Senior Notes

6.875% Senior Notes due May 2023

Significant Terms

On May 21, 2015, we issued \$750 million aggregate principal amount of 6.875% senior notes due May 2023 (the "6.875% Notes"). The 6.875% Notes require semi-annual interest payments on May 15 and November 15 of each year, commencing on November 15, 2015. The 6.875% Notes will mature on May 15, 2023 and are fully and unconditionally guaranteed, on a joint and several basis, by certain of our current and future domestic restricted subsidiaries, all of which are 100% owned by us.

The 6.875% 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 6.875% Notes, together, the "6.875% 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 6.875% Indenture), we will be required, unless certain conditions are met, to offer to repurchase the 6.875% Notes at a price equal to 101% of the principal amount of the 6.875% Notes, plus accrued and unpaid interest and Additional Interest (as defined in the 6.875% 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 6.875% Notes.

At any time prior to May 15, 2018, we may redeem the 6.875% Notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Interest, if any, up to, but excluding, the applicable redemption date, plus a make whole premium. Subsequent to May 15, 2018, we may redeem all or a portion of the 6.875% Notes at redemption prices (expressed as percentages of the principal amount) ranging from 105.156% in 2018 to 100% in 2021 and thereafter, plus accrued and unpaid interest and Additional Interest.

Debt Financing Costs

In conjunction with the issuance of the 6.875% Notes, we incurred approximately \$14.0 million in debt financing costs that have been deferred and are being amortized over the term of the 6.875% Notes using the effective interest method.

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 Revolving Credit Facility and the balance was deposited in money market funds and classified as cash equivalents on the 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 "6.375% 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 6.375% 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 6.375% 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.

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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 filed the required registration statement and commenced the exchange offer during December 2016. The exchange offer was completed on February 10, 2017 and our obligations under the registration rights agreement have been fulfilled.

Senior Notes

9.00% Senior Notes due July 2020

On September 6, 2016 we redeemed all of our 9.00% senior notes due July 2020 (the "9.00% Notes") at a redemption price of 104.50% plus accrued and unpaid interest to the redemption date. The redemption was funded using cash on hand.

As a result of this redemption, the 9.00% Notes have been fully extinguished.

Peninsula Gaming Debt

Peninsula Credit Facility

On September 2, 2016, Peninsula repaid all of the outstanding amounts, including all principal and accrued interest amounts, under the Peninsula senior secured credit facility (the "Peninsula Credit Facility") pursuant to the Peninsula Credit Agreement. In connection with the repayment in full of the Peninsula Credit Facility (the "Repayment"), the Peninsula Credit Agreement was terminated.

Amounts Outstanding

At December 31, 2015, the outstanding principal amount under the Peninsula Credit Facility was comprised of the following:

(In thousands)

Term Loan	\$647,750
Revolving Credit Facility	9,000
Swing Loan	6,000
Total outstanding principal amounts under the Peninsula Credit Facility	\$662,750

Peninsula Senior Notes

8.375% Senior Notes due February 2018

On September 2, 2016 we redeemed all of our 8.375% senior notes due February 2018 (the "8.375% Notes") at a redemption price of 100.0% plus accrued and unpaid interest to the redemption date. The redemption was funded using cash on hand.

As a result of this redemption, the 8.375% Notes have been fully extinguished.

Loss on Early Extinguishments and Modifications of Debt

The components of the loss on early extinguishments and modifications of debt, are as follows:

	Year Ended December 31,		
(In thousands)	2016	2015	2014
9.00% Senior Notes premium and consent fees	\$15,750	\$—	\$—
9.00% Senior Notes deferred finance charges	5,976	—	—
8.375% Senior Notes deferred finance charges	4,497	—	—

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9.125% Senior Notes premium and consent fees	—	23,962	—
9.125% Senior Notes deferred finance charges	—	4,888	—
HoldCo Note	—	7,819	—
Boyd Gaming Credit Facility deferred finance charges	6,629	1,978	—
Peninsula Credit Facility deferred finance charges	9,512	2,086	1,536
Total loss on early extinguishments and modifications of debt	\$42,364	\$40,733	\$1,536

Covenant Compliance

As of December 31, 2016, we believe that we were in compliance with the financial and other covenants of our debt instruments.

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The indentures governing the notes issued by the Company 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 Company's consolidated EBITDA to fixed charges, including interest) for the Company'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, the Company may still borrow under its existing credit facility. At December 31, 2016, the available borrowing capacity under our Credit Facility was \$471.9 million.

Scheduled Maturities of Long-Term Debt

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

(In thousands)	Total
For the year ending December 31,	
2017	\$30,336
2018	76,441
2019	30,346
2020	266,102
2021	432,295
Thereafter	2,447,609
Total outstanding principal of long-term debt	\$3,283,129

NOTE 8. INCOME TAXES

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are provided to record the effects of temporary differences between the tax basis of an asset or liability and its amount as reported in our consolidated balance sheets. These temporary differences result in taxable or deductible amounts in future years.

The components comprising our deferred tax assets and liabilities are as follows:

(In thousands)	December 31,	
	2016	2015
Deferred tax assets		
Federal net operating loss carryforwards	\$201,978	\$308,738
State net operating loss carryforwards	38,715	47,711
Share-based compensation	26,344	32,524
Other	61,289	43,936
Gross deferred tax assets	328,326	432,909
Valuation allowance	(28,402)	(247,761)
Deferred tax assets, net of valuation allowance	299,924	185,148
Deferred tax liabilities		
Difference between book and tax basis of property and intangible assets	337,654	322,387
State tax liability	31,443	13,428
Other	14,807	11,522
Gross deferred tax liabilities	383,904	347,337
Deferred tax liabilities, net	\$83,980	\$162,189

At December 31, 2016, we have unused federal general business tax credits of approximately \$8.8 million which may be carried forward or used until expiration beginning in 2035 and alternative minimum tax credits of \$7.1 million

which may be carried forward indefinitely. We have a federal income tax net operating loss of approximately \$621.8 million, which may be carried forward or used until expiration beginning in 2031. We also have state income tax net operating loss carryforwards of approximately

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\$708.9 million, which may be used to reduce future state income taxes. The state net operating loss carryforwards will expire in various years ranging from 2017 to 2035, if not fully utilized.

As a result of certain realization requirements of ASC 718, Compensation - Stock Compensation, the table of deferred tax assets and liabilities shown above does not include certain deferred tax assets that arose directly from (or the use of which was postponed by) tax deductions related to equity compensation that are greater than the compensation recognized for financial reporting. In March 2016, the FASB issued Update 2016-09 which simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences. Update 2016-09 requires excess tax benefits and deficiencies to be recorded in income tax expense instead of equity which we anticipate will cause volatility in our future effective tax rate. The Company will adopt this standard in the first quarter 2017. The cumulative effect of this change in accounting method will be recorded as an increase in retained earnings by approximately \$15.8 million.

Valuation Allowance on Deferred Tax Assets

Management assesses available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. In evaluating our ability to recover deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies and results of recent operations.

As part of our review in determining the need for a valuation allowance, we assess the potential release of existing valuation allowances. In performing our analysis in 2016, we determined that the positive evidence in favor of releasing the valuation allowance, particularly evidence that was objectively verifiable, outweighed the negative evidence. We utilize a rolling twelve quarters of pretax income adjusted for permanent book to tax differences as a measure of cumulative results in recent years. We transitioned from a cumulative loss position to a cumulative income position over the rolling twelve quarters during 2016. Other evidence considered in the analysis included, but was not limited to, a trend reflective of improvement in recent earnings, forecasts of profitability and taxable income and the reversal of existing temporary differences. The change in these conditions during 2016 provided positive evidence that supported the release of the valuation allowance against a significant portion of our deferred tax assets. As such, we concluded that it was more likely than not that the benefit from these deferred tax assets would be realized. As a result, during the year ended December 31, 2016, we released \$201.5 million of valuation allowance on our federal and state income tax net operating loss carryforwards and other deferred tax assets.

We have maintained a valuation allowance of \$28.4 million against certain federal and state deferred tax assets as of December 31, 2016 due to uncertainties related to our ability to realize the tax benefits associated with 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.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

Provision (Benefit) for Income Taxes

A summary of the provision (benefit) for income taxes is as follows:

(In thousands)	Year Ended December 31,		
	2016	2015	2014
Current			
Federal	\$—	\$—	\$442
State	1,242	2,052	(289)
Total current taxes provision (benefit)	1,242	2,052	153
Deferred			
Federal	(190,207)	(9,493)	(6,336)
State	(8,521)	807	775
Total deferred taxes provision (benefit)	(198,728)	(8,686)	(5,561)
Provision (benefit) for income taxes from continuing operations	\$(197,486)	\$(6,634)	\$(5,408)

Provision (benefit) for income taxes included on the consolidated statement of operations

Provision (benefit) for income taxes from continuing operations	\$(197,486)	\$(6,634)	\$(5,408)
Provision (benefit) for income taxes from discontinued operations	146,379	(540)	6,161
Provision (benefit) for income taxes from continuing and discontinued operations	\$(51,107)	\$(7,174)	\$753

Our tax benefit for the year ended December 31, 2016 resulted from the release of a valuation allowance on our federal and state net operating loss carryforwards and other deferred tax assets.

Our tax benefit for the year ended December 31, 2015 was favorably impacted by the partial release of the valuation allowance on our federal and state net operating losses, impairment charges to indefinite lived intangible assets which resulted in a reduction in our recognized deferred tax liability on these assets, federal and state audit settlements in connection with our IRS and New Jersey income tax examinations and, the realization of certain unrecognized tax benefits, inclusive of the reversal of related accrued interest.

Our tax provision for the year ended December 31, 2014 was adversely impacted by a valuation allowance on our federal and state income tax net operating losses and certain other deferred tax assets. The tax provision was favorably impacted by impairment charges to indefinite lived intangible assets which resulted in a reduction in our recognized deferred tax liability on these assets, tax adjustments related to the deconsolidation of Borgata and, as a result of statute expirations, the realization of certain unrecognized tax benefits, inclusive of the reversal of related accrued interest.

Additionally, the tax provision or benefit in 2015 and 2014 was adversely impacted by an accrual of non-cash tax expense in connection with the tax amortization of indefinite lived intangible assets that was not available to offset existing deferred tax assets. The deferred tax liabilities created by the tax amortization of these intangibles cannot be used to offset corresponding increases in the net operating loss deferred tax assets in determining our valuation allowance.

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The following table provides a reconciliation between the federal statutory rate and the effective income tax rate, expressed as a percentage of income from continuing operations before income taxes:

	Year Ended December 31,					
	2016		2015		2014	
Tax at federal statutory rate	35.0	%	35.0	%	35.0	%
Valuation allowance for deferred tax assets	(2,448.1)	%	200.9	%	(20.9)	%
State income taxes, net of federal benefit	(59.2)	)%	69.2	%	(0.9))%
Compensation-based credits	(21.7)	)%	(60.8)	)%	2.3	%
Company provided benefits	14.8	%	152.9	%	(3.0))%
Nondeductible expenses	10.3	%	19.0	%	(1.9))%
Tax exempt interest	(6.9)	)%	(13.8)	)%	1.0	%
Accrued interest on uncertain tax benefits	2.1	%	(139.7)	%	(2.0))%
Uncertain tax benefits	—	%	(421.6)	%	—	%
Other, net	1.5	%	(4.5)	)%	0.1	%
Effective tax rate	(2,472.2)	)%	(163.4)	%	9.7	%

Status of Examinations

In January 2015, we received Joint Committee on Taxation ("Joint Committee") approval of the 2005-2009 IRS appeals settlement reached in August 2013. We received a refund of \$2.4 million in connection with the appeals settlement. Additionally, in 2015, we received a final audit determination in connection with our New Jersey examination, effectively settling years 2003 through 2009. We received a refund of \$1.1 million as a result of the New Jersey examination.

We generated net operating losses on our federal income tax returns for years 2011 - 2013. These returns remain subject to federal examination until the statute of limitations expires for the year in which the net operating losses are utilized.

We are also currently under examination for various state income and franchise tax matters. As it relates to our material state returns, we are subject to examination for tax years ended on or after December 31, 2001, and the statute of limitations will expire over the period September 2017 through October 2020.

We believe that we have adequately reserved for any tax liability; however, the ultimate resolution of these examinations may result in an outcome that is different than our current expectation. We do not believe the ultimate resolution of these examinations will have a material impact on our consolidated financial statements.

Other Long-Term Tax Liabilities

The impact of an uncertain income tax position taken in our income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position is not recognized if it has less than a 50% likelihood of being sustained. Our liability for uncertain tax positions is recorded as other long-term tax liabilities in our consolidated balance sheets.

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

(In thousands)	Year Ended December 31,		
	2016	2015	2014
Unrecognized tax benefit, beginning of year	\$2,482	\$30,198	\$37,059
Additions:			
Tax positions related to current year	—	—	487
Reductions:			
Tax positions related to the Deconsolidation of Borgata	—	—	(6,221)
Lapse of applicable statute of limitations	—	—	(1,097)
Tax position related to prior years	—	(27,716)	(30)
Unrecognized tax benefits, end of year	\$2,482	\$2,482	\$30,198

Included in the \$2.5 million balance of unrecognized tax benefits at December 31, 2016, are \$1.6 million of federally tax effected benefits that, if recognized, would impact the effective tax rate. We recognize interest related to unrecognized tax benefits in our income tax provision. During the year ended December 31, 2016, we recognized interest and penalties of approximately \$0.1 million in our tax provision. During the years ended December 31, 2015 and 2014 we recognized interest related benefits, due to favorable settlements, of \$6.2 million and \$1.2 million, respectively, in our income tax provision. We have accrued \$0.8 million and \$0.7 million of interest and penalties as of December 31, 2016 and 2015, respectively, in our consolidated balance sheets.

During the first quarter of 2015, we received Joint Committee approval on our IRS appeals agreement, effectively settling our 2005 through 2009 examination. During the third quarter of 2015, we received a final audit determination in connection with our New Jersey examination, effectively settling years 2003 through 2009. As a result of the resolution of these audits, we reduced our unrecognized tax benefits by \$27.7 million, of which \$19.5 million impacted our effective tax rate. Due to the utilization of tax loss carryforwards in certain states, the statute of limitations remain open with respect to years in which the tax losses are utilized. When these years close, unrecognized tax benefits may be realized. We do not anticipate any material changes to our unrecognized tax benefits over the next twelve-month period.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Commitments

Capital Spending and Development

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

Kansas Management Contract

As part of the Kansas Management Contract approved by the Kansas Racing and gaming Commission on January 11, 2011, Kansas Star committed to donate \$1.5 million each year to support education in the local area in which Kansas Star operates for the duration of the Kansas Management Contract. We have made all distributions under this commitment as scheduled and such related expenses are recorded in Selling, general and administrative expenses on the consolidated statements of operations.

Mulvane Development Agreement

On March 7, 2011, Kansas Star entered into a Development Agreement with the City of Mulvane ("Mulvane Development Agreement") related to the provision of water, sewer, and electrical utilities to the Kansas Star site. This agreement sets forth certain parameters governing the use of public financing for the provision of such utilities, through the issuance of general obligation bonds by the City of Mulvane, paid for through the imposition of a special tax assessment on the Kansas Star site payable over 15 years in an amount equal to the City's full obligations under the general obligation bonds.

As of December 31, 2016, all infrastructure improvements to the Kansas Star site under the Mulvane Development Agreement are complete and the City of Mulvane issued \$19.7 million in general obligation bonds related to these infrastructure improvements.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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In connection with the acquisition of Peninsula Gaming, LLC ("PGL Merger"), the Company's obligation under this agreement was revalued to fair value as of the PGL Merger date. As of December 31, 2016 and 2015, under the Mulvane Development Agreement, Kansas Star recorded \$1.7 million at each date, which is included in accrued liabilities on the consolidated balance sheets and \$8.9 million, net of a \$4.0 million discount, and \$9.6 million, net of a \$4.6 million discount, respectively, which is recorded as a long-term obligation in other liabilities on the consolidated balance sheets. Interest costs are expensed as incurred and the discount will be amortized to interest expense over the term of the special tax assessment ending in 2028. Kansas Star's special tax assessment related to these bonds is approximately \$1.7 million annually. Payments under the special tax assessment are secured by irrevocable letters of credit of \$5.0 million issued by the Company in favor of the City of Mulvane, representing an amount equal to three times the annual special assessment tax imposed on Kansas Star.

Contingent Payments

In connection with securing the Kansas Management Contract, Kansas Star agreed to pay a former casino project promoter 1% of Kansas Star's earnings before interest expense, taxes, depreciation and amortization ("EBITDA") each month for a period of 10 years commencing December 20, 2011.

Minimum Assessment Agreement

In 2007, Diamond Jo Dubuque ("DJL") entered a Minimum Assessment Agreement with the City of Dubuque. Under the Minimum Assessment Agreement, DJL and the City agreed to a minimum taxable value related to the new casino of \$57.9 million. DJL agreed to pay property taxes to the City based on the actual taxable value of the casino, but not less than the minimum taxable value. Scheduled payments of principal and interest on the City Bonds will be funded through DJL's payment obligations under the Minimum Assessment Agreement. DJL is also obligated to pay any shortfall should property taxes be insufficient to fund the principal and interest payments on the City Bonds.

As a result of purchase accounting the Minimum Assessment Agreement obligation was revalued to fair value. Interest costs under the Minimum Assessment Agreement obligation are expensed as incurred. As of December 31, 2016 and 2015, the remaining obligation under the Minimum Assessment Agreement was \$1.9 million at each date, which was recorded in accrued liabilities on the consolidated balance sheets and \$14.1 million, net of a \$2.8 million discount, and \$14.4 million, net of a \$2.9 million discount, respectively, which was recorded as a long-term obligation in other liabilities on the consolidated balance sheets. The discount will be amortized to interest expense over the life of the Minimum Assessment Agreement. Total minimum payments by DJL under the Minimum Assessment Agreement are approximately \$1.9 million per year through 2036.

Public Parking Facility Agreement

DJL has an agreement with the City for use of the public parking facility adjacent to DJL's casino and owned and operated by the City (the "Parking Facility Agreement"). The Parking Facility Agreement calls for: (i) the payment by the Company for the reasonable and necessary actual operating costs incurred by the City for the operation, security, repair and maintenance of the public parking facility; and (ii) the payment by the Company to the City of \$65 per parking space in the public parking facility per year, subject to annual increases based on any increase in the Consumer Price Index, which funds will be deposited into a special sinking fund and used by the City for capital expenditures necessary to maintain the public parking facility. Operating costs of the parking facility incurred by DJL are expensed as incurred. Deposits to the sinking fund are recorded as other assets. When the sinking fund is used for capital improvements, such amounts are capitalized and amortized over their remaining useful life.

Iowa Qualified Sponsoring Organization Agreements

DJL and Diamond Jo Worth ("DJW") are required to pay their respective qualified sponsoring organization, who hold a joint gaming license with DJL and DJW, 4.50% and 5.76%, respectively, of the casino's adjusted gross receipts on an ongoing basis. DJL expensed \$3.0 million, during the years ended December 31, 2016 and 2015, respectively, and \$2.8 million, in the year ending 2014, related to its agreement. DJW expensed \$4.9 million, \$5.0 million, and \$4.8 million during the years ended December 31, 2016, 2015, and 2014, respectively, related to its agreement. The DJL agreement expires on December 31, 2018. The DJW agreement was amended during 2014 and expires on March 31, 2025, and is subject to automatic ten-year renewal periods.

Development Agreement

In September 2011, the Company acquired the membership interests of a limited liability company (the "LLC") for a purchase price of \$24.5 million. The primary asset of the LLC was a previously executed development agreement (the "Development Agreement") with Wilton Rancheria (the "Tribe"). The purchase price was allocated primarily to an intangible asset associated with the Company's rights under the agreement to assist the Tribe in the development and management of a gaming facility on the Tribe's land.

BOYD GAMING CORPORATION AND SUBSIDIARIES

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In July 2012, the Company and the Tribe amended and replaced the agreement with a new development agreement and a management agreement (the "Agreements"). The Agreements obligate us to fund certain pre-development costs, which are estimated to be approximately \$1 million to \$2 million annually, for the next several years and to assist the Tribe in its development and oversight of the gaming facility construction. Upon opening, we will manage the gaming facility. The pre-development costs funded by us are reimbursable to us with future cash flows from the operations of the gaming facility under terms of a note receivable from the Tribe.

In January 2017, the Company funded the acquisition of land that is the intended site of the Wilton Rancheria casino and, in February 2017, the land was placed into trust by the U.S. Bureau of Indian Affairs for the benefit of the Tribe. The cost of the land will be recorded as a receivable on our consolidated balance sheet, and we expect to be reimbursed for this cost when project financing is in place. Should the project be abandoned, ownership of the land would revert to the Company.

The Agreements provide that the Company will receive future revenue for its services to the Tribe contingent upon successful development of the gaming facility and based on future net revenues at the gaming facility. In addition to the need for land to be taken into trust, the Tribe must agree to a compact with the State of California, and receive approval of the management contract between the tribe and our Company, prior to proceeding. Development is in the preliminary stages and no time schedule has been established as to when the Tribe will be able to formalize plans and begin construction.

Future Minimum Lease Payments and Rental Income

Future minimum lease payments required under noncancelable operating leases, which are primarily related to land leases are as follows:

(In thousands)	Lease Obligations
For the year ending December 31,	
2017	\$ 45,970
2018	18,517
2019	16,326
2020	14,083
2021	13,665
Thereafter	322,243
Total	\$ 430,804

Rent expense included in selling, general and administrative expenses on the accompanying consolidated statements of operations for the years ended December 31, 2016, 2015 and 2014 was \$31.0 million, \$29.0 million, and \$29.4 million, respectively, and primarily relates to land leases and advertising-related expenses.

Future minimum rental income, which is primarily related to retail and restaurant facilities located within our properties are as follows:

(In thousands)	Minimum Rental Income
For the year ending December 31,	
2017	\$ 2,111

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2018	1,624
2019	1,061
2020	462
2021	358
Thereafter	576
Total	\$ 6,192

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

Contingencies

Legal Matters

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

NOTE 10. STOCKHOLDERS' EQUITY AND STOCK INCENTIVE PLANS

Share Repurchase Program

We have in the past, and may in the future, acquire our equity securities through open market purchases, privately negotiated transactions, tender offers, exchange offers, redemptions or otherwise, upon such terms and at such prices as we may determine from time to time. In July 2008, our Board of Directors authorized an amendment to an existing share repurchase program to increase the amount of common stock that can be repurchased to \$100 million, and \$92.1 million of this authorization remains available at December 31, 2016. We are not obligated to repurchase any shares under this program, and no shares were repurchased during the years ended December 31, 2016, 2015 or 2014.

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

Dividends

Dividends are declared at the discretion of our Board of Directors. We are subject to certain limitations regarding payment of dividends, such as restricted payment limitations related to our outstanding notes and our Credit Facility. No dividends were declared during the years ended December 31, 2016, 2015 or 2014.

Stock Incentive Plan

In May 2012, the Company's stockholders approved the 2012 Stock Incentive Plan (the "2012 Plan"), which amended and restated the Company's 2002 Stock Incentive Plan (the "2002 Plan") to (a) provide for a term ending ten years from the date of stockholder approval at the Annual Meeting, (b) increase the maximum number of shares of the Company's common stock authorized for issuance over the term of the 2012 Plan by 4 million shares from 17 million to 21 million shares, (c) permit the future grant of certain equity-based awards, including awards designed to constitute performance-based compensation under Section 162(m) of the Internal Revenue Code, and (d) make certain other changes. Under our 2012 Plan, approximately 2.9 million shares remain available for grant at December 31, 2016. The number of authorized but unissued shares of common stock under this 2012 Plan as of December 31, 2016 was approximately 9.0 million shares.

Grants made under the 2012 Plan include provisions that entitle the grantee to automatic vesting acceleration in the event of a grantee's separation from service (including as a result of retirement, death or disability), other than for cause (as defined), after reaching the defined age and years of service thresholds. These provisions result in the accelerated recognition of the stock compensation expense for those grants issued to employees who have met the stipulated thresholds.

Stock Options

Options granted under the 2012 Plan generally become exercisable ratably over a three-year period from the date of grant. Options that have been granted under the 2012 Plan had an exercise price equal to the market price of our common stock on the date of grant and will expire no later than ten years after the date of grant.

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Summarized stock option plan activity is as follows:

	Options	Weighted Average Option Price	Weighted Average Remaining Term (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at January 1, 2014	9,143,910	\$ 26.62		
Granted	244,351	11.57		
Canceled	(1,656,359)	34.79		
Exercised	(562,234)	7.39		
Outstanding at December 31, 2014	7,169,668	25.73		
Granted	200,673	19.98		
Canceled	(1,463,497)	39.82		
Exercised	(1,301,789)	7.53		
Outstanding at December 31, 2015	4,605,055	26.14		
Granted	216,509	17.50		
Canceled	(1,260,750)	38.63		
Exercised	(452,898)	6.49		
Outstanding at December 31, 2016	3,107,916	\$ 23.36	3.9	\$ 15,739
Exercisable at December 31, 2015	4,085,555	\$ 27.65	3.1	\$ 18,145
Exercisable at December 31, 2016	2,696,315	\$ 24.27	3.1	\$ 14,587

Share-based compensation costs related to stock option awards are calculated based on the fair value of each option grant on the date of the grant using the Black-Scholes option pricing model.

The following table summarizes the information about stock options outstanding and exercisable at December 31, 2016:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number	Weighted-Average Contractual Life (Years)	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price	
\$5.22-\$7.55	411,659	4.2	\$ 6.74	411,659	\$ 6.74	
8.34	310,546	3.8	8.34	310,546	8.34	
9.86	375,678	6.6	9.86	375,678	9.86	
11.57	244,351	7.2	11.57	174,061	11.57	
17.75	216,509	9.9	17.75	—	—	
19.98	200,673	8.4	19.98	75,871	19.98	
33.31	25,000	1.0	33.31	25,000	33.31	
38.11	380,000	0.9	38.11	380,000	38.11	
39.78	943,500	0.8	39.78	943,500	39.78	
\$5.22-\$39.78	3,107,916	3.9	\$ 23.36	2,696,315	\$ 24.27	

The total intrinsic value of in-the-money options exercised during the years ended December 31, 2016, 2015 and 2014 was \$5.9 million, \$11.1 million, and \$2.5 million, respectively. The total fair value of options vested during the years ended December 31, 2016, 2015 and 2014 was approximately \$2.0 million, \$1.9 million, and \$2.3 million,

respectively. As of December 31, 2016, there

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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was approximately \$1.4 million of total unrecognized share-based compensation costs related to unvested stock options, which is expected to be recognized over approximately 0.9 years, the weighted-average remaining requisite service period.

Restricted Stock Units

Our 2012 Plan provides for the grant of Restricted Stock Units ("RSUs"). An RSU is an award that may be earned in whole, or in part, upon the passage of time, and that may be settled for cash, shares, other securities or a combination thereof. The RSUs do not contain voting rights and are not entitled to dividends. The RSUs are subject to the terms and conditions contained in the applicable award agreement and the 2012 Plan. Share-based compensation costs related to RSU awards are calculated based on the market price on the date of the grant.

We annually award RSUs to certain members of our Board of Directors. Each RSU is to be paid in shares of common stock upon the member's cessation of service to the Company. These RSUs were issued for past service; therefore, they are expensed on the date of issuance.

We also grant RSUs to members of management of the Company, which represents a contingent right to receive one share of our common stock upon vesting. An RSU generally vests on the third anniversary of its issuance and the share-based compensation expense is amortized to expense over the requisite service period.

Summarized RSU activity is as follows:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2014	2,755,799	
Granted	696,249	\$11.63
Canceled	(201,660)	
Awarded	(715,892)	
Outstanding at December 31, 2014	2,534,496	
Granted	541,016	\$19.05
Canceled	(40,800)	
Awarded	(713,886)	
Outstanding at December 31, 2015	2,320,826	
Granted	542,220	\$18.06
Canceled	(30,400)	
Awarded	(871,528)	
Outstanding at December 31, 2016	1,961,118	

As of December 31, 2016, there was approximately \$7.9 million of total unrecognized share-based compensation costs related to unvested RSUs, which is expected to be recognized over approximately 2.3 years.

Performance Stock Units

Our 2012 Plan provides for the grant of Performance Stock Units ("PSUs"). A PSU is an award which may be earned in whole, or in part, upon the passage of time, and the attainment of performance criteria, and which may be settled for cash, shares, other securities or a combination thereof. The PSUs do not contain voting rights and are not entitled to dividends. The PSUs are subject to the terms and conditions contained in the applicable award agreement and our 2012 Plan.

Each PSU represents a contingent right to receive a share of Boyd Gaming Corporation common stock; however, the actual number of common shares awarded is dependent upon the occurrence of: (i) a requisite service period; and (ii) an evaluation of specific performance conditions. The performance conditions are based on Company metrics for net revenue growth, EBITDA growth and customer service scores, all of which are determined on a comprehensive annual three-year growth rate. Based upon actual and combined achievement, the number of shares awarded could range from zero, if no conditions are met, a 50% payout if only threshold performance is achieved, a payout of 100% for target performance, or a payout of up to 200% of the original award for achievement of maximum performance. Each condition weighs equally and separately in determining the payout, and based upon

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management's estimates at the service inception date, the Company is expected to meet the target for each performance condition. Therefore, the related compensation cost of these PSUs assumes all units granted will be awarded. Share-based compensation costs related to PSU awards are calculated based on the market price on the date of the grant.

These PSUs will vest three years from the service inception date, during which time achievement of the related performance conditions is periodically evaluated, and the number of shares expected to be awarded, and resulting compensation expense, is adjusted accordingly.

Performance Shares Vesting

The PSU grant awarded in December 2012 vested during first quarter 2016. A total of 213,365 common shares, representing approximately 0.59 shares per PSU, were issued based on the determination by the Compensation Committee of the Board of Directors of our actual achievement of net revenue growth, EBITDA growth and customer service scores for the three-year performance period of the grant. The actual achievement level under these award metrics equaled the estimated performance as of year-end 2015; therefore, the vesting of the PSUs did not impact compensation costs in our 2016 consolidated statement of operations.

The PSU grant awarded in December 2011 vested during first quarter 2015. A total of 654,478 common shares, representing approximately 1.67 shares per PSU, were issued based on the determination by the Compensation Committee of the Board of Directors of our actual achievement of net revenue growth, EBITDA growth and customer service scores for the three-year performance period of the grant. The actual achievement level under these award metrics equaled the estimated performance as of year-end 2014; therefore, the vesting of the PSUs did not impact compensation costs in our 2015 consolidated statement of operations.

As provided under the provisions of our Stock Incentive Plan, certain of the participants elected to surrender a portion of the shares to be received to pay the withholding and other payroll taxes payable on the compensation resulting from the vesting of the PSUs. Of the 213,365 shares issued, a total of 54,338 shares were surrendered by the participants for this purpose, resulting in a net issuance of 159,027 shares due to the vesting of the 2012 grant.

Summarized PSU activity is as follows:

	Performance Stock Units	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2014	821,633	
Granted	694,294	\$11.01
Canceled	(104,287)	
Awarded	—	
Outstanding at December 31, 2014	1,411,640	
Granted	240,156	\$16.75
Performance Adjustment	264,306	
Canceled	(2,677)	
Awarded	(663,945)	
Outstanding at December 31, 2015	1,249,480	
Granted	241,235	\$17.75
Performance Adjustment	(148,272)	
Canceled	—	
Awarded	(213,365)	

Outstanding at December 31, 2016 1,129,078

The Company approved the issuance of approximately 380,000 PSUs to participating employees during fourth quarter 2013. The performance criteria for these PSUs were set subsequent to year-end 2013, so these PSUs were not considered granted for accounting purposes as of December 31, 2013, and are included in the shares granted during 2014 in the table above. As of December 31, 2016, there was approximately \$2.2 million of total unrecognized share-based compensation costs related to unvested PSUs, which

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is expected to be recognized over approximately 1.6 years. Based on the current estimates of performance compared to the targets set for the respective PSU grants, the Company estimates that approximately 1.1 million shares will be issued to settle the PSUs outstanding at December 31, 2016.

Career Shares

Our Career Shares Program is a stock incentive award program for certain executive officers to provide for additional capital accumulation opportunities for retirement. The program incentivizes and rewards executives for their period of service. Our Career Shares Program was adopted in December 2006, and modified in October 2010, as part of the overall update of our compensation programs. The Career Shares Program rewards eligible executives with annual grants of Boyd Gaming Corporation stock units, to be paid out at retirement. The payout at retirement is dependent upon the executive's age at such retirement and the number of years of service with the Company. Executives must be at least 55 years old and have at least 10 years of service to receive any payout at retirement. Career Shares do not contain voting rights and are not entitled to dividends. Career Shares are subject to the terms and conditions contained in the applicable award agreement and our 2012 Plan. The Career Share awards are tranching by specific term, in the following periods: 10 years, 15 years and 20 years of service. These grants vest over the remaining period of service required to fulfill the requisite years in each of these tranches, and compensation expense is recorded in accordance with the specific vesting provisions. Share-based compensation costs related to Career Shares awards are calculated based on the market price on the date of the grant.

Summarized Career Shares activity is as follows:

	Career Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2014	894,307	
Granted	122,015	\$11.31
Canceled	(85,765)	
Awarded	(33,972)	
Outstanding at December 31, 2014	896,585	
Granted	103,018	\$12.51
Canceled	—	
Awarded	(31,028)	
Outstanding at December 31, 2015	968,575	
Granted	73,064	\$19.01
Canceled	—	
Awarded	—	
Outstanding at December 31, 2016	1,041,639	

As of December 31, 2016, there was approximately \$1.2 million of total unrecognized share-based compensation costs related to unvested Career Shares.

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 CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

The following table summarizes our share-based compensation costs by award type:

	Year Ended December 31,		
(In thousands)	2016	2015	2014
Stock Options	\$1,974	\$2,821	\$2,733
Restricted Stock Units	8,883	9,909	8,010
Performance Stock Units	3,353	5,135	6,537
Career Shares	1,308	1,399	1,196
Total share-based compensation costs	\$15,518	\$19,264	\$18,476

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

	Year Ended December 31,		
(In thousands)	2016	2015	2014
Gaming	\$428	\$393	\$387
Food and beverage	82	75	74
Room	39	36	35
Selling, general and administrative	2,176	1,996	1,965
Corporate expense	12,793	16,764	16,207
Other operating items, net	—	—	(192)
Total share-based compensation expense	\$15,518	\$19,264	\$18,476

NOTE 11. NONCONTROLLING INTEREST

Noncontrolling interest primarily represents, until the deconsolidation of Borgata on September 30, 2014, the 50% interest in Holding Company held by the Divestiture Trust for the economic benefit of MGM, which was initially recorded at fair value at the March 24, 2010 date of the effective change in control.

Changes in the noncontrolling interest are as follows:

(In thousands)	Holding Company	Other	Total
Beginning balance, January 1, 2014	\$180,430	\$ 20	\$180,450
Capital contributions	—	30	30
Attributable net loss	11,403	—	11,403
Comprehensive income	—	—	—
Deconsolidation of Borgata on September 30, 2014	(191,833)	—	(191,833)
Balance, December 31, 2014	—	50	50
Capital contributions	—	—	—
Attributable net income	—	—	—
Comprehensive income	—	—	—
Balance, December 31, 2015	—	50	50
Capital contributions	—	—	—
Attributable net income	—	—	—
Comprehensive income	—	—	—
Balance, December 31, 2016	\$—	\$ 50	\$50

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

NOTE 12. FAIR VALUE MEASUREMENTS

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

These inputs create the following fair value hierarchy:

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

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

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

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

Balances Measured at Fair Value

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

December 31, 2016

(In thousands)	Balance	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	\$ 193,862	\$ 193,862	\$ —	\$ —
Restricted cash	16,488	16,488	—	—
Investment available for sale	17,259	—	—	17,259

Liabilities

Contingent payments	\$ 3,038	\$ —	\$ —	\$ —3,038
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December 31, 2015

(In thousands)	Balance	Level 1	Level 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
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Cash and Restricted Cash

The fair value of our cash and cash equivalents, classified in the fair value hierarchy as Level 1, is based on statements received from our banks at December 31, 2016 and 2015.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

Investment Available for Sale

We have an investment in a single municipal bond issuance of \$21.0 million aggregate principal amount of 7.5% Urban Renewal Tax Increment Revenue Bonds, Taxable Series 2007 that is classified as available for sale. We are the only holder of this instrument and there is no quoted market price for this instrument. As such, the fair value of this investment is classified as Level 3 in the fair value hierarchy. The estimate of the fair value of such investment was determined using a combination of current market rates and estimates of market conditions for instruments with similar terms, maturities, and degrees of risk and a discounted cash flows analysis as of December 31, 2016 and 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 (loss) in the stockholders' equity section of the consolidated balance sheets. At both December 31, 2016 and 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 December 31, 2016 and 2015, \$16.8 million and \$17.4 million, respectively, is included in investment on the consolidated balance sheets. The discount associated with this investment of \$3.1 million and \$3.2 million as of December 31, 2016 and 2015, respectively, is netted with the investment balance and is being accreted over the life of the investment using the effective interest method. The accretion of such discount is included in interest income on the consolidated statements of operations.

Contingent Payments

In connection with securing the Kansas Management Contract, Kansas Star agreed to pay a former casino project promoter 1% of Kansas Star's EBITDA each month for a period of ten years commencing December 20, 2011. The liability was initially recorded upon consummation of the PGL Merger, at the estimated fair value of the contingent land purchase price using a discounted cash flows approach. At both December 31, 2016 and December 31, 2015, there was a current liability of \$0.9 million related to this agreement, which was recorded in accrued liabilities on the respective consolidated balance sheets, and long-term obligations of \$2.2 million and \$2.7 million, respectively, which were included in other liabilities on the respective consolidated balance sheets.

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

	December 31, 2016	
	Assets	Liabilities
	Investment	
(In thousands)	Available for Sale	Contingent Payments
Balance at January 1, 2016	\$17,839	\$ (3,632)
Total gains (losses) (realized or unrealized):		
Included in interest income (expense)	130	(600)
Included in other comprehensive income (loss)	(299)	—
Included in other items, net	—	346
Purchases, sales, issuances and settlements:		
Settlements	(411)	848
Balance at December 31, 2016	\$17,259	\$ (3,038)
	December 31, 2015	
	Assets	Liabilities
(In thousands)	Investment Available for Sale	Contingent Payments
Balance at January 1, 2015	\$17,839	\$ (3,632)
Total gains (losses) (realized or unrealized):		
Included in interest income (expense)	130	(600)
Included in other comprehensive income (loss)	(299)	—
Included in other items, net	—	346
Purchases, sales, issuances and settlements:		
Settlements	(411)	848
Balance at December 31, 2015	\$17,259	\$ (3,038)

	Sale		
Balance at January 1, 2015	\$18,357	\$(75)	\$(3,792)
Total gains (losses) (realized or unrealized):			
Included in interest income (expense)	125	75	(627)
Included in other comprehensive income (loss)	(263)	—	—
Included in other items, net	—	—	(96)
Purchases, sales, issuances and settlements:			
Settlements	(380)	—	883
Balance at December 31, 2015	\$17,839	\$—	\$(3,632)

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

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

	Valuation Technique	Unobservable Input	Rate
Investment available for sale	Discounted cash flow	Discount rate	10.3 %

The fair value of intangible assets, classified in the fair value hierarchy as Level 3, is utilized in performing its impairment analyses (see Note 4, Intangible Assets).

Balances Disclosed at Fair Value

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

(In thousands)	December 31, 2016			Fair Value Hierarchy
	Outstanding	Carrying	Estimated	
	Face Amount	Value	Fair Value	
Liabilities				
Obligation under assessment arrangements	\$33,456	\$26,660	\$27,054	Level 3
Other financial instruments	100	97	97	Level 3

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

The following table provides the fair value measurement information about our long-term debt:

(In thousands)	December 31, 2016			Fair Value Hierarchy
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	
Credit Facility	\$1,782,538	\$1,752,147	\$1,791,853	Level 2
6.875% Senior Notes due 2023	750,000	738,791	806,250	Level 1
6.375% Senior Notes due 2026	750,000	737,926	804,375	Level 1
Other	591	591	591	Level 3
Total debt	\$3,283,129	\$3,229,455	\$3,403,069	

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

(In thousands)	December 31, 2015			Fair Value Hierarchy
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	
Boyd Gaming Debt:				
Credit Facility	\$1,209,725	\$1,197,277	\$1,202,870	Level 2
9.125% Senior Notes due 2018	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	
Peninsula Gaming Debt:				
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	
Total debt	\$3,322,475	\$3,269,549	\$3,366,251	

The estimated fair value of the Credit Facility is based on a relative value analysis performed on or about December 31, 2016 and December 31, 2015. The estimated fair value of the Peninsula Credit Facility is based on a relative value analysis performed on or about December 31, 2015. The estimated fair values of our senior notes are based on quoted market prices as of December 31, 2016 and December 31, 2015. The other debt is a fixed-rate debt that is payable in 32 semi-annual installments, beginning in 2008. It is not traded and does not have an observable market input; therefore, we have estimated its fair value to be equal to the carrying value.

There were no transfers between Level 1, Level 2 and Level 3 measurements during the years ended December 31, 2016 and 2015.

NOTE 13. EMPLOYEE BENEFIT PLANS

We contribute to multiemployer pension defined benefit plans under terms of collective-bargaining agreements that cover our union-represented employees. Contributions, based on wages paid to covered employees, totaled approximately \$1.5 million, \$1.4 million and \$1.4 million for the years ended December 31, 2016, 2015 and 2014, respectively. These aggregate contributions were not individually significant to any of the respective plans. Our share of the unfunded vested liability related to multi-employer plans, if any, is not determinable and our participation is not individually significant on an individual multiemployer plan basis.

We have retirement savings plans under Section 401(k) of the Internal Revenue Code covering our non-union employees. The plans allow employees to defer up to the lesser of the Internal Revenue Code prescribed maximum amount or 100% of their income on a pre-tax basis through contributions to the plans. We expensed our voluntary contributions to the 401(k) profit-sharing plans and trusts of \$3.9 million, \$3.3 million and \$4.1 million for the years ended December 31, 2016, 2015 and 2014, respectively.

NOTE 14. SEGMENT INFORMATION

We have aggregated certain of our properties in order to present three Reportable Segments: (i) Las Vegas Locals; (ii) Downtown Las Vegas; and (iii) Midwest and South. The table in Note 1, Summary of Significant Accounting Policies, lists the classification of each of our properties.

Results of Operations - Total Reportable Segment Net Revenues and Adjusted EBITDA

We evaluate each of our wholly owned property's profitability based upon Property EBITDA, which represents each property's earnings before interest expense, income taxes, depreciation and amortization, project development, preopening and writedown expenses, other operating charges, net, share-based compensation expense, deferred rent, change in value of derivative instruments, and gain/loss on early retirements of debt, as applicable. Total Reportable Segment Adjusted EBITDA is the aggregate sum of the Property EBITDA for each of the properties included in our Las Vegas Locals, Downtown Las Vegas and Midwest and South. Results for Downtown Las Vegas include the results of our Hawaii-based travel agency and captive insurance company.

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. 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 CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

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

(In thousands)	Year Ended December 31,		
	2016	2015	2014
Net Revenues			
Las Vegas Locals	\$647,867	\$610,107	\$592,652
Downtown Las Vegas	236,385	234,191	224,275
Midwest and South	1,299,724	1,355,134	1,325,328
Total Reportable Segment Net Revenues	\$2,183,976	\$2,199,432	\$2,142,255
Adjusted EBITDA			
Las Vegas Locals	\$176,420	\$157,312	\$144,397
Downtown Las Vegas	52,420	49,314	37,309
Midwest and South	367,365	380,942	345,058
Total Reportable Segment Adjusted EBITDA	596,205	587,568	526,764
Corporate expense	(59,875)	) (60,177	) (59,420)
Adjusted EBITDA	536,330	527,391	467,344
Other operating costs and expenses			
Deferred rent	3,266	3,428	3,616
Depreciation and amortization	196,226	207,118	208,915
Project development, preopening and writedowns	22,107	6,907	13,747
Share-based compensation expense	15,518	19,264	18,666
Impairments of assets	38,302	18,565	48,681
Other operating charges, net	284	907	(13)
Total other operating costs and expenses	275,703	256,189	293,612
Operating income	\$260,627	\$271,202	\$173,732

Total Assets

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

(In thousands)	December 31,	
	2016	2015
Assets		
Las Vegas Locals	\$1,785,858	\$1,155,224
Downtown Las Vegas	157,319	138,159
Midwest and South	2,556,307	2,634,742
Total Reportable Segment assets	4,499,484	3,928,125
Corporate	171,267	422,775
Total assets	\$4,670,751	\$4,350,900

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

Capital Expenditures

The Company's capital expenditures by Reportable Segment, consisted of the following:

(In thousands)	Year Ended December 31,		
	2016	2015	2014
Capital Expenditures:			
Las Vegas Locals	\$42,069	\$41,772	\$31,653
Downtown Las Vegas	28,431	13,000	9,917
Midwest and South	73,255	60,887	89,029
Total Reportable Segment Capital Expenditures	143,755	115,659	130,599
Corporate	16,672	12,646	(8,786)
Total Capital Expenditures	160,427	128,305	121,813
Change in Accrued Property Additions	(69)	2,865	15,938
Cash-Based Capital Expenditures	\$160,358	\$131,170	\$137,751

The Company utilizes the Corporate entities to centralize the development of major renovation and other capital development projects that are included as construction in progress. After the project is complete, the corporate entities transfer the projects to the segment subsidiaries.

NOTE 15. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table presents selected quarterly financial information:

(In thousands, except per share data)	Year Ended December 31, 2016				
	First	Second	Third	Fourth	Year
Summary Operating Results:					
Net revenues	\$552,378	\$544,874	\$531,901	\$554,823	\$2,183,976
Operating income	82,250	80,490	67,916	29,971	260,627
Income from continuing operations, net of tax	\$21,560	\$11,307	\$161,864	\$10,742	\$205,473
Income from discontinued operations, net of tax	11,630	18,715	180,707	1,478	212,530
Net income attributable to Boyd Gaming Corporation	\$33,190	\$30,022	\$342,571	\$12,220	\$418,003
Basic net income per common share:					
Continuing operations	\$0.19	\$0.10	\$1.41	\$0.10	\$1.79
Discontinued operations	0.10	0.16	1.58	0.01	1.86
Basic net income per common share	\$0.29	\$0.26	\$2.99	\$0.11	\$3.65
Diluted net income per common share:					
Continuing operations	\$0.19	\$0.10	\$1.40	\$0.10	\$1.78
Discontinued operations	0.10	0.16	1.57	0.01	1.85
Diluted net income per common share	\$0.29	\$0.26	\$2.97	\$0.11	\$3.63

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

(In thousands, except per share data)	Year Ended December 31, 2015				
	First	Second	Third	Fourth	Year
Summary Operating Results:					
Net revenues	\$550,578	\$559,867	\$546,313	\$542,674	\$2,199,432
Operating income	71,883	83,094	69,423	46,802	271,202
Income (loss) from continuing operations, net of tax	\$30,504	\$(12,390)	\$7,015	\$(14,434)	\$10,695
Income from discontinued operations, net of tax	4,599	5,965	18,410	7,565	36,539
Net income (loss) attributable to Boyd Gaming Corporation	\$35,103	\$(6,425)	\$25,425	\$(6,869)	\$47,234
Basic net income (loss) per common share:					
Continuing operations	\$0.27	\$(0.11)	\$0.06	\$(0.13)	\$0.10
Discontinued operations	0.04	0.05	0.17	0.07	0.32
Basic net income (loss) per common share	\$0.31	\$(0.06)	\$0.23	\$(0.06)	\$0.42
Diluted net income (loss) per common share:					
Continuing operations	\$0.27	\$(0.11)	\$0.06	\$(0.13)	\$0.10
Discontinued operations	0.04	0.05	0.16	0.07	0.32
Diluted net income (loss) per common share	\$0.31	\$(0.06)	\$0.22	\$(0.06)	\$0.42

NOTE 16. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Separate condensed consolidating financial information for our subsidiary guarantors and non-guarantors of our 6.875% Senior Notes and our 6.375% Notes is presented below. Each of these notes is 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 our Aliante, Cannery and Eastside Cannery properties, special purpose entities, tax holding companies, our less significant operating subsidiaries and our less than wholly owned subsidiaries.

The tables below present the condensed consolidating balance sheets as of December 31, 2016, and 2015, the condensed consolidating statements of operations for the years ended December 31, 2016, 2015 and 2014 and the condensed consolidating statements of cash flows for the years ended December 31, 2016, 2015 and 2014.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

Condensed Consolidating Balance Sheets

(In thousands)	December 31, 2016			Non-Guarantor Subsidiaries		Eliminations	Consolidated
	Parent	Guarantor Subsidiaries	(100% Owned)	(Not 100% Owned)	(Not 100% Owned)		
Assets							
Cash and cash equivalents	\$ 1,212	\$ 168,898	\$ 23,752	\$ —	\$ —		\$ 193,862
Other current assets	78,915	9,644	25,979	—	(453)	)	114,085
Property and equipment, net	73,180	2,096,764	435,225	—	—		2,605,169
Investments in subsidiaries	4,505,897	139,465	—	—	(4,645,362))	—
Intercompany receivable	—	1,464,361	—	—	(1,464,361))	—
Other assets, net	13,598	27,551	8,056	—	—		49,205
Intangible assets, net	—	825,667	56,287	—	—		881,954
Goodwill, net	—	672,067	154,409	—	—		826,476
Total assets	\$ 4,672,802	\$ 5,404,417	\$ 703,708	\$ —	\$ (6,110,176)		\$ 4,670,751
Liabilities and Stockholders' Equity							
Current maturities of long-term debt	\$ 30,250	\$ —	\$ 86	\$ —	\$ —		\$ 30,336
Other current liabilities	93,762	179,624	63,211	—	(1,429)	)	335,168
Accumulated losses of subsidiaries in excess of investment	—	—	8,257	—	(8,257))	—
Intercompany payable	521,002	—	942,155	254	(1,463,411))	—
Long-term debt, net of current maturities and debt issuance costs	3,198,613	—	506	—	—		3,199,119
Other long-term liabilities	(104,901)	) 298,624	(21,721)	) —	—		172,002
Boyd Gaming Corporation stockholders' equity (deficit)	934,076	4,926,169	(288,786)	) (254)	) (4,637,129)	)	934,076
Noncontrolling interest	—	—	—	—	50		50
Total stockholders' equity (deficit)	934,076	4,926,169	(288,786)	) (254)	) (4,637,079)	)	934,126
Total liabilities and stockholders' equity	\$ 4,672,802	\$ 5,404,417	\$ 703,708	\$ —	\$ (6,110,176)		\$ 4,670,751

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

Condensed Consolidating Balance Sheets - continued

	December 31, 2015			Non- Guarantor Subsidiaries	Non- Guarantor Subsidiaries		
		Guarantor	(100%	(Not			
(In thousands)	Parent	Subsidiaries	Owned)	100%	Owned)	Eliminations	Consolidated
Assets							
Cash and cash equivalents	\$2	\$ 156,116	\$ 2,482	\$ 221	\$—		\$ 158,821
Other current assets	14,602	73,902	10,415	—	(508	)	98,411
Property and equipment, net	68,515	2,120,455	36,372	—	—		2,225,342
Investments in subsidiaries	3,547,690	—	—	—	(3,547,690)	—
Intercompany receivable	—	1,702,317	—	—	(1,702,317)	—
Other assets, net	12,521	17,527	18,293	—	—		48,341
Intangible assets, net	—	865,995	24,059	—	—		890,054
Goodwill, net	—	684,529	781	—	—		685,310
Investment in unconsolidated subsidiary held for sale	—	244,621	—	—	—		244,621
Total assets	\$3,643,330	\$ 5,865,462	\$ 92,402	\$ 221	\$(5,250,515)		\$ 4,350,900
Liabilities and Stockholders' Equity							
Current maturities of long-term debt	\$21,500	\$ 8,250	\$ —	\$ —	\$—		\$ 29,750
Other current liabilities	102,946	198,590	24,071	—	(286	)	325,321
Accumulated losses of subsidiaries in excess of investment	—	4,507	302	—	(4,809)	—
Intercompany payable	720,400	—	981,688	475	(1,702,563)	—
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	213,296	—	—	—		248,019
Boyd Gaming Corporation stockholders' equity (deficit)	507,961	4,456,820	(913,659	) (254	) (3,542,907	)	507,961
Noncontrolling interest	—	—	—	—	50		50
Total stockholders' equity (deficit)	507,961	4,456,820	(913,659	) (254	) (3,542,857	)	508,011
Total liabilities and stockholders' equity	\$3,643,330	\$ 5,865,462	\$ 92,402	\$ 221	\$(5,250,515)		\$ 4,350,900

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

Condensed Consolidating Statements of Operations

	Year Ended December 31, 2016					Consolidated
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	
(In thousands)						
Net revenues	\$121,939	\$2,127,064	\$78,308	\$—	—\$(143,335)	\$2,183,976
Operating costs and expenses						
Operating	1,200	1,112,717	57,816	—	—	1,171,733
Selling, general and administrative	49,938	260,014	12,055	—	2	322,009
Maintenance and utilities	—	98,741	1,279	—	—	100,020
Depreciation and amortization	8,767	180,463	6,996	—	—	196,226
Corporate expense	66,703	1,738	4,227	—	—	72,668
Project development, preopening and writedowns	18,079	(3,297)	7,325	—	—	22,107
Impairments of assets	1,440	36,862	—	—	—	38,302
Other operating items, net	181	103	—	—	—	284
Intercompany expenses	1,205	140,671	1,461	—	(143,337)	—
Total operating costs and expenses	147,513	1,828,012	91,159	—	(143,335)	1,923,349
Equity in earnings of subsidiaries	442,902	(2,039)	—	—	(440,863)	—
Operating income (loss)	417,328	297,013	(12,851)	—	(440,863)	260,627
Other expense (income)						
Interest expense, net	157,923	51,773	35	—	—	209,731
Loss on early extinguishments and modifications of debt	28,356	14,008	—	—	—	42,364
Other, net	1	617	(73)	—	—	545
Total other expense, net	186,280	66,398	(38)	—	—	252,640
Income (loss) from continuing operations before income taxes	231,048	230,615	(12,813)	—	(440,863)	7,987
Income taxes benefit	186,955	10,405	126	—	—	197,486
Income (loss) from continuing operations, net of tax	418,003	241,020	(12,687)	—	(440,863)	205,473
Income (loss) from discontinued operations, net of tax	—	212,530	—	—	—	212,530
Net income (loss)	\$418,003	\$453,550	\$(12,687)	\$—	—\$(440,863)	\$418,003
Comprehensive income (loss)	\$417,704	\$453,251	\$(12,687)	\$—	—\$(440,564)	\$417,704

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

Condensed Consolidating Statements of Operations - continued

	Year Ended December 31, 2015					Consolidated
	Parent	Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	
(In thousands)						
Net revenues	\$ 121,541	\$ 2,173,147	\$ 48,353	\$ —	\$ (143,609)	\$ 2,199,432
Operating costs and expenses						
Operating	1,800	1,145,181	43,843	—	—	1,190,824
Selling, general and administrative	48,173	267,661	6,604	—	(18)	322,420
Maintenance and utilities	—	103,086	1,462	—	—	104,548
Depreciation and amortization	6,179	196,865	4,074	—	—	207,118
Corporate expense	71,700	1,781	3,460	—	—	76,941
Project development, preopening and writedowns	884	2,351	3,596	76	—	6,907
Impairments of assets	—	17,500	1,065	—	—	18,565
Other operating items, net	599	308	—	—	—	907
Intercompany expenses	1,204	140,971	1,416	—	(143,591)	—
Total operating costs and expenses	130,539	1,875,704	65,520	76	(143,609)	1,928,230
Equity in earnings of subsidiaries	190,570	(2,204)	(76)	—	(188,290)	—
Operating income (loss)	181,572	295,239	(17,243)	(76)	(188,290)	271,202
Other expense (income)						
Interest expense, net	125,890	96,818	24	—	—	222,732
Loss on early extinguishments of debt	30,829	9,904	—	—	—	40,733
Other, net	396	2,959	321	—	—	3,676
Total other expense, net	157,115	109,681	345	—	—	267,141
Income (loss) from continuing operations before income taxes	24,457	185,558	(17,588)	(76)	(188,290)	4,061
Income taxes benefit (provision)	22,777	(16,089)	(54)	—	—	6,634
Income (loss) from continuing operations, net of tax	47,234	169,469	(17,642)	(76)	(188,290)	10,695
Income from discontinued operations, net of tax	—	36,539	—	—	—	36,539
Net income (loss)	\$ 47,234	\$ 206,008	\$ (17,642)	\$ (76)	\$ (188,290)	\$ 47,234
Comprehensive income (loss)	\$ 46,971	\$ 205,745	\$ (17,642)	\$ (76)	\$ (188,027)	\$ 46,971

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

Consolidating Statements of Operations - continued

(In thousands)	Year Ended December 31, 2014				Eliminations	Consolidated
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)		
Net revenues	\$117,159	\$2,114,021	\$48,687	\$—	\$(137,612)	\$2,142,255
Operating costs and expenses						
Operating	1,800	1,134,312	48,330	—	—	1,184,442
Selling, general and administrative	46,708	273,924	7,187	—	(220)	327,599
Maintenance and utilities	—	108,002	1,523	1	—	109,526
Depreciation and amortization	5,667	200,356	2,892	—	—	208,915
Corporate expense	71,951	1,849	1,826	—	—	75,626
Project development, preopening and writedowns	105	8,894	4,586	162	—	13,747
Impairments of assets	320	41,090	7,271	—	—	48,681
Other operating items, net	164	(177)	—	—	—	(13)
Intercompany expenses	1,204	134,710	1,478	—	(137,392)	—
Total operating costs and expenses	127,919	1,902,960	75,093	163	(137,612)	1,968,523
Equity in earnings of subsidiaries	85,268	(2,764)	(162)	—	(82,342)	—
Operating income (loss)	74,508	208,297	(26,568)	(163)	(82,342)	173,732
Other expense (income)						
Interest expense, net	132,204	95,953	24	—	—	228,181
Loss on early extinguishments of debt	—	1,536	—	—	—	1,536
Other, net	(793)	(683)	1,524	—	—	48
Total other expense, net	131,411	96,806	1,548	—	—	229,765
Income (loss) from continuing operations before income taxes	(56,903)	111,491	(28,116)	(163)	(82,342)	(56,033)
Income taxes benefit (provision)	3,862	1,644	(98)	—	—	5,408
Income (loss) from continuing operations, net of tax	(53,041)	113,135	(28,214)	(163)	(82,342)	(50,625)
Income (loss) from discontinued operations, net of tax	—	(13,819)	—	22,806	—	8,987
Income from discontinued operations attributable to noncontrolling interest, net of tax	—	—	—	—	(11,403)	(11,403)
Net income (loss) attributable to controlling interest	\$(53,041)	\$99,316	\$(28,214)	\$22,643	\$(93,745)	\$(53,041)
Comprehensive income	\$(51,577)	\$100,780	\$(28,214)	\$22,643	\$(95,209)	\$(51,577)

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

Condensed Consolidating Statements of Cash Flows

(In thousands)	Year Ended December 31, 2016					Eliminations	Consolidated
	Parent	Guarantor Subsidiaries	Non- Guarantor (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)			
Cash flows from operating activities							
Net cash from operating activities	\$ (86,502)	\$ 334,764	\$ 55,815	\$ —	\$ (1,196)		\$ 302,881
Cash flows from investing activities							
Capital expenditures	(42,840)	(115,978)	(1,540)	—	—		(160,358)
Cash paid for acquisitions, net of cash received	(592,703)	—	—	—	—		(592,703)
Net activity with affiliates	—	237,956	—	—	(237,956)		—
Distributions from subsidiary	9,150	—	—	—	(9,150)		—
Other investing activities	—	7,529	6,678	—	—		14,207
Net cash from investing activities	(626,393)	129,507	5,138	—	(247,106)		(738,854)
Cash flows from financing activities							
Borrowings under bank credit facility	2,039,175	237,000	—	—	—		2,276,175
Payments under bank credit facility	(1,466,362)	(899,750)	—	—	—		(2,366,112)
Proceeds from issuance of senior notes	750,000	—	—	—	—		750,000
Debt financing costs, net	(42,220)	—	—	—	—		(42,220)
Retirements of senior notes	(350,000)	(350,000)	—	—	—		(700,000)
Premium and consent fees paid	(15,750)	—	—	—	—		(15,750)
Net activity with affiliates	(199,398)	—	(39,533)	(221)	239,152		—
Distributions to parent	—	(9,000)	(150)	—	9,150		—
Share-based compensation activities, net	(1,295)	—	—	—	—		(1,295)
Other financing activities	(45)	—	—	—	—		(45)
Net cash from financing activities	714,105	(1,021,750)	(39,683)	(221)	248,302		(99,247)
Cash flows from discontinued operations							
Cash flows from operating activities	—	(27,796)	—	—	—		(27,796)
Cash flows from investing activities	—	598,057	—	—	—		598,057
Cash flows from financing activities	—	—	—	—	—		—
Net cash from discontinued operations	—	570,261	—	—	—		570,261
Net change in cash and cash equivalents	1,210	12,782	21,270	(221)	—		35,041
Cash and cash equivalents, beginning of period	2	156,116	2,482	221	—		158,821
Cash and cash equivalents, end of period	\$ 1,212	\$ 168,898	\$ 23,752	\$ —	\$ —		\$ 193,862

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

Condensed Consolidating Statements of Cash Flows - continued

(In thousands)	Year Ended December 31, 2015					Eliminations	Consolidated
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)			
Cash flows from operating activities							
Net cash from operating activities	\$ 102,080	\$ 237,041	\$ (13,085)	\$ (76)	\$ (209)		\$ 325,751
Cash flows from investing activities							
Capital expenditures	(48,591)	(82,392)	(187)	—	—		(131,170)
Net activity with affiliates	—	(66,691)	—	—	66,691		—
Distributions from subsidiary	11,200	—	—	—	(11,200)		—
Other investing activities	3,292	1,236	—	—	—		4,528
Net cash from investing activities	(34,099)	(147,847)	(187)	—	55,491		(126,642)
Cash flows from financing activities							
Borrowings under bank credit facility	1,033,500	345,500	—	—	—		1,379,000
Payments under bank credit facility	(1,211,200)	(425,150)	—	—	—		(1,636,350)
Proceeds from issuance of senior notes	750,000	—	—	—	—		750,000
Debt financing costs, net	(14,004)	—	—	—	—		(14,004)
Payments on retirements of long-term debt	(500,000)	(3)	(157,810)	—	—		(657,813)
Premium and consent fees paid	(24,246)	—	—	—	—		(24,246)
Net activity with affiliates	(105,720)	—	172,124	78	(66,482)		—
Distributions to parent	—	(11,100)	(100)	—	11,200		—
Share-based compensation activities, net	3,689	—	—	—	—		3,689
Net cash from financing activities	(67,981)	(90,753)	14,214	78	(55,282)		(199,724)
Cash flows from discontinued operations							
Cash flows from operating activities	—	14,095	—	—	—		14,095
Cash flows from investing activities	—	—	—	—	—		—
Cash flows from financing activities	—	—	—	—	—		—
Net cash from discontinued operations	—	14,095	—	—	—		14,095
Net change in cash and cash equivalents	—	12,536	942	2	—		13,480
Cash and cash equivalents, beginning of period	2	143,580	1,540	219	—		145,341
Cash and cash equivalents, end of period	\$ 2	\$ 156,116	\$ 2,482	\$ 221	\$ —		\$ 158,821

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014

Condensed Consolidating Statements of Cash Flows - continued

(In thousands)	Year Ended December 31, 2014					Consolidated
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Elimination	
Cash flows from operating activities						
Net cash from operating activities	\$(39,524)	\$ 323,402	\$ 1,847	\$ 4,290	\$ (117)	\$ 289,898
Cash flows from investing activities						
Capital expenditures	(43,164)	(94,442)	(145)	—	—	(137,751)
Investments in and advances to unconsolidated subsidiaries, net	—	—	—	153	—	153
Net activity with affiliates	—	(158,791)	—	—	158,791	—
Distribution from subsidiary	5,300	—	—	—	(5,300)	—
Other investing activities	—	(670)	(5,242)	—	—	(5,912)
Net cash from investing activities	(37,864)	(253,903)	(5,387)	153	153,491	(143,510)
Cash flows from financing activities						
Borrowings under bank credit facility	830,400	317,400	—	—	—	1,147,800
Payments under bank credit facility	(910,700)	(377,150)	—	—	—	(1,287,850)
Debt financing costs, net	(83)	—	—	—	—	(83)
Payments under note payable	—	(9)	—	—	—	(9)
Net activity with affiliates	155,952	—	2,590	132	(158,674)	—
Distributions to parent	—	(5,200)	(100)	—	5,300	—
Share-based compensation activities, net	1,791	—	—	—	—	1,791
Other financing activities	30	—	—	—	—	30
Net cash from financing activities	77,390	(64,959)	2,490	132	(153,374)	(138,321)
Cash flows from discontinued operations						
Cash flows from operating activities	—	1,419	—	31,542	—	32,961
Cash flows from investing activities	—	—	—	(36,470)	—	(36,470)
Cash flows from financing activities	—	—	—	(37,055)	—	(37,055)
Net cash from discontinued operations	—	1,419	—	(41,983)	—	(40,564)
Net change in cash and cash equivalents	2	5,959	(1,050)	(37,408)	—	(32,497)
Cash and cash equivalents, beginning of period	—	137,621	2,590	100	—	140,311
Change in cash classified as discontinued operations	—	—	—	37,527	—	37,527
Cash and cash equivalents, end of period	\$ 2	\$ 143,580	\$ 1,540	\$ 219	\$ —	\$ 145,341

NOTE 17. RELATED PARTY TRANSACTIONS

Boyd Percentage Ownership

William S. Boyd, our Executive Chairman of the Board of Directors, together with his immediate family, beneficially owned approximately 27% of our outstanding shares of common stock as of December 31, 2016. As such, the Boyd family has the ability to significantly influence our affairs, including the election of members of our Board of Directors and, except as otherwise provided by law, approving or disapproving other matters submitted to a vote of our stockholders, including a merger, consolidation or sale of assets. For each of the years ended December 31, 2016, 2015 and 2014, there were no related party transactions between the Company and the Boyd family other than compensation, including salary and equity incentives.

NOTE 18. SUBSEQUENT EVENTS

In February 2017, we invested \$43.0 million to exercise a purchase option to acquire leased land underlying The Orleans.

We have evaluated all events or transactions that occurred after December 31, 2016. During this period, up to the filing date, we did not identify any subsequent events, other than the exercise of a purchase option mentioned above and the acquisition of land that is the intended site of the Wilton Rancheria casino (see Note 9, Commitments and Contingencies), the effects of which would require disclosure or adjustment to our financial position or results of operations.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in or disagreements with accountants on accounting and financial disclosures during the two years in the period ended December 31, 2016.

ITEM 9A. Controls and Procedures

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

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we include a report of management's assessment of the design and effectiveness of our internal controls as part of this Annual Report on Form 10-K for the fiscal year ended December 31, 2016. Our independent registered public accounting firm also reported on the effectiveness of our internal controls over financial reporting. Management's report and the independent registered public accounting firm's attestation report are located below.

There has been no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of our internal control over financial reporting as of the end of the most recent fiscal year, December 31, 2016, based on the framework set forth in Internal Control - Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission.

On September 27, 2016, we completed the acquisition of Aliante pursuant to the Merger Agreement and on December 20, 2016, we acquired Cannery and Eastside Cannery under the terms of the Purchase Agreement. These acquisitions added three wholly-owned properties in Nevada to our portfolio. Accordingly, the acquired assets and liabilities of these entities are included in our consolidated balance sheet as of December 31, 2016 and the results of its operations and cash flows are reported in our consolidated statements of operations and cash flows for the year ended December 31, 2016 from the respective dates of acquisition. However, we have elected to exclude Aliante, Cannery and Eastside Cannery from the scope of our report on internal control over financial reporting as of December 31, 2016. The combined financial position of the acquired companies represented approximately 14.1% of our total assets at December 31, 2016, and their combined results of operations increased our net revenues by 1.3% and increased our operating income by 2.2%, during the year ended December 31, 2016.

Based on our evaluation under the framework set forth in Internal Control - Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2016, the end of our

most recent fiscal year.

Deloitte & Touche LLP, an independent registered public accounting firm, has issued an attestation report on our internal control over financial reporting as of December 31, 2016, which report follows below.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
Boyd Gaming Corporation and Subsidiaries:

We have audited the internal control over financial reporting of Boyd Gaming Corporation and Subsidiaries (the “Company”) as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control over Financial Reporting, management elected to exclude from its assessment the internal control over financial reporting of Aliante Casino + Resort + Spa (“Aliante”), which was acquired on September 27, 2016 and Cannery Casino Hotel and Eastside Cannery Casino and Hotel (together with Aliante, the “Acquisitions”), which were acquired on December 20, 2016. The financial position of these Acquisitions represents approximately 14.1% of the Company's total assets at December 31, 2016, and their results of operations increased the Company's net revenues and operating income by 1.3% and 2.2%, respectively. Accordingly, our audit did not include the internal control over financial reporting for the Acquisitions. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2016 of the Company and our

report dated February 23, 2017 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada
February 23, 2017

ITEM 9B. Other Information

None

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Information required by this item regarding the members of our board of directors and our audit committee, including our audit committee financial experts, is set forth under the captions Board Committees - Audit Committee, Director Nominees, and Section 16(a) Beneficial Ownership Reporting Compliance in our Definitive Proxy Statement to be filed in connection with our 2017 Annual Meeting of Stockholders and is incorporated herein by reference.

The following table sets forth the non-director executive officers of Boyd Gaming Corporation as of February 18, 2017:

Name	Age	Position
Brian A. Larson	61	Executive Vice President, Secretary and General Counsel
Josh Hirsberg	55	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)
Theodore A. Bogich	61	Executive Vice President, Operations
Stephen S. Thompson	57	Executive Vice President, Operations
Anthony D. McDuffie	56	Vice President and Chief Accounting Officer (Principal Accounting Officer)

Brian A. Larson has served as our Executive Vice President and General Counsel since January 1, 2008 and as our Secretary since February 2001. Mr. Larson became our Senior Vice President and General Counsel in January 1998. He became our Associate General Counsel in March 1993 and Vice President-Development in June 1993.

Josh Hirsberg joined the Company as our Senior Vice President, Chief Financial Officer and Treasurer effective January 1, 2008 and was promoted to Executive Vice President effective January 13, 2016. Prior to his position with the Company, Mr. Hirsberg served as the Chief Financial Officer for EdgeStar Partners, a Las Vegas-based resort development concern. He previously held several senior-level finance positions in the gaming industry, including Vice President and Treasurer for Caesars Entertainment and Vice President, Strategic Planning and Investor Relations for Harrah's Entertainment.

Theodore A. Bogich was appointed an Executive Vice President, Operations on January 13, 2016. Mr. Bogich joined Boyd Gaming in 2004 as Vice President and General Manager of Sam's Town Tunica, and was named Vice President and General Manager of Blue Chip Casino Hotel in Michigan City, Indiana, in 2007. He was promoted to Senior Vice President, Operations in 2012.

Stephen S. Thompson was appointed an Executive Vice President, Operations on January 13, 2016. Prior to his being appointed this position, Mr. Thompson served in numerous senior executive positions with Boyd Gaming since joining the Company in 1983, including Senior Vice President, Operations for Boyd Gaming's Nevada region since 2004.

Anthony D. McDuffie has served as our Vice President and Chief Accounting Officer since March 2013. Prior to being appointed Vice President and Chief Accounting Officer, Mr. McDuffie, served as the Company's Director, Accounting Policy & Reporting, since October 2012. Mr. McDuffie previously served as Vice President, Finance and Controller of Pinnacle Airlines Corp. from October 2011 until September 2012. Prior to joining Pinnacle Airlines, Mr. McDuffie served as a financial accounting consultant to businesses in the manufacturing, health care and emergency air ambulance industries from May 2009 until October 2011. Mr. McDuffie served as Controller and Chief

Accounting Officer of Caesars Entertainment Corporation from November 2001 to May 2009.

Code of Ethics. We have adopted a Code of Business Conduct and Ethics ("Code of Ethics") that applies to each of our directors, executive officers and employees. Our Code of Ethics is posted on our website at www.boydgaming.com. Any waivers or amendments to our Code of Ethics will be posted on our website.

ITEM 11. Executive Compensation

The information required by this item is set forth under the captions Executive Officer and Director Compensation, Compensation and Stock Option Committee Interlocks and Insider Participation, and Compensation and Stock Option Committee Report in our Definitive Proxy Statement to be filed in connection with our 2017 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is set forth under the captions Ownership of Certain Beneficial Owners and Management and Equity Compensation Plan Information in our Definitive Proxy Statement to be filed in connection with our 2017 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is set forth under the captions Transactions with Related Persons and Director Independence in our Definitive Proxy Statement to be filed in connection with our 2017 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 14. Principal Accounting Fees and Services

Information about principal accounting fees and services, as well as the audit committee's pre-approval policies appears under the captions Audit and Non-Audit Fees and Audit Committee Pre-Approval of Audit and Non-Audit Services in our Definitive Proxy Statement to be filed in connection with our 2017 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules

1. Financial Statements

Financial statements of the Company (including related notes to consolidated financial statements) filed as part of this report are listed below:

<u>Report of Independent Registered Public Accounting Firm</u>	Page No. <u>51</u>
<u>Consolidated Balance Sheets at December 31, 2016 and 2015</u>	<u>52</u>
<u>Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014</u>	<u>53</u>
<u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014</u>	<u>54</u>
<u>Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2016, 2015 and 2014</u>	<u>55</u>
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014</u>	<u>56</u>
<u>Notes to Consolidated Financial Statements</u>	<u>57</u>

2. Financial Statement Schedules

All schedules have been omitted because they are not applicable, not required or the information required to be set forth therein is included in Consolidated Financial Statements or Notes thereto included in this Report.

3. Exhibit List

Exhibit

Number	Description of Exhibit	Method of Filing
2.1	Agreement and Plan of Merger, dated as of May 16, 2012, entered into by and among, Boyd Gaming Corporation, Boyd Acquisition II, LLC, Boyd Acquisition Sub, LLC, Peninsula Gaming Partners, LLC and Peninsula Gaming, LLC.	Incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed with the SEC on May 16, 2012.
2.2	Agreement and Plan of Merger entered into as of April 21, 2016, by and among Boyd Gaming Corporation, Boyd TCII Acquisition, LLC, and ALST Casino Holdco, LLC. †	Incorporated by reference to Exhibit 2.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016.
2.3	Membership Interest Purchase Agreement entered into as of April 25, 2016, by and among Boyd Gaming Corporation, The Cannery Hotel and Casino, LLC, Nevada Palace, LLC, and Cannery Casino Resorts, LLC. †	Incorporated by reference to Exhibit 2.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016.
2.4	Equity Purchase Agreement entered into as of May 31, 2016, by and among MGM Resorts International, Boyd Atlantic City, Inc., and Boyd Gaming Corporation. †	Incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed with the SEC on June 2, 2016.

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| 2.5 | First amendment to Equity Purchase Agreement entered into as of July 19, 2016, by and among MGM Resorts International, Boyd Atlantic City, Inc., and Boyd Gaming Corporation. | Incorporated by reference to Exhibit 2.2 of the Registrant's Current Report on Form 8-K filed with the SEC on August 5, 2016. |
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Exhibit Number	Description of Exhibit	Method of Filing
2.6	First Amendment to Agreement and Plan of Merger, dated as of September 26, 2016, by and among Boyd Gaming Corporation, Boyd TCII Acquisition, LLC, and ALST Casino Holdco, LLC.	Incorporated by reference to Exhibit 2.2 of the Registrant's Current Report on Form 8-K filed with the SEC on September 27, 2016.
2.7	First Amendment to Membership Interest Purchase Agreement, dated October 28, 2016, by and among Boyd Gaming Corporation, Cannery Casino Resorts, LLC, the Cannery Hotel and Casino, LLC, and Nevada Palace, LLC.	Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on November 3, 2016.
3.1	Amended and Restated Articles of Incorporation of the Registrant	Incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K, filed with the SEC on May 24, 2006.
3.2	Amended and Restated By-Laws of Boyd Gaming Corporation, effective October 20, 2016.	Incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the SEC on October 26, 2016.
4.1	Form of Indenture relating to senior debt securities	Incorporated by reference to Exhibit 4.1 of the Registrant's Automatic Shelf Registration Statement on Form S-3ASR dated May 1, 2015.
4.2	Form of Indenture relating to subordinated debt securities	Incorporated by reference to Exhibit 4.2 of the Registrant's Automatic Shelf Registration Statement on Form S-3ASR dated May 1, 2015.
4.3	Indenture governing the Company's 9% Senior Notes due 2020, dated June 8, 2012, by and between the Company and U.S. Bank National Association, as trustee.	Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the SEC on June 13, 2012.
4.4	First Supplemental Indenture, relating to the 9.0% Senior Notes due 2020, dated as of August 14, 2013 among the Company, the Guarantors party thereto, and U.S. Bank National Association, as Trustee, to that certain Indenture dated as of June 8, 2012, among the Company, the Guarantors party thereto, and U.S. Bank National.	Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on August 19, 2013.
4.5		

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Second Supplemental Indenture, related to the 9.125% Senior Notes due 2018, dated as of August 14, 2013, among the Company, the Guarantors party thereto, and U.S. Bank National Association, as Trustee, to that certain Indenture dated as of November 10, 2010 among the Company, the Guarantors party thereto, and U.S. Bank National Association, as Trustee.

Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on August 19, 2013.

4.6 Indenture governing Boyd Acquisition Sub, LLC's and Boyd Acquisition Finance Corp.'s 8.375% Senior Notes due 2018, dated August 16, 2012, by and among the Issuers and U.S. Bank National Association, as trustee.

Incorporated by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K filed August 21, 2012.

4.7 Form of Indenture relating to senior debt securities between the Company, Guarantors party thereto and Wilmington Trust, National Association, as Trustee.

Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed May 8, 2015.

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Exhibit Number	Description of Exhibit	Method of Filing
4.8	First Supplemental Indenture, the Company's 6.875% Senior Notes due 2023, dated May 21, 2015, by and among the Company, Guarantors party thereto and Wilmington Trust, National Association, as Trustee, to that certain Indenture dated May 21, 2015, by and among the Company, Guarantors party thereto and Wilmington Trust, National Association, as Trustee.	Incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed May 21, 2015.
4.9	Indenture governing the Company's 6.375% Senior Notes due 2026, dated March 28, 2016, by and among the Company, the guarantors named therein and Wilmington Trust, National Association, as trustee.	Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the SEC on March 29, 2016.
4.10	Form of 6.375% Senior Note.	Incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed with the SEC on March 29, 2016.
4.11	Registration Rights Agreement, dated March 28, 2016, by and among the Company, the guarantors named therein and Deutsche Bank Securities Inc., on behalf of itself and as representative of the several initial purchasers.	Incorporated by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed with the SEC on March 29, 2016.
4.12	Second Supplemental Indenture dated December 15, 2016 governing the Company's 6.875% senior notes due 2023, by and among the Company, the guarantors named therein and Wilmington Trust, National Association, as trustee.	Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the SEC on December 20, 2016.
4.13	Second Supplemental Indenture dated December 15, 2016 governing the Company's 6.375% senior notes due 2026, by and among the Company, the guarantors named therein and Wilmington Trust, National Association, as trustee.	Incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed with the SEC on December 20, 2016.
10.1	Ninety-Nine Year Lease dated June 30, 1954, by and among Fremont Hotel, Inc., and Charles L. Ronnow and J.L. Ronnow, and Alice Elizabeth Ronnow	Incorporated by reference to the Registration Statement on Form S-1, File No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992.
10.2	Lease Agreement dated October 31, 1963, by and between Fremont Hotel, Inc. and Cora Edit Garehime	Incorporated by reference to the Registration Statement on Form S-1, File No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992.
10.3	Lease Agreement dated December 31, 1963, by and among Fremont Hotel, Inc., Bank of Nevada and Leon H. Rockwell, Jr.	Incorporated by reference to the Registration Statement on Form S-1, File

No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992.

10.4 Lease Agreement dated June 7, 1971, by and among Anthony Antonacci, Margaret Fay Simon and Bank of Nevada, as Co-Trustees under Peter Albert Simon's Last Will and Testament, and related Assignment of Lease dated February 25, 1985 to Sam-Will, Inc. and Fremont Hotel, Inc.

Incorporated by reference to the Registration Statement on Form S-1, File No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992.

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Exhibit Number	Description of Exhibit	Method of Filing
10.5	Lease Agreement dated July 25, 1973, by and between CH&C and William Peccole, as Trustee of the Peter Peccole 1970 Trust	Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended June 30, 1995.
10.6	Lease Agreement dated July 1, 1974, by and among Fremont Hotel, Inc. and Bank of Nevada, Leon H. Rockwell, Jr. and Margorie Rockwell Riley	Incorporated by reference to the Registration Statement on Form S-1, File No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992.
10.7	Ninety-Nine Year Lease, dated December 1, 1978, by and between Matthew Paratore, and George W. Morgan and LaRue Morgan, and related Lease Assignment dated November 10, 1987, to Sam-Will, Inc., d.b.a. Fremont Hotel and Casino	Incorporated by reference to the Registration Statement on Form S-1, File No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992.
10.8	Form of Indemnification Agreement	Incorporated by reference to the Registrant's Registration Statement on Form S-1, File No. 33-64006, which was declared effective on October 15, 1993.
10.9	401(k) Profit Sharing Plan and Trust	Incorporated by reference to the Registration Statement on Form S-1, File No. 33-51672, of California Hotel and Casino and California Hotel Finance Corporation, which was declared effective on November 18, 1992.
10.10*	2000 Executive Management Incentive Plan (incorporated by reference to Appendix A of the Registrant's Definitive Proxy Statement filed with the SEC on April 21, 2000).	Incorporated by reference to Appendix A of the Registrant's Definitive Proxy Statement filed with the SEC on April 21, 2000.
10.11*	Annual Incentive Plan	Incorporated by reference to Exhibit 10.29 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
10.12*	Form of Stock Option Award Agreement pursuant to the 2002 Stock Incentive Plan	Incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.
10.13*	Form of Restricted Stock Unit Agreement and Notice of Award pursuant to the 2002 Stock Incentive Plan	Incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.
10.14*	The Boyd Gaming Corporation Amended and Restated Deferred Compensation Plan for the Board of Directors and Key Employees	Incorporated by reference to Exhibit 10.39 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.

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| 10.15* | Amendment Number 1 to the Amended and Restated Deferred Compensation Plan | Incorporated by reference to Exhibit 10.40 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004. |
| 10.16* | Amendment Number 2 to the Amended and Restated Deferred Compensation Plan | Incorporated by reference to Exhibit 10.41 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004. |

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Exhibit Number	Description of Exhibit	Method of Filing
10.17*	Amendment Number 3 to the Amended and Restated Deferred Compensation Plan	Incorporated by reference to Exhibit 10.42 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10.18*	Amendment Number 4 to the Amended and Restated Deferred Compensation Plan	Incorporated by reference to Exhibit 10.43 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10.19*	Form of Stock Option Award Agreement Under the Registrant's Directors' Non-Qualified Stock Option Plan	Incorporated by reference to Exhibit 10.48 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.
10.20*	Boyd Gaming Corporation's 2002 Stock Incentive Plan (as amended and restated on May 15, 2008)	Incorporated by reference to Appendix A of the Registrant's Definitive Proxy Statement filed with the SEC on April 2, 2008.
10.21*	Amendment Number 5 to the Amended and Restated Deferred Compensation Plan	Incorporated by reference to Exhibit 10.35 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005.
10.22*	Amended and Restated 2000 Executive Management Incentive Plan	Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed with the SEC on May 24, 2006.
10.23*	Amended and Restated 2002 Stock Incentive Plan	Incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K, filed with the SEC on May 24, 2006.
10.24*	Form of Award Agreement for Restricted Stock Units under 2002 Stock Incentive Plan for Non-Employee Directors	Incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.
10.25*	Form of Award Agreement for Restricted Stock Units under the 2002 Stock Incentive Plans	Incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the SEC on May 24, 2006.
10.26*	Form of Career Restricted Stock Unit Award Unit Agreement under the 2002 Stock Incentive Plan	Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on December 13, 2006.
10.27*	Form of Restricted Stock Unit Agreement and Notice of Award Pursuant to the 2002 Stock Incentive Plan	Incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.
10.28*	Change in Control Severance Plan for Tier I, II and III Executives	Incorporated by reference to Exhibit 10.46 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006.

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| 10.29 | Form of Performance Share Unit Agreement and Notice of Award Pursuant to the 2002 Stock Incentive Plan | Incorporated by reference to Exhibit 10.49 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011. |
| 10.30 | Offer to Purchase Real Estate, Acceptance and Lease, dated September 27, 2006, between Diamond Jo, LLC and Dubuque County Historical Society | Incorporated by reference to Exhibit 10.1 of Peninsula Gaming, LLC's Quarterly Report on Form 10-Q filed November 14, 2006. |

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Exhibit Number	Description of Exhibit	Method of Filing
10.31	Closing Agreement, dated September 27, 2006, between Diamond Jo, LLC and Dubuque County Historical Society	Incorporated by reference to Exhibit 10.1 of Peninsula Gaming, LLC's Quarterly Report on Form 10-Q filed November 14, 2006.
10.32	Real Estate Ground Lease, dated September 27, 2006, between Diamond Jo, LLC and Dubuque County Historical Society	Incorporated by reference to Exhibit 10.1 of Peninsula Gaming, LLC's Quarterly Report on Form 10-Q filed November 14, 2006.
10.33	Minimum Assessment Agreement, dated October 1, 2007, among Diamond Jo, LLC, the City of Dubuque, Iowa and the City Assessor of the City of Dubuque, Iowa	Incorporated by reference to Exhibit 10.63 of Peninsula Gaming, LLC's Annual Report on Form 10-K filed March 28, 2008.
10.34	Amended and Restated Port of Dubuque Public Parking Facility Development Agreement, dated October 1, 2007, between the City of Dubuque, Iowa and Diamond Jo, LLC	Incorporated by reference to Exhibit 10.65 of Peninsula Gaming, LLC's Annual Report on Form 10-K filed March 28, 2008.
10.35	Lottery Gaming Facility Management Contract, dated October 19, 2010	Incorporated by reference to Exhibit 10.2 of Peninsula Gaming, LLC's Current Report on Form 8-K filed February 4, 2011.
10.36	Third Amended and Restated Credit Agreement dated as of August 14, 2013 among the Company certain financial institutions, Bank of America, N.A., as administrative agent and letter of credit issuer, and Wells Fargo Bank, National Association, as swing line lender.	Incorporated by reference from the Registrant's Current Report on Form 8-K dated August 14, 2013.
10.37	Separation Agreement and Release, Dated September 19, 2014, by and between Paul J. Chakmak and the Registrant.	Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 10-Q for the quarter ended September 30, 2014.
10.38	Amendment No. 1 and Joinder Agreement, dated as of September 15, 2016, among the Company, certain financial institutions, Bank of America, N.A., as administrative agent and letter of credit issuer, and Wells Fargo Bank, National Association, as swing line lender.	Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on September 19, 2016.
10.39*	2012 Stock Incentive Plan (As amended and restated effective May 17, 2012) (incorporated by reference to Appendix A of the Registrant's Definitive Proxy Statement filed with the SEC on April 2, 2012).	Incorporated by reference to Appendix A of the Registrant's Definitive Proxy Statement filed with the SEC on April 2, 2012.
10.40†	Real Estate Ground Lease, dated September 22, 2006, as Amended between NP Land LLC and Nevada Palace, LLC	Filed electronically herewith

12	Ratio of Earnings to Fixed Charges.	Filed electronically herewith
21.1	Subsidiaries of the Registrant.	Filed electronically herewith
23.1	Consent of Deloitte & Touche LLP.	Filed electronically herewith
24	Power of Attorney (included in Part IV to this Annual Report on Form 10-K).	Filed electronically herewith

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Exhibit

Number	Description 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
99.1	Governmental Gaming Regulations	Filed electronically herewith
101	The following materials from Boyd Gaming Corporation's Annual Report on Form 10-K for the year ended December 31, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2016 and December 31, 2015; (ii) Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014; (iii) Consolidated Statement of Changes in Stockholders' Equity for the years ended December 31, 2016; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014; and (vi) Notes to Consolidated Financial Statements. ***	Filed electronically herewith

* Management contracts or compensatory plans or arrangements.

** Certain portions of this exhibit has been granted confidential treatment by the Securities and Exchange Commission.

Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

† Exhibits and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby undertakes to furnish supplementally copies of any of the omitted schedules upon request by the SEC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 23, 2017.

BOYD GAMING CORPORATION

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

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Keith E. Smith, Josh Hirsberg and Anthony D. McDuffie, and each of them, his attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ WILLIAM S. BOYD William S. Boyd	Executive Chairman of the Board of Directors	February 23, 2017
/s/ MARIANNE BOYD JOHNSON Marianne Boyd Johnson	Vice Chairman of the Board of Directors, Executive Vice President and Director	February 23, 2017
/s/ KEITH E. SMITH Keith E. Smith	President, Chief Executive Officer and Director (Principal Executive Officer)	February 23, 2017
/s/ JOSH HIRSBERG Josh Hirsberg	Executive Vice President, Chief Financial Officer and Treasurer	February 23, 2017
/s/ WILLIAM R. BOYD William R. Boyd	Vice President and Director	February 23, 2017
/s/ JOHN BAILEY John Bailey	Director	February 23, 2017
/s/ ROBERT L. BOUGHNER Robert L. Boughner	Director	February 23, 2017
/s/ RICHARD FLAHERTY Richard Flaherty	Director	February 23, 2017
/s/ CHRISTINE J. SPADAFOR Christine J. Spadafor	Director	February 23, 2017
/s/ PETER M. THOMAS Peter M. Thomas	Director	February 23, 2017
/s/ PAUL WHETSELL Paul Whetsell	Director	February 23, 2017
/s/ VERONICA J. WILSON	Director	February 23, 2017

Veronica J. Wilson

/s/ ANTHONY D. MCDUFFIE
Anthony D. McDuffie

Vice President and Chief Accounting Officer
(Principal Accounting Officer)

February 23, 2017