

**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, 2018
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 1-12882

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

Nevada
(State or other jurisdiction of
incorporation or organization)

88-0242733
(I.R.S. Employer
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
Common Stock, par value of \$0.01 per share

Name of each exchange on which registered
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 every Interactive Data File required to be submitted 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 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.

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Act.

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

As of June 30, 2018, 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 \$2.8 billion.

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

<u>Class</u>	<u>Outstanding as of February 21, 2019</u>
Common stock, \$0.01 par value	110,974,963

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the registrant's 2019 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A within 120 days after the registrant's fiscal year end of December 31, 2018 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, 2018
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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 operate 29 wholly owned gaming entertainment properties in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Ohio and Pennsylvania.

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, increasing free cash flow, 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.

We operate with an efficient business model that we believe has enabled us to grow operating margins over the past several years, and we believe we have an opportunity to realize additional cost savings by further leveraging our size and scale. We strategically reinvest in our non-gaming amenities, including hotel rooms and restaurants to refresh our property offerings and better capitalize on customers' evolving spending behaviors. We manage our cost and expense structure to adjust to current business volumes and to generate strong and stable cash flows.

During 2018, we completed several transactions that improved our long-term financial position and strengthened our balance sheet. During second quarter 2018, we issued \$700.0 million aggregate principal amount of 6.000% senior notes due August 2026. The net proceeds from the debt issuance were ultimately used to fund the acquisitions of Valley Forge Convention Center Partners, L.P., the owner and operator of Valley Forge Casino Resort ("Valley Forge"), and the owners and operators of the four Pinnacle properties - Ameristar Casino Kansas City, LLC, the owner and operator of Ameristar Casino Hotel Kansas City ("Ameristar Kansas City"), Ameristar Casino St. Charles, LLC, the owner and operator of Ameristar Casino Resort Spa St. Charles ("Ameristar St. Charles"), Belterra Resort Indiana LLC, the owner and operator of Belterra Casino Resort ("Belterra Resort"), located in Florence, Indiana, and PNK (Ohio), LLC, the owner and operator of Belterra Park ("Belterra Park"), located in Cincinnati, Ohio (collectively, the "Pinnacle Properties"). During third quarter 2018, we entered into a Joinder Agreement to our credit agreement which joined additional financial institutions as lenders thereunder and increased the commitments under our senior secured revolving credit facility and Term A Loan. On December 12, 2018, we announced that our Board of Directors had authorized a new stock repurchase program of \$100 million. This program is in addition to our existing repurchase authorization. For the year ended December 31, 2018, we repurchased 1.9 million shares for \$59.6 million under these repurchase authorizations. The Company declared quarterly dividends of \$0.05 per share on March 2, 2018 and \$0.06 per share on June 8, 2018, September 14, 2018 and December 7, 2018.

We continually work to position our Company for greater success by strengthening our existing operations and growing through acquisitions, capital investments and other strategic initiatives. An example is our recent strategic initiative regarding legalized sports gambling. In July 2018, the Company entered into a partnership agreement with MGM Resorts International. Under this partnership, MGM Resorts and Boyd Gaming will both have the opportunity to offer online and mobile gaming platforms, including sports betting, casino gaming and poker in jurisdictions where either company operates physical casino resorts and online licenses are available. In August 2018, we opened sports books at our two Mississippi properties, IP Casino Resort Spa ("IP") in Biloxi, and Sam's Town Hotel & Gambling Hall in Tunica, following the receipt of final approval from the Mississippi Gaming Commission. Also in August, we entered into a strategic partnership with FanDuel Group to pursue sports betting and online gaming opportunities across the United States.

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 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 increased 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, 2018, we own and operate 29 properties offering a total of 1,765,144 square feet of casino space, 37,288 slot machines, 815 table games and 11,090 hotel rooms. We derive the majority of our revenues from our gaming operations, which generated approximately 73%, 72% and 73% of our revenues in 2018, 2017 and 2016, respectively. Food & beverage revenues represent our next most significant revenue source, generating approximately 14% of revenues for 2018, 2017, and 2016. Room revenues and other revenues each contributed less than 10% of 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 & South.

ALST Casino Holdco LLC, the holding company of Aliante Gaming, LLC, which owns and operates Aliante Casino + Hotel + Spa ("Aliante"), was added to our Las Vegas Locals segment when it was acquired on September 27, 2016, and this segment was further expanded on December 20, 2016, with the acquisition of The Cannery Hotel and Casino, LLC, the owner and operator of Cannery Casino Hotel ("Cannery"), and Nevada Palace, LLC, the owner and operator of Eastside Cannery Casino and Hotel ("Eastside Cannery"). Five properties joined our Midwest & South segment during 2018 following their acquisitions. Valley Forge was acquired on September 17, 2018 and Ameristar Kansas City, Ameristar St. Charles, Belterra Resort and Belterra Park were acquired on October 15, 2018. As a result of the sale of our equity interest in Borgata Hotel Casino & Spa ("Borgata"), we report our interest in Borgata as discontinued operations. 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, 2018, see Note 13, *Segment Information*, to our consolidated financial statements presented in Part II, Item 8.

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, 2018 :

	Location	Year Opened or Acquired	Casino Space (Sq. ft.)	Slot Machines	Table Games	Hotel Rooms	Hotel Occupancy	Average Daily Rate	
Las Vegas Locals									
	Gold Coast Hotel and Casino	Las Vegas, NV	2004	88,915	1,737	49	712	82%	\$ 58
	The Orleans Hotel and Casino	Las Vegas, NV	2004	137,000	2,348	60	1,885	82%	\$ 68
	Sam's Town Hotel and Gambling Hall	Las Vegas, NV	1979	120,681	1,824	28	645	82%	\$ 60
	Suncoast Hotel and Casino	Las Vegas, NV	2004	95,898	1,829	32	427	83%	\$ 79
	Eastside Cannery Casino and Hotel	Las Vegas, NV	2016	63,879	894	9	306	77%	\$ 58
	Aliante Casino + Hotel + Spa	North Las Vegas, NV	2016	125,000	1,788	32	202	96%	\$ 91
	Cannery Casino Hotel	North Las Vegas, NV	2016	86,000	1,474	21	200	87%	\$ 68
	Eldorado Casino	Henderson, NV	1993	17,756	308	—	N/A	N/A	N/A
	Jokers Wild Casino	Henderson, NV	1993	23,698	385	6	N/A	N/A	N/A
Downtown Las Vegas									
	California Hotel and Casino	Las Vegas, NV	1975	35,848	930	28	781	89%	\$ 48
	Fremont Hotel and Casino	Las Vegas, NV	1985	30,244	948	26	447	84%	\$ 53
	Main Street Station Casino, Brewery and Hotel	Las Vegas, NV	1993	26,918	821	19	406	89%	\$ 51
Midwest & South									
	Par-A-Dice Hotel Casino	East Peoria, IL	1996	26,116	884	25	202	80%	\$ 66
	Belterra Casino Resort	Florence, IN	2018	47,000	1,186	40	662	74%	\$ 67
	Blue Chip Casino, Hotel & Spa	Michigan City, IN	1999	65,000	1,678	40	486	80%	\$ 79
	Diamond Jo Dubuque	Dubuque, IA	2012	43,508	919	19	N/A	N/A	N/A
	Diamond Jo Worth	Northwood, IA	2012	36,133	917	24	N/A	N/A	N/A
	Kansas Star Casino	Mulvane, KS	2012	70,010	1,754	52	N/A	N/A	N/A
	Amelia Belle Casino	Amelia, LA	2012	27,484	838	15	N/A	N/A	N/A
	Delta Downs Racetrack Casino & Hotel	Vinton, LA	2001	15,000	1,616	—	370	68%	\$ 71
	Evangeline Downs Racetrack and Casino	Opelousas, LA	2012	39,208	1,360	—	N/A	N/A	N/A
	Sam's Town Hotel and Casino	Shreveport, LA	2004	29,285	1,011	25	514	72%	\$ 72
	Treasure Chest Casino	Kenner, LA	1997	25,000	1,016	28	N/A	N/A	N/A
	IP Casino Resort Spa	Biloxi, MS	2011	81,700	1,473	53	1,089	87%	\$ 70
	Sam's Town Hotel and Gambling Hall	Tunica, MS	1994	46,000	795	16	700	50%	\$ 57
	Ameristar Casino Hotel Kansas City	Kansas City, MO	2018	140,000	2,064	65	184	69%	\$ 101
	Ameristar Casino Resort Spa St. Charles	St. Charles, MO	2018	130,000	2,403	56	397	99%	\$ 73
	Belterra Park	Cincinnati, OH	2018	56,863	1,362	—	N/A	N/A	N/A
	Valley Forge Casino Resort	King of Prussia, PA	2018	35,000	726	47	475	52%	\$ 109
	Total			<u>1,765,144</u>	<u>37,288</u>	<u>815</u>	<u>11,090</u>		

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. In addition, the financial results for our Illinois distributed gaming operator, which we acquired on June 1, 2018, are included in the Midwest & South segment. Our distributed gaming operator currently operates nearly 1,000 gaming units in approximately 220 locations across the state of Illinois.

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 employment, 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 of 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 and a 70-lane bowling 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 52-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 out-of-town 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 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 offers 306 hotel rooms, one restaurant 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 golf course and has convenient access to major freeways connecting it to points throughout Las Vegas. The primary target market for Aliante consists of local middle-market customers who gamble frequently. Aliante features a full-service Scottsdale-modern, desert-inspired casino and resort, which includes 202 hotel rooms, multiple restaurant options, a 16-screen movie theater complex, a 587-seat showroom, a spa, and a resort style pool with cabanas.

Cannery Casino Hotel

Cannery is located in the 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 a 200 -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 eight 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, 2018, patrons from Hawaii comprised approximately 68% of the occupied room nights at the Cal, 38% of the occupied room nights at Fremont, and 44% 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, two restaurants, 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 two 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 & South Properties

Our Midwest & South properties consist of four land-based casinos, six dockside riverboat casinos, three racinos and four barge-based casinos that operate in nine states in the Midwest & 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 & 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 four restaurants and a gift shop. Par-A-Dice is strategically located near Interstate 74, a major east-west interstate highway, and it is the only casino gaming facility located within an approximately 90 mile radius of Peoria, Illinois.

Belterra Casino Resort

Belterra Resort is a casino located in Florence, Indiana, approximately 50 minutes from downtown Cincinnati, Ohio, 70 minutes from Louisville, Kentucky, and 90 minutes from Lexington, Kentucky. Belterra is also approximately two and one-half hours from Indianapolis, Indiana. Ogle Haus Inn, a 54-room boutique hotel is operated by us and located near Belterra Resort.

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 six 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 Dubuque is a land-based casino located in the Port of Dubuque, a waterfront development on the Mississippi River in downtown Dubuque, Iowa. Diamond Jo Dubuque is a two-story property that includes a bowling center, event center, and two banquet rooms. The property also features several dining outlets, including the Kitchen Buffet, a live action buffet, Woodfire Grille, the casino's high-end restaurant, The Filament, a new and electrifying-yet-casual restaurant and bar, and The Game, a sports bar, 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 46-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 has an event center and several dining options, including the Kitchen Buffet, a buffet restaurant, Woodfire Grille, a high-end restaurant and Burger King which is owned by a third party. There is a 102-room Country Inn & Suites hotel attached to the casino and a 60-room Holiday Inn Express hotel adjacent to the casino, both of which are owned and operated by third parties.

Kansas Star Casino

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 a buffet, a steakhouse and a number of other amenities including a deli, noodle bar, casual dining restaurant and casino bars. Kansas Star also has an arena that provides a venue for 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. Under the terms of the agreement, Kansas Star has the option to purchase the hotel.

Amelia Belle Casino

The Amelia Belle Casino ("Amelia Belle") is located in south-central Louisiana, and is a three-level riverboat with gaming located on the first two decks as well as a café on the first deck. The property's third deck includes a 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.

Evangeline Downs Racetrack and Casino

Evangeline Downs Racetrack and Casino ("Evangeline Downs") is a land-based racino located in Louisiana. The racino currently includes a casino with a convention center and multiple food venues, including a buffet, cafe, and two restaurants and bars. The racino includes a one-mile dirt track, a 7/8-mile turf track and stables for 1,008 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 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 1,925 people. The entertainment complex located adjacent to the riverboat houses a 120-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

IP overlooks the scenic back bay of Biloxi and, as a recipient of a AAA Four Diamond Award, is one of the premier resorts on the Mississippi Gulf Coast. The property features more than 1,000 hotel rooms and suites; more than 65,000 square feet of convention and meeting space; a spa and salon; a 1,383-seat theater offering regular headline entertainment; eight lounges and bars; and seven 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 700 hotel rooms, a sports book, an entertainment lounge, four dining venues, two escape rooms, a residential vehicle park, and a 1,600-seat River Palace Arena.

Ameristar Casino Hotel Kansas City

Ameristar Kansas City is located 10 miles from downtown Kansas City, Missouri. The property competes primarily with five casinos in the Kansas City area and bordering eastern Kansas market. The property features 186 guest rooms, 10 restaurants, a 1,200 seat concert venue, and an 18 theater cinema.

Ameristar Casino Resort Spa St. Charles

Ameristar St. Charles is located in St. Charles at the Missouri River, strategically situated to attract guests from the St. Charles and the greater St. Louis areas, as well as tourists from outside the region. The property, which is in close proximity to the St. Charles convention facility, is located on approximately 52 acres along the western bank of the Missouri River. The property features an AAA Four Diamond full-service luxury suite hotel with 400 well-appointed rooms, an indoor-outdoor pool, seven dining venues; twelve bars, an entertainment venue, a full-service luxury day spa, and a 20,000-square-foot conference center.

Belterra Park

Belterra Park is located in Cincinnati, Ohio, situated on approximately 160 acres of land, 40 of which are undeveloped. The property is a gaming and entertainment center offering live racing, pari-mutuel wagering, video lottery terminal gaming, six restaurants, a VIP lounge, pari-mutuel wagering, and racing facilities with live thoroughbred racing on both dirt and the only grass track in Ohio.

Valley Forge Casino Resort

Valley Forge is a casino hotel located in King of Prussia, Pennsylvania. The property features a 35,000 square-foot gaming floor, 100,000 square feet of meeting, conference and banquet facilities and two luxury hotel towers. The Radisson Tower has 325 recently remodeled rooms while the Casino Tower offers over 150 completely renovated rooms in the heart of the action. The property also presents six dining options, live entertainment and an exciting nightlife scene.

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 Native American casinos, and other forms of gaming, such as lotteries and internet gaming. 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.

Strategic Initiatives

Acquisition of Lattner Entertainment Group

To further diversify and expand our business, we acquired Lattner Entertainment Group Illinois, LLC ("Lattner"), in June 2018. At the time of the acquisition, Lattner operated nearly 1,000 gaming units in approximately 220 locations across the state of Illinois. The acquisition of Lattner provides us with an additional avenue to access gaming customers and a platform to participate in the expansion of distributed gaming.

Market-Access Agreement with MGM Resorts

In July 2018, we and MGM Resorts International ("MGM Resorts") announced a market-access agreement to significantly increase each company's market access and customer base throughout the United States. Under this arrangement, our Company and MGM Resorts both have the opportunity to offer online and mobile gaming platforms - including sports betting, casino gaming and poker - in jurisdictions where either company operates physical casino resorts and online licenses are available. Under this market access agreement, each company has a path to expand their online and mobile gaming presence across 15 states, allowing each company to leverage their scale to create a nationwide approach to online and mobile sports betting, real money casino gaming and poker. As states continue to legalize interactive gaming, both companies will be poised to offer products in mobile and online sports betting, real money casino gaming and poker products where legally applicable.

Strategic Partnership with FanDuel Group

In August 2018, we announced that we had entered into a strategic partnership with FanDuel Group ("FanDuel"), the largest online sports destination in the United States, to pursue sports betting and online gaming opportunities across the country. This partnership brings together two of the largest and most geographically diversified companies in the gaming entertainment industry, given our Company's scale and experience is being combined with FanDuel's eight million customers and its presence across 45 states.

Subject to state law and regulatory approvals, we will establish a presence in the online gaming and sports wagering industry by leveraging FanDuel's technology and related services to operate Boyd Gaming-branded mobile and online sports-betting and gaming services. In turn, FanDuel will establish and operate mobile and online sports-betting and gaming services under the FanDuel brand in the states where we are licensed.

Our relationship with FanDuel covers all states where we hold gaming licenses currently and in the future, excluding Nevada. It also covers states included under our market-access agreement with MGM Resorts International. The two companies will also engage in extensive co-branding and cross-promotional efforts. FanDuel will market our properties through its existing daily fantasy sports service and future interactive sports betting and gaming services, while we will promote FanDuel's products to our customer base. FanDuel will also provide our customers access to its existing product line.

Future Development Opportunities

Development agreement with Wilton Rancheria

We have a development agreement and a management agreement with Wilton Rancheria, a federally-recognized Native American tribe located southeast of Sacramento, California, to develop and manage a gaming entertainment complex. 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. In September 2017, the California State Legislature unanimously approved, and the Governor of California executed, a tribal-state gaming compact with the tribe allowing the development of the casino. In October 2018, the National Indian Gaming Commission approved the Company's management contract with the Tribe. With the compact now in place, we are in the process of finalizing project budget, design and construction planning. The project will be constructed using third-party financing. Once commenced and project financing put in place, the construction timeline is expected to span 18 to 24 months. The land parcel taken into trust is located approximately 15 miles southeast of Sacramento 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 August 2018, we announced the launch of a new B-Connected program, which included new benefits for loyal customers, including annual cruises, vacations, and gifts of luxury jewelry and electronics. The new program has expanded to five player tiers - Ruby, Sapphire, Emerald, Onyx and Titanium. The new B Connected program is currently available in the Las Vegas valley at Aliante, the Cal, Fremont, Gold Coast, Main Street Station, The Orleans, Sam's Town Las Vegas and Suncoast; in Louisiana at Amelia Belle, Delta Downs, Evangeline Downs, Sam's Town Shreveport and Treasure Chest; in Illinois at Par-A-Dice; in Indiana at Blue Chip; in Iowa at Diamond Jo Worth; and in Mississippi at Sam's Town Tunica and IP. Ameristar Kansas City, Ameristar St. Charles, Belterra Resort and Belterra Park began their implementation of the B Connected program in January 2019 and we expect that the program will be fully integrated at these properties by second quarter 2019. The Company plans to roll out the program to additional properties in early 2019.

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.

Other Programs

Kansas Star, Diamond Jo Dubuque, Cannery, Eastside Cannery and Valley Forge 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.

We plan to extend the B Connected program to these properties, subject to the receipt of regulatory approvals. The implementation of the B Connected program 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

We provide 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. The states in which we operate 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 NCCA events. And with the recent expansion of sports wagering in various state jurisdictions, the federal government may elect to enact legislation taxing and regulating sports wagering, or alternatively may elect to prohibit such wagering. 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, 2018, we employed approximately 23,477 persons, and had collective bargaining agreements with three unions covering 1,338 employees. Negotiations for a first contract with an organized bargaining unit are in progress at several of our Las Vegas properties. Negotiations for contract renewal are also in progress at one of our Midwest & South properties.

Corporate Information

We were incorporated in Nevada in June 1988. Our principal executive offices are located at 3883 Howard Hughes Parkway, Ninth Floor, Las Vegas, NV 89169, and our main telephone number is (702) 792-7200. Our website is www.boydgaming.com. Information on our website is not incorporated by reference herein.

Available Information

We file annual, quarterly, current and special reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). In addition, the SEC maintains an Internet site, at <http://www.sec.gov>, containing reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Copies of our SEC filings are also available on the SEC's website. 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. A copy of this Annual Report on Form 10-K will be provided to a stockholder, with exhibits, without charge upon written request to Boyd Gaming Corporation, 3883 Howard Hughes Parkway, Ninth Floor, Las Vegas, Nevada 89169, (702) 792-7200, Attn: David Strow, Vice President Corporate Communications.

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 not 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.
- Our ability to take advantage of, and to realize the anticipated benefits of, any past or future financing, mergers and acquisitions, dispositions, partnerships, and other corporate opportunities, and the risks associated with such or similar transactions, arrangements or opportunities.
- 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, certificates and concessions, impose substantial fines and take other adverse actions against any of our casino operations or any current or future online gaming and sports wagering operations.
- The risk that we may be unable to refinance our respective outstanding indebtedness as it comes due, or that if we do refinance, the terms are not favorable to us.
- The effects of the extensive governmental gaming regulation and taxation policies to which we are subject and the costs of compliance or failure to comply with such regulations, 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 natural or man-made 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 causing unintended distribution to third parties of, or access by third parties to, our customer or company data, and any litigation, fines, disruption to our operations or reputational harm resulting from such loss of data integrity.
- 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.
- Other statements regarding our future operations, financial condition and prospects, and business strategies.
- The risk that we may be unable to retain our key management and personnel, including key employees of the acquired companies.
- Our current and future insurance coverage levels, including the risk we have not obtained sufficient coverage, may not be able to obtain sufficient coverage in the future, or will only be able to obtain additional coverage at significantly increased rates.

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, 2018 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 past housing, employment and credit crises, 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, beginning in 2007 we experienced one of the toughest economic periods in Las Vegas history. The 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 be impacted from changes in consumer spending habits due to the recession. Our customers spend 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, in December 2014, a new property opened in Lake Charles, Louisiana, that increased competition with Delta Downs. At the end of December 2015, a new casino opened in D'Iberville, Mississippi that competes with IP. In Illinois, the legalization of video lottery terminals in recent years has added more than 30,000 new gaming devices across the state, including nearly 5,000 in the immediate market of the Par-A-Dice, increasing competition for that property. In January 2018, a new tribal casino in South Bend, Indiana opened, which competes with Blue Chip for gaming customers. 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, video gaming terminals at bars, restaurants, taverns and truck stops, 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.

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. While no impairment charges were recorded as a result of the 2018 and 2017 tests, 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 \$0.8 million to trademarks in the Midwest & 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 17, 2018, we completed the acquisition of Valley Forge Casino Resort and on October 15, 2018, we completed the acquisition of the four Pinnacle Properties in the Midwest (together 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 the 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 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 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 Illinois Gaming Board, Indiana Gaming Commission, Iowa Racing and Gaming Commission, Kansas Lottery Commission, Kansas Racing and Gaming Commission, Louisiana State Gaming Control Board, Louisiana State Racing Commission, Mississippi Gaming Commission, Missouri Gaming Commission, Nevada Gaming Commission and Gaming Control Board, Ohio Casino Control Commission, Pennsylvania Gaming Control Board 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 Dubuque since March 18, 1993. The term of the Amended DRA Operating Agreement expires on December 31, 2018. Diamond Jo Dubuque has entered into an amendment to the existing operating agreement with the qualified sponsoring organization. The new agreement will go into effect on January 1, 2019 and will extend for twelve years, expiring on December 31, 2030. The agreement is subject to review and approval by the state gaming commission. 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 Dubuque 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 Dubuque 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.

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, such 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. In addition, Belterra Park was closed for over 10 days due to flooding in 2017.

Belterra Park, 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 Illinois, Indiana, Iowa, Kansas, Missouri, Ohio and Pennsylvania 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.

Belterra Park, 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 visits and spending levels 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, Amelia Belle and Belterra Resort gaming operations on riverboats. Each of our riverboats must comply with the United States Coast Guard ("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, Belterra Resort, Treasure Chest, Sam's Town Shreveport, IP, Ameristar Kansas City and Ameristar St. Charles' 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, 2018, 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. Additionally, on December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act changed the carryback and carryforward periods for NOLs generated after December 31, 2017 and imposed annual limitations on the use of such NOLs. While the rules for NOLs generated in the year ended December 31, 2017 and prior did not change, our NOLs all predate the change, it is possible that future law changes could affect our ability to utilize NOLs prospectively.

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.

We are required to pay a substantial amount of rent pursuant to our Master Lease with GLPI, which impacts free cash flow and could in the future limit our ability to invest in our operations or seek additional development or strategic opportunities.

We lease the real estate of Ameristar Kansas City, Ameristar St. Charles, and Belterra Casino Resort (each an "OpCo," and collectively the "OpCos") from Gaming and Leisure Properties, pursuant to a triple net REIT Master Lease (the "Master Lease"). Current annual rent under the Master Lease is \$97.2 million, with rental increases over time. The Master Lease also includes substantial additional obligations that may require future uses of free cash flow, including obligations to maintain and repair the properties, including minimum annual capital investment requirements, and provides that we have assumed the risk of loss with respect to any casualty or condemnation event, including the obligation to repair or rebuild the facility.

These obligations, which could significantly impact free cash flow, could in the future adversely impact our ability to invest in our operations or seek additional development or strategic opportunities. For example, our obligations under the Leases may:

- limit our ability to prepay or repay our long-term debt and to obtain additional indebtedness;
- limit our ability to fund working capital, capital expenditures and other general corporate purposes;
- and
- limit our ability to respond to changes in our business and the industry in which we operate, including pursuing new markets and additional lines of business, development opportunities, acquisitions and other strategic investments that we would otherwise pursue.

Any of the above listed factors could have a material adverse effect on our business, financial condition and results of operations.

The Master Lease includes additional provisions that restrict our ability to freely operate and could have an adverse effect on our business and financial condition, including the following:

- Escalations in Rent - We are obligated to pay base rent under the Master Lease, and base rent is composed of building base rent and land base rent. Every year of the Master Lease term, building base rent is subject to an annual escalation of up to 2% and we may be required to pay the escalated building base rent regardless of our revenues, profit or general financial condition.
- Variable Rent - We are obligated to pay percentage rent under the Master Lease, which is re-calculated every two years. Such percentage rent shall equal 4% of the change between (i) the average net revenues for the trailing two-year period and (ii) 50% of the trailing 12 months net revenues as of the month ending immediately prior to the execution of the Master Lease. We may be required to pay an increase in percentage rent based on increases in net revenues without a corresponding increase in our profits.
- Pooled Lease - The Master Lease is a pooled lease arrangement, which prohibits us from divesting any individual OpCo without GLPI's prior consent. Any divestiture of all of the OpCos also requires GLPI's prior consent, except for limited circumstances where the purchaser meets various financial and gaming operations experience requirements. These limitations on transfer could adversely impact our ability to manage our business.
- Master Lease Guaranties - The Master Lease is guaranteed by the certain subsidiaries of the tenant (the "Lease Guarantors"). A default under any of the Master Lease guaranties that is not cured within the applicable grace period will constitute an event of default under the Master Lease.
- Effect of End of Term or Not Renewing the Master Lease - If we do not renew the Master Lease at the stipulated renewals or we do not enter into a new master lease at the end of the term, we will be required to sell the business of tenant. If we cannot agree upon acceptable terms of sale with a qualified successor tenant, GLPI will select the successor tenant to purchase our business through a competitive auction. If this occurs, we will be required to transfer our business to the highest bidder at the auction, subject to regulatory approvals.

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, access to the capital markets 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.

Although we successfully refinanced a significant amount of our indebtedness over the last several years, 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.

In the past, there have been significant disruptions in the global capital markets that adversely impacted the ability of borrowers to access capital. 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. While 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 we are unable to access capital with favorable terms, additional equity and/or credit support may be necessary to obtain construction financing for the remaining cost of the project.

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.

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, 2018 . 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, 2018 , some of our properties utilized leased property in their operations.

The real estate utilized by three of our properties are subject to a Master Lease with Gaming and Leisure Properties, Inc. These properties under this Master Lease are:

- Ameristar Kansas City, including approximately 250 acres of leased land and building.
- Ameristar St. Charles, including approximately 240 acres of leased land and building.
- Belterra Resort, including approximately 315 acres of leased land and building.

In addition, all or a portion of the sites for the following properties are leased:

- 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, which owns 279 acres and leases 33 acres of land in Emmons, Minnesota that is used as a nine-hole golf course and a nine-station sporting clay course and hunting facility.
- Evangeline Downs, which 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." On February 21, 2019, the closing sales price of our common stock on the NYSE was \$28.28 per share. On that date, we had approximately 643 holders of record of our common stock and our directors and executive officers owned approximately 27% 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. 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.

On May 2, 2017, the Company announced that its Board of Directors had authorized the reinstatement of the Company's cash dividend program. The dividends declared by the Board under this program are:

Declaration date	Record date	Payment date	Amount per share
May 2, 2017	June 15, 2017	July 15, 2017	\$0.05
September 6, 2017	September 18, 2017	October 15, 2017	0.05
December 7, 2017	December 28, 2017	January 15, 2018	0.05
March 2, 2018	March 16, 2018	April 15, 2018	0.05
June 8, 2018	June 29, 2018	July 15, 2018	0.06
September 14, 2018	September 28, 2018	October 15, 2018	0.06
December 7, 2018	December 28, 2018	January 15, 2019	0.06

Share Repurchase Program

The following table discloses share repurchases that we have made pursuant to our share repurchase program during the three months ended December 31, 2018.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Approximate Dollar Value That May Yet Be Purchased Under the Plan
October 1, 2018 through October 31, 2018	84,748	\$ 32.43	84,748	\$ 12,552,217
November 1, 2018 through November 30, 2018	—	—	—	12,552,217
December 1, 2018 through December 31, 2018	495,810	24.20	495,810	552,226
Totals	<u>580,558</u>		<u>580,558</u>	\$ 552,226

In July 2008, our Board of Directors authorized an amendment to our existing share repurchase program to increase the amount of common stock available to be repurchased to \$100 million. On May 2, 2017 the Company announced that its Board of Directors had reaffirmed the Company's existing share repurchase program (the "2008 Plan"). On December 12, 2018, our Board of Directors authorized a new share repurchase program of \$100 million which is in addition to the existing repurchase authorization (the "2018 Plan"). There were 1.9 million shares repurchased during the year ended December 31, 2018. As of December 31, 2018, \$0.6 million remained available under the 2008 Plan and \$100.0 million remained under the 2018 Plan.

We are not obligated to repurchase any shares under these programs. 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 are 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.

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.

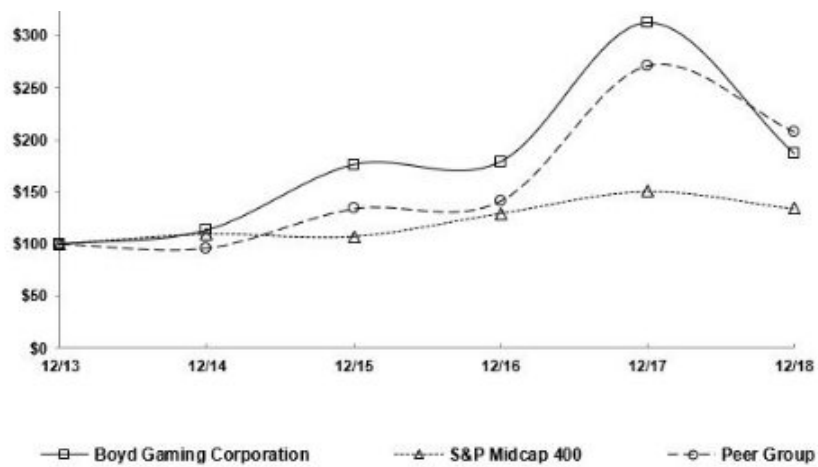
Our Definitive Proxy Statement to be filed in connection with our 2019 Annual Meeting of Stockholders, incorporated herein by reference, contains information concerning securities authorized for issuance under equity compensation plans within the captions *Ownership of Certain Beneficial Owners and Management* 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 Penn National Gaming, Inc., Red Rock Resort, Inc. and Eldorado Resorts, Inc. The peer group has been revised from the group presented in 2017, which consisted of Penn National Gaming, Inc., Pinnacle Entertainment, Inc., Red Rock Resort, Inc. and Eldorado Resorts, Inc., due to the acquisition of Pinnacle Entertainment by another company. The performance graph assumes that \$100 was invested on December 31, 2013 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.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Boyd Gaming Corporation, the S&P Midcap 400 Index,
and a Peer Group



*\$100 invested on 12/31/13 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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Indexed Returns

	Boyd Gaming Corp.	S&P 400	Peer Group
December 2014	\$ 113.50	\$ 109.77	\$ 95.81
December 2015	176.47	107.38	133.80
December 2016	179.13	129.65	141.07
December 2017	312.94	150.71	271.37
December 2018	187.01	134.01	207.85

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.

The financial data as of and for the years ended December 31, 2018, 2017, 2016 and 2015 presented below reflects our adoption of the Revenue Standard by applying the full retrospective method effective January 1, 2015. (See Note 1, *Summary of Significant Accounting Policies*, in the notes to the consolidated financial statements included Part II, Item 8. for further information regarding these changes.) Amounts prior to 2015 have not been adjusted to reflect the impact of the adoption of the Revenue Standard.

<i>(In thousands, except per share data)</i>	Year Ended December 31,				
	2018 (a)	2017 (b)	2016 (c)	2015 (d)	2014 (e)
Statement of Operations Data:					
Total revenues	\$ 2,626,730	\$ 2,400,819	\$ 2,199,259	\$ 2,214,831	\$ 2,142,255
Operating income	355,284	343,801	260,408	271,584	173,732
Income (loss) from continuing operations before income taxes	155,032	171,113	7,768	4,443	(56,033)
Income (loss) from continuing operations, net of tax	114,701	167,998	207,701	11,068	(50,625)
Income (loss) from discontinued operations, net of tax	347	21,392	212,530	36,539	8,987
Net income (loss) attributable to Boyd Gaming Corporation	115,048	189,390	420,231	47,607	(53,041)
Income (loss) from continuing operations per common share					
Basic	\$ 1.01	\$ 1.46	\$ 1.81	\$ 0.10	\$ (0.46)
Diluted	\$ 1.00	\$ 1.45	\$ 1.80	\$ 0.10	\$ (0.46)
Dividends declared per common share	\$ 0.23	\$ 0.15	\$ —	\$ —	\$ —
Balance Sheet Data:					
Cash and cash equivalents	\$ 249,417	\$ 203,104	\$ 193,862	\$ 158,821	\$ 145,341
Total assets	5,756,339	4,685,930	4,670,751	4,350,900	4,422,384
Long-term debt, net of current maturities	3,955,119	3,051,899	3,199,119	3,239,799	3,375,098
Total stockholders' equity	1,145,741	1,097,227	930,180	501,837	438,087
Other Data:					
Ratio of earnings to fixed charges (f)	1.7x	1.9x	1.0x	1.0x	—

(a) 2018 includes the financial results of acquired properties from their respective acquisition date, which include Lattner on June 1, 2018, Valley Forge on September 17, 2018 and Ameristar Kansas City, Ameristar St. Charles, Belterra Resort and Belterra Park on October 15, 2018. As a result of the acquisitions and ongoing projects, we had project development, preopening and writedowns of \$45.7 million.

(b) 2017 includes a full year of financial results for Aliante, Cannery and Eastside Cannery. Additionally, 2017 includes a noncash income tax benefit of \$60.1 million related to the changes in tax legislation. Discontinued operations for 2017 include our after-tax share of the proceeds related to the final settlement of Borgata's property tax disputes with Atlantic City. The Company has accounted for its 50% investment in Borgata as discontinued operations for all periods presented in these consolidated financial statements.

(c) 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 & 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 \$203.9 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 .

(d) 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 & South segment; and \$40.7 million in pretax loss on early extinguishments and modifications of debt.

(e) 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 & South segment, and a \$8.7 million charge to write down the value of certain non-operating assets.

(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 for 2014.

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, 2018, we are a geographically diversified operator of 29 wholly owned gaming entertainment properties. Headquartered in Las Vegas, Nevada, we have gaming operations in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Ohio and Pennsylvania. 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:

<i>Las Vegas Locals</i>	
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
<i>Downtown Las Vegas</i>	
California Hotel and Casino	Las Vegas, Nevada
Fremont Hotel and Casino	Las Vegas, Nevada
Main Street Station Casino, Brewery and Hotel	Las Vegas, Nevada
<i>Midwest & South</i>	
Par-A-Dice Hotel and Casino	East Peoria, Illinois
Belterra Casino Resort	Florence, Indiana
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
Ameristar Casino Hotel Kansas City	Kansas City, Missouri
Ameristar Casino Report Spa St. Charles	St. Charles, Missouri
Belterra Park	Cincinnati, Ohio
Valley Forge Casino Resort	King of Prussia, Pennsylvania

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.

Results for our Illinois distributed gaming operator are included in our Midwest & South segment.

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. 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.

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.

Our Midwest & South segment includes our wholly owned subsidiaries Valley Forge Casino Resort for the period following its September 17, 2018 acquisition, and Ameristar Casino Hotel Kansas City, Ameristar Casino Resort Spa St. Charles, Belterra Casino Resort and Belterra Park (together, the "Pinnacle Properties") for the period following their October 15, 2018 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 capital expenditures to maintain and expand our existing facilities, fund acquisitions, provide excess cash for future development, repay debt financing and associated interest costs, repurchase our debt or equity securities, and pay income taxes and 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, increasing cash flow, 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 by pursuing strategic initiatives that improve and grow our business.

Strengthening our Balance Sheet

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

Operating Efficiently

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

Evaluating Acquisition Opportunities

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

Maintaining our Brand

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

Our Key Performance Indicators

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

- **Gaming revenue measures** : *slot handle* , which means the dollar amount wagered in slot machines, and *table game drop* , which means the total amount of cash deposited in table games drop boxes, plus the sum of markers issued at all table games, 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 & 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"), which is an indicator of volume; and the *cost per guest served* , which 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,		
	2018	2017	2016
Total revenues	\$ 2,626.7	\$ 2,400.8	\$ 2,199.3
Operating income	355.3	343.8	260.4
Income from continuing operations, net of tax	114.7	168.0	207.7
Income from discontinued operations, net of tax	0.3	21.4	212.5
Net income	115.0	189.4	420.2

Adoption of Revenue Recognition Guidance

As discussed in Note 1, *Summary of Significant Accounting Policies* , in the notes to the consolidated financial statements, we adopted the Revenue Standard, by applying the full retrospective method in first quarter 2018 and adjusted our previously reported results. All prior year amounts from the effective date of our adoption (January 1, 2015) discussed in this management's discussion and analysis have been adjusted, when necessary, to reflect the adoption of this guidance.

Total Revenues

Total revenues increased \$225.9 million , or 9.4% , for 2018 as compared to 2017 due primarily to the Midwest & South segment increasing by \$217.1 million over the prior period. The increase in total revenues in the Midwest & South segment are primarily attributable to the acquisitions of Lattner on June 1, 2018, Valley Forge on September 17, 2018 and Ameristar Kansas City, Ameristar St. Charles, Belterra Resort and Belterra Park on October 15, 2018 (collectively, the "Acquisitions").

Total revenues increased approximately \$201.6 million, or 9.2%, for 2017 as compared to 2016 due primarily to the acquisitions of Aliante and the Cannery Properties (the "Aliante & Cannery Acquisitions") in September and December 2016, respectively. In addition, total revenues related to our Las Vegas Locals segment, excluding the Aliante & Cannery Acquisitions, and the Downtown Las Vegas segment, increased \$12.7 million and \$7.9 million, respectively, from the prior year comparable period. These increases are offset by declines in total revenues in the Midwest & South segment, primarily at Evangeline Downs and Amelia Belle, due to localized economic weakness.

Operating Income

In 2018 , our operating income increased \$11.5 million as compared to 2017 due primarily to the Acquisitions, along with the favorable impact of our continuing cost control efforts. Changes in operating margins are discussed in detail below.

In 2017, our operating income increased \$83.4 million as compared to 2016, which reflected the addition of the Aliante & Cannery Acquisitions, as well as the impact of our continuing cost control efforts. Changes in operating margins are discussed in detail below. The increase was also driven by project development, preopening and writedowns expense decreasing by \$7.7 million as compared to the prior year, along with the inclusion in the prior year of \$38.3 million in impairments of intangible assets, both of which are discussed in their respective sections below. Corporate expense increased \$15.5 million over the comparable prior year

due to costs related to creation of back-of-house support functions as part of the implementation of our business improvement initiatives.

Income from Continuing Operations, Net of Tax

Income from continuing operations, net of tax was \$114.7 million in 2018, as compared to \$168.0 million in 2017, a decrease of \$53.3 million. This decrease was attributable to a \$37.2 million increase in the income tax provision. The increase in the income tax provision is a result of the prior year provision including a discrete tax benefit of \$60.1 million related to the changes in tax legislation in 2017. In addition, interest expense, net of amounts capitalized, increased \$31.1 million due to an increase in the weighted average long-term debt balance of \$205.9 million reflecting the additional debt issued to fund the Acquisitions and a 1.0% percentage point increase in the weighted average interest rate. These declines were offset by the operating income increase of \$11.5 million from the prior year for those factors mentioned above and an increase in interest income of \$1.9 million due to the investment in cash equivalents and short-term marketable securities of the net proceeds from the issuance of the 6.000% Senior Notes due August 2026 in second quarter 2018.

Income from continuing operations, net of tax was \$168.0 million in 2017, as compared to \$207.7 million in 2016, a decrease of \$39.7 million. This decrease was attributable to a \$203.0 million change in the income tax provision primarily due to the release in the prior year of a valuation allowance on our federal and unitary state income tax net operating loss carryforwards and deferred tax assets, offset by a noncash income tax benefit of \$60.1 million related to the changes in tax legislation in 2017. Partially offsetting this benefit, is a \$40.8 million decline in loss on early extinguishments of debt compared to the prior year period due to the modification of the Boyd Gaming Credit Facility, redemption of our 9.0% senior notes due 2018 and Peninsula Gaming's 8.375% senior notes due 2018, and the extinguishment of the Peninsula Gaming bank credit facility. In addition, operating income increased \$83.4 million from the prior year period for those factors mentioned above and interest expense, net of amounts capitalized, declined by \$39.6 million due to a decrease in average outstanding borrowings of \$129.7 million, along with a decline in the weighted average interest rate of 0.9%.

Income From Discontinued Operations, Net of Tax

Income from discontinued operations, net of tax, reflects the results of our equity method investment in Borgata. The 2018 results include cash received for our share of miscellaneous recoveries realized by Borgata of \$0.3 million. The 2017 results include property tax recovery proceeds of \$36.2 million related to the final settlement of Borgata's property tax disputes with Atlantic City. In 2016, the Company recorded a \$181.7 million after-tax gain on the sale of our equity interest in Borgata and property tax refunds of \$9.1 million, which were received after the sale, both of which are included in discontinued operations in 2016.

Net Income

For the year ended December 31, 2018, net income was \$115.0 million, compared with net income of \$189.4 million for the corresponding period of the prior year. The \$74.3 million change is primarily due to the decrease in income from continuing operations, net of tax along with a \$21.0 million decrease in income from discontinued operations from the prior year (both items discussed above).

For the year ended December 31, 2017, net income was \$189.4 million, compared with net income of \$420.2 million for the corresponding period of the prior year. The \$230.8 million change is primarily due to the decrease in income from continuing operations, net of tax along with a \$191.1 million decrease in income from discontinued operations from the prior year (both items discussed above).

Operating Revenues

We derive the majority of our revenues from our gaming operations, which generated approximately 73%, 72% and 73% of our revenues for 2018, 2017 and 2016, respectively. Food & beverage revenues represent our next most significant revenue source, generating approximately 14% of revenues for 2018, 2017 and 2016. Room revenues and other revenues separately contributed less than 10% of revenues during each year.

<i>(In millions)</i>	Year Ended December 31,		
	2018	2017	2016
REVENUES			
Gaming	\$ 1,925.4	\$ 1,740.3	\$ 1,610.4
Food & beverage	367.9	346.4	302.7
Room	199.5	186.8	169.4
Other	133.9	127.3	116.8
Total revenues	\$ 2,626.7	\$ 2,400.8	\$ 2,199.3
COSTS AND EXPENSES			
Gaming	\$ 845.5	\$ 759.6	\$ 725.1
Food & beverage	347.6	335.5	300.8
Room	90.9	85.2	77.7
Other	87.4	83.6	83.4
Total costs and expenses	\$ 1,371.4	\$ 1,263.9	\$ 1,187.0
MARGINS			
Gaming	56.1%	56.4%	55.0%
Food & beverage	5.5%	3.1%	0.6%
Room	54.4%	54.4%	54.1%
Other	34.7%	34.3%	28.6%

Gaming

Gaming revenues are comprised primarily of the net win from our slot machine operations and to a lesser extent from table games win. The \$185.2 million , or 10.6% , increase in gaming revenues during 2018 as compared to the prior year, was primarily due to the Midwest & South segment. The Midwest & South segment experienced a \$183.6 million increase in gaming revenue primarily due to the Acquisitions. In addition, the Louisiana and Mississippi properties experienced gaming revenue growth, particularly Delta Downs, Amelia Belle and IP. Gaming margins were essentially even with the prior year.

The \$129.9 million, or 8.1%, increase in gaming revenues during 2017 as compared to the prior year, was primarily due to the addition of the Aliante & Cannery Acquisitions to our Las Vegas Locals segment. Partially offsetting this increase, is a decrease in gaming revenues in the Midwest & South segment. The Midwest & South segment experienced a 1.5% decline in slot handle, along with a 2.8% decrease in table game drop. Gaming margins slightly increased as compared to prior year due to top line gaming revenue growth and effective cost control.

Food & Beverage

Food & beverage revenues increased \$21.5 million , or 6.2% , during 2018 as compared to prior year due primarily to the Acquisitions. Overall food & beverage margins increased to 5.5% from 3.1% in the prior year, primarily due to an overall increase in average check of 2.2% offset slightly by an increase in cost per cover of 0.6%.

Food & beverage revenues increased \$43.7 million, or 14.4%, during 2017 as compared to prior year due primarily to the Aliante & Cannery Acquisitions, along with an increase in the Las Vegas Locals segment, excluding the Aliante & Cannery Acquisitions, of \$8.4 million, as food covers increased 33% and average check increased 16.9% in the segment. Food & beverage margins increased due to our cost control efforts.

Room

Room revenues increased \$12.7 million , or 6.8% , in 2018 compared to 2017 due primarily to the Acquisitions which accounted for \$8.4 million. The increase in room revenue of \$2.3 million in the Downtown Las Vegas segment was driven by an increase in the average daily rate of 6.1% from the prior year. The Las Vegas Locals segment also experienced room revenue growth of \$1.7 million attributable to a 1.2% increase over the prior year in average daily rate.

Room revenues increased \$17.4 million, or 10.3%, in 2017 compared to 2016 due to the addition of the Aliante and Cannery Acquisitions in the Las Vegas Locals segment along with a \$4.4 million increase in the Downtown Las Vegas segment. The Downtown Las Vegas segment's occupancy rate stayed consistent year-over-year however the average daily rate increased by

22.3% from the prior year. The growth in this segment over the prior year is due in part to the completion of the 300-room hotel renovation at the Cal property in August 2017. Overall, room margins remained consistent from 2016 to 2017.

Other

Other revenues relate to patronage visits at the amenities at our properties, including entertainment and nightclub revenues, retail sales, theater tickets and other venues. Other revenues increased by \$6.5 million, or 5.1%, during 2018 as compared to the prior year due primarily to the Acquisitions, which accounted for an increase of \$5.5 million to other revenue in the Midwest & South segment.

Other revenues increased by \$10.6 million, or 9.1%, during 2017 as compared to the prior year due primarily to the Aliante and Cannery Acquisitions, which accounted for an increase to other revenue in the Las Vegas Locals segment.

Revenues by Reportable Segment

The following table presents our total revenues by Reportable Segment:

<i>(In millions)</i>	Year Ended December 31,		
	2018	2017	2016
Total Revenues by Reportable Segment			
Las Vegas Locals	\$ 873.5	\$ 868.4	\$ 655.0
Downtown Las Vegas	248.1	244.4	236.6
Midwest & South	1,505.1	1,288.0	1,307.7
Total revenues	\$ 2,626.7	\$ 2,400.8	\$ 2,199.3

Las Vegas Locals

Total revenues increased \$5.1 million, or 0.6%, during 2018 as compared to the comparable prior year period, reflecting revenue increases in all departmental categories. Gaming revenues increased \$1.8 million primarily due to a 3.7% and 0.4% increase in table game win and slot win, respectively. In addition, room revenue increased \$1.7 million due to a 1.2% increase in average daily rate and other revenue increased \$1.0 million due to increased consumption of property amenities and visitor spending.

Total revenues increased \$213.4 million, or 32.6%, during 2017 as compared to the comparable prior year period primarily due to the addition of the Aliante and Cannery Acquisitions.

Downtown Las Vegas

Total revenues increased by \$3.7 million, or 1.5%, in 2018 as compared to the prior year, reflecting revenue increases in all departmental categories except gaming revenues. Food & beverage revenues increased by \$1.3 million due to an increase in average check of 3.4% over prior year. In addition, room revenues increased \$2.3 million as the average daily rate increased 6.1% over prior year. We continue to tailor our marketing programs in the Downtown segment to cater to our Hawaiian market. Our Hawaiian market represented approximately 54% during both 2018 and 2017 of our occupied rooms in this segment.

Total revenues increased by \$7.9 million, or 3.3%, in 2017 as compared to the prior year, reflecting revenue increases in all departmental categories. We continue to tailor our marketing programs in the Downtown segment to cater to our Hawaiian market. Our Hawaiian market represented approximately 54% and 52% during 2017 and 2016, respectively, of our occupied rooms in this segment.

Midwest & South

Total revenues increased \$217.1 million, or 16.9%, in 2018 as compared to 2017, primarily due to the Acquisitions, which accounted for an increase of \$206.6 million. In addition, the Louisiana and Mississippi properties experienced gaming revenue growth, particularly Delta Downs, Amelia Belle and IP.

Total revenues decreased 1.5%, during 2017 as compared to 2016, primarily due to a gaming revenue decrease resulting from a 1.5% decline in slot handle, along with a 2.8% decrease in table game drop. The results for this segment were impacted by Evangeline Downs and Amelia Belle experiencing localized economic weakness. The declines are partially offset by room revenue growth of \$2.9 million at Delta Downs due to the opening of the new hotel tower and newly renovated rooms. The average daily rate at Delta Downs increased by 25.5% over 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:

<i>(In millions)</i>	Year Ended December 31,		
	2018	2017	2016
Selling, general and administrative	\$ 369.3	\$ 362.0	\$ 322.3
Master lease rent expense	20.7	—	—
Maintenance and utilities	127.0	109.5	100.0
Depreciation and amortization	230.0	217.5	196.2
Corporate expense	104.2	88.1	72.7
Project development, preopening and writedowns	45.7	14.5	22.1
Impairment of assets	1.0	(0.4)	38.3
Other operating items, net	2.2	1.9	0.3

Selling, General and Administrative

Selling, general and administrative expenses include marketing, technology, compliance and risk, surveillance and security. These costs, as a percentage of total revenues, were 14.1% , 15.1% and 14.7% for 2018 , 2017 and 2016, respectively. We continue to focus on disciplined and targeted marketing spend and on our cost containment efforts.

Master lease rent expense

Master lease rent expense represents rent expense incurred by those properties subject to a master lease agreement with a real estate investment trust.

Maintenance and Utilities

Maintenance and utilities expenses, as a percentage of total revenues, were 4.8% , 4.6% and 4.5% for 2018 , 2017 and 2016, respectively.

Depreciation and Amortization

Depreciation and amortization expense, as a percentage of total revenues, was 8.8% , 9.1% and 8.9% for 2018 , 2017 and 2016, respectively.

Corporate Expense

Corporate expense represents unallocated payroll, professional fees, rent and various other administrative expenses that are not directly related to our casino and/or hotel operations, in addition to the corporate portion of share-based compensation expense. Corporate expense, represented 4.0% , 3.7% and 3.3%, of total revenues, for 2018 , 2017 and 2016, respectively. The corporate expense increase is primarily due to an increase in share-based compensation expense for the periods presented due to positive changes in achievement levels for performance share units.

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, strategic initiatives, 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 project development, preopening and writedowns from 2017 to 2018, is primarily due to the Acquisitions, the Wilton Rancheria development and the launch of the redesigned BConnected player loyalty program. The decrease in such costs from 2016 to 2017 is due primarily to the Aliante and Cannery Acquisitions that occurred in 2016, with no similar transactions in 2017.

Impairment of Assets

Impairment of assets of \$1.0 million in 2018 includes non-cash impairment charges related to a nonoperating asset.

Impairments of assets in 2017 include a \$0.6 million write down of a land parcel in Missouri that was sold during the period. This impairment charge is offset by a \$1.0 million excess reserve recovery related to the Echelon project. The value of the remaining Echelon inventory is fully reserved.

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 & South segment.

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**

<i>(In millions)</i>	Year Ended December 31,		
	2018	2017	2016
Interest Expense, net	\$ 200.5	\$ 171.3	\$ 209.7
Average Long-Term Debt Balance	3,413.2	3,207.2	3,337.0
Loss on Early Extinguishments and Modifications of Debt	0.1	1.6	42.4
Weighted Average Interest Rates	5.4%	4.4%	5.3%
Mix of Debt at Year End			
Fixed rate debt	56.0%	48.1%	45.7%
Variable rate debt	44.0%	51.9%	54.3%

Interest expense, net of capitalized interest and interest income, for 2018 increased \$29.2 million, or 17.0%, is primarily attributable to an increase in the weighted average long-term debt balance of \$205.9 million from 2017 to 2018. The increase in the weighted average long-term debt balance for the year ended December 31, 2018 over the prior year comparable period is due to the issuance in June 2018 of the \$700.0 million aggregate principal amount of 6.000% senior notes due August 2026 issued in anticipation of the Acquisitions. In addition, the weighted average interest rate increased by 1.0 percentage point over the comparable period, which is driven by an increase in the underlying Eurodollar rate.

Interest expense, net of capitalized interest and interest income, for 2017 decreased \$38.4 million, or 18.3%, due to the redemptions of our 9.0% senior notes and the Peninsula 8.375% senior notes, the payoff of the Peninsula bank credit facility, the refinancing of the Boyd Gaming Credit Facility in September 2016 and the refinancing of Term B Loans in March 2017. These transactions led to a reduction in the average long-term debt balance of \$129.7 million and a reduction in the weighted average interest rate from 5.3% to 4.4% for 2017.

Loss on Early Extinguishments and Modifications of Debt

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

<i>(In millions)</i>	December 31,		
	2018	2017	2016
Boyd Gaming Credit Facility deferred finance charges	\$ 0.1	\$ 1.1	\$ 6.6
Amendment No. 2 and Refinancing Amendment	—	0.5	—
9.00% Senior Notes premium and consent fees	—	—	15.8
9.00% Senior Notes deferred finance charges	—	—	6.0
8.375% Senior Notes deferred finance charges	—	—	4.5
Peninsula Credit Facility deferred finance charges	—	—	9.5
Total loss on early extinguishments and modifications of debt	\$ 0.1	\$ 1.6	\$ 42.4

Income Taxes

The effective tax rate on income from continuing operations during 2018, 2017 and 2016 was 26.0%, 1.8% and (2,573.8)%, respectively. In 2018, our tax provision was unfavorably impacted by state taxes and certain nondeductible expenses which were partially offset by certain tax credits. In 2017, our tax provision was favorably impacted by the change to the federal statutory tax rate on our net deferred tax liability. On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from a top marginal rate of 35% to a flat rate of 21%; (2) eliminating the corporate alternative minimum tax (AMT); (3) creating a new limitation on deductible interest expense; (4) changing bonus depreciation that will allow for full expensing of qualified property; (5) changing the limitations on executive compensation (6) altering the rules with respect to net operating losses generated after December 31, 2017. These changes have various effective

dates. As a result of the reduction of the federal corporate income tax rate, we revalued our net deferred tax liability as of December 31, 2017. Based on this revaluation, we recorded a discrete tax benefit of \$60.1 million.

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.

Income from Discontinued Operations, Net of Tax

Income from discontinued operations, net of tax, reflects the results of our equity method investment in Borgata, which we sold in August 2016. The 2018 results include cash received for our share of miscellaneous recoveries realized by Borgata of \$0.3 million. The results for the year ended December 31, 2017 include property tax recovery proceeds of \$21.4 million, net of tax, related to the final settlement of Borgata's property tax disputes with Atlantic City. The 2016 results include a \$181.7 million after-tax gain on the 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 generally operate with minimal or negative levels of working capital in order to minimize borrowings and related interest costs. Our cash and cash equivalents balance was \$249.4 million and \$203.1 million at December 31, 2018 and 2017, respectively. Our working capital deficit at December 31, 2018 and 2017 was \$70.0 million and \$56.8 million, respectively.

Our bank credit facility generally provides all necessary funds for the 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 bank credit facility, as necessary, by either borrowing or paying down debt with excess cash. We also plan the timing and the amounts of our capital expenditures. We believe that the borrowing capacity under the bank credit facility, subject to restrictive covenants, and cash flows from operating activities will be sufficient to meet our liquidity and capital resource needs for the next twelve months, including our projected operating and maintenance capital expenditures. The source of funds available to us for repayment of debt or to fund development projects is derived primarily from cash flows from operations and availability under our bank credit facility, to the extent availability exists after we meet working capital needs, and subject to restrictive covenants. See " *Indebtedness* ", below, for further detail regarding funds available through our bank credit facility.

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

<i>(In millions)</i>	Year Ended December 31,		
	2018	2017	2016
Net cash provided by operating activities	\$ 434.5	\$ 422.6	\$ 300.3
Cash Flows from Investing Activities			
Capital expenditures	(161.5)	(190.4)	(160.4)
Cash paid for acquisitions, net of cash received	(934.1)	(1.2)	(592.7)
Advances pursuant to development agreement	—	(35.1)	—
Other investing activities	(39.7)	0.7	14.1
Net cash used in investing activities	(1,135.3)	(226.0)	(739.0)
Cash Flows from Financing Activities			
Net proceeds (payments) of debt	850.3	(161.5)	(97.9)
Dividends paid	(24.7)	(11.3)	—
Shares repurchased and retired	(59.6)	(31.9)	—
Share-based compensation activities, net	(5.3)	(7.7)	(1.3)
Other financing activities	(14.5)	(2.9)	—
Net cash used in financing activities	746.2	(215.3)	(99.2)
Net cash provided by discontinued operations	0.5	35.7	570.3
Net increase in cash and cash equivalents	\$ 45.9	\$ 17.0	\$ 32.4

Cash Flows from Operating Activities

During 2018, 2017 and 2016, we generated net operating cash flow of \$434.5 million, \$422.6 million and \$300.3 million, respectively. Generally, operating cash flows increased \$12.0 million in 2018 compared to 2017 due to the flow through effect of higher revenues, including the impact of the Acquisitions, and the timing of working capital spending. Generally, operating cash flows increased \$122.2 million in 2017 compared to 2016 due to the flow through effect of higher revenues, including the impact of the Aliante and Cannery Acquisitions, and 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 2018, we incurred net cash outflows for investing activities of \$1,135.3 million. The increase in outflows as compared to the prior year is due to the Acquisitions.

During 2017, we incurred net cash outflows for investing activities of \$226.0 million. The decline in outflows as compared to the prior year is due to the Aliante & Cannery Acquisitions. Capital expenditures for 2017 include \$43.0 million paid in February 2017 to exercise a purchase option to acquire leased land underlying The Orleans Hotel and Casino. In January 2017, we paid \$35.1 million for the acquisition of land that is the intended site of the Wilton Rancheria casino, pursuant to our development agreement with the Wilton Rancheria Tribe. This cost will be reimbursed to us when the Tribe obtains permanent financing for the project.

In 2016, we incurred net cash outflows for investing activities of \$739.0 million due to our Aliante & Cannery Acquisitions and capital expenditures during the period of \$160.4 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 2018, our net cash inflows from financing activities totaled \$746.2 million and in 2017 and 2016, our net cash outflows for financing activities totaled \$215.3 million and \$99.2 million, respectively. The net cash inflows for financing activities in 2018 reflect primarily the proceeds received for the issuance of our 6.000% Senior Notes due August 2026 and the Joinder Agreement to our Credit Agreement. The net proceeds from the debt issuance were ultimately used to fund the Acquisitions. The outflows reflect the use of excess cash to reduce our outstanding debt, repurchase outstanding common stock under our share repurchase program and pay cash dividends to our shareholders. The net cash outflows for financing activities in 2017, reflect primarily the

use of excess cash to reduce our outstanding debt, repurchase outstanding common stock under our share repurchase program and pay cash dividends to our shareholders. The net cash outflows in 2016 reflect primarily the redemption of our 9.00% senior notes due 2020 and Peninsula Gaming's 8.375% senior notes due 2018, and extinguishment of the Peninsula Gaming bank credit facility during the period, using the net cash proceeds from the sale of our equity interest in Borgata, and cash flow from the Refinancing Amendment.

Cash Flows from Discontinued Operations

Discontinued operations activities in 2018, 2017 and 2016 represent Borgata. The net cash inflow of \$0.5 million in 2018 represents cash received for our share of miscellaneous recoveries realized by Borgata. The net cash inflow of \$35.7 million in 2017 includes property tax recovery proceeds related to the final settlement of Borgata's property tax disputes with Atlantic City. The net cash flow in 2016 includes the pretax cash proceeds of \$589 million received from the sale of our 50% equity interest in the parent company of Borgata to MGM in August 2016.

Indebtedness

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

<i>(In millions)</i>	December 31, 2018	December 31, 2017	Increase
Bank credit facility	\$ 1,771.3	\$ 1,621.1	\$ 150.2
6.875% senior notes due 2023	750.0	750.0	—
6.375% senior notes due 2026	750.0	750.0	—
6.000% senior notes due 2026	700.0	—	700.0
Other	58.7	0.5	58.2
Total long-term debt	4,030.0	3,121.6	908.4
Less current maturities	24.2	24.0	0.2
Long-term debt, net of current maturities	\$ 4,005.8	\$ 3,097.6	\$ 908.2

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

Boyd Gaming Corporation Debt

Bank Credit Facility

Credit Agreement

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

<i>(In millions)</i>	December 31,	
	2018	2017
Revolving Credit Facility	\$ 320.0	\$ 170.0
Term A Loan	248.3	211.0
Refinancing Term B Loans	1,152.7	1,170.0
Swing Loan	50.3	70.1
Total outstanding principal amounts under the Credit Facility	\$ 1,771.3	\$ 1,621.1

At December 31, 2018 approximately \$1.8 billion was outstanding under the bank credit facility. With a total revolving credit commitment of \$945.5 million available under the bank credit facility, \$320.0 million was borrowed on the Revolving Credit Facility, \$50.3 million was borrowed on the Swing Loan and \$12.7 million allocated to support various letters of credit, the remaining contractual availability of \$562.5 million.

On August 2, 2018, we entered into a Joinder Agreement (the "Joinder Agreement") to Amendment No. 2 and Refinancing Amendment (the "Credit Agreement"), among the Company, certain financial institutions and Bank of America, N.A., as administrative agent.

The Joinder Agreement modified the Credit Agreement solely to join additional financial institutions as lenders and to provide for (i) increased commitments under the senior secured revolving credit facility under the Credit Agreement (the "Revolving Credit Facility") by an amount equal to \$170.5 million resulting in total availability under the Revolving Credit Facility of an amount

equal to \$945.5 million and (ii) commitments from lenders to make additional Term A Loans (as defined in the Credit Agreement) in an amount equal to \$49.5 million resulting in aggregate outstanding Term A Loans under the Credit Agreement in an amount equal to approximately \$248.4 million .

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 Refinancing Term B Loans amortize in an annual amount equal to 1.00% of the original principal amount thereof, commencing June 30, 2017, 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.

The Refinancing Term B Loans mature on September 15, 2023 (or earlier upon occurrence or non-occurrence of certain events). The Revolving Credit Facility and the Term A Loan mature on September 15, 2021 (or earlier upon occurrence or non-occurrence of certain events).

The interest rate on the outstanding balance from time to time of the Revolving Credit Facility and the Term A Loan is based upon, at the Company's option, either: (i) the Eurodollar rate or (ii) the base rate, in each case, plus an applicable margin. Such applicable margin is a percentage per annum determined in accordance with a specified pricing grid based on the total leverage ratio and ranges from 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 of the Refinancing Term B Loans under the Amended Credit Agreement 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 the Company's secured leverage ratio and ranges from 2.25% to 2.50% (if using the Eurodollar rate) and from 1.25% to 1.50% (if using the base rate).

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 4.7% at December 31, 2018 and 3.9% at December 31, 2017 .

Amounts outstanding under the Refinancing Amendment may be prepaid without premium or penalty, and the commitments may be terminated without penalty, subject to certain exceptions.

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; (iii) establishing a maximum permitted secured leverage ratio; (iv) imposing limitations on the incurrence of indebtedness; (v) imposing limitations on transfers, sales and other dispositions; and (vi) imposing restrictions on investments, dividends and certain other payments.

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 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.

Senior Notes

We currently have three issues of senior notes (the "Senior Notes") that are outstanding as described below.

6.000% Senior Notes due August 2026

On June 25, 2018, we issued \$700.0 million aggregate principal amount of 6.000% senior notes due August 2026 (the "6.000% Notes"). The 6.000% Notes require semi-annual interest payments on February 15 and August 15 of each year, commencing on August 15, 2018. The 6.000% Notes will mature on August 15, 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 or will be, as applicable, 100% owned by us.

The net proceeds from the debt issuance were ultimately used to fund the acquisitions of Valley Forge and the four Pinnacle properties.

In conjunction with the issuance of the 6.000% Notes, we incurred approximately \$11.3 million in debt financing costs that have been deferred and are being amortized over the term of the 6.000% Notes using the effective interest method.

At any time prior to August 15, 2021, we may redeem the 6.000% 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 (as defined in the indenture governing the 6.000% Notes), if any, up to, but excluding, the applicable redemption date, plus a make-whole premium. On or after August 15, 2021, we may redeem all or a portion of the 6.000% Notes at redemption prices (expressed as percentages of the principal amount) ranging from 103% in 2021 to 100% in 2024 and thereafter, plus accrued and unpaid interest and Additional Interest, if any, up to, but excluding, the applicable redemption date.

In connection with this private placement of the 6.000% 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 6.000% Notes. We filed the required registration statement and commenced the exchange offer during June 2018. The exchange offer was completed on July 9, 2018 and our obligations under the registration rights agreement have been fulfilled.

6.375% Senior Notes due April 2026

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.

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.

6.875% Senior Notes due May 2023

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. 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 Restrictive Covenants

Each of the Senior 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 respective notes to incur additional indebtedness or liens, pay dividends or make distributions or repurchase our capital stock, make certain investments, and sell or merge with other companies. In addition, upon the occurrence of a change of control (as

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

Other Notes

On October 15, 2018, Boyd completed the acquisition of the Pinnacle Properties. Concurrently with the acquisition, Boyd (Ohio) PropCo, LLC, a wholly owned subsidiary of Boyd Sub ("Boyd PropCo"), acquired the real estate associated with Belterra Park in Cincinnati, Ohio (the "Belterra Park Real Property Sale") utilizing mortgage financing from a subsidiary of Gaming and Leisure Properties, Inc. ("GLPI"), pursuant to a purchase agreement, dated December 17, 2017 ("Belterra Park Purchase Agreement"), by and among Penn, Gold Merger Sub, a wholly owned subsidiary of GLPI, Belterra Park and Pinnacle Entertainment, and a Novation and Amendment Agreement, dated October 15, 2018 (the "Novation Agreement"), by and among Penn, Gold Merger Sub, Boyd PropCo, Belterra Park and Pinnacle Entertainment. Pursuant to the Novation Agreement, Gold Merger Sub, the original purchaser under the Belterra Park Purchase Agreement, assigned, transferred and conveyed to Boyd PropCo and Boyd PropCo accepted Gold Merger Sub's rights, title and interest in the Belterra Park Purchase Agreement ("Belterra Park Note").

The total Belterra Park Note payable to Gold Merger Sub is \$57.7 million. The Belterra Park Note provides for interest at a per annum for any monthly period equal to (a) the sum of (i) the building base rent, as defined in the master lease agreement, payable for such period annualized, plus (ii) the land base rent, as defined in the master lease agreement, payable for such period annualized, plus (iii) the percentage rent, as defined in the master lease agreement, payable for such period annualized divided by (b) the outstanding principal balance of this Belterra Park Note, divided by (c) the number twelve. The interest rate as of December 31, 2018 is 11.11%. Interest payments are due monthly with a balloon payment for the outstanding principal due at the maturity date. The maturity date is the earlier to occur of (a) the expiration of the master lease term and (b) the termination of the master lease agreement.

Covenant Compliance

As of December 31, 2018, 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:

<i>(In millions)</i>	Total
For the year ending December 31,	
2019	\$ 24.2
2020	24.3
2021	609.0
2022	12.7
2023	1,852.1
Thereafter	1,507.7
Total outstanding principal of long-term debt	\$ 4,030.0

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. On May 2, 2017, the Company announced that its Board of Directors had authorized the reinstatement of the Company's cash dividend program. The dividends declared by the Board under this program are:

Declaration date	Record date	Payment date	Amount per share
May 2, 2017	June 15, 2017	July 15, 2017	\$0.05
September 6, 2017	September 18, 2017	October 15, 2017	0.05
December 7, 2017	December 28, 2017	January 15, 2018	0.05
March 2, 2018	March 16, 2018	April 15, 2018	0.05
June 8, 2018	June 29, 2018	July 15, 2018	0.06
September 14, 2018	September 28, 2018	October 15, 2018	0.06
December 7, 2018	December 28, 2018	January 15, 2019	0.06

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 bank 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. The Board reaffirmed this program in May 2017 (the "2008 Plan"). On December 12, 2018, our Board of Directors authorized a new share repurchase program of \$100 million which is in addition to the existing repurchase authorization (the "2018 Plan"). We are not obligated to purchase any shares under our stock repurchase program. There were 1.9 million shares and 1.2 million shares repurchased during the years ended December 31, 2018 and 2017, respectively. There were no share repurchases during the years ended December 31, 2016. As of December 31, 2018, \$0.6 million remained available under the 2008 Plan and \$100.0 million remained under the 2018 Plan.

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, later received by Borgata and to which Boyd Gaming retained the right to receive payment. During 2016, we recognized \$9.1 million in income, which was included in discontinued operations for the year ended December 31, 2016, 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 would receive payments totaling \$72 million to resolve the property tax issues. Borgata received full payment, and we received our share of the proceeds, in June 2017. For the year ended December 31, 2017, we recognized \$36.2 million in income for the cash we received for our share of property tax benefits realized by Borgata after the closing of the sale. These payments, net of tax of \$14.8 million for the year ended December 31, 2017, are included in discontinued operations in the consolidated financial statements. During the year ended December 31, 2018, we recognized \$0.3 million in income, net of tax, for the cash received for our share of miscellaneous recoveries realized by Borgata during that period, which are included in discontinued operations in the consolidated financial statements.

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.

We currently estimate that our annual cash capital requirements to perform on-going refurbishment and maintenance at our properties to maintain our quality standards ranges from between \$150 million and \$170 million. We intend to fund such capital expenditures through our credit facility and operating cash flows.

In addition to the capital spending discussed above, we continue to pursue other potential development projects that may require us to invest significant amounts of capital. For example, we continue to work with the Wilton Rancheria Tribe (the "Tribe"), a federally-recognized Native American tribe located about 15 miles southeast of Sacramento, California, to develop and manage a gaming entertainment complex. In January 2017, we funded the acquisition of land that is the intended site of the Wilton Rancheria casino for \$35.1 million. This cost will be reimbursed to us upon the opening of the facility. In September 2017, the California State Legislature unanimously approved, and the Governor of California executed, a tribal-state gaming compact with the tribe allowing the development of the casino. In October 2018, the National Indian Gaming Commission approved the Company's management contract with the Tribe. With the compact now in place, we are in the process of finalizing project budget, design and construction planning. The project will be constructed using third-party financing. Once commenced and project financing put in place, the construction timeline is expected to span 18 to 24 months.

CONTRACTUAL OBLIGATIONS

The following summarizes our contractual obligations as of December 31, 2018 :

<i>(In millions)</i>	Year Ending December 31,						
	Total	2019	2020	2021	2022	2023	Thereafter
CONTRACTUAL OBLIGATIONS:							
Long-Term Debt							
Bank credit facility	\$ 1,771.3	\$ 23.9	\$ 23.9	\$ 608.8	\$ 12.6	\$ 1,102.1	\$ —
6.375% senior notes due 2026	750.0	—	—	—	—	—	750.0
6.875% senior notes due 2023	750.0	—	—	—	—	750.0	—
6.000% senior notes due 2026	700.0	—	—	—	—	—	700.0
Other	58.7	0.3	0.4	0.2	0.1	—	57.7
Total long-term debt	4,030.0	24.2	24.3	609.0	12.7	1,852.1	1,507.7
Interest on Fixed Rate Debt	941.7	147.8	147.8	147.8	147.8	113.5	237.0
Interest on Variable Rate Debt (1)	323.3	81.5	80.4	71.2	51.8	38.4	—
Operating Leases	1,180.0	127.9	124.9	121.5	114.3	113.6	577.8
Purchase Obligations (2)	55.9	15.5	9.8	8.0	4.2	4.1	14.3
TOTAL CONTRACTUAL OBLIGATIONS	\$ 6,530.9	\$ 396.9	\$ 387.2	\$ 957.5	\$ 330.8	\$ 2,121.7	\$ 2,336.8

(1) Estimated interest payments are based on principal amounts and scheduled maturities of debt outstanding at December 31, 2018 . Estimated interest payments for variable-rate debt are based on rates at December 31, 2018 .

(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, 2018, we had outstanding letters of credit totaling \$12.7 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 \$2.7 billion at December 31, 2018, or 47.2% 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

We follow the guidance of ASC 805 to account for our acquisitions. We completed three acquisitions in 2018, as described in Note 2, *Acquisitions and Divestitures*, to our consolidated financial statements presented in Part II, Item 8, for an aggregate net purchase price of approximately \$934.1 million. For purposes of these consolidated financial statements, for each of the acquisitions we have allocated the purchase price to the assets acquired and the liabilities assumed based on preliminary estimates of fair value as determined by us with the assistance from third-party specialists. The excess of the purchase price over the preliminary estimated fair value of the assets acquired and liabilities assumed has been recorded as goodwill. We will recognize the assets acquired and liabilities assumed in the acquisition 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, we have not completed our 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 for each of the acquisitions is expected to be completed during first quarter 2019.

The assets and liabilities of each of the acquisitions are included in our consolidated balance sheet as of December 31, 2018, and the results of their operations and cash flows are reported in our consolidated statements of operations and cash flows, respectively, from the respective dates of acquisition through December 31, 2018.

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. Gaming license rights are tested for impairment using a discounted cash flow approach. 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 was 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. 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 tests, performed as of October 1, 2018, did not result in any impairment charges.

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, 2018. 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. If the carrying value of the goodwill is considered impaired, a loss is measured as the excess of the reporting unit's carrying value over the fair value, with a limit of the goodwill allocated to that reporting unit.

As part of our annual impairment testing, management assesses the likelihood of impairment and solicits third party valuation expertise to assist in 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, 2018, the fair value of our reporting units exceeded their carrying value. At December 31, 2018, 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, 2018.

Although we satisfied the impairment analysis requirements 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 impairment test, and a resulting impairment of our goodwill in an amount up to its book value of \$1,062.1 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 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, 2018, unpaid case reserves on claims in excess of \$0.5 million, which we have subrogated to the reinsurer, totaled less than \$6.2 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, 2018 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 bank 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							Total	Fair Value
	Year Ending December 31,								
(In millions, except percentages)	2019	2020	2021	2022	2023	Thereafter			
<i>Long-term debt (including current portion):</i>									
Fixed-rate	\$ 0.3	\$ 0.4	\$ 0.2	\$ 0.1	\$ 750.0	\$ 1,507.7	\$ 2,258.7	\$ 2,198.0	
Average interest rate	6.5%	6.5%	6.5%	6.5%	6.4%	6.4%	6.5%		
Variable-rate	\$ 23.9	\$ 23.9	\$ 608.8	\$ 12.6	\$ 1,102.1	\$ —	\$ 1,771.3	\$ 1,720.7	
Average interest rate	4.6%	4.6%	4.6%	4.7%	4.7%	—%	4.6%		

As of December 31, 2018, our long-term variable-rate borrowings represented approximately 44.0% of total long-term debt. Based on December 31, 2018 debt levels, a 100-basis-point change in interest rate would cause our annual interest costs to change by approximately \$17.7 million.

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

	December 31, 2018		
	Outstanding Face Amount	Carrying Value	Estimated Fair Value
(In millions)			
Bank credit facility	\$ 1,771.3	\$ 1,748.5	\$ 1,720.7
6.875% senior notes due 2023	750.0	742.3	757.5
6.375% senior notes due 2026	750.0	740.4	724.7
6.000% Senior Notes due 2026	700.0	689.4	657.1
Other	58.7	58.7	58.7
Total long-term debt	\$ 4,030.0	\$ 3,979.3	\$ 3,918.7

The estimated fair value of our Credit Facility is based on a relative value analysis performed on or about December 31, 2018. See also "Liquidity and Capital Resources" above.

ITEM 8. Financial Statements and Supplementary Data

The following consolidated financial statements for the three years in the period ended December 31, 2018 are filed as part of this Report:

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Consolidated Balance Sheets at December 31, 2018 and 2017	53
Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016	54
Consolidated Statements of Comprehensive Income for the years ended December 31, 2018, 2017 and 2016	55
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2018, 2017 and 2016	56
Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016	57
Notes to Consolidated Financial Statements	59

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 stockholders and the Board of Directors of Boyd Gaming Corporation and Subsidiaries:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Boyd Gaming Corporation and Subsidiaries (the “Company”) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income, changes in stockholders’ equity, and cash flows, for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and their cash flows for each of the three years in the period ended December 31, 2018, 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) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2018, 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 March 1, 2019 expressed an adverse opinion on the Company’s internal control over financial reporting because of a material weakness.

Change in Accounting Principles

As discussed in Note 1 to the financial statements, the Company has changed its method of accounting for revenue and cash flow presentation in all periods presented due to the adoption of ASU 2014-09, *Revenue from Contracts with Customers*, and related amendments, and ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, respectively.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada
March 1, 2019

We have served as the Company’s auditor since 1981.

BOYD GAMING CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<i>(In thousands, except share data)</i>	December 31,	
	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 249,417	\$ 203,104
Restricted cash	23,785	24,175
Accounts receivable, net	54,667	40,322
Inventories	20,590	18,004
Prepaid expenses and other current assets	45,815	37,873
Income taxes receivable	5,477	5,185
Total current assets	399,751	328,663
Property and equipment, net	2,716,064	2,539,786
Other assets, net	106,277	81,128
Intangible assets, net	1,466,670	842,946
Goodwill, net	1,062,102	888,224
Other long-term tax assets	5,475	5,183
Total assets	\$ 5,756,339	\$ 4,685,930
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 111,172	\$ 106,323
Current maturities of long-term debt	24,181	23,981
Accrued liabilities	334,175	255,146
Income tax payable	173	21
Total current liabilities	469,701	385,471
Long-term debt, net of current maturities and debt issuance costs	3,955,119	3,051,899
Deferred income taxes	121,262	86,657
Other long-term tax liabilities	3,636	3,447
Other liabilities	60,880	61,229
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; 111,757,105 and 112,634,418 shares outstanding	1,118	1,126
Additional paid-in capital	892,331	931,858
Retained earnings	253,357	164,425
Accumulated other comprehensive loss	(1,065)	(182)
Total stockholders' equity	1,145,741	1,097,227
Total liabilities and stockholders' equity	\$ 5,756,339	\$ 4,685,930

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

BOYD GAMING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(In thousands, except per share data)</i>	Year Ended December 31,		
	2018	2017	2016
Revenues			
Gaming	\$ 1,925,424	\$ 1,740,268	\$ 1,610,393
Food & beverage	367,888	346,379	302,705
Room	199,500	186,795	169,391
Other	133,918	127,377	116,770
Total revenues	2,626,730	2,400,819	2,199,259
Operating costs and expenses			
Gaming	845,486	759,612	725,078
Food & beverage	347,624	335,506	300,766
Room	90,915	85,188	77,734
Other	87,354	83,615	83,407
Selling, general and administrative	369,313	362,037	322,259
Master lease rent expense	20,682	—	—
Maintenance and utilities	127,027	109,462	100,020
Depreciation and amortization	229,979	217,522	196,226
Corporate expense	104,201	88,148	72,668
Project development, preopening and writedowns	45,698	14,454	22,107
Impairments of assets, net	993	(426)	38,302
Other operating items, net	2,174	1,900	284
Total operating costs and expenses	2,271,446	2,057,018	1,938,851
Operating income	355,284	343,801	260,408
Other expense (income)			
Interest income	(3,721)	(1,818)	(2,961)
Interest expense, net of amounts capitalized	204,188	173,108	212,692
Loss on early extinguishments and modifications of debt	61	1,582	42,364
Other, net	(276)	(184)	545
Total other expense, net	200,252	172,688	252,640
Income from continuing operations before income taxes	155,032	171,113	7,768
Income tax (provision) benefit	(40,331)	(3,115)	199,933
Income from continuing operations, net of tax	114,701	167,998	207,701
Income from discontinued operations, net of tax	347	21,392	212,530
Net income	\$ 115,048	\$ 189,390	\$ 420,231
Basic net income per common share			
Continuing operations	\$ 1.01	\$ 1.46	\$ 1.81
Discontinued operations	—	0.19	1.86
Basic net income per common share	\$ 1.01	\$ 1.65	\$ 3.67
Weighted average basic shares outstanding	114,401	114,957	114,507
Diluted net income per common share			
Continuing operations	\$ 1.00	\$ 1.45	\$ 1.80
Discontinued operations	—	0.19	1.85
Diluted net income per common share	\$ 1.00	\$ 1.64	\$ 3.65
Weighted average diluted shares outstanding	115,071	115,628	115,189

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

BOYD GAMING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(In thousands)</i>	Year Ended December 31,		
	2018	2017	2016
Net income	\$ 115,048	\$ 189,390	\$ 420,231
Other comprehensive income (loss), net of tax:			
Fair value of adjustments to available-for-sale securities	(1,195)	433	(299)
Comprehensive income	<u>\$ 113,853</u>	<u>\$ 189,823</u>	<u>\$ 419,932</u>

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							
<i>(In thousands, except share data)</i>	Common Stock		Additional	Retained	Accumulated	Noncontrolling	Total
	Shares	Amount	Paid-in Capital	Earnings/ (Accumulated Deficit)	Other Comprehensive Income (Loss), Net	Interest	Stockholders' Equity
Balances, January 1, 2016	111,614,420	1,117	945,041	(444,055)	(316)	50	\$ 501,837
Net income	—	—	—	420,231	—	—	420,231
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	(23,824)	(615)	50	930,180
Cumulative effect of change in accounting principle, adoption of Update 2016-09	—	—	—	15,777	—	—	15,777
Net income	—	—	—	189,390	—	—	189,390
Comprehensive income attributable to Boyd	—	—	—	—	433	—	433
Stock options exercised	241,964	2	2,082	—	—	—	2,084
Release of restricted stock units, net of tax	520,854	5	(8,009)	—	—	—	(8,004)
Release of performance stock units, net of tax	173,653	2	(1,793)	—	—	—	(1,791)
Dividends declared (\$0.15 per share)	—	—	—	(16,918)	—	—	(16,918)
Shares repurchased and retired	(1,198,430)	(12)	(31,915)	—	—	—	(31,927)
Share-based compensation costs	—	—	17,413	—	—	—	17,413
Other	—	—	640	—	—	(50)	590
Balances, December 31, 2017	112,634,418	1,126	931,858	164,425	(182)	—	1,097,227
Cumulative effect of change in accounting principle, adoption of Update 2018-02	—	—	—	(312)	312	—	—
Net income	—	—	—	115,048	—	—	115,048
Comprehensive income attributable to Boyd	—	—	—	—	(1,195)	—	(1,195)
Stock options exercised	338,426	3	3,539	—	—	—	3,542
Release of restricted stock units, net of tax	300,177	3	(3,619)	—	—	—	(3,616)
Release of performance stock units, net of tax	337,537	4	(5,274)	—	—	—	(5,270)
Dividends declared (\$0.23 per share)	—	—	—	(25,804)	—	—	(25,804)
Shares repurchased and retired	(1,853,453)	(18)	(59,552)	—	—	—	(59,570)
Share-based compensation costs	—	—	25,379	—	—	—	25,379
Balances, December 31, 2018	111,757,105	1,118	892,331	253,357	(1,065)	—	1,145,741

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

BOYD GAMING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(In thousands)</i>	Year Ended December 31,		
	2018	2017	2016
Cash Flows from Operating Activities			
Net income	\$ 115,048	\$ 189,390	\$ 420,231
Adjustments to reconcile net income to net cash provided by operating activities:			
Income from discontinued operations, net of tax	(347)	(21,392)	(212,530)
Depreciation and amortization	229,979	217,522	196,226
Amortization of debt financing costs and discounts on debt	9,158	9,845	14,870
Share-based compensation expense	25,379	17,413	15,518
Deferred income taxes	34,470	5,203	(201,498)
Non-cash impairment of assets	993	—	38,302
Gain on sale of assets	—	(1,027)	(6,288)
Loss on early extinguishments and modifications of debt	61	1,582	42,364
Other operating activities	887	(2,033)	1,625
Changes in operating assets and liabilities:			
Accounts receivable, net	(772)	(9,937)	45
Inventories	1,699	565	884
Prepaid expenses and other current assets	4,224	4,957	1,691
Income taxes (receivable) payable, net	(140)	1,089	(1,064)
Other long-term tax assets, net	(292)	(5,183)	—
Other assets, net	(4,094)	2,318	(626)
Accounts payable and accrued liabilities	18,494	13,216	(11,605)
Other long-term tax liabilities	189	140	222
Other liabilities	(409)	(1,117)	1,972
Net cash provided by operating activities	434,527	422,551	300,339
Cash Flows from Investing Activities			
Capital expenditures	(161,544)	(190,464)	(160,358)
Cash paid for acquisitions, net of cash received	(934,073)	(1,153)	(592,703)
Advances pursuant to development agreement	—	(35,108)	—
Other investing activities	(39,710)	706	14,207
Net cash used in investing activities	(1,135,327)	(226,019)	(738,854)

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

<i>(In thousands)</i>	Year Ended December 31,		
	2018	2017	2016
Cash Flows from Financing Activities			
Borrowings under Boyd Gaming bank credit facility	1,114,600	958,000	2,039,175
Payments under Boyd Gaming bank credit facility	(964,322)	(1,119,485)	(1,466,362)
Borrowings under Peninsula bank credit facility	—	—	237,000
Payments under Peninsula bank credit facility	—	—	(899,750)
Proceeds from issuance of senior notes	700,000	—	750,000
Debt financing costs, net	(14,215)	(3,430)	(42,220)
Retirements of senior notes	—	—	(700,000)
Premium and consent fees paid	—	—	(15,750)
Share-based compensation activities, net	(5,344)	(7,711)	(1,295)
Shares repurchased and retired	(59,570)	(31,927)	—
Dividends paid	(24,730)	(11,286)	—
Other financing activities	(178)	503	(45)
Net cash used in financing activities	746,241	(215,336)	(99,247)
Cash Flows from Discontinued Operations			
Cash flows from operating activities	—	(514)	(27,796)
Cash flows from investing activities	482	36,247	598,057
Cash flows from financing activities	—	—	—
Net cash provided by discontinued operations	482	35,733	570,261
Change in cash, cash equivalents and restricted cash	45,923	16,929	32,499
Cash, cash equivalents and restricted cash, beginning of period	227,279	210,350	177,851
Cash, cash equivalents and restricted cash, end of period	\$ 273,202	\$ 227,279	\$ 210,350
Supplemental Disclosure of Cash Flow Information			
Cash paid for interest, net of amounts capitalized	\$ 179,154	\$ 174,090	\$ 197,475
Cash paid for income taxes, net of refunds	5,657	5,189	33,723
Supplemental Schedule of Non-cash Investing and Financing Activities			
Payables incurred for capital expenditures	\$ 4,930	\$ 9,297	\$ 9,334

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, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

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, 2018, we are a geographically diversified operator of 29 wholly owned gaming entertainment properties. Headquartered in Las Vegas, Nevada, we have gaming operations in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Ohio and Pennsylvania. For financial reporting purposes, 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 & South

Par-A-Dice Hotel Casino	East Peoria, Illinois
Belterra Casino Resort	Florence, Indiana
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
Ameristar Casino Hotel Kansas City	Kansas City, Missouri
Ameristar Casino Resort Spa St. Charles	St. Charles, Missouri
Belterra Park	Cincinnati, Ohio
Valley Forge Casino Resort	King of Prussia, Pennsylvania

BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

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") from the date of their respective acquisitions (see Note 2, *Acquisitions and Divestitures*).

Our Midwest & South segment includes the results of Valley Forge Convention Center, L.P. ("Valley Forge"), Ameristar Casino Kansas City, LLC ("Ameristar Kansas City"), Ameristar Casino St. Charles, LLC ("Ameristar St. Charles"), Belterra Resort Indiana LLC ("Belterra Resort") and PNK (Ohio), LLC ("Belterra Park"). In addition, results for our Illinois distributed gaming operator, Lattner Entertainment Group Illinois, LLC ("Lattner") are included in our Midwest & South segment from the date of their respective acquisitions (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.

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.

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. The acquisition of Lattner was completed in June 2018, the acquisition of Valley Forge was completed in September 2018 and the acquisitions of Ameristar Kansas City, Ameristar St. Charles, Belterra Resort and Belterra Park were completed in October 2018. The pro forma impact of these acquisitions to our results of operations has been disclosed.

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

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.

BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

The following table provides a reconciliation of cash, cash equivalents and restricted cash balances reported within the consolidated balance sheets to the total balance shown in the consolidated statements of cash flows.

<i>(In thousands)</i>	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Cash and cash equivalents	\$ 249,417	\$ 203,104	\$ 193,862	\$ 158,821
Restricted cash	23,785	24,175	16,488	19,030
Total cash, cash equivalents and restricted cash	\$ 273,202	\$ 227,279	\$ 210,350	\$ 177,851

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:

<i>(In thousands)</i>	Year Ended December 31,		
	2018	2017	2016
Beginning balance, January 1,	\$ 2,072	\$ 1,971	\$ 2,087
Additions due to Acquisitions	1,425	—	87
Additions	180	478	345
Deductions	(70)	(377)	(548)
Ending balance, December 31,	\$ 3,607	\$ 2,072	\$ 1,971

Inventories

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

Property and Equipment, net

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

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. There was no interest capitalized for the years ended December 31, 2018 and 2017. Interest capitalized during the year ended December 31, 2016 was \$0.5 million.

Investment in Available for Sale Securities

We have an investment in \$20.0 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, 2018 and 2017 was \$15.8 million and \$17.8 million, respectively. At both December 31, 2018 and 2017, \$0.5 million is included in prepaid expenses and other current assets, and \$15.3 million and \$17.3 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,		
2019	\$	510
2020		550
2021		590
2022		635
2023		680
Thereafter		17,080
Total	\$	20,045

Intangible Assets

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

Amortizing Intangible Assets

Customer relationships represent the value of repeat business associated with our customer loyalty programs and are being amortized on an accelerated method over their approximate useful life. Host agreements represent the value associated with our host establishment relationships and are being amortized on a straight-line basis over 15 years. 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 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 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 reasonably 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 & beverage, and other free goods and services. We record points earned based on the value of a point that can be redeemed for a hotel room, food & beverage or other items. The player loyalty point program accrual is deferred and recognized as revenue when the customer redeems the points for a hotel room stay, for food & beverage or for other amenities and 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

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.

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

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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 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:

<i>(In thousands)</i>	Year Ended December 31,		
	2018	2017	2016
Beginning balance, January 1,	\$ 33,995	\$ 31,022	\$ 30,068
Additions			
Charged to costs and expenses	90,299	84,209	79,685
Due to acquisitions	3,279	—	14
Payments made	(90,072)	(81,236)	(78,745)
Ending balance, December 31,	<u>\$ 37,501</u>	<u>\$ 33,995</u>	<u>\$ 31,022</u>

Accumulated Other Comprehensive Income (Loss)

Comprehensive income includes net income and other comprehensive income (loss). Components of the Company's comprehensive income are reported in the accompanying consolidated statements of changes in stockholders' equity and consolidated statements of comprehensive income. The accumulated other comprehensive income (loss) at December 31, 2018, consists of unrealized gains and losses on the investment available for sale resulting from changes in fair value.

Noncontrolling Interest

Noncontrolling interest represented the ownership interest in one of our subsidiaries that was held by a third party. During 2017, the joint venture in which we held an 80% interest was dissolved, thus eliminating our noncontrolling interest.

Revenue Recognition

The Company's revenue contracts with customers consist of gaming wagers, hotel room sales, food & beverage offerings and other amenity transactions. The transaction price for a gaming wagering contract is the difference between gaming wins and losses, not the total amount wagered. Cash discounts, commissions and other cash incentives to customers related to gaming play are recorded as a reduction of gaming revenues. The transaction price for hotel, food & beverage and other contracts is the net amount collected from the customer for such goods and services. Hotel, food & beverage and other services have been determined to be separate, stand-alone performance obligations and the transaction price for such contracts is recorded as revenue as the good or service is transferred to the customer over their stay at the hotel, when the delivery is made for the food & beverage or when the service is provided for other amenity transactions.

Gaming wager contracts involve two performance obligations for those customers earning points under the Company's player loyalty programs and a single performance obligation for customers who do not participate in the programs. The Company applies a practical expedient by accounting for its gaming contracts on a portfolio basis as such wagers have similar characteristics and the Company reasonably expects the effects on the financial statements of applying the revenue recognition guidance to the portfolio to not differ materially from that which would result if applying the guidance to an individual wagering contract. For purposes of allocating the transaction price in a wagering contract between the wagering performance obligation and the obligation associated with the loyalty points earned, the Company allocates an amount to the loyalty point contract liability based on the stand-alone selling price of the points earned, which is determined by the value of a point that can be redeemed for a hotel room stay, food &

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beverage or other amenities. Sales and usage-based taxes are excluded from revenues. An amount is allocated to the gaming wager performance obligation using the residual approach as the stand-alone price for wagers is highly variable and no set established price exists for such wagers. The allocated revenue for gaming wagers is recognized when the wagers occur as all such wagers settle immediately. The loyalty point contract liability amount is deferred and recognized as revenue when the customer redeems the points for a hotel room stay, food & beverage or other amenities and such goods or services are delivered to the customer. See Note 6, *Accrued Liabilities*, for the balance outstanding related to player loyalty programs.

The Company collects advanced deposits from hotel customers for future reservations representing obligations of the Company until the hotel room stay is provided to the customer. See Note 6, *Accrued Liabilities*, for the balance outstanding related to advance deposits.

The Company's outstanding chip liability represents the amounts owned in exchange for gaming chips held by a customer. Outstanding chips are expected to be recognized as revenue or redeemed for cash within one year of being purchased. See Note 6, *Accrued Liabilities*, for the balance outstanding related to the chip liability.

The retail value of hotel accommodations, food & beverage, and other services furnished to guests without charge is recorded as a reduction of departmental revenues. Gaming revenues are net of 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 & 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 & beverage, and to a lesser extent for other goods or services, depending upon the property.

The estimated retail value related to goods and services provided to customers without charge or upon redemption of points under our player loyalty programs, included in departmental revenues, and therefore reducing our gaming revenues, are as follows:

<i>(In thousands)</i>	Year Ended December 31,		
	2018	2017	2016
Food & beverage	\$ 182,960	\$ 171,904	\$ 147,494
Rooms	81,671	76,565	75,647
Other	11,939	10,900	11,076

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 \$367.5 million, \$324.5 million and \$321.7 million for the years ended December 31, 2018, 2017 and 2016, 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 \$33.7 million, \$29.9 million and \$32.3 million for the years ended December 31, 2018, 2017 and 2016, 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, strategic initiatives, 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. The requisite service period can be impacted

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by the provisions of the Company's stock compensation programs that provide for automatic vesting acceleration upon retirement (including as a result of death or disability) for those long-service participants achieving defined age and years of service criteria. These acceleration provisions do not apply to stock grants and awards issued within six months of the employee's retirement. 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 Company did not issue any stock option grants in 2018 and 2017. The following table discloses the weighted-average assumptions used in estimating the fair value of our significant stock option grants and awards in 2016:

	Year Ended December 31, 2016
Expected stock price volatility	46.62%
Risk-free interest rate	1.39%
Expected option life (in years)	5.4
Estimated fair value per share	\$ 7.67

Net Income per Share

Basic net income per share is computed by dividing net income 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.

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 Adopted Accounting Pronouncements

Accounting Standards Update ("ASU") 2018-07, Compensation - Stock Compensation ("Update 2018-07")

In June 2018, the Financial Accounting Standards Board ("FASB") issued Update 2018-07 which expands Accounting Standards Codification ("ASC") 718, to include share-based payment transactions for acquiring goods and services from nonemployees. 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 adopted Update 2018-07 during 2018 and the impact of the new standard to its consolidated financial statements was not material.

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ASU 2018-05, Income Taxes ("Update 2018-05")

In March 2018, the FASB issued Update 2018-05, which amends the guidance to SEC Staff Accounting Bulletin No. 118 ("SAB 118") by adding income tax accounting implications of the Tax Cuts and Jobs Act (the "Tax Act"). The SEC staff issued SAB 118 to provide guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740, *Income Taxes* ("ASC 740"). In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act. We recorded a complete adjustment as a result of the Tax Act as described above in fourth quarter 2017. No material changes were made to the consolidated financial statements in 2018 related to the Tax Act.

ASU 2018-02, Income Statement - Reporting Comprehensive Income ("Update 2018-02")

In first quarter 2018, the Company adopted ASU 2018-02 which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Act. The effect of this change in accounting principle is to record an other comprehensive income tax effect of \$0.3 million as a reduction in retained earnings on the consolidated statement of changes in stockholders' equity for the year ended December 31, 2018.

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

In November 2016, the FASB issued Update 2016-18, which amends ASC 230 to add or clarify the guidance on the classification and presentation of restricted cash in the statement of cash flows. Update 2016-18 requires restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts on the statement of cash flows. The Company adopted Update 2016-18 effective January 1, 2018 using the retrospective approach. We adjusted our consolidated statement of cash flows from amounts previously reported due to the adoption of Update 2016-18. The effects of adopting Update 2016-18 on our consolidated statement of cash flows for the years ended December 31, 2017 and 2016 were as follows:

<i>(In thousands)</i>	Year Ended December 31, 2017		
	As Previously Reported	Adoption of Update 2016-18	As Adjusted
Net cash provided by operating activities	\$ 414,864	\$ 7,687	\$ 422,551
Cash, cash equivalents and restricted cash, beginning of period	\$ 193,862	\$ 16,488	\$ 210,350
Net increase (decrease) in cash, cash equivalents and restricted cash	9,242	7,687	16,929
Cash, cash equivalents and restricted cash, end of period	\$ 203,104	\$ 24,175	\$ 227,279
	Year Ended December 31, 2016		
	As Previously Reported	Adoption of Update 2016-18	As Adjusted
Net cash provided by operating activities	\$ 302,881	\$ (2,542)	\$ 300,339
Cash, cash equivalents and restricted cash, beginning of period	\$ 158,821	\$ 19,030	\$ 177,851
Net increase (decrease) in cash, cash equivalents and restricted cash	35,041	(2,542)	32,499
Cash, cash equivalents and restricted cash, end of period	\$ 193,862	\$ 16,488	\$ 210,350

ASU 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. Update 2016-15 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 Company retrospectively adopted Update 2016-15 effective January 1, 2018. The Company determined that the impact of the new standard on its consolidated financial statements is not material.

ASU 2016-09, Compensation - Stock Compensation ("Update 2016-09")

In first quarter 2017, the Company adopted Update 2016-09, which simplified 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. The cumulative effect of this change in accounting principle was to record the benefit of previously unrecognized excess tax deductions as an increase in retained earnings of \$15.8 million on the consolidated statement of changes in stockholders' equity for the year ended December 31, 2017.

ASU 2014-09, Revenue from Contracts with Customers ("Update 2014-09"); ASU 2015-14, Revenue from Contracts with Customers - Deferral of the Effective Date ("Update 2015-14"); ASU 2016-08, Revenue from Contracts with Customers - Principal versus Agent Considerations (Reporting Revenue Gross versus Net) ("Update 2016-08"); ASU 2016-10, Revenue from Contracts with Customers - Identifying Performance Obligations and Licensing ("Update 2016-10"); ASU 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"); and ASU 2016-12, Revenue from Contracts with Customers - Narrow-Scope Improvements and Practical Expedients ("Update 2016-12"); (collectively, the "Revenue Standard")

The Revenue Standard prescribes a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The Company adopted the Revenue Standard by applying the full retrospective approach in first quarter 2018 and has adjusted the prior periods presented.

The guidance changed the presentation of net revenues as the historical presentation reflected revenues gross for goods and services provided to our customers as an inducement to play with us, with an offsetting reduction for promotional allowances to derive net revenues. Under the new guidance, revenues are allocated among our departmental classifications based on the relative standalone selling prices of the goods and services provided to the customer. Our reporting of amounts paid to operators of wide area progressive games has changed as a result of the adoption of the Revenue Standard. We previously reported these payments as contra-revenues. Under the Revenue Standard, these payments are reported as an operating expense. The accounting for our frequent player programs was also impacted, with changes to the timing and/or classification of certain transactions between revenues and operating expenses.

The implementation of the Revenue Standard resulted in an increase to the player point liability due to the change in our accounting method for this liability from an estimated cost of redemption model to a deferred revenue model. As of the effective date of our adoption (January 1, 2015), the cumulative effect adjustment decreased beginning Retained earnings by \$3.8 million (after tax), resulted in a deferred tax asset reduction of \$2.4 million and increased Accrued liabilities by approximately \$6.2 million on the consolidated balance sheet. The impact to the consolidated statement of cash flows for the year ended December 31, 2017 and 2016 was not material. The impact of this change in accounting for these programs is not expected to be material to any annual accounting period.

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The effects of the adoption of the Revenue Standard on our results for the year ended December 31, 2017 are as follows:

	Year Ended December 31, 2017		
	As Previously Reported	Adoption of Revenue Standard	As Adjusted
<i>(In thousands, except per share data)</i>			
Revenues			
Gaming	\$ 1,972,422	\$ (232,154)	\$ 1,740,268
Food & beverage	349,271	(2,892)	346,379
Room	188,689	(1,894)	186,795
Other	132,695	(5,318)	127,377
Gross revenues	2,643,077	(242,258)	2,400,819
Less promotional allowances	259,370	(259,370)	—
Net revenues	2,383,707	17,112	2,400,819
Operating costs and expenses			
Gaming	923,266	(163,654)	759,612
Food & beverage	194,524	140,982	335,506
Room	52,196	32,992	85,188
Other	77,129	6,486	83,615
Selling, general and administrative	362,037	—	362,037
Maintenance and utilities	109,462	—	109,462
Depreciation and amortization	217,522	—	217,522
Corporate expense	88,148	—	88,148
Project development, preopening and writedowns	14,454	—	14,454
Impairments of assets	(426)	—	(426)
Other operating items, net	1,900	—	1,900
Total operating costs and expenses	2,040,212	16,806	2,057,018
Operating income	343,495	306	343,801
Other expense (income)			
Interest income	(1,818)	—	(1,818)
Interest expense, net of amounts capitalized	173,108	—	173,108
Loss on early extinguishments and modifications of debt	1,582	—	1,582
Other, net	(184)	—	(184)
Total other expense, net	172,688	—	172,688
Income from continuing operations before income taxes	170,807	306	171,113
Income tax provision	(3,006)	(109)	(3,115)
Income from continuing operations, net of tax	167,801	197	167,998
Income from discontinued operations, net of tax	21,392	—	21,392
Net income	\$ 189,193	\$ 197	\$ 189,390
Basic net income per common share			
Continuing operations	\$ 1.46	\$ —	\$ 1.46
Discontinued operations	0.19	—	0.19
Basic net income per common share	\$ 1.65	\$ —	\$ 1.65
Weighted average basic shares outstanding	114,957	—	114,957
Diluted net income per common share			
Continuing operations	\$ 1.45	\$ —	\$ 1.45
Discontinued operations	0.19	—	0.19
Diluted net income per common share	\$ 1.64	\$ —	\$ 1.64
Weighted average diluted shares outstanding	115,628	—	115,628

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The effects of the adoption of the Revenue Standard on our results for the year ended December 31, 2016 are as follows:

<i>(In thousands, except per share data)</i>	Year Ended December 31, 2016		
	As Previously Reported	Adoption of Revenue Standard	As Adjusted
Revenues			
Gaming	\$ 1,820,176	\$ (209,783)	\$ 1,610,393
Food & beverage	306,145	(3,440)	302,705
Room	170,816	(1,425)	169,391
Other	122,416	(5,646)	116,770
Gross revenues	2,419,553	(220,294)	2,199,259
Less promotional allowances	235,577	(235,577)	—
Net revenues	2,183,976	15,283	2,199,259
Operating costs and expenses			
Gaming	880,716	(155,638)	725,078
Food & beverage	170,053	130,713	300,766
Room	44,245	33,489	77,734
Other	76,719	6,688	83,407
Selling, general and administrative	322,009	250	322,259
Maintenance and utilities	100,020	—	100,020
Depreciation and amortization	196,226	—	196,226
Corporate expense	72,668	—	72,668
Project development, preopening and writedowns	22,107	—	22,107
Impairments of assets	38,302	—	38,302
Other operating items, net	284	—	284
Total operating costs and expenses	1,923,349	15,502	1,938,851
Operating income	260,627	(219)	260,408
Other expense (income)			
Interest income	(2,961)	—	(2,961)
Interest expense, net of amounts capitalized	212,692	—	212,692
Loss on early extinguishments and modifications of debt	42,364	—	42,364
Other, net	545	—	545
Total other expense, net	252,640	—	252,640
Income from continuing operations before income taxes	7,987	(219)	7,768
Income tax benefit	197,486	2,447	199,933
Income from continuing operations, net of tax	205,473	2,228	207,701
Income from discontinued operations, net of tax	212,530	—	212,530
Net income	\$ 418,003	\$ 2,228	\$ 420,231
Basic net income per common share			
Continuing operations	\$ 1.79	\$ 0.02	\$ 1.81
Discontinued operations	1.86	—	1.86
Basic net income per common share	\$ 3.65	\$ 0.02	\$ 3.67
Weighted average basic shares outstanding	114,507	114,507	114,507
Diluted net income per common share			
Continuing operations	\$ 1.78	\$ 0.02	\$ 1.80
Discontinued operations	1.85	—	1.85
Diluted net income per common share	\$ 3.63	\$ 0.02	\$ 3.65
Weighted average diluted shares outstanding	115,189	—	115,189

Recently Issued Accounting Pronouncements

ASU 2018-19, Financial Instruments-Credit Losses ("Update 2018-19")

In November 2018, the FASB issued Update 2018-19, which adds clarification and improvements to Update 2016-13, Financial Instruments-Credit Losses, as discussed below. 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 2018-19 to the consolidated financial statements.

ASU 2018-13, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement ("Update 2018-13")

In August 2018, the FASB issued Update 2018-13 to modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. 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 Update 2018-13 to the consolidated financial statements.

ASU 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 consolidated financial statements.

ASU 2016-02, Leases ("Update 2016-02"); ASU 2018-10, Targeted Improvements ("Update 2018-10"); ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842 ("Update ASU 2018-01"); ASU 2018-11, Codification Improvements to Topic 842, Leases ("Update 2018-11"); ASU 2018-20, Narrow-Scope Improvements for Lessors; (collectively, the "Lease Standard")

The Lease Standard allows for transparency and comparability among organizations by requiring the recognition of right-of-use assets and lease liabilities on the balance sheet for leases with terms in excess of 12 months and the disclosure of key information about leasing arrangements. Under the Lease Standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Leases existing at, or entered into after, the beginning of the earliest comparative period presented are required to be recognized and measured using a modified retrospective approach, with certain practical expedients available. The Lease 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.

We will adopt the Lease Standard effective January 1, 2019, applying an optional transition method that will allow us to continue to apply the current guidance of ASC 840 in the comparative periods in the year of adoption. We have elected the "package of practical expedients," which permits us to not reassess prior conclusions about lease identification, lease classification and initial direct costs. We have also make an accounting policy election to not recognize right-of-use assets or lease liabilities for leases with terms of 12 months or less. We have made substantial progress in the execution of our implementation plan, but have not yet finalized the impact on our financial statements as we are currently integrating into our implementation process the leases we assumed in the acquisitions that were completed in 2018. While we are continuing to assess the impacts of the Lease Standard, our adoption is expected to have a significant impact on the consolidated balance sheet due to recognition of right-of-use assets and lease liabilities. We also anticipate expanded footnote disclosures related to our leases under the new guidance. We do not expect any changes to our consolidated statements of operations, comprehensive income or cash flows. Our evaluation of the Lease Standard is continuing and additional impacts on our consolidated financial statements and related disclosures may be identified prior to the completion of the adoption process.

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

Ameristar Casino Hotel Kansas City; Ameristar Casino Resort Spa St. Charles; Belterra Casino Resort; Belterra Park

On October 15, 2018, we completed the acquisition of Ameristar Casino Kansas City, LLC ("Ameristar Kansas City"), the owner and operator of Ameristar Casino Hotel Kansas City; Ameristar Casino St. Charles, LLC ("Ameristar St. Charles"), the owner and operator of Ameristar Casino Resort Spa St. Charles; Belterra Resort Indiana LLC ("Belterra Resort"), the owner and operator of

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Belterra Casino Resort located in Florence, Indiana; and PNK (Ohio), LLC ("Belterra Park"), the owner and operator of Belterra Park, located in Cincinnati, Ohio (collectively, the "Pinnacle Properties"), pursuant to a Membership Interest Purchase Agreement (as amended, the "Pinnacle Purchase Agreement"), dated as of December 17, 2017, as amended as of January 29, 2018 ("Amendment No. 1") and October 15, 2018 ("Amendment No. 2"), in each case by and among Boyd Gaming, Boyd TCIV, LLC, a wholly owned subsidiary of Boyd Gaming ("Boyd TCIV"), Penn National Gaming, Inc. ("Penn"), and, solely following the execution and delivery of a joinder to the Pinnacle Purchase Agreement, Pinnacle Entertainment, Inc. ("Pinnacle Entertainment") and its wholly owned subsidiary, Pinnacle MLS, LLC (collectively with Pinnacle Entertainment, "Pinnacle").

Pursuant to the Pinnacle Purchase Agreement, Boyd Gaming acquired from Pinnacle all of the issued and outstanding membership interests of the Acquired Companies as well as certain other assets (and assumed certain other liabilities) of Pinnacle related to the Acquired Companies (collectively, the "Pinnacle Acquisition"). Each of the Acquired Companies is now a wholly owned subsidiary of Boyd Gaming. The acquired companies are aggregated into our Midwest & South segment (See Note 13, *Segment Information*). The net purchase price was \$568.3 million.

Pursuant to the Pinnacle Purchase Agreement, Boyd TCIV entered into a Master Lease, dated October 15, 2018 (the "Master Lease"), with Gold Merger Sub, LLC ("Gold Merger Sub"), as landlord, and Boyd TCIV, as tenant, pursuant to which the landlord agreed to lease to Boyd TCIV the facilities associated with Ameristar Kansas City, Ameristar St. Charles, Belterra Resort and Ogle Haus, LLC, a wholly owned subsidiary of Belterra Resort ("Ogle Haus"), commencing on October 15, 2018 and ending on April 30, 2026 as the initial term, with options for renewal.

The Pinnacle Acquisition occurred substantially concurrently with the acquisition of Pinnacle Entertainment by Penn pursuant to the Merger Agreement, dated December 17, 2017, by and among Pinnacle Entertainment, Penn and Franchise Merger Sub, Inc., a wholly owned subsidiary of Penn.

Concurrently with the Pinnacle Acquisition, Boyd (Ohio) PropCo, LLC, a wholly owned subsidiary of Boyd TCIV ("Boyd PropCo"), acquired the real estate associated with Belterra Park in Cincinnati, Ohio (the "Belterra Park Real Property Sale") utilizing mortgage financing from a subsidiary of Gaming and Leisure Properties, Inc. ("GLPI"), pursuant to a purchase agreement, dated December 17, 2017 ("Belterra Park Purchase Agreement"), by and among Penn, Gold Merger Sub, a wholly owned subsidiary of GLPI, Belterra Park and Pinnacle Entertainment, and a Novation and Amendment Agreement, dated October 15, 2018 (the "Novation Agreement"), by and among Penn, Gold Merger Sub, Boyd PropCo, Belterra Park and Pinnacle Entertainment. Pursuant to the Novation Agreement, Gold Merger Sub, the original purchaser under the Belterra Park Purchase Agreement, assigned, transferred and conveyed to Boyd PropCo and Boyd PropCo accepted Gold Merger Sub's rights, title and interest in the Belterra Park Purchase Agreement.

Consideration Transferred

The fair value of the consideration transferred on the date of the Pinnacle Purchase Agreement included the purchase price of the net assets transferred. The total gross cash consideration was \$607.3 million.

Status of Purchase Price Allocation

The Company is following the acquisition method of accounting per FASB Accounting Standards Codification Topic 805 ("ASC 805") guidance. For purposes of these consolidated 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 with the assistance from third-party specialists. The excess of the purchase price over the preliminary estimated fair 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 acquisition based on fair value estimates as of the date of the Pinnacle 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 during first quarter 2019. The final fair value determinations may be significantly different than those reflected in the consolidated financial statements at December 31, 2018.

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

<i>(In thousands)</i>	As Recorded
Current assets	\$ 64,604
Property and equipment	167,000
Other assets	(28)
Intangible assets	415,400
Total acquired assets	646,976
Current liabilities	54,585
Other liabilities	57,832
Total liabilities assumed	112,417
Net identifiable assets acquired	534,559
Goodwill	72,740
Net assets acquired	\$ 607,299

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

<i>(In thousands)</i>	Useful Lives	As Recorded
Land		\$ 7,350
Buildings and improvements	15 - 40 years	89,150
Furniture and equipment	2 - 10 years	65,600
Construction in progress		4,900
Property and equipment acquired		\$ 167,000

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

<i>(In thousands)</i>	Useful Lives	As Recorded
Customer relationship	4 years	\$ 40,900
Trademark	Indefinite	43,000
Gaming license right	Indefinite	331,500
Total intangible assets acquired		\$ 415,400

The goodwill recognized is the excess of the purchase price over the preliminary values assigned to the assets acquired and liabilities assumed. All of the goodwill was assigned to the Midwest & South reportable segment. All of the goodwill is expected to be deductible for income tax purposes.

The Company recognized \$14.5 million and \$2.0 million of acquisition related costs that were expensed for the years ended December 31, 2018 and 2017, respectively. These costs are included in the consolidated statements of operations in the line item entitled "Project development, preopening and writedowns".

Condensed Consolidated Statement of Operations for the period from October 15, 2018 through December 31, 2018

The following supplemental information presents the financial results of the Pinnacle Properties included in the Company's consolidated statement of operations for the year ended December 31, 2018 :

<i>(In thousands)</i>	Period from October 15 to December 31, 2018
Total revenues	\$ 138,189
Net income	\$ 1,641

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Valley Forge Convention Center Partners

On September 17, 2018, we completed the acquisition of Valley Forge Convention Center Partners, L.P. ("Valley Forge"), the owner and operator of Valley Forge Casino Resort, pursuant to an Agreement and Plan of Merger (as amended, the "Valley Forge Merger Agreement"), dated as of December 20, 2017, as amended as of September 17, 2018, in each case by and among Boyd, Boyd TCV, LP, a Pennsylvania limited partnership and a wholly owned subsidiary of Boyd ("Boyd TCV"), Valley Forge, and VFCCP SR LLC, a Pennsylvania limited liability company, solely in its capacity as the representative of Valley Forge's limited partners.

Pursuant to the Valley Forge Merger Agreement, Boyd TCV merged with and into Valley Forge (the "Valley Forge Merger"), with Valley Forge surviving the merger. Valley Forge is now a wholly owned subsidiary of Boyd. Valley Forge is a modern casino and hotel in King of Prussia, Pennsylvania that offers premium accommodations, gaming, dining, entertainment and retail services, and is aggregated into our Midwest & South segment (See Note 13, *Segment Information*). The net purchase price was \$266.6 million.

Consideration Transferred

The fair value of the consideration transferred on the date of the Valley Forge Merger included the purchase price of the net assets transferred. The total gross cash consideration was \$291.4 million.

Status of Purchase Price Allocation

The Company is following the acquisition method of accounting per ASC 805 guidance. For purposes of these consolidated 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 with assistance from third-party appraisals. The excess of the purchase price over the preliminary estimated fair 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 acquisition based on fair value estimates as of the date of the Valley Forge Merger. 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 during first quarter 2019. The final fair value determinations may be significantly different than those reflected in the consolidated financial statements at December 31, 2018.

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

<i>(In thousands)</i>	Preliminary Purchase Price Allocation		
	As of September 30, 2018	Adjustments	As of December 31, 2018
Current assets	\$ 29,909	\$ —	\$ 29,909
Property and equipment	47,762	8,738	56,500
Other assets	483	—	483
Intangible assets	—	148,600	148,600
Total acquired assets	78,154	157,338	235,492
Current liabilities	12,028	940	12,968
Other liabilities	606	—	606
Total liabilities assumed	12,634	940	13,574
Net identifiable assets acquired	65,520	156,398	221,918
Goodwill	225,844	(156,398)	69,446
Net assets acquired	\$ 291,364	\$ —	\$ 291,364

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

<i>(In thousands)</i>	Useful Lives	As Recorded
Land		\$ 15,200
Buildings and improvements	15 - 40 years	32,900
Furniture and equipment	2 - 6 years	7,971
Construction in progress		429
Property and equipment acquired		\$ 56,500

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

<i>(In thousands)</i>	Useful Lives	As Recorded
Customer relationship	5 years	\$ 15,100
Trademark	Indefinite	12,500
Gaming license right	Indefinite	121,000
Total intangible assets acquired		\$ 148,600

The goodwill recognized is the excess of the purchase price over the preliminary values assigned to the assets acquired and liabilities assumed. All of the goodwill was assigned to the Midwest & South reportable segment. All of the goodwill is expected to be deductible for income tax purposes.

The Company recognized \$3.6 million and \$0.4 million of acquisition related costs that were expensed for the years ended December 31, 2018 and 2017, respectively. These costs are included in the consolidated statements of operations in the line item entitled "Project development, reopening and writedowns".

Condensed Consolidated Statement of Operations for the period from September 17, 2018 through December 31, 2018

The following supplemental information presents the financial results of Valley Forge included in the Company's consolidated statement of operations for the year ended December 31, 2018 :

<i>(In thousands)</i>	Period from September 17 to December 31, 2018
Total revenues	\$ 43,499
Net income	\$ 4,450

Lattner Entertainment Group Illinois

On June 1, 2018, we completed the acquisition of Lattner Entertainment Group Illinois, LLC ("Lattner"), a distributed gaming operator headquartered in Ottawa, Illinois, pursuant to an Agreement and Plan of Merger (the "Lattner Merger Agreement") dated as of May 1, 2018, by and among Boyd, Boyd TCVI Acquisition, LLC, a wholly owned subsidiary of Boyd ("Boyd TCVI"), Lattner, and Lattner Capital, LLC, solely in its capacity as the representative of the equity holders of Lattner.

Pursuant to the Lattner Merger Agreement, Boyd TCVI merged with and into Lattner (the "Lattner Merger"), with Lattner surviving the Lattner Merger and becoming a wholly owned subsidiary of Boyd. Lattner currently operates nearly 1,000 gaming units in approximately 220 locations across the state of Illinois and is aggregated into our Midwest & South segment (See Note 11, *Segment Information*). The net purchase price was \$100.0 million.

Consideration Transferred

The fair value of the consideration transferred on the date of the Lattner Merger included the purchase price of the net assets transferred. The total gross cash consideration was \$110.5 million.

Status of Purchase Price Allocation

The Company is following the acquisition method of accounting per ASC 805 guidance. For purposes of these consolidated financial statements, we have allocated the purchase price to the assets acquired and the liabilities assumed based on preliminary

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estimates of fair value as determined by management with assistance from third-party appraisals. The excess of the purchase price over the preliminary estimated fair 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 acquisition based on fair value estimates as of the date of the Lattner Merger. 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 during first quarter 2019. The final fair value determinations may be significantly different than those reflected in the consolidated financial statements at December 31, 2018 .

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

<i>(In thousands)</i>	Preliminary Purchase Price Allocation		
	As of June 30, 2018	Adjustments	As of December 31, 2018
Current assets	\$ 9,889	\$ 749	\$ 10,638
Property and equipment	9,063	244	9,307
Other assets	1,963	—	1,963
Intangible and other assets	2,070	55,930	58,000
Total acquired assets	22,985	56,923	79,908
Current liabilities	1,062	—	1,062
Total liabilities assumed	1,062	—	1,062
Net identifiable assets acquired	21,923	56,923	78,846
Goodwill	88,615	(56,923)	31,692
Net assets acquired	\$ 110,538	\$ —	\$ 110,538

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

<i>(In thousands)</i>	Useful Lives	As Recorded
Buildings and improvements	10 - 45 years	\$ 66
Furniture and equipment	3 - 7 years	9,241
Property and equipment acquired		\$ 9,307

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

<i>(In thousands)</i>	Useful Lives	As Recorded
Host agreements	15 years	\$ 58,000
Total intangible assets acquired		\$ 58,000

The goodwill recognized is the excess of the purchase price over the preliminary values assigned to the assets acquired and liabilities assumed. All of the goodwill was assigned to the Midwest & South reportable segment. All of the goodwill is expected to be deductible for income tax purposes.

The Company recognized \$0.7 million of acquisition related costs that were expensed for the year ended December 31, 2018 . 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 Lattner acquisition for the period subsequent to its acquisition as such amounts are not material for the twelve months ended December 31, 2018.

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Supplemental Unaudited Pro Forma Information

The following table presents pro forma results of the Company, as though Lattner, Valley Forge and the Pinnacle Properties (the "Acquired Companies") had been acquired as of January 1, 2017. The pro forma results do not necessarily represent the results that may occur in the future. The pro forma amounts include the historical operating results of the Company, Lattner, Valley Forge and the Pinnacle Properties, prior to the acquisition, with adjustments directly attributable to the acquisitions.

<i>(In thousands)</i>	Year Ended December 31, 2018		
	Boyd Gaming Corporate (As Reported)	Acquired Companies	Boyd Gaming Corporate (Pro Forma)
Total revenues	\$ 2,626,730	\$ 666,928	\$ 3,293,658
Net income from continuing operations, net of tax	\$ 114,701	\$ 16,589	\$ 131,290
Basic net income per share	\$ 1.01		\$ 1.15
Diluted net income per share	\$ 1.00		\$ 1.14

<i>(In thousands)</i>	Year Ended December 31, 2017		
	Boyd Gaming Corporate (As Reported)	Acquired Companies	Boyd Gaming Corporate (Pro Forma)
Total revenues	\$ 2,400,819	\$ 861,454	\$ 3,262,273
Net income from continuing operations, net of tax	\$ 167,998	\$ 4,464	\$ 172,462
Basic net income per share	\$ 1.46		\$ 1.50
Diluted net income per share	\$ 1.45		\$ 1.49

Pro Forma and Other Adjustments

The unaudited pro forma results, as presented above, include adjustments to record: (i) rent expense under the Master Lease; (ii) the net incremental depreciation expense for the adjustment of property and equipment to fair value and the allocation of a portion of the purchase price to amortizing intangible assets; (iii) the increase in interest expense incurred on the incremental borrowings incurred by Boyd to fund the acquisition along with the Belterra Park Mortgage; (iv) the estimated tax effect of the pro forma adjustments and on the historical taxable income of the Acquired Companies; and (v) miscellaneous adjustments as a result of the preliminary purchase price allocation on the amortization of certain assets and liabilities.

Cannery Casino Hotel and Nevada Palace, LLC

On December 20, 2016, Boyd Gaming completed the acquisitions of Cannery, the owner and operator of Cannery Casino Hotel, and Nevada Palace, LLC, 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 "Canneries Acquisition"). With the closing of the Canneries Acquisition, both Cannery and Eastside Cannery became wholly owned subsidiaries of Boyd. Accordingly, the assets and liabilities of Cannery and Eastside Cannery are included in our consolidated balance sheets as of December 31, 2018 and 2017 and the results of their operations and cash flows in our consolidated statements of operations and cash flows, respectively, for the year ended December 31, 2018 and 2017 and the period from December 20, 2016 through December 31, 2016. 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 .

The fair value of the consideration transferred to the Seller on the acquisition date included the purchase price of the net assets transferred. The total gross cash consideration was \$238.6 million . In addition, the Purchase Agreement provided for a working capital adjustment to the purchase consideration. This adjustment was calculated during second quarter 2017 and paid during the third quarter, resulting in an additional \$1.2 million being paid to Seller.

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Acquisition Method of Accounting

The Company followed the acquisition method of accounting according to the guidance of ASC 805. For purposes of these financial statements, we have allocated the purchase price to the assets acquired and the liabilities assumed based on their fair values, as determined by management based on its judgment with assistance from third-party appraisals. The excess of the purchase price over the fair value of the assets acquired and liabilities assumed has been recorded as goodwill.

The following table summarizes the components and allocation of the purchase price:

<i>(In thousands)</i>	Final Purchase Price Allocation
Current assets	\$ 21,584
Property and equipment	125,082
Other long-term assets	3,419
Intangible and other assets	15,450
Total acquired assets	165,535
Current liabilities	10,866
Total liabilities assumed	10,866
Net identifiable assets acquired	154,669
Goodwill	85,052
Net assets acquired	\$ 239,721

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

<i>(In thousands)</i>	Useful Lives	As Recorded
Land		\$ 7,870
Buildings and improvements	10 - 40 years	107,268
Furniture and equipment	3 - 7 years	9,820
Construction in progress		124
Property and equipment acquired		\$ 125,082

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 \$0.9 million, \$1.1 million and \$10.5 million of acquisition related costs that were expensed for the year ended December 31, 2018, 2017 and 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 Canneries Acquisition for the period subsequent to their acquisition as such amounts are not material for the twelve months ended December 31, 2016.

Aliante Casino + Hotel + Spa

On September 27, 2016, Boyd Gaming completed the acquisition of ALST Casino Holdco LLC ("ALST"), the holding company of Aliante Gaming, LLC, which owns and operates Aliante. Pursuant to the Merger Agreement, Merger Sub merged with and into ALST (the "Merger"), 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 sheets as of December 31, 2018 and 2017 and the results of its operations and cash flows in our consolidated statements of operations and cash flows, respectively, for the year ended December 31, 2018 and 2017 and the period from September 27, 2016 through December 31, 2016. Aliante is

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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 .

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

Acquisition Method of Accounting

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

The following table presents the components and allocation of the purchase price:

<i>(In thousands)</i>	Final Purchase Price Allocation
Current assets	\$ 31,886
Property and equipment	225,549
Intangible and other assets	18,148
Total acquired assets	275,583
Current liabilities	6,208
Other liabilities	553
Total liabilities assumed	6,761
Net identifiable assets acquired	268,822
Goodwill	130,324
Net assets acquired	\$ 399,146

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

<i>(In thousands)</i>	Useful Lives	As Recorded
Land		\$ 16,680
Buildings and improvements	10 - 45 years	200,770
Furniture and equipment	3 - 7 years	8,099
Property and equipment acquired		\$ 225,549

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 \$0.8 million , \$1.0 million and \$2.2 million of acquisition related costs that were expensed for the year ended December 31, 2018, 2017 and 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 acquisition for the period subsequent to their acquisition 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

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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 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, to which Boyd Gaming retained 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 would receive payments totaling \$72 million to resolve the property tax issues. Borgata received full payment, and we received our share of the proceeds, in June 2017. For the year ended December 31, 2017, we recognized \$36.2 million in income for the cash we received for our share of property tax benefits realized by Borgata after the closing of the sale. These proceeds, net of tax of \$14.8 million for the year ended December 31, 2017, are included in discontinued operations in the consolidated financial statements. During the year ended December 31, 2018, we recognized \$0.3 million in income, net of tax, for the cash received for our share of miscellaneous recoveries realized by Borgata during that period, which are included in discontinued operations in the consolidated financial statements.

We accounted for our investment in Borgata applying the equity method, 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 the period prior to the date of divestiture:

<i>(In thousands)</i>	Seven Months Ended	
	July 31, 2016	
Total revenues	\$	485,510
Operating expenses		366,812
Operating income		118,698
Interest expense		26,378
Loss on early extinguishments of debt		1,628
State income tax expense (benefit)		8,274
Net income	\$	82,418

NOTE 3. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

<i>(In thousands)</i>	December 31,	
	2018	2017
Land	\$ 316,590	\$ 294,533
Buildings and improvements	3,084,337	2,935,539
Furniture and equipment	1,480,917	1,311,704
Riverboats and barges	240,507	238,926
Construction in progress	66,752	59,538
Total property and equipment	5,189,103	4,840,240
Less accumulated depreciation	2,473,039	2,300,454
Property and equipment, net	\$ 2,716,064	\$ 2,539,786

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.

Depreciation expense for the years ended December 31, 2018 , 2017 and 2016 was \$212.1 million , \$199.3 million and \$179.6 million , respectively.

NOTE 4. INTANGIBLE ASSETS

Intangible assets consist of the following:

<i>(In thousands)</i>	December 31, 2018				
	Weighted Average Life Remaining	Gross Carrying Value	Cumulative Amortization	Cumulative Impairment Losses	Intangible Assets, Net
Amortizing intangibles:					
Customer relationships	7.3 years	\$ 65,400	\$ (15,113)	\$ —	\$ 50,287
Favorable lease rates	37.0 years	11,730	(3,302)	—	8,428
Development agreement	—	21,373	—	—	21,373
Host agreements	14.4 years	58,000	(2,256)	—	55,744
		<u>156,503</u>	<u>(20,671)</u>	<u>—</u>	<u>135,832</u>
Indefinite lived intangible assets:					
Trademarks	Indefinite	207,387	—	(4,300)	203,087
Gaming license rights	Indefinite	1,341,685	(33,960)	(179,974)	1,127,751
		<u>1,549,072</u>	<u>(33,960)</u>	<u>(184,274)</u>	<u>1,330,838</u>
Balance, December 31, 2018		\$ 1,705,575	\$ (54,631)	\$ (184,274)	\$ 1,466,670

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<i>(In thousands)</i>	December 31, 2017				
	Weighted Average Life Remaining	Gross Carrying Value	Cumulative Amortization	Cumulative Impairment Losses	Intangible Assets, Net
<i>Amortizing intangibles:</i>					
Customer relationships	5.2 years	\$ 9,400	\$ (3,470)	\$ —	\$ 5,930
Favorable lease rates	38.0 years	11,730	(3,075)	—	8,655
Development agreement	—	21,373	—	—	21,373
		<u>42,503</u>	<u>(6,545)</u>	<u>—</u>	<u>35,958</u>
<i>Indefinite lived intangible assets:</i>					
Trademarks	Indefinite	151,887	—	(4,300)	147,587
Gaming license rights	Indefinite	873,335	(33,960)	(179,974)	659,401
		<u>1,025,222</u>	<u>(33,960)</u>	<u>(184,274)</u>	<u>806,988</u>
Balance, December 31, 2017		<u>\$ 1,067,725</u>	<u>\$ (40,505)</u>	<u>\$ (184,274)</u>	<u>\$ 842,946</u>

Amortizing Intangible Assets

Customer Relationships

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

Favorable Lease Rates

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

Development Agreement

Development agreement is an acquired contract with a Native American tribe (the "Tribe") under which the Company has the right to assist the Tribe in the development and management of a gaming facility on the Tribe's land. This asset although amortizable, is not amortized until development is completed. We are in the process of finalizing project design and construction planning. In the interim, this asset is subject to periodic impairment reviews.

Host Agreements

Host agreements represent the value associated with our host establishment relationships. The value of host agreements 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 establishments, discounted to present value at a risk-adjusted rate of return.

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

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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, 2018, 2017 and 2016

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

<i>(In thousands)</i>	Customer Relationships	Favorable Lease Rates	Development Agreements	Host Agreements	Trademarks	Gaming License Rights	Intangible Assets, Net
Balance, January 1, 2016	\$ 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
Additions	—	—	—	—	—	—	—
Purchase price adjustment	920	—	—	—	(1,800)	—	(880)
Impairments	—	—	—	—	—	—	—
Amortization	(14,452)	(228)	—	—	—	—	(14,680)
Other (1)	—	(23,448)	—	—	—	—	(23,448)
Balance, December 31, 2017	5,930	8,655	21,373	—	147,587	659,401	842,946
Additions	56,000	—	—	58,000	55,500	468,350	637,850
Impairments	—	—	—	—	—	—	—
Amortization	(11,643)	(227)	—	(2,256)	—	—	(14,126)
Balance, December 31, 2018	\$ 50,287	\$ 8,428	\$ 21,373	\$ 55,744	\$ 203,087	\$ 1,127,751	\$ 1,466,670

(1) In March 2017, The Orleans Hotel and Casino exercised an option in its lease agreement to terminate the existing lease and purchase the land subject to the lease therefore combining the remaining unamortized favorable lease rate asset into the cost of the land asset.

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Future Amortization

Customer relationships are being amortized on an accelerated basis over an estimated life of seven years. Favorable lease rates are being amortized on a straight-line basis over a weighted-average original useful life of 37.0 years. Host agreements are being amortized on a straight-line basis over 15 years. Future amortization is as follows:

<i>(In thousands)</i>	Customer Relationships	Favorable Lease Rates	Host Agreements	Total
For the year ending December 31,				
2019	\$ 14,485	\$ 228	\$ 3,867	\$ 18,580
2020	14,435	228	3,867	18,530
2021	9,885	228	3,867	13,980
2022	6,025	228	3,867	10,120
2023	2,988	228	3,867	7,083
Thereafter	2,469	7,288	36,409	46,166
Total future amortization	\$ 50,287	\$ 8,428	\$ 55,744	\$ 114,459

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 2018 and 2017, there were no impairment charges recognized.

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

NOTE 5. GOODWILL

Goodwill consists of the following:

<i>(In thousands)</i>	Gross Carrying Value	Cumulative Amortization	Cumulative Impairment Losses	Goodwill, Net
Goodwill, net by Reportable Segment:				
Las Vegas Locals	\$ 593,567	\$ —	\$ (165,479)	\$ 428,088
Downtown Las Vegas	6,997	(6,134)	—	863
Midwest & South	645,613	—	(12,462)	633,151
Balance, December 31, 2018	\$ 1,246,177	\$ (6,134)	\$ (177,941)	\$ 1,062,102

Changes in Goodwill

During the year ended December 31, 2018, we recorded \$173.9 million of goodwill, in our Midwest & South segment related to our acquisitions of Lattner on June 1, 2018, Valley Forge on September 17, 2018 and the Pinnacle properties on October 15, 2018 (see Note 2, *Acquisitions and Divestitures*). During the year ended December 31, 2017, we recorded \$61.7 million of goodwill, in our Las Vegas Locals segment related to our acquisitions of Aliante on September 27, 2016 and Cannery and Eastside Cannery on December 20, 2016 as the acquisition accounting was finalized in 2017 (see Note 2, *Acquisitions and Divestitures*). Goodwill decreased approximately \$12.5 million during 2016 due to an impairment in the Midwest & South segment.

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The following table sets forth the changes in our goodwill, net, during the years ended December 31, 2018, 2017 and 2016.

<i>(In thousands)</i>	Goodwill, Net	
Balance, January 1, 2016	\$	685,310
Additions		153,628
Impairments		(12,462)
Balance, December 31, 2016		826,476
Additions		—
Impairments		—
Final purchase price adjustment		61,748
Balance, December 31, 2017		888,224
Additions		173,878
Impairments		—
Balance, December 31, 2018	\$	<u>1,062,102</u>

NOTE 6. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

<i>(In thousands)</i>	December 31,	
	2018	2017
Payroll and related expenses	\$ 85,532	\$ 70,724
Interest	35,734	19,858
Gaming liabilities	59,823	55,961
Player loyalty program liabilities	25,251	24,489
Advance deposits	21,687	18,922
Outstanding chip liabilities	7,449	4,928
Dividends payable	6,705	5,632
Other accrued liabilities	91,994	54,632
Total accrued liabilities	<u>\$ 334,175</u>	<u>\$ 255,146</u>

NOTE 7. LONG-TERM DEBT

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

<i>(In thousands)</i>	December 31, 2018				
	Interest	Outstanding	Unamortized	Unamortized	Long-Term
	Rates at				
	Dec. 31, 2018	Principal	Discount	Fees and Costs	Debt, Net
Bank credit facility	4.651%	\$ 1,771,330	\$ (1,286)	\$ (21,515)	\$ 1,748,529
6.875% senior notes due 2023	6.875%	750,000	—	(7,701)	742,299
6.375% senior notes due 2026	6.375%	750,000	—	(9,594)	740,406
6.000% senior notes due 2026	6.000%	700,000	—	(10,639)	689,361
Other	11.010%	58,705	—	—	58,705
Total long-term debt		4,030,035	(1,286)	(49,449)	3,979,300
Less current maturities		24,181	—	—	24,181
Long-term debt, net		<u>\$ 4,005,854</u>	<u>\$ (1,286)</u>	<u>\$ (49,449)</u>	<u>\$ 3,955,119</u>

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<i>(In thousands)</i>	December 31, 2017				
	Interest	Outstanding	Unamortized	Unamortized	Long-Term
	Rates at				
	Dec. 31, 2017	Principal	Discount	Fees and Costs	
Bank credit facility	3.882%	\$ 1,621,054	\$ (1,556)	\$ (23,795)	\$ 1,595,703
6.875% senior notes due 2023	6.875%	750,000	—	(9,455)	740,545
6.375% senior notes due 2026	6.375%	750,000	—	(10,872)	739,128
Other	5.800%	504	—	—	504
Total long-term debt		3,121,558	(1,556)	(44,122)	3,075,880
Less current maturities		23,981	—	—	23,981
Long-term debt, net		<u>\$ 3,097,577</u>	<u>\$ (1,556)</u>	<u>\$ (44,122)</u>	<u>\$ 3,051,899</u>

Boyd Gaming Corporation Debt

Bank Credit Facility

Credit Agreement

On August 2, 2018, we entered into a Joinder Agreement (the "Joinder Agreement") to Amendment No. 2 and Refinancing Amendment (the "Credit Agreement"), among the Company, certain financial institutions and Bank of America, N.A., as administrative agent.

The Joinder Agreement modified the Credit Agreement solely to join additional financial institutions as lenders and to provide for (i) increased commitments under the senior secured revolving credit facility under the Credit Agreement (the "Revolving Credit Facility") by an amount equal to \$170.5 million resulting in total availability under the Revolving Credit Facility of an amount equal to \$945.5 million and (ii) commitments from lenders to make additional Term A Loans (as defined in the Credit Agreement) in an amount equal to \$49.5 million resulting in aggregate outstanding Term A Loans under the Credit Agreement in an amount equal to approximately \$248.4 million .

Amounts Outstanding

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

<i>(In thousands)</i>	December 31,	
	2018	2017
Revolving Credit Facility	\$ 320,000	\$ 170,000
Term A Loan	248,351	210,938
Refinancing Term B Loans	1,152,679	1,170,016
Swing Loan	50,300	70,100
Total outstanding principal amounts	<u>\$ 1,771,330</u>	<u>\$ 1,621,054</u>

The Refinancing Term B Loans mature on September 15, 2023 (or earlier upon occurrence or non-occurrence of certain events). The Revolving Credit Facility and the Term A Loan mature on September 15, 2021 (or earlier upon occurrence or non-occurrence of certain events).

At December 31, 2018 approximately \$1.8 billion was outstanding under the bank credit facility. With a total revolving credit commitment of \$945.5 million available under the bank credit facility, \$320.0 million was borrowed on the Revolving Credit Facility, \$50.3 million was borrowed on the Swing Loan and \$12.7 million allocated to support various letters of credit, the remaining contractual availability of \$562.5 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 of the Refinancing Term B Loans under the Amended Credit Agreement 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 the Company's secured leverage ratio and ranges from 2.25% to 2.50% (if using the Eurodollar rate) and from 1.25% to 1.50% (if using the base rate).

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 Refinancing Term B Loans amortize in an annual amount equal to 1.00% of the original principal amount thereof, commencing June 30, 2017, 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 Refinancing Amendment may be prepaid without premium or penalty, and the commitments may be terminated without penalty, subject to certain exceptions.

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.

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.

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:

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For the Trailing Four Quarters Ending	Maximum Total Leverage Ratio		
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:

For the Trailing Four Quarters Ending	Maximum Secured Leverage Ratio		
March 31, 2018 through December 31, 2018	4.00	to	1.00
March 31, 2019 through December 31, 2019	3.75	to	1.00
March 31, 2020 and thereafter	3.50	to	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.

Senior Notes

6.000% Senior Notes due August 2026

Significant Terms

On June 25, 2018, we issued \$700.0 million aggregate principal amount of 6.000% senior notes due August 2026 (the "6.000% Notes"). The 6.000% Notes require semi-annual interest payments on February 15 and August 15 of each year, commencing on August 15, 2018. The 6.000% Notes will mature on August 15, 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 or will be, as applicable, 100% owned by us.

The net proceeds from the debt issuance were ultimately used to fund the acquisitions of Valley Forge and the four Pinnacle properties.

In conjunction with the issuance of the 6.000% Notes, we incurred approximately \$11.3 million in debt financing costs that have been deferred and are being amortized over the term of the 6.000% Notes using the effective interest method.

The 6.000% Notes contain certain restrictive covenants that, subject to exceptions and qualifications, among other things, limit our ability and the ability of our restricted subsidiaries (as defined in the indenture governing the 6.000% Notes, the "Indenture") to incur additional indebtedness or liens, pay dividends or make distributions or repurchase our capital stock, make certain investments, and sell or merge with other companies. In addition, upon the occurrence of a change of control (as defined in the Indenture), we will be required, unless certain conditions are met, to offer to repurchase the 6.000% Notes at a price equal to 101% of the principal amount of the 6.000% Notes, plus accrued and unpaid interest and Additional Interest (as defined in the Indenture), if any, to, but not including, the date of purchase. If we sell assets, we will be required under certain circumstances to offer to purchase the 6.000% Notes.

At any time prior to August 15, 2021, we may redeem the 6.000% 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 (as defined in the indenture governing the 6.000% Notes), if any, up to, but excluding, the applicable redemption date, plus a make-whole premium. On or after August 15, 2021, we may redeem all or a portion of the 6.000% Notes at redemption prices (expressed as percentages of the principal amount) ranging from 103% in 2021 to 100% in 2024 and thereafter, plus accrued and unpaid interest and Additional Interest, if any, up to, but excluding, the applicable redemption date.

In connection with this private placement of the 6.000% 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 6.000% Notes. We filed the required registration statement and commenced the exchange offer during June 2018. The exchange offer was completed on July 9, 2018 and our obligations under the registration rights agreement have been fulfilled.

6.375% Senior Notes due April 2026

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.

6.875% Senior Notes due May 2023

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. 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.

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.

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.

Other Notes

On October 15, 2018, Boyd completed the acquisition of the Pinnacle Properties. Concurrently with the acquisition, Boyd (Ohio) PropCo, LLC, acquired the real estate associated with Belterra Park in Cincinnati, Ohio (the "Beltterra Park Real Property Sale")

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utilizing mortgage financing from a subsidiary of GLPI, pursuant to the Belterra Park Purchase Agreement, and a Novation Agreement. Pursuant to the Novation Agreement, Gold Merger Sub, the original purchaser under the Belterra Park Purchase Agreement, assigned, transferred and conveyed to Boyd PropCo and Boyd PropCo accepted Gold Merger Sub's rights, title and interest in the Belterra Park Purchase Agreement ("Belterra Park Note").

The total Belterra Park Note payable to Gold Merger Sub is \$57.7 million. The Belterra Park Note provides for interest at a per annum for any monthly period equal to (a) the sum of (i) the building base rent, as defined in the master lease agreement, payable for such period annualized, plus (ii) the land base rent, as defined in the master lease agreement, payable for such period annualized, plus (iii) the percentage rent, as defined in the master lease agreement, payable for such period annualized divided by (b) the outstanding principal balance of this Belterra Park Note, divided by (c) the number twelve. The interest rate as of December 31, 2018 is 11.11%. Interest payments are due monthly with a balloon payment for the outstanding principal due at the maturity date. The maturity date is the earlier to occur of (a) the expiration of the master lease term and (b) the termination of the master lease agreement.

Loss on Early Extinguishments and Modifications of Debt

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

<i>(In thousands)</i>	Year Ended December 31,		
	2018	2017	2016
Boyd Gaming Credit Facility deferred finance charges	\$ 61	\$ 1,086	\$ 6,629
Amendment No.2 and Refinancing Amendment	—	496	—
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
Peninsula Credit Facility deferred finance charges	—	—	9,512
Total loss on early extinguishments and modifications of debt	\$ 61	\$ 1,582	\$ 42,364

Covenant Compliance

As of December 31, 2018, we believe that we were in compliance with the financial and other covenants of our debt instruments.

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, 2018, the available borrowing capacity under our Credit Facility was \$562.5 million.

Scheduled Maturities of Long-Term Debt

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

<i>(In thousands)</i>	Total
For the year ending December 31,	
2019	\$ 24,181
2020	24,316
2021	609,011
2022	12,744
2023	1,852,099
Thereafter	1,507,684
Total outstanding principal of long-term debt	\$ 4,030,035

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:

<i>(In thousands)</i>	December 31,	
	2018	2017
Deferred tax assets		
Federal net operating loss carryforwards	\$ 102,806	\$ 110,350
State net operating loss carryforwards	55,478	45,096
Share-based compensation	15,127	14,226
Other	53,434	35,161
Gross deferred tax assets	226,845	204,833
Valuation allowance	(39,516)	(28,821)
Deferred tax assets, net of valuation allowance	187,329	176,012
Deferred tax liabilities		
Difference between book and tax basis of property and intangible assets	259,495	219,090
State tax liability	38,891	33,777
Other	10,205	9,802
Gross deferred tax liabilities	308,591	262,669
Deferred tax liabilities, net	\$ 121,262	\$ 86,657

At December 31, 2018, we have unused federal general business tax credits of approximately \$11.3 million which may be carried forward or used until expiration beginning in 2031 and alternative minimum tax credits of \$11.0 million which may be used or refunded through 2022. We have a federal income tax net operating loss of approximately \$489.6 million, which may be carried forward or used until expiration beginning in 2033, assuming no significant change in ownership. We also have state income tax net operating loss carryforwards of approximately \$936.5 million, which may be used to reduce future state income taxes. The state net operating loss carryforwards will expire in various years ranging from 2019 to 2038, if not fully utilized.

On December 22, 2017, the U.S. government enacted the Tax Act. As part of our analysis of the impact of the Tax Act, we recorded a discrete net tax benefit of \$60.1 million in the period ending December 31, 2017. The tax benefit was due to the corporate federal tax rate reduction on our net deferred tax liability.

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.

We have maintained a valuation allowance of \$39.5 million against certain federal and state deferred tax assets as of December 31, 2018 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.

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Provision (Benefit) for Income Taxes

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

<i>(In thousands)</i>	Year Ended December 31,		
	2018	2017	2016
Current			
Federal	\$ (584)	\$ (10,367)	\$ —
State	5,897	5,335	1,242
Total current taxes provision	5,313	(5,032)	1,242
Deferred			
Federal	29,434	6,449	(192,472)
State	5,584	1,698	(8,703)
Total deferred taxes benefit	35,018	8,147	(201,175)
Provision (benefit) for income taxes from continuing operations	\$ 40,331	\$ 3,115	\$ (199,933)
Provision (benefit) for income taxes included on the consolidated statement of operations			
Provision (benefit) for income taxes from continuing operations	\$ 40,331	\$ 3,115	\$ (199,933)
Provision (benefit) for income taxes from discontinued operations	136	14,855	146,379
Provision (benefit) for income taxes from continuing and discontinued operations	\$ 40,467	\$ 17,970	\$ (53,554)

Our tax provision for the year ended December 31, 2018 was unfavorably impacted by state taxes and certain nondeductible expenses which were partially offset by utilization of tax credits.

Our tax provision for the year ended December 31, 2017 was favorably impacted by the federal statutory tax rate change applied to our net deferred tax liability. Based on this revaluation, we have recorded a discrete tax benefit of \$60.1 million .

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.

As part of our review in determining the need for a valuation allowance, we assess the potential release of existing valuation allowances. 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.

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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,		
	2018	2017	2016
Tax at federal statutory rate	21.0 %	35.0 %	35.0 %
Federal statutory rate change on deferred tax liability	— %	(35.2)%	— %
State income taxes, net of federal benefit	5.9 %	2.7 %	(60.8)%
Compensation-based credits	(1.9)%	(1.0)%	(22.3)%
Valuation allowance for deferred tax assets	— %	— %	(2,548.1)%
Nondeductible expenses	0.7 %	0.5 %	10.6 %
Tax exempt interest	(0.2)%	(0.3)%	(7.1)%
Company provided benefits	0.1 %	0.5 %	15.2 %
Other, net	0.4 %	(0.4)%	3.7 %
Effective tax rate	26.0 %	1.8 %	(2,573.8)%

Status of Examinations

We generated net operating losses on our federal income tax returns for years 2011 through 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 2019 through October 2022.

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.

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

<i>(In thousands)</i>	Year Ended December 31,		
	2018	2017	2016
Unrecognized tax benefit, beginning of year	\$ 2,482	\$ 2,482	\$ 2,482
Additions:			
Tax positions related to current year	—	—	—
Reductions:			
Tax position related to prior years	—	—	—
Unrecognized tax benefits, end of year	\$ 2,482	\$ 2,482	\$ 2,482

Included in the \$2.5 million balance of unrecognized tax benefits at December 31, 2018, are \$2.0 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, 2018, we recognized interest and penalties of approximately \$0.1 million in our tax provision. We have accrued \$1.0 million of interest and penalties at both December 31, 2018 and 2017 in our consolidated balance sheets.

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.

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. As of December 31, 2018 and 2017, 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 \$7.4 million, net of a \$3.0 million discount, and \$8.2 million, net of a \$3.5 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 entered into a Minimum Assessment Agreement with the City of Dubuque (the "City"). Under the Minimum Assessment Agreement, Diamond Jo Dubuque and the City agreed to a minimum taxable value related to the new casino of \$57.9 million. Diamond Jo Dubuque 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 Diamond Jo Dubuque's payment obligations under the Minimum Assessment Agreement. Diamond Jo Dubuque is also obligated to pay any shortfall should property taxes be insufficient to fund the principal and interest payments on the City Bonds.

Interest costs under the Minimum Assessment Agreement obligation are expensed as incurred. As of December 31, 2018 and 2017, 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 \$13.4 million, net of a \$2.5 million discount, and \$13.8 million, net of a \$2.6 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 Diamond Jo Dubuque under the Minimum Assessment Agreement are approximately \$1.9 million per year through 2036.

Public Parking Facility Agreement

Diamond Jo Dubuque has an agreement with the City for use of the public parking facility adjacent to Diamond Jo Dubuque'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 \$80 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 Diamond Jo Dubuque 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

Diamond Jo Dubuque and Diamond Jo Worth are required to pay their respective qualified sponsoring organization, who hold a joint gaming license with Diamond Jo Dubuque and Diamond Jo Worth, 4.50% and 5.76%, respectively, of the casino's adjusted gross receipts on an ongoing basis. Diamond Jo Dubuque expensed \$3.1 million, \$3.1 million and \$3.0 million, in the year ended December 31, 2018, 2017 and 2016, respectively, related to its agreement. Diamond Jo Worth expensed \$4.9 million, \$5.0 million and \$4.9 million during the years ended December 31, 2018, 2017 and 2016, respectively, related to its agreement. The Diamond Jo Dubuque agreement expires on December 31, 2030. The Diamond Jo Worth agreement 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.

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 were estimated to be approximately \$1 million to \$2 million annually, to assist the Tribe in its development and oversight of the gaming facility construction. In the current year, as progress is being made with the development, pre-development costs were approximately \$8.9 million. 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 is 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 revenues at the gaming facility. In September 2017, the California State Legislature unanimously approved, and the Governor of California executed, a tribal-state gaming compact with the tribe allowing the development of the casino. In October 2018, the National Indian Gaming Commission approved the Company's management contract with the Tribe. With the compact now in place, we are in the process of finalizing project budget, design and construction planning. The project will be constructed using third-party financing. Once commenced and project financing put in place, the construction timeline is expected to span 18 to 24 months.

Master Lease Agreement

On October 15, 2018, Boyd completed the acquisition of the Pinnacle Properties. Pursuant to the Pinnacle Purchase Agreement, Boyd TCIV entered into a Master Lease, dated October 15, 2018 (the "Master Lease"), with Gold Merger Sub, as landlord, and Boyd TCIV, as tenant, pursuant to which the landlord agreed to lease to Boyd TCIV the facilities associated with Ameristar Kansas City, Ameristar St. Charles, Belterra Resort and Ogle Haus, LLC, commencing on October 15, 2018 and ending on April 30, 2026 as the initial term, with options for renewal. The term of this Master Lease may be extended for five separate renewal terms of five years each. The monthly lease payment consists of the following, (i) the building base rent, as defined in the Master Lease

agreement, plus (ii) the land base rent, as defined in the Master Lease agreement, plus (iii) the percentage rent, as defined in the Master Lease agreement. Each and every other lease year commencing with the third lease year, the percentage rent will reset based on a calculation defined in the Master Lease agreement.

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:

<i>(In thousands)</i>	Lease Obligations	
<i>For the year ending December 31,</i>		
2019	\$	127,936
2020		124,920
2021		121,516
2022		114,293
2023		113,588
Thereafter		577,801
Total	\$	1,180,054

Rent expense included in selling, general and administrative expenses on the accompanying consolidated statements of operations for the years ended December 31, 2018, 2017 and 2016 was \$53.0 million, \$30.3 million, and \$31.0 million, respectively, and primarily relates to land leases and advertising-related expenses. The year ended December 31, 2018 includes \$20.7 million of expense related to the Master Lease agreement.

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

<i>(In thousands)</i>	Minimum Rental Income	
<i>For the year ending December 31,</i>		
2019	\$	8,022
2020		4,003
2021		1,585
2022		1,264
2023		1,126
Thereafter		1,042
Total	\$	17,042

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. We are not obligated to repurchase any shares under this program. On May 2, 2017 the Company announced that its Board of Directors had reaffirmed the Company's existing share repurchase program (the "2008 Plan"). On December 12, 2018, our Board of Directors authorized a new share repurchase program of \$100 million which is in addition to the existing repurchase authorization (the "2018 Plan"). There were 1.9 million shares and 1.2 million shares repurchased during the years ended December 31, 2018 and 2017, respectively. There were no share

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repurchases during the year ended December 31, 2016 . As of December 31, 2018 , \$0.6 million remained available under the 2008 Plan and \$100.0 million remained under the 2018 Plan.

The following table provides information regarding share repurchases during the referenced periods. ⁽¹⁾

<i>(In thousands, except per share data)</i>	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Shares repurchased ⁽²⁾	1,853	1,198
Total cost, including brokerage fees	\$ 59,570	\$ 31,927
Average repurchase price per share ⁽³⁾	\$ 32.14	\$ 26.64

⁽¹⁾ Shares repurchased reflect repurchases settled during the twelve months ended December 31, 2018 and 2017 . These amounts exclude repurchases traded but not yet settled on or before December 31, 2018 and 2017 .

⁽²⁾ All shares repurchased have been retired and constitute authorized but unissued shares.

⁽³⁾ Figures in the table may not recalculate exactly due to rounding. Average repurchase price per share is calculated based on unrounded numbers.

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 the payment of dividends, such as restricted payment limitations contained in our Credit Facility and the indentures for our outstanding notes.

On May 2, 2017, the Company announced that its Board of Directors had authorized the reinstatement of the Company's cash dividend program. The dividends declared by the Board under this program are:

Declaration date	Record date	Payment date	Amount per share
May 2, 2017	June 15, 2017	July 15, 2017	\$0.05
September 6, 2017	September 18, 2017	October 15, 2017	0.05
December 7, 2017	December 28, 2017	January 15, 2018	0.05
March 2, 2018	March 16, 2018	April 15, 2018	0.05
June 8, 2018	June 29, 2018	July 15, 2018	0.06
September 14, 2018	September 28, 2018	October 15, 2018	0.06
December 7, 2018	December 28, 2018	January 15, 2019	0.06

No dividends were declared during the year ended December 31, 2016 .

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 3.8 million shares remain available for grant at December 31, 2018 . The number of authorized but unissued shares of common stock under this 2012 Plan as of December 31, 2018 was approximately 8.7 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

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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.

Summarized stock option plan activity is as follows:

	Options	Weighted Average Option Price	Weighted Average Remaining Term <i>(In years)</i>	Aggregate Intrinsic Value <i>(In thousands)</i>
Outstanding at January 1, 2016	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		
Granted	—	—		
Canceled	(1,323,500)	39.30		
Exercised	(241,964)	8.61		
Outstanding at December 31, 2017	1,542,452	11.99		
Granted	—			
Canceled	(25,000)	3.31		
Exercised	(338,426)	10.47		
Outstanding at December 31, 2018	1,179,026	\$ 11.98	4.5	\$ 10,377
Exercisable at December 31, 2017	1,335,717	\$ 11.00	4.8	\$ 32,128
Exercisable at December 31, 2018	1,106,860	\$ 11.60	4.3	\$ 10,159

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.

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The following table summarizes the information about stock options outstanding and exercisable at December 31, 2018 :

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price	
\$5.22	25,510	3.9	\$ 5.22	25,510	\$ 5.22	
6.70	109,863	2.9	6.70	109,863	6.70	
7.55	38,000	0.8	7.55	38,000	7.55	
8.34	283,147	1.8	8.34	283,147	8.34	
9.86	202,068	4.9	9.86	202,068	9.86	
11.57	157,322	4.8	11.57	157,322	11.57	
17.75	207,337	7.9	17.75	135,171	17.75	
19.98	155,779	6.3	19.98	155,779	19.98	
\$5.22-\$19.98	<u>1,179,026</u>	4.5	\$ 11.98	<u>1,106,860</u>	\$ 11.60	

The total intrinsic value of in-the-money options exercised during the years ended December 31, 2018 , 2017 and 2016 was \$7.8 million , \$3.9 million , and \$5.9 million , respectively. The total fair value of options vested during the years ended December 31, 2018 , 2017 and 2016 was approximately \$1.2 million , \$1.6 million , and \$2.0 million , respectively. As of December 31, 2018 , there was approximately \$0.1 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.

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Summarized RSU activity is as follows:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2016	2,320,826	
Granted	542,220	\$18.06
Canceled	(30,400)	
Awarded	(871,528)	
Outstanding at December 31, 2016	1,961,118	
Granted	442,879	\$27.40
Canceled	(38,964)	
Awarded	(727,821)	
Outstanding at December 31, 2017	1,637,212	
Granted	510,989	\$25.05
Canceled	(18,250)	
Awarded	(416,084)	
Outstanding at December 31, 2018	1,713,867	

As of December 31, 2018, there was approximately \$14.4 million of total unrecognized share-based compensation costs related to unvested RSUs, which is expected to be recognized over approximately 2.6 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. We annually award PSUs to certain members of management.

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 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 grants awarded in fourth quarter 2014 and 2013 vested during first quarter 2018 and 2017, respectively. Common shares were issued based on the determination by the Compensation Committee of the Board of Directors of our actual achievement of net revenue growth, EBITDA growth and customer service scores for the three-year performance period of each grant. As provided under the provisions of our stock incentive plan, certain of the participants elected to surrender a portion of the shares to be received to pay the withholding and other payroll taxes payable on the compensation resulting from the vesting of the PSUs.

The PSU grant awarded in December 2014 resulted in a total of 486,805 shares being issued during first quarter 2018, representing approximately 1.57 shares per PSU. Of the 486,805 shares issued, a total of 149,268 were surrendered by the participants for

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payroll taxes, resulting in a net issuance of 337,537 shares due to the vesting of the 2014 grant. The actual achievement level under the award metrics equaled the estimated performance as of year-end 2017; therefore, the vesting of the PSUs did not impact compensation costs in our 2018 consolidated statement of operations.

The PSU grant awarded in November 2013 resulted in a total of 268,429 shares being issued during first quarter 2017, representing approximately 0.80 shares per PSU. Of the 268,429 shares issued, a total of 94,776 were surrendered by the participants for payroll taxes, resulting in a net issuance of 173,653 shares due to the vesting of the 2013 grant. The actual achievement level under the award metrics equaled the estimated performance as of year-end 2016; therefore, the vesting of the PSUs did not impact compensation costs in our 2017 consolidated statement of operations.

Summarized PSU activity is as follows:

	Performance Stock Units	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2016	1,249,480	
Granted	241,235	\$17.75
Performance Adjustment	(148,272)	
Canceled	—	
Awarded	(213,365)	
Outstanding at December 31, 2016	1,129,078	
Granted	275,305	\$28.94
Performance Adjustment	(73,407)	
Canceled	—	
Awarded	(268,429)	
Outstanding at December 31, 2017	1,062,547	
Granted	287,374	\$24.42
Performance Adjustment	176,754	
Canceled	(2,450)	
Awarded	(486,805)	
Outstanding at December 31, 2018	<u>1,037,420</u>	

As of December 31, 2018, there was approximately \$7.6 million of total unrecognized share-based compensation costs related to unvested PSUs, which is expected to be recognized over approximately 2.7 years. Based on the current estimates of performance compared to the targets set for the respective PSU grants, the Company estimates that approximately 1.4 million shares will be issued to settle the PSUs outstanding at December 31, 2018.

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.

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Summarized Career Shares activity is as follows:

	Career Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2016	968,575	
Granted	73,064	\$19.01
Canceled	—	
Awarded	—	
Outstanding at December 31, 2016	1,041,639	
Granted	66,000	\$20.41
Canceled	(11,236)	
Awarded	(82,944)	
Outstanding at December 31, 2017	1,013,459	
Granted	40,492	\$34.48
Canceled	(5,335)	
Awarded	(27,331)	
Outstanding at December 31, 2018	1,021,285	

As of December 31, 2018, there was approximately \$1.0 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.

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

<i>(In thousands)</i>	Year Ended December 31,		
	2018	2017	2016
Stock Options	\$ 154	\$ 1,193	\$ 1,974
Restricted Stock Units	10,219	7,463	8,883
Performance Stock Units	13,647	7,381	3,353
Career Shares	1,359	1,376	1,308
Total share-based compensation costs	\$ 25,379	\$ 17,413	\$ 15,518

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:

<i>(In thousands)</i>	Year Ended December 31,		
	2018	2017	2016
Gaming	\$ 490	\$ 363	\$ 428
Food & beverage	94	69	82
Room	44	33	39
Selling, general and administrative	2,488	1,846	2,176
Corporate expense	22,263	15,102	12,793
Total share-based compensation expense	\$ 25,379	\$ 17,413	\$ 15,518

NOTE 11. 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:

<i>(In thousands)</i>	December 31, 2018			
	Balance	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	\$ 249,417	\$ 249,417	\$ —	\$ —
Restricted cash	23,785	23,785	—	—
Investment available for sale	15,772	—	—	15,772
Liabilities				
Contingent payments	\$ 2,407	\$ —	\$ —	\$ 2,407

<i>(In thousands)</i>	December 31, 2017			
	Balance	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	\$ 203,104	\$ 203,104	\$ —	\$ —
Restricted cash	24,175	24,175	—	—
Investment available for sale	17,752	—	—	17,752
Liabilities				
Contingent payments	\$ 2,887	\$ —	\$ —	\$ 2,887

Cash and Cash Equivalents and Restricted Cash

The fair value of our cash and cash equivalents and restricted cash, classified in the fair value hierarchy as Level 1, is based on statements received from our banks at December 31, 2018 and 2017 .

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Investment Available for Sale

We have an investment in a single municipal bond issuance of \$20.0 million aggregate principal amount of 7.5% Urban Renewal Tax Increment Revenue Bonds, Taxable Series 2007 that is classified as available for sale with a maturity date of June 1, 2037. 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, 2018 and 2017. The fair value of the investment is estimated using a discounted cash flows approach and the significant unobservable input used in the valuation as of December 31, 2018 and 2017 is a discount rate of 11.2% and 9.6%, respectively. 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, 2018 and 2017, \$0.5 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, 2018 and 2017, \$15.3 million and \$17.3 million, respectively, is included in investment on the consolidated balance sheets. The discount associated with this investment of \$2.8 million and \$2.9 million as of December 31, 2018 and 2017, 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 10 years commencing December 20, 2011. The liability is recorded at the estimated fair value of the contingent payments using a discounted cash flows approach and the significant unobservable input used in the valuation at December 31, 2018 and 2017 is a discount rate of 6.8% and 9.2%, respectively. At both December 31, 2018 and 2017, there was a current liability of \$0.8 million related to this agreement, which was recorded in accrued liabilities on the respective consolidated balance sheets, and long-term obligations of \$1.6 million and \$2.1 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, 2018	
	Assets	Liabilities
	Investment Available for Sale	Contingent Payments
<i>(In thousands)</i>		
Balance at January 1, 2018	\$ 17,752	\$ (2,887)
Total gains (losses) (realized or unrealized):		
Included in interest income (expense)	144	(249)
Included in other comprehensive income (loss)	(1,649)	—
Included in other items, net	—	(110)
Purchases, sales, issuances and settlements:		
Settlements	(475)	839
Balance at December 31, 2018	\$ 15,772	\$ (2,407)

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<i>(In thousands)</i>	December 31, 2017	
	Assets	Liabilities
	Investment Available for Sale	Contingent Payments
Balance at January 1, 2017	\$ 17,259	\$ (3,038)
Total gains (losses) (realized or unrealized):		
Included in interest income (expense)	138	(335)
Included in other comprehensive income (loss)	795	—
Included in other items, net	—	(333)
Purchases, sales, issuances and settlements:		
Settlements	(440)	819
Balance at December 31, 2017	\$ 17,752	\$ (2,887)

We are exposed to valuation risk on our Level 3 financial instruments. We estimate our risk exposure using a sensitivity analysis of potential changes in the significant unobservable inputs of our fair value measurements. Our Level 3 financial instruments are most susceptible to valuation risk caused by changes in the discount rate. If the discount in our fair value measurements increased or decreased by 100 basis points, the change would not cause the value of our fair value measurements to change significantly.

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:

<i>(In thousands)</i>	December 31, 2018			
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Liabilities				
Obligation under assessment arrangements	\$ 29,943	\$ 24,477	\$ 29,591	Level 3

<i>(In thousands)</i>	December 31, 2017			
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Liabilities				
Obligation under assessment arrangements	\$ 31,729	\$ 25,602	\$ 26,999	Level 3

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

<i>(In thousands)</i>	December 31, 2018			
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Credit Facility	\$ 1,771,330	\$ 1,748,529	\$ 1,720,654	Level 2
6.875% Senior Notes due 2023	750,000	742,299	757,500	Level 1
6.375% Senior Notes due 2026	750,000	740,406	724,688	Level 1
6.000% Senior Notes due 2026	700,000	689,361	657,125	Level 1
Other	58,705	58,705	58,705	Level 3
Total debt	\$ 4,030,035	\$ 3,979,300	\$ 3,918,672	

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<i>(In thousands)</i>	December 31, 2017			
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Credit Facility	\$ 1,621,054	\$ 1,595,703	\$ 1,625,178	Level 2
6.875% Senior Notes due 2023	750,000	740,545	798,750	Level 1
6.375% Senior Notes due 2026	750,000	739,128	810,000	Level 1
Other	504	504	504	Level 3
Total debt	\$ 3,121,558	\$ 3,075,880	\$ 3,234,432	

The estimated fair value of the Credit Facility is based on a relative value analysis performed on or about December 31, 2018 and December 31, 2017. The estimated fair values of our Senior Notes are based on quoted market prices as of December 31, 2018 and December 31, 2017. The other debt is fixed-rate debt consisting of the following: (i) Belterra Park Mortgage payable in 96 monthly installments, beginning in 2018; and (2) capital leases with various maturity dates from 2019 to 2026. 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, 2018 and 2017.

NOTE 12. 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 \$1.7 million, \$1.6 million and \$1.5 million for the years ended December 31, 2018, 2017 and 2016, 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 \$4.3 million, \$4.4 million and \$3.9 million for the years ended December 31, 2018, 2017 and 2016, respectively.

NOTE 13. 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 & 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 Total Revenues and Adjusted EBITDA

We evaluate each of our property's profitability based upon Property Adjusted EBITDA, which represents each property's earnings before interest expense, income taxes, depreciation and amortization, deferred rent, share-based compensation expense, project development, preopening and writedowns expenses, impairments of assets, other operating items, net, and gain or loss on early retirements of debt, as applicable. Total Reportable Segment Adjusted EBITDA is the aggregate sum of the Property Adjusted EBITDA for each of the properties included in our Las Vegas Locals, Downtown Las Vegas, and Midwest & South segments. Results for Downtown Las Vegas include the results of our Hawaii-based travel agency and captive insurance company. Results for our Illinois distributed gaming operator are included in our Midwest & South segment.

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.

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The following tables set forth, for the periods indicated, departmental revenues for our Reportable Segments:

Year Ended December 31, 2018					
<i>(In thousands)</i>	Gaming Revenue	Food & Beverage Revenue	Room Revenue	Other Revenue	Total Revenue
Revenues					
Las Vegas Locals	\$ 565,579	\$ 155,107	\$ 100,110	\$ 52,708	\$ 873,504
Downtown Las Vegas	132,870	55,767	26,943	32,530	248,110
Midwest & South	1,226,975	157,014	72,447	48,680	1,505,116
Total Revenues	\$ 1,925,424	\$ 367,888	\$ 199,500	\$ 133,918	\$ 2,626,730

Year Ended December 31, 2017					
<i>(In thousands)</i>	Gaming Revenue	Food & Beverage Revenue	Room Revenue	Other Revenue	Total Revenue
Revenues					
Las Vegas Locals	\$ 563,785	\$ 154,451	\$ 98,406	\$ 51,735	\$ 868,377
Downtown Las Vegas	133,072	54,451	24,623	32,295	244,441
Midwest & South	1,043,411	137,477	63,766	43,347	1,288,001
Total Revenues	\$ 1,740,268	\$ 346,379	\$ 186,795	\$ 127,377	\$ 2,400,819

Year Ended December 31, 2016					
<i>(In thousands)</i>	Gaming Revenue	Food & Beverage Revenue	Room Revenue	Other Revenue	Total Revenue
Revenues					
Las Vegas Locals	\$ 422,375	\$ 108,541	\$ 82,566	\$ 41,533	\$ 655,015
Downtown Las Vegas	133,165	52,849	20,209	30,347	236,570
Midwest & South	1,054,853	141,315	66,616	44,890	1,307,674
Total Revenues	\$ 1,610,393	\$ 302,705	\$ 169,391	\$ 116,770	\$ 2,199,259

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The following table reconciles, for the periods indicated, Total Reportable Segment Adjusted EBITDA to operating income, as reported in our accompanying consolidated statements of operations:

<i>(In thousands)</i>	Year Ended December 31,		
	2018	2017	2016
Adjusted EBITDAR			
Las Vegas Locals	\$ 274,344	\$ 249,906	\$ 176,066
Downtown Las Vegas	56,517	54,613	52,341
Midwest & South	432,366	364,458	367,579
Total Reportable Segment Adjusted EBITDAR	763,227	668,977	595,986
Corporate expense	(81,938)	(73,046)	(59,875)
Adjusted EBITDAR	681,289	595,931	536,111
Master lease rent expense	(20,682)	—	—
Adjusted EBITDA	660,607	595,931	536,111
Other operating costs and expenses			
Deferred rent	1,100	1,267	3,266
Depreciation and amortization	229,979	217,522	196,226
Project development, preopening and writedowns	45,698	14,454	22,107
Share-based compensation expense	25,379	17,413	15,518
Impairments of assets	993	(426)	38,302
Other operating charges, net	2,174	1,900	284
Total other operating costs and expenses	305,323	252,130	275,703
Operating income	\$ 355,284	\$ 343,801	\$ 260,408

For purposes of this presentation, 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.

Total Reportable Segment Assets

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

<i>(In thousands)</i>	December 31,	
	2018	2017
Assets		
Las Vegas Locals	\$ 1,732,138	\$ 1,792,119
Downtown Las Vegas	169,495	170,574
Midwest & South	3,562,926	2,496,957
Total Reportable Segment assets	5,464,559	4,459,650
Corporate	291,780	226,280
Total assets	\$ 5,756,339	\$ 4,685,930

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

Capital Expenditures

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

<i>(In thousands)</i>	Year Ended December 31,		
	2018	2017	2016
Capital Expenditures:			
Las Vegas Locals	\$ 33,503	\$ 59,382	\$ 42,069
Downtown Las Vegas	12,885	21,705	28,431
Midwest & South	69,285	37,657	73,255
Total Reportable Segment Capital Expenditures	115,673	118,744	143,755
Corporate	50,238	71,673	16,672
Total Capital Expenditures	165,911	190,417	160,427
Change in Accrued Property Additions	(4,367)	47	(69)
Cash-Based Capital Expenditures	\$ 161,544	\$ 190,464	\$ 160,358

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 14. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table presents selected quarterly financial information:

<i>(In thousands, except per share data)</i>	Year Ended December 31, 2018				
	First	Second	Third	Fourth	Year
Summary Operating Results:					
Total revenues	\$ 606,118	\$ 616,793	\$ 612,196	\$ 791,623	\$ 2,626,730
Operating income	94,774	96,258	69,568	94,684	355,284
Income from continuing operations, net of tax	\$ 41,399	\$ 38,598	\$ 11,837	\$ 22,867	\$ 114,701
Income from discontinued operations, net of tax	—	347	—	—	347
Net income	<u>\$ 41,399</u>	<u>\$ 38,945</u>	<u>\$ 11,837</u>	<u>\$ 22,867</u>	<u>\$ 115,048</u>
Basic net income per common share:					
Continuing operations	\$ 0.36	\$ 0.34	\$ 0.10	\$ 0.21	\$ 1.01
Discontinued operations	—	—	—	—	—
Basic net income per common share	<u>\$ 0.36</u>	<u>\$ 0.34</u>	<u>\$ 0.10</u>	<u>\$ 0.21</u>	<u>\$ 1.01</u>
Diluted net income per common share:					
Continuing operations	\$ 0.36	\$ 0.34	\$ 0.10	\$ 0.20	\$ 1.00
Discontinued operations	—	—	—	—	—
Diluted net income per common share	<u>\$ 0.36</u>	<u>\$ 0.34</u>	<u>\$ 0.10</u>	<u>\$ 0.20</u>	<u>\$ 1.00</u>

BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

<i>(In thousands, except per share data)</i>	Year Ended December 31, 2017				
	First	Second	Third	Fourth	Year
Summary Operating Results:					
Total revenues	\$ 610,065	\$ 604,124	\$ 591,542	\$ 595,088	\$ 2,400,819
Operating income	94,830	89,554	78,940	80,477	343,801
Income from continuing operations, net of tax	\$ 35,076	\$ 27,692	\$ 23,157	\$ 82,073	\$ 167,998
Income from discontinued operations, net of tax	375	21,017	—	—	21,392
Net income	\$ 35,451	\$ 48,709	\$ 23,157	\$ 82,073	\$ 189,390
Basic net income per common share:					
Continuing operations	\$ 0.31	\$ 0.24	\$ 0.20	\$ 0.72	\$ 1.46
Discontinued operations	—	0.18	—	—	0.19
Basic net income per common share	\$ 0.31	\$ 0.42	\$ 0.20	\$ 0.72	\$ 1.65
Diluted net income per common share:					
Continuing operations	\$ 0.31	\$ 0.24	\$ 0.20	\$ 0.71	\$ 1.45
Discontinued operations	—	0.18	—	—	0.19
Diluted net income per common share	\$ 0.31	\$ 0.42	\$ 0.20	\$ 0.71	\$ 1.64

NOTE 15. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Separate condensed consolidating financial information for our subsidiary guarantors and non-guarantors of our 6.875% Notes, our 6.375% Notes and our 6.000% Notes (collectively, the "Notes") is presented below. The 6.875% Notes and 6.375% Notes are fully and unconditionally guaranteed, on a joint and several basis, by certain of our current and future domestic restricted subsidiaries, all of which are 100% owned by us. The non-guarantors primarily represent our special purpose entities, tax holding companies, our less significant operating subsidiaries and our less than wholly owned subsidiaries.

On June 25, 2018, the Company issued 6.000% Notes, which are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by certain of our current and future domestic restricted subsidiaries. With the exception of one subsidiary, the guarantors of the 6.000% Notes are the same as for our 6.375% Notes and 6.875% Notes. The non-guarantors primarily represent our special purpose entities, tax holding companies, our less significant operating subsidiaries, our less than wholly owned subsidiaries and those properties acquired in 2018.

On January 10, 2019, Ameristar Kansas City, Ameristar St. Charles, Belterra Resort, Belterra Park and Valley Forge became guarantors of the 6.875% Notes, the 6.375% Notes, the 6.000% Notes and the Credit Facility.

The tables below present the condensed consolidating balance sheets as of December 31, 2018 and 2017, the condensed consolidating statements of operations for the years ended December 31, 2018, 2017 and 2016 and the condensed consolidating statements of cash flows for the years ended December 31, 2018, 2017 and 2016. These tables reflect the impact of the adoption of the Revenue Standard and Update 2016-18 (see Note 2, *Summary of Significant Accounting Policies*) and the segregation of the wholly owned subsidiary that is a guarantor for the 6.375% Notes and 6.875% Notes and a non-guarantor for the 6.000% Notes.

BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

Condensed Consolidating Balance Sheets

(In thousands)	December 31, 2018						
	Parent	Guarantor Subsidiaries	Subsidiary (100% Owned)*	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Assets							
Cash and cash equivalents	\$ 8,697	\$ 184,544	\$ —	\$ 56,176	\$ —	\$ —	\$ 249,417
Restricted cash	—	12,989	—	10,796	—	—	23,785
Other current assets	15,636	77,846	191	33,067	—	(191)	126,549
Property and equipment, net	117,642	2,332,685	—	265,737	—	—	2,716,064
Investments in subsidiaries	6,381,321	—	—	3,861	—	(6,385,182)	—
Intercompany receivable	—	2,091,963	374,108	—	—	(2,466,071)	—
Other assets, net	33,513	29,395	—	48,844	—	—	111,752
Intangible assets, net	—	816,369	—	650,301	—	—	1,466,670
Goodwill, net	—	887,443	—	174,659	—	—	1,062,102
Total assets	\$ 6,556,809	\$ 6,433,234	\$ 374,299	\$ 1,243,441	\$ —	\$ (8,851,444)	\$ 5,756,339
Liabilities and Stockholders' Equity							
Current maturities of long-term debt	\$ 23,895	\$ 86	\$ —	\$ 200	\$ —	\$ —	\$ 24,181
Other current liabilities	160,262	202,025	—	82,904	—	329	445,520
Accumulated losses of subsidiaries in excess of investment	—	9,459	—	—	—	(9,459)	—
Intercompany payable	1,509,857	—	—	956,457	—	(2,466,314)	—
Long-term debt, net of current maturities and debt issuance costs	3,896,699	318	—	58,102	—	—	3,955,119
Other long-term liabilities	(179,645)	379,356	900	(14,833)	—	—	185,778
Total stockholders' equity (deficit)	1,145,741	5,841,990	373,399	160,611	—	(6,376,000)	1,145,741
Total liabilities and stockholders' equity	\$ 6,556,809	\$ 6,433,234	\$ 374,299	\$ 1,243,441	\$ —	\$ (8,851,444)	\$ 5,756,339

* Subsidiary is a 100% owned guarantor of the 6.375% Notes and 6.875% Notes and is a 100% owned non-guarantor of the 6.000% Notes.

BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

Condensed Consolidating Balance Sheets - continued

<i>(In thousands)</i>	December 31, 2017						
	Parent	Guarantor Subsidiaries	Subsidiary (100% Owned)*	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Assets							
Cash and cash equivalents	\$ 347	\$ 199,574	\$ —	\$ 3,183	\$ —	\$ —	\$ 203,104
Restricted cash	—	14,389	—	9,786	—	—	24,175
Other current assets	78,226	20,687	234	2,782	—	(545)	101,384
Property and equipment, net	88,464	2,424,361	—	26,961	—	—	2,539,786
Investments in subsidiaries	4,913,592	—	—	18,097	—	(4,931,689)	—
Intercompany receivable	—	1,560,841	373,718	—	—	(1,934,559)	—
Other assets, net	14,725	33,369	—	38,217	—	—	86,311
Intangible assets, net	—	818,887	—	24,059	—	—	842,946
Goodwill, net	—	887,442	—	782	—	—	888,224
Total assets	\$ 5,095,354	\$ 5,959,550	\$ 373,952	\$ 123,867	\$ —	\$ (6,866,793)	\$ 4,685,930
Liabilities and Stockholders' Equity							
Current maturities of long-term debt							
	\$ 23,895	\$ 86	\$ —	\$ —	\$ —	\$ —	\$ 23,981
Other current liabilities	130,030	212,146	—	19,578	—	(264)	361,490
Accumulated losses of subsidiaries in excess of investment	—	73,130	—	—	—	(73,130)	—
Intercompany payable	888,444	—	—	1,046,114	—	(1,934,558)	—
Long-term debt, net of current maturities and debt issuance costs	3,051,481	418	—	—	—	—	3,051,899
Other long-term liabilities	(95,723)	256,584	900	(10,428)	—	—	151,333
Total stockholders' equity (deficit)	1,097,227	5,417,186	373,052	(931,397)	—	(4,858,841)	1,097,227
Total liabilities and stockholders' equity	\$ 5,095,354	\$ 5,959,550	\$ 373,952	\$ 123,867	\$ —	\$ (6,866,793)	\$ 4,685,930

* Subsidiary is a 100% owned guarantor of the 6.375% Notes and 6.875% Notes and is a 100% owned non-guarantor of the 6.000% Notes.

BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

Condensed Consolidating Statements of Operations

	Year Ended December 31, 2018						
	Parent	Guarantor Subsidiaries	Subsidiary (100% Owned)*	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
<i>(In thousands)</i>							
Total revenues	\$ 83,508	\$ 2,397,465	\$ —	\$ 247,936	\$ —	\$ (102,179)	\$ 2,626,730
Operating costs and expenses							
Operating	—	1,212,216	—	159,163	—	—	1,371,379
Selling, general and administrative	13	335,630	—	33,681	—	(11)	369,313
Master lease rent expense	—	—	—	20,682	—	—	20,682
Maintenance and utilities	—	116,651	—	10,376	—	—	127,027
Depreciation and amortization	19,052	189,549	—	21,378	—	—	229,979
Corporate expense	100,844	403	—	2,954	—	—	104,201
Project development, preopening and writedowns	31,514	2,733	—	11,451	—	—	45,698
Impairments of assets	993	—	—	—	—	—	993
Other operating items, net	58	2,116	—	—	—	—	2,174
Intercompany expenses	203	101,965	—	—	—	(102,168)	—
Total operating costs and expenses	152,677	1,961,263	—	259,685	—	(102,179)	2,271,446
Equity in earnings (losses) of subsidiaries	311,701	(1,352)	—	—	—	(310,349)	—
Operating income (loss)	242,532	434,850	—	(11,749)	—	(310,349)	355,284
Other expense (income)							
Interest expense, net	174,299	1,183	—	24,985	—	—	200,467
Loss on early extinguishments and modifications of debt	61	—	—	—	—	—	61
Other, net	161	(371)	—	(66)	—	—	(276)
Total other expense, net	174,521	812	—	24,919	—	—	200,252
Income (loss) from continuing operations before income taxes	68,011	434,038	—	(36,668)	—	(310,349)	155,032
Income taxes benefit (provision)	47,037	(94,617)	—	7,249	—	—	(40,331)
Income (loss) from continuing operations, net of tax	115,048	339,421	—	(29,419)	—	(310,349)	114,701
Income from discontinued operations, net of tax	—	—	347	—	—	—	347
Net income (loss)	\$ 115,048	\$ 339,421	\$ 347	\$ (29,419)	\$ —	\$ (310,349)	\$ 115,048
Comprehensive income (loss)	\$ 113,853	\$ 338,226	\$ 347	\$ (29,419)	\$ —	\$ (309,154)	\$ 113,853

* Subsidiary is a 100% owned guarantor of the 6.375% Notes and 6.875% Notes and is a 100% owned non-guarantor of the 6.000% Notes.

BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

Condensed Consolidating Statements of Operations - continued

<i>(In thousands)</i>	Year Ended December 31, 2017						
	Parent	Guarantor Subsidiaries	Subsidiary (100% Owned)*	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Total revenues	\$ 73,292	\$ 2,377,514	\$ —	\$ 42,670	\$ —	\$ (92,657)	\$ 2,400,819
Operating costs and expenses							
Operating	—	1,225,765	—	38,156	—	—	1,263,921
Selling, general and administrative	44	354,423	—	7,612	—	(42)	362,037
Maintenance and utilities	—	108,092	—	1,370	—	—	109,462
Depreciation and amortization	12,041	201,401	—	4,080	—	—	217,522
Corporate expense	85,362	1,140	—	1,646	—	—	88,148
Project development, preopening and writedowns	7,806	2,758	154	3,736	—	—	14,454
Impairments of assets	600	1	—	(1,027)	—	—	(426)
Asset transactions costs	725	1,175	—	—	—	—	1,900
Other operating items, net	1,204	91,411	—	—	—	(92,615)	—
Total operating costs and expenses	107,782	1,986,166	154	55,573	—	(92,657)	2,057,018
Equity in earnings (losses) of subsidiaries	330,711	(1,374)	—	—	—	(329,337)	—
Operating income (loss)	296,221	389,974	(154)	(12,903)	—	(329,337)	343,801
Other expense (income)							
Interest expense, net	169,990	1,275	—	25	—	—	171,290
Loss on early extinguishments and modifications of debt	1,582	—	—	—	—	—	1,582
Other, net	(16)	(98)	—	(70)	—	—	(184)
Total other expense (income), net	171,556	1,177	—	(45)	—	—	172,688
Income (loss) from continuing operations before income taxes	124,665	388,797	(154)	(12,858)	—	(329,337)	171,113
Income taxes benefit (provision)	64,725	(73,426)	—	5,586	—	—	(3,115)
Income (loss) from continuing operations, net of tax	189,390	315,371	(154)	(7,272)	—	(329,337)	167,998
Income from discontinued operations, net of tax	—	—	21,392	—	—	—	21,392
Net income (loss)	\$ 189,390	\$ 315,371	\$ 21,238	\$ (7,272)	\$ —	\$ (329,337)	\$ 189,390
Comprehensive income (loss)	\$ 189,823	\$ 315,804	\$ 21,238	\$ (7,272)	\$ —	\$ (329,770)	\$ 189,823

* Subsidiary is a 100% owned guarantor of the 6.375% Notes and 6.875% Notes and is a 100% owned non-guarantor of the 6.000% Notes.

BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

Consolidating Statements of Operations - continued

<i>(In thousands)</i>	Year Ended December 31, 2016						
	Parent	Guarantor Subsidiaries	Subsidiary (100% Owned)*	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Total revenues	\$ 121,939	\$ 2,176,788	\$ —	\$ 43,867	\$ —	\$ (143,335)	\$ 2,199,259
Operating costs and expenses							
Operating	1,200	1,148,170	—	37,615	—	—	1,186,985
Selling, general and administrative	49,938	265,735	—	6,584	—	2	322,259
Maintenance and utilities	—	98,741	—	1,279	—	—	100,020
Depreciation and amortization	8,767	183,524	7	3,928	—	—	196,226
Corporate expense	66,703	1,621	117	4,227	—	—	72,668
Project development, preopening and writedowns	18,079	(3,933)	641	7,320	—	—	22,107
Impairments of assets	1,440	36,862	—	—	—	—	38,302
Other operating items, net	181	103	—	—	—	—	284
Intercompany expenses	1,205	140,291	380	1,461	—	(143,337)	—
Total operating costs and expenses	147,513	1,871,114	1,145	62,414	—	(143,335)	1,938,851
Equity in earnings of subsidiaries	445,130	(2,039)	—	—	—	(443,091)	—
Operating income (loss)	419,556	303,635	(1,145)	(18,547)	—	(443,091)	260,408
Other expense (income)							
Interest expense, net	157,923	46,357	5,426	25	—	—	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 (income), net	186,280	60,982	5,426	(48)	—	—	252,640
Income (loss) from continuing operations before income taxes	233,276	242,653	(6,571)	(18,499)	—	(443,091)	7,768
Income taxes benefit	186,955	10,935	1,917	126	—	—	199,933
Income (loss) from continuing operations, net of tax	420,231	253,588	(4,654)	(18,373)	—	(443,091)	207,701
Income from discontinued operations, net of tax	—	(899)	213,429	—	—	—	212,530
Net income (loss)	\$ 420,231	\$ 252,689	\$ 208,775	\$ (18,373)	\$ —	\$ (443,091)	\$ 420,231
Comprehensive income (loss)	\$ 419,932	\$ 252,390	\$ 208,775	\$ (18,373)	\$ —	\$ (442,792)	\$ 419,932

* Subsidiary is a 100% owned guarantor of the 6.375% Notes and 6.875% Notes and is a 100% owned non-guarantor of the 6.000% Notes.

BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

Condensed Consolidating Statements of Cash Flows

<i>(In thousands)</i>	Year Ended December 31, 2018						
	Parent	Guarantor Subsidiaries	Subsidiary (100% Owned)*	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Cash flows from operating activities							
Net cash from operating activities	\$ (323,948)	\$ 570,538	\$ (92)	\$ 187,785	\$ —	\$ 244	\$ 434,527
Cash flows from investing activities							
Capital expenditures	(95,576)	(47,771)	—	(18,197)	—	—	(161,544)
Cash paid for acquisitions, net of cash received	(934,073)	—	—	—	—	—	(934,073)
Net activity with affiliates	—	(531,122)	(390)	—	—	531,512	—
Distributions from subsidiary	7,975	—	—	—	—	(7,975)	—
Advances pursuant to development agreement	—	—	—	—	—	—	—
Other investing activities	(13,860)	—	—	(25,850)	—	—	(39,710)
Net cash from investing activities	(1,035,534)	(578,893)	(390)	(44,047)	—	523,537	(1,135,327)
Cash flows from financing activities							
Borrowings under bank credit facility	1,114,600	—	—	—	—	—	1,114,600
Payments under bank credit facility	(964,322)	—	—	—	—	—	(964,322)
Proceeds from issuance of senior notes	700,000	—	—	—	—	—	700,000
Debt financing costs, net	(14,215)	—	—	—	—	—	(14,215)
Net activity with affiliates	621,413	—	—	(89,657)	—	(531,756)	—
Distributions to parent	—	(7,975)	—	—	—	7,975	—
Share-based compensation activities, net	(5,344)	—	—	—	—	—	(5,344)
Shares repurchased and retired	(59,570)	—	—	—	—	—	(59,570)
Dividends paid	(24,730)	—	—	—	—	—	(24,730)
Other financing activities	—	(100)	—	(78)	—	—	(178)
Net cash from financing activities	1,367,832	(8,075)	—	(89,735)	—	(523,781)	746,241
Cash flows from discontinued operations							
Cash flows from operating activities	—	—	—	—	—	—	—
Cash flows from investing activities	—	—	482	—	—	—	482
Cash flows from financing activities	—	—	—	—	—	—	—
Net cash from discontinued operations	—	—	482	—	—	—	482
Net change in cash, cash equivalents and restricted cash	8,350	(16,430)	—	54,003	—	—	45,923
Cash, cash equivalents and restricted cash, beginning of period	347	213,963	—	12,969	—	—	227,279
Cash, cash equivalents and restricted cash, end of period	\$ 8,697	\$ 197,533	\$ —	\$ 66,972	\$ —	\$ —	\$ 273,202

* Subsidiary is a 100% owned guarantor of the 6.375% Notes and 6.875% Notes and is a 100% owned non-guarantor of the 6.000% Notes.

BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

Condensed Consolidating Statements of Cash Flows - continued

<i>(In thousands)</i>	Year Ended December 31, 2017						
	Parent	Guarantor Subsidiaries	Subsidiary (100% Owned)*	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Cash flows from operating activities							
Net cash from operating activities	\$ (82,632)	\$ 532,515	\$ (12,907)	\$ (15,628)	\$ 254	\$ 949	\$ 422,551
Cash flows from investing activities							
Capital expenditures	(102,277)	(87,590)	—	(597)	—	—	(190,464)
Cash paid for acquisitions, net of cash received	(1,153)	—	—	—	—	—	(1,153)
Net activity with affiliates	—	(420,716)	(22,826)	—	—	443,542	—
Distributions from subsidiary	10,867	—	—	—	—	(10,867)	—
Advances pursuant to development agreement	—	—	—	(35,108)	—	—	(35,108)
Other investing activities	—	706	—	—	—	—	706
Net cash from investing activities	(92,563)	(507,600)	(22,826)	(35,705)	—	432,675	(226,019)
Cash flows from financing activities							
Borrowings under bank credit facility	958,000	—	—	—	—	—	958,000
Payments under bank credit facility	(1,119,485)	—	—	—	—	—	(1,119,485)
Debt financing costs, net	(3,430)	—	—	—	—	—	(3,430)
Net activity with affiliates	389,579	—	—	55,166	(254)	(444,491)	—
Distributions to parent	—	(10,475)	—	(392)	—	10,867	—
Share-based compensation activities, net	(7,711)	—	—	—	—	—	(7,711)
Shares repurchased and retired	(31,927)	—	—	—	—	—	(31,927)
Dividends paid	(11,286)	—	—	—	—	—	(11,286)
Other financing activities	590	(87)	—	—	—	—	503
Net cash from financing activities	174,330	(10,562)	—	54,774	(254)	(433,624)	(215,336)
Cash flows from discontinued operations							
Cash flows from operating activities	—	—	(514)	—	—	—	(514)
Cash flows from investing activities	—	—	36,247	—	—	—	36,247
Cash flows from financing activities	—	—	—	—	—	—	—
Net cash from discontinued operations	—	—	35,733	—	—	—	35,733
Net change in cash, cash equivalents and restricted cash	(865)	14,353	—	3,441	—	—	16,929
Cash, cash equivalents and restricted cash, beginning of period	1,212	199,610	—	9,528	—	—	210,350
Cash, cash equivalents and restricted cash, end of period	\$ 347	\$ 213,963	\$ —	\$ 12,969	\$ —	\$ —	\$ 227,279

* Subsidiary is a 100% owned guarantor of the 6.375% Notes and 6.875% Notes and is a 100% owned non-guarantor of the 6.000% Notes.

BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

Condensed Consolidating Statements of Cash Flows - continued

<i>(In thousands)</i>	Year Ended December 31, 2016						
	Parent	Guarantor Subsidiaries	Subsidiary (100% Owned)*	Non- Guarantor Subsidiaries (100% Owned)	Non- Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Cash flows from operating activities							
Net cash from operating activities	\$ (86,502)	\$ 502,815	\$ (122,012)	\$ 7,234	\$ —	\$ (1,196)	\$ 300,339
Cash flows from investing activities							
Capital expenditures	(42,840)	(116,834)	—	(684)	—	—	(160,358)
Cash paid for acquisitions, net of cash received	(592,703)	—	—	—	—	—	(592,703)
Net activity with affiliates	—	659,549	(448,249)	—	—	(211,300)	—
Distributions from subsidiary	9,150	—	—	—	—	(9,150)	—
Other investing activities	—	7,529	—	6,678	—	—	14,207
Net cash from investing activities	(626,393)	550,244	(448,249)	5,994	—	(220,450)	(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)
Payments on retirements of long-term debt	(350,000)	(350,000)	—	—	—	—	(700,000)
Premium and consent fees paid	(15,750)	—	—	—	—	—	(15,750)
Net activity with affiliates	(199,398)	—	—	(12,877)	(221)	212,496	—
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)	—	(13,027)	(221)	221,646	(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, cash equivalents and restricted cash	1,210	31,309	—	201	(221)	—	32,499
Cash, cash equivalents and restricted cash, beginning of period	2	168,301	—	9,327	221	—	177,851
Cash, cash equivalents and restricted cash, end of period	\$ 1,212	\$ 199,610	\$ —	\$ 9,528	\$ —	\$ —	\$ 210,350

* Subsidiary is a 100% owned guarantor of the 6.375% Notes and 6.875% Notes and is a 100% owned non-guarantor of the 6.000% Notes.

NOTE 16. 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, 2018 . 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, 2018 , 2017 and 2016 , there were no related party transactions between the Company and the Boyd family other than compensation, including salary and equity incentives.

NOTE 17. SUBSEQUENT EVENTS

We have evaluated all events or transactions that occurred after December 31, 2018 . During this period, up to the filing date, we did not identify any subsequent events, other than the payment of the cash dividend disclosed in Note 10, *Stockholder's Equity and Stock Incentive Plans* and the addition of the guarantors to the Notes disclosed in Note 15, *Condensed Consolidating Financial Information* , 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, 2018 .

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 provide reasonable assurance 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, due to the identification of the material weakness in our internal control over financial reporting as further described below, our disclosure controls and procedures were not effective at a reasonable assurance level as of the end of the period covered by this Report. Notwithstanding the material weakness in our internal control over financial reporting, the consolidated financial statements included in this Annual Report on Form 10-K fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States of America.

Management's Annual 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, 2018, utilizing the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in the *Internal Control-Integrated Framework* (2013). The COSO framework summarizes each of the components of a company's internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication and (v) monitoring. Based on this evaluation, our management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2018 .

A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. Management identified a material weakness related to the granting of access to system capabilities to authorized users within the general ledger system. Specifically, we did not design and maintain effective controls over user roles, which define the actions an individual user can perform within the system. As a result, there is a lack of segregation of duties as certain accounting personnel have the ability to both prepare and post journal entries.

During their fourth quarter of 2018 evaluation, management concluded that we did not select and develop control activities that contributed to the mitigation of risks to acceptable levels, as required by the control activities component of the COSO framework, including the appropriate segregation of duties resulting in deficiencies in the review and approval of journal entries and account reconciliations. The failure to maintain appropriate segregation of duties has a pervasive impact and as such, this deficiency resulted in a risk that could have impacted virtually all financial statement account balances and disclosures. Management also determined that this material weakness may have existed in previous periods. The material weakness did not result in any identified misstatements to our financial statements, and there were no changes to previously released financial results.

On June 1, 2018, we completed the acquisition of Lattner pursuant to the Lattner Merger Agreement. On September 17, 2018, we completed the acquisition of Valley Forge pursuant to the Valley Forge Merger Agreement. On October 15, 2018, we completed the acquisition of Ameristar Kansas City, Ameristar St. Charles, Belterra Resort and Belterra Park pursuant to the Pinnacle Purchase Agreement. Accordingly, the acquired assets and liabilities of these entities are included in our consolidated balance sheet as of December 31, 2018 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, 2018 from the respective dates of acquisition. However, we have elected to exclude Lattner, Valley Forge, Ameristar Kansas City, Ameristar St. Charles, Belterra Resort and Belterra Park from the scope of our annual report on internal control over financial reporting as of December 31, 2018 . The combined financial position of the acquired companies represented approximately 19.9% of our total assets at December 31, 2018 , and their combined results of operations increased our total revenues by 7.9% and increased our operating income by 3.5% during the year ended December 31, 2018 .

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, 2018, which report follows below.

Changes in Internal Control over Financial Reporting

Except for the identified material weakness, there were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2018 that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

Remediation Efforts to Address the Material Weakness

We are committed to maintaining a strong internal control environment and will make remediation efforts to improve our controls. With the oversight of senior management, subsequent to December 31, 2018, a plan to remediate the underlying cause of the material weakness and improve the design and operating effectiveness of internal control over financial reporting and our disclosure controls has been developed and is being implemented. We expect that the remediation of the material weakness will be completed prior to the end of second quarter 2019.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Boyd Gaming Corporation and Subsidiaries (the “Company”) as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, because of the effect of the material weakness identified below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2018 of the Company, and our report dated March 1, 2019 expressed an unqualified opinion on those financial statements and included an explanatory paragraph relating to the Company’s adoption of ASC 2014-09, *Revenue from Contracts with Customers*, and related amendments, as well as ASU 2016-18, *Statement of Cash Flows: Restricted Cash*.

As described in Management’s Annual Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Lattner, Valley Forge, and the Pinnacle Properties (Ameristar Kansas City, Ameristar St. Charles, Belterra Resort, and Belterra Park), which were acquired on June 1, 2018, September 17, 2018, and October 15, 2018, respectively, and whose combined financial statements constitute approximately 19.9% of total assets, 7.9% of revenues, and 3.5% of operating income of the consolidated financial statement amounts as of and for the year ended December 31, 2018. Accordingly, our audit did not include the internal control over financial reporting at Lattner, Valley Forge, and the Pinnacle Properties (Ameristar Kansas City, Ameristar St. Charles, Belterra Resort, and Belterra Park).

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment:

Management identified a material weakness related to the granting of access to system capabilities to authorized users within the general ledger system. Specifically, management did not design and maintain effective controls over user roles, which define the actions an individual user can perform within the system. As a result, there is a lack of segregation of duties as certain accounting personnel have the ability to both prepare and post journal entries.

This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended December 31, 2018 of the Company, and this report does not affect our report on such financial statements.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada
March 1, 2019

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 2019 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 March 1, 2019 :

Name	Age	Position
Brian A. Larson	63	Executive Vice President, Secretary and General Counsel
Josh Hirsberg	57	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)
Theodore A. Bogich	64	Executive Vice President, Operations
Stephen S. Thompson	59	Executive Vice President, Operations
Anthony D. McDuffie	58	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 in senior-level financial accounting positions with several public companies, including Vice President, Finance and Controller of Pinnacle Airlines Corp. and as Controller and Chief Accounting Officer of Caesars Entertainment Corporation.

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 2019 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 2019 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 2019 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 2019 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>Page No.</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>52</u>
<u>Consolidated Balance Sheets at December 31, 2018 and 2017</u>	<u>53</u>
<u>Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016</u>	<u>54</u>
<u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2018, 2017 and 2016</u>	<u>55</u>
<u>Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2018, 2017 and 2016</u>	<u>56</u>
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016</u>	<u>57</u>
<u>Notes to Consolidated Financial Statements</u>	<u>59</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

<u>Exhibit Number</u>	<u>Description of Exhibit</u>	<u>Method of Filing</u>
2.1†	<u>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.</u>	Incorporated by reference to Exhibit 2.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016.
2.2†	<u>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.</u>	Incorporated by reference to Exhibit 2.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016.
2.3†	<u>Equity Purchase Agreement entered into as of May 31, 2016, by and among MGM Resorts International, Boyd Atlantic City, Inc., and Boyd Gaming Corporation.</u>	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.
2.4	<u>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.</u>	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.
2.5	<u>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.</u>	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.

Exhibit Number	Description of Exhibit	Method of Filing
2.6	<u>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.</u>	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.
2.7†	<u>Membership Interest Purchase Agreement, made and entered into on December 17, 2017, by and among Boyd Gaming Corporation, Boyd TCIV, LLC, Penn National Gaming, Inc., and, solely following the execution and delivery of a joinder to the Purchase Agreement, Pinnacle Entertainment, Inc. and Pinnacle MLS, LLC.</u>	Incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed with the SEC on December 20, 2017.
2.8†	<u>Master Lease Commitment and Rent Allocation Agreement, made and entered into as of December 17, 2017, by and among Boyd Gaming Corporation, Boyd TCIV, LLC, Penn National Gaming, Inc., Gaming and Leisure Properties, Inc., and Gold Merger Sub, LLC.</u>	Incorporated by reference to Exhibit 2.2 of the Registrant's Current Report on Form 8-K filed with the SEC on December 20, 2017.
2.9†	<u>Agreement and Plan of Merger, made and entered into on December 20, 2017, by and among Boyd Gaming Corporation, Boyd TCV, LP, a wholly owned subsidiary of Boyd, Valley Forge Convention</u>	Incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed with the SEC on December 22, 2017.
2.10†	<u>Agreement and Plan of Merger, made and entered into on May 1, 2018, by and among the Company, Boyd TCVI Acquisition, LLC, Lattner Entertainment Group Illinois, LLC, and Lattner Capital, LLC, solely in its capacity as the Representative.</u>	Incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed May 3, 2018.
2.11†	<u>First Amendment to Agreement and Plan of Merger, dated as of September 17, 2018, by and among Boyd Gaming Corporation, Boyd TCV, LP, Valley Forge Convention Center Partners, L.P. and VFCCP SR LLC.</u>	Incorporated by reference to Exhibit 2.2 of the Registrant's Current Report on Form 8-K filed September 20, 2018.
2.12†	<u>Amendment No. 1 to Membership Interest Purchase Agreement, dated as of December 17, 2017, by and among Boyd Gaming Corporation, Boyd TCIV, LLC, Penn National Gaming, Inc., and solely following the execution and delivery of a joinder to the Purchase Agreement, Pinnacle Entertainment, Inc., and Pinnacle MLS, LLC.</u>	Incorporated by reference to Exhibit 2.11 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on February 26, 2018.
2.13†	<u>Amendment No. 2 to Membership Interest Purchase Agreement, dated October 15, 2018, by and among Boyd Gaming Corporation, Boyd TCIV, LLC, Penn National Gaming, Inc., and, solely following the execution and delivery of a joinder to the Purchase Agreement, Pinnacle Entertainment, Inc. and Pinnacle MLS, LLC.</u>	Incorporated by reference to Exhibit 2.3 of the Registrant's Current Report on Form 8-K filed October 18, 2018.
2.14†	<u>Purchase Agreement, dated December 17, 2017, by and between Penn National Gaming, Inc., Gold Merger Sub, LLC, PNK (Ohio), LLC and Pinnacle Entertainment, Inc.</u>	Incorporated by reference to Exhibit 2.4 of the Registrant's Current Report on Form 8-K filed October 18, 2018.

Exhibit Number	Description of Exhibit	Method of Filing
2.15†	<u>Novation and Amendment Agreement, dated October 15, 2018, by and among Penn National Gaming, Inc., Gold Merger Sub, LLC, Boyd (Ohio) PropCo, LLC, PNK (Ohio), LLC and Pinnacle Entertainment, Inc.</u>	Incorporated by reference to Exhibit 2.5 of the Registrant's Current Report on Form 8-K filed October 18, 2018.
3.1	<u>Amended and Restated Articles of Incorporation of the Registrant .</u>	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	<u>Amended and Restated By-Laws of Boyd Gaming Corporation, effective October 20, 2016.</u>	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	<u>Form of Indenture relating to senior debt securities</u>	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	<u>Form of Indenture relating to subordinated debt securities</u>	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	<u>Indenture governing the Company's 9.0% Senior Notes due 2020, dated as of June 8, 2012, among the Company, the Guarantors party thereto, and U.S. Bank National Association, as trustee.</u>	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	<u>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 Association, as trustee.</u>	Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on August 19, 2013.
4.5	<u>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.</u>	Incorporated by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K filed August 21, 2012.
4.6	<u>Form of Indenture relating to senior debt securities between the Company, Guarantors party thereto and Wilmington Trust, National Association, as Trustee.</u>	Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed May 8, 2015.
4.7	<u>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.</u>	Incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed May 21, 2015.
4.8	<u>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.</u>	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.

Exhibit Number	Description of Exhibit	Method of Filing
4.9	<u>Form of 6.375% Senior Note.</u>	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.
4.10	<u>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.</u>	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.
4.11	<u>First 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.</u>	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.
4.12	<u>Third Supplemental Indenture dated March 7, 2017 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.</u>	Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the SEC on March 7, 2017.
4.13	<u>Second Supplemental Indenture dated March 7, 2017 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.</u>	Incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed with the SEC on March 7, 2017.
4.14	<u>Indenture governing the Company's 6.000% Senior Notes due 2026, dated June 25, 2018, by and among the Company, the guarantors named therein and Wilmington Trust, National Association, as trustee.</u>	Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed June 25, 2018.
4.15	<u>Form of 6.000% Senior Note due 2026, (included in Exhibit 4.1).</u>	Incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed June 25, 2018.
4.16	<u>Registration Rights Agreement, dated June 25, 2018, by and among the Company, the guarantors named therein and J.P. Morgan Securities LLC, on behalf of itself and as representative of the several initial purchasers.</u>	Incorporated by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed June 25, 2018.
4.17	<u>Fourth Supplemental Indenture dated January 10, 2019 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.</u>	Filed electronically herewith.
4.18	<u>Third Supplemental Indenture dated January 10, 2019 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.</u>	Filed electronically herewith.

Exhibit Number	Description of Exhibit	Method of Filing
4.19	First Supplemental Indenture dated January 10, 2019 governing the Company's 6.000% Senior Notes due 2026, by and among the Company, the guarantors named therein and Wilmington Trust, National Association, as trustee.	Filed electronically herewith.
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.
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.

Exhibit Number	Description of Exhibit	Method of Filing
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.
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.
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.

Exhibit Number	Description of Exhibit	Method of Filing
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.
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.
10.31	Closing Agreement, dated September 27, 2006, between Diamond Jo, LLC and Dubuque County Historical Society	Incorporated by reference to Exhibit 10.2 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 10.3 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.

Exhibit Number	Description of Exhibit	Method of Filing
10.38	<u>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.</u>	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	<u>Joinder Agreement, dated as of August 2, 2018, among the Company, certain financial institutions and Bank of America, N.A., as administrative agent.</u>	Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed August 6, 2018.
10.40*	<u>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).</u>	Incorporated by reference to Appendix A of the Registrant's Definitive Proxy Statement filed with the SEC on April 2, 2012.
10.41 †	<u>Real Estate Ground Lease, dated September 22, 2006, as Amended between NP Land LLC and Nevada Palace, LLC</u>	Incorporated by reference to Exhibit 10.40 of the Registrant's Current Report on Form 10-K filed with the SEC on February 21, 2017.
10.42	<u>Amendment No. 2 and Refinancing Amendment dated March 29, 2017, to the Third Amended and Restated Credit Agreement, dated as of August 14, 2013.</u>	Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on March 31, 2017.
10.43	<u>Master Lease, dated October 15, 2018, by and between Gold Merger Sub, LLC and Boyd TCIV, LLC.</u>	Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed October 18, 2018.
21.1	<u>Subsidiaries of the Registrant.</u>	Filed electronically herewith.
23.1	<u>Consent of Deloitte & Touche LLP.</u>	Filed electronically herewith.
24	<u>Power of Attorney (included in Part IV to this Annual Report on Form 10-K).</u>	Filed electronically herewith.
31.1	<u>Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a).</u>	Filed electronically herewith.
31.2	<u>Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a).</u>	Filed electronically herewith.
32.1	<u>Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act Rule 13a - 14(b) and 18 U.S.C. § 1350.</u>	Filed electronically herewith.
32.2	<u>Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act Rule 13a - 14(b) and 18 U.S.C. § 1350.</u>	Filed electronically herewith.
99.1	<u>Governmental Gaming Regulations</u>	Filed electronically herewith.

Exhibit Number	Description of Exhibit	Method of Filing
101	The following materials from Boyd Gaming Corporation's Annual Report on Form 10-K for the year ended December 31, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2018 and December 31, 2017; (ii) Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016; (iii) Consolidated Statement of Changes in Stockholders' Equity for the years ended December 31, 2018; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016; and (vi) Notes to Consolidated Financial Statements. ***	Filed electronically herewith.

* Management contracts or compensatory plans or arrangements.

** Certain portions of this exhibit have 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.

ITEM 16. Form 10-K Summary

None

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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ WILLIAM S. BOYD</u> William S. Boyd	Executive Chairman of the Board of Directors	March 1, 2019
<u>/s/ MARIANNE BOYD JOHNSON</u> Marianne Boyd Johnson	Vice Chairman of the Board of Directors, Executive Vice President and Director	March 1, 2019
<u>/s/ KEITH E. SMITH</u> Keith E. Smith	President, Chief Executive Officer and Director (Principal Executive Officer)	March 1, 2019
<u>/s/ JOSH HIRSBERG</u> Josh Hirsberg	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	March 1, 2019
<u>/s/ WILLIAM R. BOYD</u> William R. Boyd	Vice President and Director	March 1, 2019
<u>/s/ JOHN R. BAILEY</u> John R. Bailey	Director	March 1, 2019
<u>/s/ ROBERT L. BOUGHNER</u> Robert L. Boughner	Director	March 1, 2019
<u>/s/ RICHARD E. FLAHERTY</u> Richard E. Flaherty	Director	March 1, 2019
<u>/s/ CHRISTINE J. SPADAFOR</u> Christine J. Spadafor	Director	March 1, 2019
<u>/s/ PETER M. THOMAS</u> Peter M. Thomas	Director	March 1, 2019
<u>/s/ PAUL W. WHETSELL</u> Paul W. Whetsell	Director	March 1, 2019
<u>/s/ VERONICA J. WILSON</u> Veronica J. Wilson	Director	March 1, 2019
<u>/s/ ANTHONY D. MCDUFFIE</u> Anthony D. McDuffie	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 1, 2019

FOURTH SUPPLEMENTAL INDENTURE

Dated as of January 10, 2019

to

INDENTURE

Dated as of May 21, 2015

among

BOYD GAMING CORPORATION, as Issuer,

the Guarantors named therein, as Guarantors,

and

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee

6.875% Senior Notes due 2023

FOURTH SUPPLEMENTAL INDENTURE, dated as of January 10, 2019 (this “Supplemental Indenture”), among Boyd Gaming Corporation, a Nevada corporation (the “Issuer”), the Guarantors named on the signature pages hereto (the “Guarantors”), the Additional Guarantors named on the signature pages hereto (the “Additional Guarantors”), and Wilmington Trust, National Association, as trustee (the “Trustee”).

WHEREAS, the Issuer and the Guarantors have heretofore executed and delivered to the Trustee an Indenture dated as of May 21, 2015 (the “Indenture”), a First Supplemental Indenture (as amended by the Second Supplemental Indenture hereinafter defined, the “First Supplemental Indenture”) dated as of May 21, 2015, a Second Supplemental Indenture (as amended by the Third Supplemental Indenture hereinafter defined, the “Second Supplemental Indenture”) dated as of December 15, 2016, and a Third Supplemental Indenture (the “Third Supplemental Indenture”) dated as of March 7, 2017, providing for the issuance of the Company’s 6.875% Senior Notes due 2023 (the “Notes”); and

WHEREAS, subsequent to the execution of the Third Supplemental Indenture, the Second Supplemental Indenture, the First Supplemental Indenture and the issuance of the Notes, the Additional Guarantors have become guarantors under the Credit Agreement; and

WHEREAS, pursuant to and as contemplated by Sections 4.09 and 9.01 of the First Supplemental Indenture, the parties hereto desire to execute and deliver this Supplemental Indenture for the purpose of providing for each Additional Guarantor to expressly assume all the obligations of a Guarantor under the Notes and the First Supplemental Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other and for the equal and ratable benefit of the Holders of the Notes, as follows:

I.

ASSUMPTION OF GUARANTEES

Each Additional Guarantor, as provided by Section 4.09 of the First Supplemental Indenture, jointly and severally, hereby unconditionally expressly assumes all of the obligations of a Guarantor under the Notes and the First Supplemental Indenture to the fullest as set forth in Article 10 of the First Supplemental Indenture; and each Additional Guarantor may expressly exercise every right and power, and shall have every obligation, of a Guarantor under the First Supplemental Indenture with the same effect as if it had been named a Guarantor therein.

II.

MISCELLANEOUS PROVISIONS

A. Terms Defined.

For all purposes of this Supplemental Indenture, except as otherwise defined or unless the context otherwise requires, terms used in capitalized form in this Supplemental Indenture and defined in the First Supplemental Indenture have the meanings specified in the First Supplemental Indenture.

B. Indenture.

Except as amended hereby, the Third Supplemental Indenture, the Second Supplemental Indenture, the First Supplemental Indenture and the Notes are in all respects ratified and confirmed and all the terms shall remain in full force and effect.

C. Governing Law.

THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED ENTIRELY WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

D. Successors.

All agreements of the Company, the Guarantors and the Additional Guarantors in this Supplemental Indenture, the Notes and the Note Guarantees shall bind their respective successors. All agreements of the Trustee in this Supplemental Indenture shall bind its successors.

E. Duplicate Originals.

The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together shall represent the same agreement.

F. Trustee Disclaimer.

The Trustee is not responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein.

[signatures on following pages]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

ISSUER:

BOYD GAMING CORPORATION

By: /s/ Brian A. Larson

Name: Brian A. Larson

Title: Executive Vice President, Secretary
and General Counsel

EXISTING GUARANTORS:

BOYD ATLANTIC CITY, INC.
BOYD TUNICA, INC.
BLUE CHIP CASINO, LLC
CALIFORNIA HOTEL AND CASINO
TREASURE CHEST CASINO, L.L.C.
RED RIVER ENTERTAINMENT OF SHREVEPORT, L.L.C.
BOYD RACING, L.L.C.
PAR-A-DICE GAMING CORPORATION
COAST CASINOS, INC.
COAST HOTELS AND CASINOS, INC.
SAM-WILL, INC.
M.S.W., INC.
CALIFORNIA HOTEL FINANCE CORPORATION
BOYD ACQUISITION, LLC
BOYD LOUISIANA RACING, L.L.C.
BOYD BILOXI, LLC
BOYD ACQUISITION I, LLC
BOYD ACQUISITION II, LLC
PENINSULA GAMING, LLC
BELLE OF ORLEANS, L.L.C.
DIAMOND JO, LLC
DIAMOND JO WORTH, LLC
KANSAS STAR CASINO, LLC
THE OLD EVANGELINE DOWNS, L.L.C.
ALST CASINO HOLDCO LLC
ALIANTE GAMING, LLC
THE CANNERY HOTEL AND CASINO, LLC
NEVADA PALACE, LLC

By: /s/ Brian A. Larson
Name: Brian A. Larson
Title: Secretary of Assistant Secretary
of each Guarantor listed above

ADDITIONAL GUARANTORS:

VALLEY FORGE CONVENTION CENTER PARTNERS, LLC
VALLEY FORGE COLONIAL, LLC
BOYD TCIV, LLC
PNK (OHIO), LLC
PNK (OHIO) II, LLC
PNK (OHIO) III, LLC
BELTERRA RESORT INDIANA LLC
OGLE HAUS, LLC
AMERISTAR CASINO KANSAS CITY, LLC
AMERISTAR CASINO ST. CHARLES, LLC

By: /s/ Brian A. Larson

Name: Brian A. Larson
Title: Executive Vice President and
and Secretary

TRUSTEE:

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee

By: /s/ Shawn Goffinet

Name: Shawn Goffinet

Title: Assistant Vice President

THIRD SUPPLEMENTAL INDENTURE

Dated as of January 10, 2019

to

INDENTURE

Dated as of March 28, 2016

among

BOYD GAMING CORPORATION, as Issuer,

the Guarantors named therein, as Guarantors,

and

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee

6.375% Senior Notes due 2026

THIRD SUPPLEMENTAL INDENTURE, dated as of January 10, 2019 (this “Supplemental Indenture”), among Boyd Gaming Corporation, a Nevada corporation (the “Issuer”), the Guarantors named on the signature pages hereto (the “Guarantors”), the Additional Guarantors named on the signature pages hereto (the “Additional Guarantors”), and Wilmington Trust, National Association, as trustee (the “Trustee”).

WHEREAS, the Issuer and the Guarantors have heretofore executed and delivered to the Trustee an Indenture (as amended by the First Supplemental Indenture hereinafter defined, the “Indenture”), dated as of March 28, 2016, a First Supplemental Indenture (as amended by the Second Supplemental Indenture hereinafter defined, the “First Supplemental Indenture”), dated as of December 16, 2016, and a Second Supplemental Indenture (the “Second Supplemental Indenture”) dated as of March 7, 2017, providing for the issuance of the Company’s 6.375% Senior Notes due 2026 (the “Notes”); and

WHEREAS, subsequent to the execution of the Second Supplemental Indenture, the First Supplemental Indenture, the Indenture and the issuance of the Notes, the Additional Guarantors have become guarantors under the Credit Agreement; and

WHEREAS, pursuant to and as contemplated by Sections 4.09 and 9.01 of the Indenture, the parties hereto desire to execute and deliver this Supplemental Indenture for the purpose of providing for each Additional Guarantor to expressly assume all the obligations of a Guarantor under the Notes and the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other and for the equal and ratable benefit of the Holders of the Notes, as follows:

I.

ASSUMPTION OF GUARANTEES

Each Additional Guarantor, as provided by Section 4.09 of the Indenture, jointly and severally, hereby unconditionally expressly assumes all of the obligations of a Guarantor under the Notes and the Indenture to the fullest as set forth in Article 10 of the Indenture; and each Additional Guarantor may expressly exercise every right and power, and shall have every obligation, of a Guarantor under the Indenture with the same effect as if it had been named a Guarantor therein.

II.

MISCELLANEOUS PROVISIONS

A. Terms Defined.

For all purposes of this Supplemental Indenture, except as otherwise defined or unless the context otherwise requires, terms used in capitalized form in this Supplemental Indenture and defined in the Indenture have the meanings specified in the Indenture.

B. Indenture.

Except as amended hereby, the Second Supplemental Indenture, the First Supplemental Indenture, the Indenture and the Notes are in all respects ratified and confirmed and all the terms shall remain in full force and effect.

C. Governing Law.

THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED ENTIRELY WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

D. Successors.

All agreements of the Company, the Guarantors and the Additional Guarantors in this Supplemental Indenture, the Notes and the Note Guarantees shall bind their respective successors. All agreements of the Trustee in this Supplemental Indenture shall bind its successors.

E. Duplicate Originals.

The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together shall represent the same agreement.

F. Trustee Disclaimer.

The Trustee is not responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein.

[signatures on following pages]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

ISSUER:

BOYD GAMING CORPORATION

By: /s/ Brian A. Larson

Name: Brian A. Larson

Title: Executive Vice President, Secretary
and General Counsel

EXISTING GUARANTORS:

BOYD ATLANTIC CITY, INC.
BOYD TUNICA, INC.
BLUE CHIP CASINO, LLC
CALIFORNIA HOTEL AND CASINO
TREASURE CHEST CASINO, L.L.C.
RED RIVER ENTERTAINMENT OF SHREVEPORT, L.L.C.
BOYD RACING, L.L.C.
PAR-A-DICE GAMING CORPORATION
COAST CASINOS, INC.
COAST HOTELS AND CASINOS, INC.
SAM-WILL, INC.
M.S.W., INC.
CALIFORNIA HOTEL FINANCE CORPORATION
BOYD ACQUISITION, LLC
BOYD LOUISIANA RACING, L.L.C.
BOYD BILOXI, LLC
BOYD ACQUISITION I, LLC
BOYD ACQUISITION II, LLC
PENINSULA GAMING, LLC
BELLE OF ORLEANS, L.L.C.
DIAMOND JO, LLC
DIAMOND JO WORTH, LLC
KANSAS STAR CASINO, LLC
THE OLD EVANGELINE DOWNS, L.L.C.
ALST CASINO HOLDCO LLC
ALIANTE GAMING, LLC
THE CANNERY HOTEL AND CASINO, LLC
NEVADA PALACE, LLC

By: /s/ Brian A. Larson
Name: Brian A. Larson
Title: Secretary of Assistant Secretary
of each Guarantor listed above

ADDITIONAL GUARANTORS:

VALLEY FORGE CONVENTION CENTER PARTNERS, LLC

VALLEY FORGE COLONIAL, LLC

BOYD TCIV, LLC

PNK (OHIO), LLC

PNK (OHIO) II, LLC

PNK (OHIO) III, LLC

BELTERRA RESORT INDIANA LLC

OGLE HAUS, LLC

AMERISTAR CASINO KANSAS CITY, LLC

AMERISTAR CASINO ST. CHARLES, LLC

By: /s/ Brian A. Larson

Name: Brian A. Larson

Title: Executive Vice President and
and Secretary

TRUSTEE:

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee

By: /s/ Shawn Goffinet

Name: Shawn Goffinet

Title: Assistant Vice President

FIRST SUPPLEMENTAL INDENTURE

Dated as of January 10, 2019

to

INDENTURE

Dated as of June 25, 2018

among

BOYD GAMING CORPORATION, as Issuer,

the Guarantors named therein, as Guarantors,

and

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee

6.000% Senior Notes due 2026

FIRST SUPPLEMENTAL INDENTURE, dated as of January 10, 2019 (this “Supplemental Indenture”), among Boyd Gaming Corporation, a Nevada corporation (the “Issuer”), the Guarantors named on the signature pages hereto (the “Guarantors”), the Additional Guarantors named on the signature pages hereto (the “Additional Guarantors”), and Wilmington Trust, National Association, as trustee (the “Trustee”).

WHEREAS, the Issuer and the Guarantors have heretofore executed and delivered to the Trustee an Indenture dated as of June 25, 2018 (the “Indenture”), providing for the issuance of the Company’s 6.000% Senior Notes due 2026 (the “Notes”); and

WHEREAS, subsequent to the execution of the Indenture and the issuance of the Notes, the Additional Guarantors have become guarantors under the Credit Agreement; and

WHEREAS, pursuant to and as contemplated by Sections 4.09 and 9.01 of the Indenture, the parties hereto desire to execute and deliver this Supplemental Indenture for the purpose of providing for each Additional Guarantor to expressly assume all the obligations of a Guarantor under the Notes and the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other and for the equal and ratable benefit of the Holders of the Notes, as follows:

I.

ASSUMPTION OF GUARANTEES

Each Additional Guarantor, as provided by Section 4.09 of the Indenture, jointly and severally, hereby unconditionally expressly assumes all of the obligations of a Guarantor under the Notes and the Indenture to the fullest as set forth in Article 10 of the Indenture; and each Additional Guarantor may expressly exercise every right and power, and shall have every obligation, of a Guarantor under the Indenture with the same effect as if it had been named a Guarantor therein.

II.

MISCELLANEOUS PROVISIONS

A. Terms Defined.

For all purposes of this Supplemental Indenture, except as otherwise defined or unless the context otherwise requires, terms used in capitalized form in this Supplemental Indenture and defined in the Indenture have the meanings specified in the Indenture.

B. Indenture.

Except as amended hereby, the Indenture and the Notes are in all respects ratified and confirmed and all the terms shall remain in full force and effect.

C. Governing Law.

THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, AS APPLIED TO

CONTRACTS MADE AND PERFORMED ENTIRELY WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

D. Successors .

All agreements of the Company, the Guarantors and the Additional Guarantors in this Supplemental Indenture, the Notes and the Note Guarantees shall bind their respective successors. All agreements of the Trustee in this Supplemental Indenture shall bind its successors.

E. Duplicate Originals .

The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together shall represent the same agreement.

F. Trustee Disclaimer .

The Trustee is not responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein.

[signatures on following pages]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

ISSUER:

BOYD GAMING CORPORATION

By: /s/ Brian A. Larson

Name: Brian A. Larson

Title: Executive Vice President, Secretary
and General Counsel

EXISTING GUARANTORS:

BOYD TUNICA, INC.
BLUE CHIP CASINO, LLC
CALIFORNIA HOTEL AND CASINO
TREASURE CHEST CASINO, L.L.C.
RED RIVER ENTERTAINMENT OF SHREVEPORT, L.L.C.
BOYD RACING, L.L.C.
PAR-A-DICE GAMING CORPORATION
COAST CASINOS, INC.
COAST HOTELS AND CASINOS, INC.
SAM-WILL, INC.
M.S.W., INC.
CALIFORNIA HOTEL FINANCE CORPORATION
BOYD ACQUISITION, LLC
BOYD LOUISIANA RACING, L.L.C.
BOYD BILOXI, LLC
BOYD ACQUISITION I, LLC
BOYD ACQUISITION II, LLC
PENINSULA GAMING, LLC
BELLE OF ORLEANS, L.L.C.
DIAMOND JO, LLC
DIAMOND JO WORTH, LLC
KANSAS STAR CASINO, LLC
THE OLD EVANGELINE DOWNS, L.L.C.
ALST CASINO HOLDCO LLC
ALIANTE GAMING, LLC
THE CANNERY HOTEL AND CASINO, LLC
NEVADA PALACE, LLC

By: /s/ Brian A. Larson

Name: Brian A. Larson

Title: Secretary of Assistant Secretary
of each Guarantor listed above

ADDITIONAL GUARANTORS:

VALLEY FORGE CONVENTION CENTER PARTNERS, LLC

VALLEY FORGE COLONIAL, LLC

BOYD TCIV, LLC

PNK (OHIO), LLC

PNK (OHIO) II, LLC

PNK (OHIO) III, LLC

BELTERRA RESORT INDIANA LLC

OGLE HAUS, LLC

AMERISTAR CASINO KANSAS CITY, LLC

AMERISTAR CASINO ST. CHARLES, LLC

By: /s/ Brian A. Larson

Name: Brian A. Larson

Title: Executive Vice President and
and Secretary

TRUSTEE:

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee

By: /s/ Shawn Goffinet

Name: Shawn Goffinet

Title: Assistant Vice President

BOYD GAMING CORPORATION

Subsidiary Name	State or Other Jurisdiction of Incorporation
Boyd Gaming Corporation	Nevada
BGM Co. Inc.	Nevada
East West Gaming, LLC	California
Tides 8, LLC	California
ALST Casino Holdco, LLC	Delaware
Aliante Gaming, LLC dba Aliante Casino + Hotel + Spa	Nevada
Blue Chip Casino, LLC dba Blue Chip Casino Hotel Spa	Indiana
Boyd Acquisition, LLC	Delaware
Boyd Acquisition I, LLC	Delaware
Boyd Acquisition II, LLC	Delaware
Peninsula Gaming, LLC	Delaware
Belle of Orleans, L.L.C. dba Amelia Belle Casino	Louisiana
Diamond Jo, LLC dba Diamond Jo Casino	Delaware
Diamond Jo Worth, LLC dba Diamond Jo Worth	Delaware
Kansas Star Casino, LLC dba Kansas Star Casino	Kansas
Peninsula Gaming Corp.	Delaware
The Old Evangeline Downs, L.L.C. dba Evangeline Downs Racetrack & Casino	Louisiana
OED Acquisition, LLC	Delaware
Boyd Atlantic City, Inc.	New Jersey
Boyd Central Region, Inc.	Nevada
Boyd Corporate Campus, LLC	Nevada
Boyd Development Corporation	Nevada
Boyd FSE, Inc.	Nevada
Boyd Gaming Japan Development Co.	Nevada
Boyd Interactive Gaming, Inc.	Nevada
Boyd Interactive Gaming, L.L.C.	Nevada
IA - IPR Holdings LLC	Nevada
Boyd Louisiana Racing, L.L.C.	Louisiana
Boyd Racing, L.L.C. dba Delta Downs Racetrack Hotel & Casino	Louisiana
Red River Entertainment of Shreveport, L.L.C. dba Sam's Town Shreveport	Louisiana
Treasure Chest Casino, L.L.C. dba Treasure Chest Casino	Louisiana
Boyd Office Building, Inc.	Nevada
Boyd Pennsylvania, Inc.	Pennsylvania
Boyd Pennsylvania Partners, LP	Pennsylvania
Boyd Rhode Island, Inc.	Nevada
Boyd Robinsonville, Inc.	Mississippi
Boyd Shared Services Inc. dba Boyd Linen and Uniform Services	Nevada
Boyd TCIV, LLC	Nevada
Ameristar Casino Kansas City, LLC dba Ameristar Casino * Hotel Kansas City	Missouri
Ameristar Casino St. Charles, LLC dba Ameristar Casino * Resort * Spa St. Charles	Missouri
Belterra Resort Indiana LLC dba Belterra Casino Resort	Nevada
Ogle Haus, LLC dba Ogle Haus Inn	Indiana

Subsidiary Name	State or Other Jurisdiction of Incorporation
Boyd (Ohio) PropCo, LLC	Delaware
PNK (Ohio), LLC dba Belterra Park	Ohio
PNK (Ohio) II, LLC	Ohio
PNK (Ohio) III, LLC	Ohio
Boyd TCV GP, LLC	Pennsylvania
Boyd Travel, Inc. dba Vacations Hawaii	Nevada
Coast Vacations, Inc.	Nevada
Boyd Tunica, Inc. dba Sam's Town Hotel and Gambling Hall Tunica	Mississippi
Boyd Biloxi, LLC dba IP Casino Resort Spa	Mississippi
Boyd Florida, LLC	Mississippi
The Aragon Group (1)	Florida
Summersport Enterprises, LLC	Florida
Boyd Sunrise, LLC	Florida
Tunica Golf Course, LLC	Mississippi
California Hotel & Casino dba California Hotel and Casino, Sam's Town Hotel & Gambling Hall	Nevada
1100 Boulder Highway, LLC	Nevada
California Hotel Finance Corporation	Nevada
Echelon Resorts LLC	Nevada
Eldorado, Inc. dba Eldorado Casino and Jokers Wild	Nevada
M.S.W., Inc. dba Main Street Station Hotel and Casino	Nevada
Sam-Will, Inc. dba Fremont Hotel & Casino	Nevada
Coast Casinos, Inc.	Nevada
Coast Hotels & Casinos, Inc. dba The Orleans Hotel and Casino, Gold Coast Hotel and Casino, Suncoast Hotel and Casino	Nevada
BNLV, L.L.C.	Nevada
BCO Gaming, L.L.C.	Nevada
Constellation Insurance Company, Inc.	Hawaii
Echelon Resorts Corporation	Nevada
FGB Development, Inc.	Florida
Lattner Entertainment Group Illinois, LLC	Illinois
Rock Solid Amusements, LLC	Illinois
Nevada Palace, LLC dba Eastside Cannery Casino and Hotel	Nevada
Par-A-Dice Gaming Corporation dba Par-A-Dice Casino	Illinois
The Cannery Hotel and Casino, LLC dba Cannery Casino Hotel	Nevada
Valley Forge Convention Center Partners, LLC dba Valley Forge Casino Resort	Pennsylvania
VF Colonial GP, LLC	Pennsylvania
Valley Forge Colonial, LLC	Pennsylvania

(1) 99% owned by Boyd Florida, LLC; 1% owned by FGB Development, Inc.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-90840, 333-119850, 333-129421, 333-153852, and 333-184158 on Form S-8 of our reports dated March 1, 2019 relating to the consolidated financial statements of Boyd Gaming Corporation and Subsidiaries (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the Company's adoption of ASC 2014-09, *Revenue from Contracts with Customers*, and related amendments as well as ASU 2016-18, *Statement of Cash Flows: Restricted Cash*) and the effectiveness of Boyd Gaming Corporation and Subsidiaries' internal control over financial reporting (which report expresses an adverse opinion on the effectiveness of the Company's internal control over financial reporting because of a material weakness), appearing in this Annual Report on Form 10-K of Boyd Gaming Corporation for the year ended December 31, 2018.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada
March 1, 2019

BOYD GAMING CORPORATION
CERTIFICATION

I, Keith E. Smith, certify that:

1. I have reviewed this annual report on Form 10-K of Boyd Gaming Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2019

By: /s/ Keith E. Smith

Keith E. Smith
President and Chief Executive Officer

BOYD GAMING CORPORATION
CERTIFICATION

I, Josh Hirsberg, certify that:

1. I have reviewed this annual report on Form 10-K of Boyd Gaming Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2019

By: /s/ Josh Hirsberg

Josh Hirsberg
Executive Vice President, Chief Financial Officer and Treasurer

BOYD GAMING CORPORATION

CERTIFICATION

In connection with the periodic report of Boyd Gaming Corporation (the "Company") on Form 10-K for the period ended December 31, 2018 as filed with the Securities and Exchange Commission (the "Report"), I, Keith E. Smith, President and Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: March 1, 2019

By: /s/ Keith E. Smith

Keith E. Smith
President and Chief Executive Officer

BOYD GAMING CORPORATION

CERTIFICATION

In connection with the periodic report of Boyd Gaming Corporation (the "Company") on Form 10-K for the period ended December 31, 2018 as filed with the Securities and Exchange Commission (the "Report"), I, Josh Hirsberg, Executive Vice President, Chief Financial Officer and Treasurer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: March 1, 2019

By: /s/ Josh Hirsberg

Josh Hirsberg

Executive Vice President, Chief Financial Officer and Treasurer

GOVERNMENTAL GAMING REGULATIONS

We are subject to extensive regulation under laws, rules and supervisory procedures primarily in the jurisdictions where our facilities are located or docked. 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. Currently, numerous jurisdictions in which we operate or that are contiguous to jurisdictions in which we operate are considering legislative proposals that would expand gaming whether through increasing the availability of existing gaming products in such jurisdiction or authorizing new types of gaming products previously unavailable to gaming patrons in such jurisdiction, such as sports betting, online sports betting, daily fantasy sports, distributed gaming and new lottery products. The enactment of any such expansion proposals in such jurisdictions could significantly impact the competitive environment in which we operate. We do not know whether or in what form any such legislation will be enacted. The federal government has also previously considered a federal tax on casino revenues and the elimination of betting on amateur sporting 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.

Some jurisdictions, including Nevada, Illinois, Indiana, Louisiana, Mississippi, Missouri, Iowa, Kansas, Ohio, and Pennsylvania empower their regulators to investigate participation by licensees in gaming outside their jurisdiction and require access to periodic reports respecting those gaming activities. Violations of laws or disciplinary action in one jurisdiction could result in investigative activity and disciplinary actions in other jurisdictions.

Under provisions of gaming laws in jurisdictions in which we have operations, and under our organizational documents, certain of our securities are subject to restrictions on ownership which may be imposed by specified governmental authorities. The restrictions may require a holder of our securities to dispose of the securities or, if the holder refuses, or is unable, to dispose of the securities, we may be required to repurchase the securities.

The indentures governing our outstanding notes provide that if a holder of a note or beneficial owner of a note is required to be licensed, qualified or found suitable under the applicable gaming laws and is not so licensed, qualified or found suitable within the time period specified by the applicable gaming authority, the holder will be required, at our request, to dispose of its notes within a time period that either we prescribe or such other time period prescribed by the applicable gaming authority, and thereafter, we shall have the right to redeem such holder's notes.

Nevada

The ownership and operation of casino gaming facilities in Nevada are subject to the Nevada Gaming Control Act and the regulations promulgated by the Nevada Gaming Commission thereunder, which we refer to as the Nevada Act, including various local codes and ordinances. Our gaming operations are subject to the licensing and regulatory control of the Nevada Gaming Commission, which we refer to as the Nevada Commission, the Nevada Gaming Control Board, which we refer to as the Nevada Board, the Clark County Liquor and Gaming Licensing Board, and the City of Las Vegas, which, with the Nevada Commission and the Nevada Board, we collectively refer to as the Nevada Gaming Authorities.

The laws, regulations and supervisory procedures of the Nevada Gaming Authorities are based upon declarations of public policy that are concerned with, among other things:

- the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
 - the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
 - the establishment and maintenance of responsible accounting practices and procedures;
 - the maintenance of effective controls over the financial practices of licensees, including establishing minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues;
 - providing reliable record keeping and requiring the filing of periodic reports with the Nevada Gaming Authorities;
 - the prevention of cheating and fraudulent practices;
 - the maintenance of a Gaming Compliance and Reporting Plan, including the establishment of a Gaming Compliance Committee and the retention of a Corporate Compliance Officer; and
-

- the provision of a source of state and local revenues through taxation and licensing fees.

Changes in such laws, regulations and procedures could have an adverse effect on our gaming operations and our business, financial condition and results of operations.

Corporations that operate casinos in Nevada are required to be licensed by the Nevada Gaming Authorities. A gaming license requires the periodic payment of fees and taxes and is not transferable. We are registered by the Nevada Commission as a publicly traded corporation, or a Registered Corporation. As a Registered Corporation, we are required periodically to submit detailed financial and operating reports to the Nevada Commission and furnish any other information which the Nevada Commission may require. We have been licensed by the Nevada Commission to own the stock of California Hotel and Casino, and to be the sole member and manager of The Cannery Hotel and Casino, LLC, the operator of The Cannery Hotel Casino, and of Nevada Palace, LLC, the operator of the Eastside Cannery Casino & Hotel, and have been found suitable to own the stock of Coast Casinos, Inc., and of Boyd Interactive Gaming, Inc., and to be the sole member and manager of ALST Casino Holdco, LLC. California Hotel and Casino is licensed by the Nevada Commission to operate non-restricted gaming activities at the California and Sam's Town Las Vegas and is additionally registered as an intermediary company and found suitable by the Nevada Commission to own the stock of Sam-Will, Inc., the operator of the Fremont, Eldorado, Inc., the operator of the Eldorado Casino and Jokers Wild, and M.S.W., Inc., the operator of Main Street Station. Coast Casinos, Inc., is registered as an intermediary company and found suitable by the Nevada Commission to own the stock of Coast Hotels and Casinos, Inc., the operator of the Gold Coast Hotel and Casino, The Orleans Hotel and Casino, and the Suncoast Hotel and Casino. ALST Casino Holdco is registered as an intermediary company and licensed by the Nevada Commission to be the sole member and manager of Aliante Gaming, LLC, the operator of the Aliante Casino + Hotel. Boyd Interactive Gaming, Inc., is registered as an intermediary company and is licensed to be the sole member of Boyd Interactive Gaming, LLC. In 2003, the Nevada Commission approved Boyd Louisiana Racing Inc. and Boyd Racing L.L.C., d.b.a. Delta Downs Racetrack, Casino & Hotel, to share in the revenue from the conduct of off-track pari-mutuel wagering, under certain conditions, as it pertains to the broadcast of live racing events to licensed Nevada pari-mutuel race books. No person may become a more than 5% stockholder or holder of more than a 5% interest in, or receive any percentage of profits from, California Hotel and Casino or its subsidiaries, Coast Casinos, Inc., or its subsidiary, ALST Casino Holdco, LLC, or its subsidiary, The Cannery Hotel and Casino, LLC, Nevada Palace, LLC, or Boyd Interactive Gaming, Inc., or its subsidiary, without first obtaining licenses and approvals from the Nevada Gaming Authorities. We refer to all of the foregoing entities collectively as the Licensed Subsidiaries. Boyd Gaming and all of its Licensed Subsidiaries have obtained from the Nevada Gaming Authorities the various registrations, approvals, permits and licenses required in order to engage in gaming activities in Nevada.

The Nevada Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with, Boyd Gaming and its Licensed Subsidiaries in order to determine whether such individual is suitable or should be licensed as a business associate of a gaming licensee. Officers, directors and certain key employees of the Licensed Subsidiaries must file applications with the Nevada Gaming Authorities and may be required to be licensed or found suitable by the Nevada Gaming Authorities. Our officers, directors and key employees who are actively and directly involved in gaming activities of the Licensed Subsidiaries may be required to be licensed or found suitable by the Nevada Gaming Authorities. The Nevada Gaming Authorities may deny an application for licensing for any cause which they deem reasonable. A finding of suitability is comparable to licensing, and both require submission of detailed personal and financial information followed by a thorough investigation. The applicant for licensing or a finding of suitability must pay all the costs of the investigation. Changes in licensed positions must be reported to the Nevada Gaming Authorities within 30 days as prescribed by law and, in addition to their authority to deny an application for a finding of suitability or licensure, the Nevada Gaming Authorities have jurisdiction to disapprove a change in a corporate position.

If the Nevada Gaming Authorities were to find an officer, director or key employee unsuitable for licensing or unsuitable to continue having a relationship with us or any of our Licensed Subsidiaries, the companies involved would have to sever all relationships with such person. In addition, the Nevada Commission may require Boyd Gaming or any of its Licensed Subsidiaries to terminate the employment of any person who refuses to file appropriate applications. Determinations of suitability or questions pertaining to licensing are not subject to judicial review in Nevada.

Boyd Gaming and its Licensed Subsidiaries are required to submit detailed financial and operating reports to the Nevada Commission. Substantially all material loans, leases, sales of securities and similar financing transactions by the Licensed Subsidiaries must be reported to, and/or approved by, the Nevada Commission.

If it were determined that the Nevada Act was violated by any of the Licensed Subsidiaries, the gaming licenses they hold could be limited, conditioned, suspended or revoked, subject to compliance with certain statutory and regulatory procedures. In addition, Boyd Gaming and the persons involved could be subject to substantial fines for each separate violation of the Nevada Act or Regulations at the discretion of the Nevada Commission. Further, a supervisor could be nominated by the Nevada Commission for court appointment to operate our gaming properties and, under certain circumstances, earnings generated during the supervisor's

appointment (except for reasonable rental value of our gaming properties) could be forfeited to the State of Nevada. Limitation, conditioning or suspension of any gaming license or the appointment of a supervisor could (and revocation of any gaming license would) materially adversely affect our gaming operations and our business, financial condition and results of operations.

Any beneficial holder of our voting securities, regardless of the number of shares owned, may be required to file an application, be investigated and have his suitability reviewed as a beneficial holder of our voting securities if the Nevada Commission has reason to believe that such ownership would otherwise be inconsistent with the declared policies of the State of Nevada. The applicant must pay all costs of investigation incurred by the Nevada Gaming Authorities in conducting any such investigation.

The Nevada Act requires any person who acquires more than 5% of our voting securities to report the acquisition to the Nevada Commission. The Nevada Act requires that beneficial owners of more than 10% of our voting securities apply to the Nevada Commission for a finding of suitability within 30 days after the Chair of the Nevada Board mails the written notice requiring such filing. Under certain circumstances, an "institutional investor," as defined in the Nevada Act, which acquires more than 10%, but not more than 25%, of our voting securities may apply to the Nevada Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes only. An institutional investor that has obtained such a waiver may, in certain circumstances, hold up to 29% of our voting securities and maintain its waiver for a limited period of time. An institutional investor shall not be deemed to hold voting securities for investment purposes unless the voting securities were acquired and are held in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of the members of our board of directors, any change in our corporate charter, bylaws, management, policies or operations, or any of our gaming affiliates, or any other action which the Nevada Commission finds to be inconsistent with holding our voting securities for investment purposes only. Activities that are not deemed to be inconsistent with holding voting securities for investment purposes include only:

- voting on all matters voted on by stockholders;
- making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in our management, policies or operations; and
- such other activities as the Nevada Commission may determine to be consistent with such investment intent.

If the beneficial holder of voting securities who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information including a list of beneficial owners. The applicant is required to pay all costs of investigation.

Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Nevada Commission or the Chair of the Nevada Board, may be found unsuitable. The same restrictions apply to a record owner if the record owner, after request, fails to identify the beneficial owner. Any stockholder found unsuitable and who holds, directly or indirectly, any beneficial ownership of the common stock of a Registered Corporation beyond such period of time as may be prescribed by the Nevada Commission may be guilty of a criminal offense. We are subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us, or any of our Licensed Subsidiaries, we:

- pay that person any dividend or interest upon voting securities of Boyd Gaming;
- allow that person to exercise, directly or indirectly, any voting right conferred through securities held by the person;
- pay remuneration in any form to that person for services rendered or otherwise; or
- fail to pursue all lawful efforts to require such unsuitable person to relinquish their voting securities for cash at fair market value.

Additionally, the Clark County Liquor and Gaming Licensing Board has taken the position that it has the authority to approve all persons owning or controlling the stock of any corporation controlling a gaming license.

The Nevada Commission may, at its discretion, require the holder of any debt security of a Registered Corporation to file applications, be investigated and be found suitable to own the debt security of a Registered Corporation. If the Nevada Commission determines that a person is unsuitable to own such security, then pursuant to the Nevada Act, the Registered Corporation can be sanctioned, including the loss of its approvals, if without the prior approval of the Nevada Commission, it:

- pays to the unsuitable person any dividend, interest, or any distribution whatsoever;
 - recognizes any voting right by such unsuitable person in connection with such securities;
 - pays the unsuitable person remuneration in any form; or
 - makes any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation, or similar transaction.
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We are required to maintain a current stock ledger in Nevada which may be examined by the Nevada Gaming Authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Nevada Gaming Authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. We are also required to render maximum assistance in determining the identity of the beneficial owner.

We may not make a public offering of our securities without the prior approval of the Nevada Commission if the securities or the proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for such purposes. Any representation to the contrary is unlawful. In November 2017, the Nevada Commission granted us three years, the maximum time permitted, in which to make public offerings of debt or equity. This three-year approval or continuous or delayed public offering approval, also known as a shelf approval, is subject to certain conditions and expires in November 2020, at which time we will seek to renew the approval. The Nevada Commission's approval may be rescinded for good cause without prior notice upon the issuance of an interlocutory stop order by the Chair of the Nevada Board.

Changes in control of Boyd Gaming through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or any act or conduct by a person whereby he obtains control, may not occur without the prior approval of the Nevada Commission. Entities seeking to acquire control of a Registered Corporation must satisfy the Nevada Gaming Authorities in a variety of stringent standards prior to assuming control of such Registered Corporation. The Nevada Commission may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

The Nevada legislature has declared that some corporate acquisitions opposed by management, repurchase of voting securities and corporate defense tactics affecting Nevada gaming licensees, and Registered Corporations that are affiliated with those licensees, may be injurious to stable and productive corporate gaming. The Nevada Commission has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Nevada's gaming industry and to further Nevada's policy to:

- assure the financial stability of corporate gaming operators and their affiliates;
- preserve the beneficial aspects of conducting business in the corporate form; and
- promote a neutral environment for the orderly governance of corporate affairs.

Approvals are, in certain circumstances, required from the Nevada Commission before we can make exceptional repurchases of voting securities above the current market price thereof and before a corporate acquisition opposed by management can be consummated. As a Registered Corporation, the Nevada Act also requires prior approval of a plan of recapitalization proposed by our board of directors in response to a tender offer made directly to our stockholders for the purposes of acquiring control of us.

License fees and taxes, computed in various ways depending on the type of gaming or activity involved, are payable to the State of Nevada, Clark County and the City of Las Vegas. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly, quarterly or annually and are based upon:

- a percentage of the gross revenues received;
- the number of gaming devices operated; or
- the number of table games operated.

An excise tax is also paid by casino operations upon the amount of consideration collected in connection with admission to certain indoor or outdoor premises or areas where live entertainment is provided, subject to certain exclusions.

Any person who is licensed, required to be licensed, registered, required to be registered, or is under common control with such persons, which we refer to as Licensees, and who proposes to become involved in a gaming venture outside of Nevada is required to deposit with the Nevada Board, and thereafter maintain, a revolving fund in the amount of \$10,000 to pay the expenses of investigation of the Nevada Board of their participation in such foreign gaming. The revolving fund is subject to increase or decrease in the discretion of the Nevada Commission. Thereafter, Licensees are required to comply with certain reporting requirements imposed by the Nevada Act. Licensees are also subject to disciplinary action by the Nevada Commission if they knowingly violate any laws of the foreign jurisdiction pertaining to the foreign gaming operation, fail to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations, engage in activities that are harmful to the State of Nevada or its ability to collect gaming taxes and fees, or employ a person in the foreign operation who has been denied a license or finding of suitability in Nevada on the ground of personal unsuitability.

The sale of food or alcoholic beverages at our Nevada casinos is subject to licensing, control and regulation by the applicable local authorities. All licenses are revocable and are not transferable. The agencies involved have full power to limit, condition, suspend

or revoke any such license, and any such disciplinary action could, and a revocation would, have a significant adverse effect upon the operations of the affected casino or casinos.

Illinois

We are subject to the jurisdiction of the Illinois gaming authorities as a result of our ownership and operation of 1) Par-A-Dice Hotel Casino in East Peoria, Illinois, and 2) the Illinois Video Gaming Terminal Operator Lattner Entertainment Group Illinois, LLC.

In February 1990, the State of Illinois legalized riverboat gambling. The Illinois Riverboat Gambling Act, which we refer to as the initial Illinois Act, authorizes the five-member Illinois Gaming Board, which we refer to as the Illinois Board, to issue up to ten riverboat gaming owners' licenses on navigable streams within or forming a boundary of the State of Illinois except for Lake Michigan and any waterway in Cook County, which includes Chicago. Pursuant to the initial Illinois Act, a licensed owner who holds greater than a 10% interest in one riverboat operation could hold no more than a 10% interest in any other riverboat operation. In addition, the initial Illinois Act restricted the location of certain of the ten owners' licenses. Four of the licenses were to be located on the Mississippi River, one license was to be at a location on the Illinois River south of Marshall County and one license had to be located on the Des Plaines River in Will County. The remaining licenses were not restricted as to location. Currently, ten owners' licenses are in operation, including one license in each of Alton, Aurora, Des Plaines, East Peoria, East St. Louis, Elgin, Metropolis, Rock Island and two licenses in Joliet.

The tenth license that was initially granted to Emerald Casino Inc. - an operator in East Dubuque which we refer to as Emerald Casino - was not renewed by the Illinois Board and was the subject of protracted litigation that concluded. Various appeals in the Illinois Appellate Court for the First and Fourth Districts followed the Illinois Board's denial of Emerald Casino's request for renewal of the tenth license on March 6, 2001 and subsequent revocation of the license in December 2005. Although the Illinois Appellate Court ultimately ordered the Illinois Board to issue Emerald Casino's license for renewal, the Illinois Appellate Court also affirmed the Illinois Board's decision to revoke that license. The Illinois Supreme Court refused Emerald Casino's request to review the latter decision, and Emerald Casino announced that it would not pursue any additional appeals in the matter. As a result, the Board authorized a bid process to issue the tenth license to a new operator. On December 6, 2007, the Illinois Department of Central Management Services issued a Request for Proposal to receive bids from investment banking firms to oversee the bid process. Credit Suisse was the successful bidder and oversaw the bid process for the tenth Illinois gaming license. Seven bids were submitted to the Illinois Board to provide gaming operations in Waukegan, Rosemont, Des Plaines, Stickney, Country Club Hills, Calumet City, and Harvey. The Illinois Board selected the Waukegan, Rosemont and Des Plaines sites as the three finalists. On December 22, 2008, the Illinois Board announced that it awarded the tenth Illinois gaming license to Midwest Gaming & Entertainment LLC, which developed and operates the Rivers Casino in Des Plaines. The Rivers Casino commenced gaming operations on June 18, 2011.

Furthermore, under the initial Illinois Act, no gambling could be conducted while a riverboat was docked. A gaming excursion could last no more than four hours, and a gaming excursion was deemed to have started when the first passenger boarded a riverboat. Gaming could continue during passenger boarding for a period of up to 30 minutes. Gaming was also allowed for a period of up to 30 minutes after the gangplank or its equivalent was lowered, thereby allowing passengers to exit the riverboat. During the 30-minute exit time period, new passengers were not allowed to board the riverboat. Although riverboats were mandated to cruise, there were certain exceptions. If a riverboat captain reasonably determined that either it was unsafe to transport passengers on the waterway due to inclement weather or the riverboat had been rendered temporarily inoperable by unforeseeable mechanical or structural difficulties or river icing, the riverboat could remain dockside or return to the dock. In those situations, a gaming excursion could commence or continue while the gangplank or its equivalent was raised and remained raised, in which event the riverboat was not considered docked. If a gaming excursion had to begin or continue with the gangplank or its equivalent raised, and the riverboat did not leave the dock, entry of new patrons on to the riverboat was prohibited until the completion of the excursion.

In June of 1999, amendments to the Illinois Act, which we refer to as the Amended Illinois Act, were passed by the legislature and signed into law by the Governor. The Amended Illinois Act redefined the conduct of gaming in the state. Pursuant to the Amended Illinois Act, riverboats can conduct gambling without cruising, and passengers can enter and leave a riverboat at any time. In addition, riverboats may now be located upon any water, other than Lake Michigan, within Illinois, and not just navigable waterways. There is no longer any prohibition of a riverboat being located in Cook County. Riverboats are now defined as self-propelled excursion boats or permanently moored barges. The Amended Illinois Act requires that only three, rather than four, owners' licenses, be located on the Mississippi River. The 10% ownership prohibition has also been removed. Therefore, subject to certain Illinois Board rules, individuals or entities could own more than one riverboat operation.

The Amended Illinois Act also allows for the relocation of a riverboat home dock. A licensee that was not conducting riverboat gambling on January 1, 1998, may apply to the Illinois Board for renewal and approval of relocation to a new home dock and the

Illinois Board shall grant the application and approval of the new home dock upon the licensee providing to the Illinois Board authorization from the new dockside community. Any licensee that relocates in accordance with the provisions of the Amended Illinois Act must attain a level of at least 20% minority ownership of such a gaming operation.

The initial Illinois Act strictly regulates the facilities, persons, associations and practices related to gaming operations. The initial Illinois Act grants the Illinois Board specific powers and duties, and all other powers necessary and proper to fully and effectively execute the initial Illinois Act for the purpose of administering, regulating and enforcing the system of riverboat gaming. The Illinois Board has authority over every person, association, corporation, partnership and trust involved in riverboat gaming operations in the State of Illinois.

The initial Illinois Act requires the owner of a riverboat gaming operation to hold an owner's license issued by the Illinois Board. Gaming participants are limited to 1,200 for any owner's license. The number of gaming participants will be determined by the number of gaming positions available. Gaming positions are counted as follows:

- electronic gaming devices positions will be determined as 90% of the total number of devices available for play;
- craps tables will be counted as having ten gaming positions; and
- games utilizing live gaming devices, except for craps, will be counted as having five gaming positions.

Each owner's license initially runs for a period of three years. Thereafter, the license must be renewed annually. Under the Amended Illinois Act, the Board may renew an owner's license for up to four years. An owner licensee is eligible for renewal upon payment of the applicable fee and a determination by the Illinois Board that the licensee continues to meet all of the requirements of the initial Illinois Act and Illinois Board rules. The owner's license for Par-A-Dice Riverboat Casino initially expired in February 1995. Since that time the license has been renewed every four years, the maximum time permitted by the Illinois Act. An ownership interest in an owner's license may not be transferred or pledged as collateral without the prior approval of the Illinois Board.

Pursuant to the Amended Illinois Act, which removed the 10% ownership prohibition, the Illinois Board established certain rules to effectuate this statutory change. In deciding whether to approve direct or indirect ownership or control of an owner's license, the Illinois Board shall consider the impact of any economic concentration of the ownership or control. No direct or indirect ownership or control shall be approved which will result in undue economic concentration of the ownership of riverboat gambling operations in Illinois. Undue economic concentration means that a person or entity would have actual or potential domination of riverboat gambling in Illinois sufficient to:

- substantially impede or suppress competition among holders of owners' licenses;
- adversely impact the economic stability of the riverboat casino industry in Illinois; or
- negatively impact the purposes of the initial Illinois Act, including tourism, economic development, benefits to local communities, and State and local revenues.

The Illinois Board will consider the following criteria in determining whether the approval of the issuance, transfer or holding of a license will create undue economic concentration:

- the percentage share of the market presently owned or controlled by the person or entity;
- the estimated increase in the market share if the person or entity is approved to hold the owner's license;
- the relative position of other persons or entities that own or control owners' licenses in Illinois;
- the current and projected financial condition of the riverboat gaming industry;
- the current market conditions, including proximity and level of competition, consumer demand, market concentration, and any other relevant characteristics of the market;
- whether the license to be approved has separate organizational structures or other independent obligations;
- the potential impact on the projected future growth and development of the riverboat gambling industry, the local communities in which licenses are located, and the State of Illinois;
- the barriers to entry into the riverboat gambling industry and if the approval of the license will operate as a barrier to new companies and individuals desiring to enter the market;
- whether the approval of the license is likely to result in enhancing the quality and customer appeal of products and services offered by riverboat casinos in order to maintain or increase their respective market shares;
- whether a restriction on the approval of the additional license is necessary in order to encourage and preserve competition in casino operations; and
- any other relevant information.

The initial Illinois Act does not limit the maximum bet or per patron loss. Minimum and maximum wagers on games are set by the owner licensee. Wagering may not be conducted with money or other negotiable currency. No person under the age of 21 is

permitted to wager and wagers may only be received from a person present on the riverboat. With respect to electronic gaming devices, the payout percentage may not be less than 80% nor more than 100%.

An admission tax is imposed on the owner of a riverboat operation. Effective July 1, 2003, additional amendments to the Amended Illinois Act were passed by the legislature and signed into law by the Governor, which we refer to as the Second Amended Illinois Act. Under the Second Amended Illinois Act, for an owner licensee that admitted 2,300,000 persons or fewer in the previous calendar year, the admission tax is \$4.00 per person and for a licensee that admitted more than 2,300,000 persons in the previous calendar year, the admission tax is \$5.00. Additionally, a wagering tax is imposed on the adjusted gross receipts, as defined in the initial Illinois Act, of a riverboat operation. As of July 1, 2003, pursuant to the Second Amended Illinois Act, the wagering tax was increased as follows: 15% of annual adjusted gross receipts up to and including \$25 million; 27.5% of annual adjusted gross receipts in excess of \$25 million but not exceeding \$37.5 million; 32.5% of annual adjusted gross receipts in excess of \$37.5 million but not exceeding \$50 million; 37.5% of annual adjusted gross receipts in excess of \$50 million but not exceeding \$75 million; 45% of annual adjusted gross receipts in excess of \$75 million but not exceeding \$100 million; 50% of annual adjusted gross receipts in excess of \$100 million but not exceeding \$250 million; and 70% of annual adjusted gross receipts in excess of \$250 million. The owner licensee is required, on a daily basis, to wire the wagering tax payment to the Illinois Board. The wagering tax as outlined in the Second Amended Illinois Act shall no longer be imposed beginning on the earlier of (i) July 1, 2005; (ii) the first date after the effective date of the Second Amended Illinois Act that riverboat gambling operations are conducted pursuant to the dormant tenth license or (iii) the first day that riverboat gambling operations are conducted under the authority of an owner's license that is in addition to the ten owners' licenses authorized by the Initial Act. Thereafter, the tax will roll back to the rates as outlined in the Amended Illinois Act.

Effective July 1, 2005, additional amendments to the Second Amended Act were passed by the legislature and signed into law by the Governor, which we refer to as the Third Amended Illinois Act. Under the Third Amended Act, for an owner that admitted 1,000,000 persons or fewer in calendar year 2004, the admission tax is \$2.00 and for all other licensees it is \$3.00 per person admitted. Additionally, the wagering tax provisions were "rolled back" to the rates as defined in the Amended Illinois Act. Thus, the effective wager tax rates are: 15% of annual adjusted gross receipts up to and including \$25 million; 22.5% of annual adjusted gross receipts in excess of \$25 million but not exceeding \$50 million; 27.5% of annual adjusted gross receipts in excess of \$50 million but not exceeding \$75 million; 32.5% of annual adjusted gross receipts in excess of \$75 million but not exceeding \$100 million; 37.5% of annual adjusted gross receipts in excess of \$100 million but not exceeding \$150 million; 45% of annual adjusted gross receipts in excess of \$150 million but not exceeding \$200 million; and 50% of annual adjusted gross receipts in excess of \$200 million, which we refer to as the Privilege Tax. In addition to payment of the above listed amounts, by June 15 of each year, each owner (other than an owner that admitted 1,000,000 or fewer persons in calendar year 2004) must pay to the Illinois Board the amount, if any, by which the base amount for the licensed owner exceeds the amount of tax paid pursuant to the Third Amended Act. The base amount for a riverboat in East Peoria is \$43 million. This obligation terminates on the earliest of (i) July 1, 2007, (ii) the first day after the effective date of the Third Amended Act that riverboat gambling operations are conducted pursuant to a dormant license, (iii) the first day that riverboat gambling operations are conducted under the authority of an owner's license that is in addition to the ten owners' licenses initially authorized, or (iv) the first day that a licensee under the Illinois Horse Racing Act of 1975 conducts gaming operations with slot machines or other electronic gaming devices. The obligation to meet these base amount requirements terminated on July 1, 2007.

The Illinois Board has the authority to reduce the above mentioned wagering tax obligation imposed under the Third Amended Act by an amount the Board deems reasonable for acts of God, terrorism, bioterrorism or a condition beyond the control of the owner licensee. There can be no assurance that the Illinois legislature will not enact additional legislation regarding admission and wagering tax rates.

Effective May 26, 2006, additional amendments to the Third Amended Act were passed by the legislature and signed into law by the Governor, which we refer to as the Fourth Amended Act. Under the Fourth Amended Act, and for a period of two (2) years beginning May 26, 2006, owner licensees that operate a riverboat with adjusted gross receipts in 2004 greater than \$200 million paid - in addition to the amounts referenced above - an amount equal to 3% of the adjusted gross receipts received into the Horse Racing Equity Trust Fund, which we refer to as the Surcharge. This provision affected four owner licensees, but did not apply to Par-A-Dice Hotel Casino in East Peoria, Illinois.

On May 30, 2006, four days after the Fourth Amended Act was signed into law, the four casinos affected by the Surcharge filed a lawsuit in the Circuit Court of the Twelfth Judicial Circuit in Will County, Illinois against the Treasurer of the State of Illinois and the Illinois Racing Board. The four-count Complaint sought a declaratory judgment that the Fourth Amended Act's Surcharge was unconstitutional and a permanent injunction against its enforcement. On March 26, 2007, the Illinois circuit court granted summary judgment in favor of the four casinos for violation of the Illinois Constitution's Uniformity Clause, but in favor of the defendants and the racetracks that later intervened on the remaining claims in the complaint. The defendants and the racetracks filed an appeal with the Illinois Supreme Court, which reversed the lower court's decision and ruled in favor of the State. The

affected casinos appealed this decision to the US Supreme Court, and, on June 8, 2009, the U.S. Supreme Court denied the petition for a writ of certiorari.

On June 10, 2009 the same four casinos filed a motion to reopen the judgment based on new evidence in the original trial court in Illinois. The judge denied the petition to reopen the case and the casinos appealed on January 15, 2010. Following a ruling by the Illinois Appellate Court refusing to stay the distribution of the funds held in protest, the four casinos voluntarily dismissed the appeal. Additionally, a civil RICO suit was also filed in the Northern District of Illinois against former governor Rod Blagojevich et al. and John Johnston, owner of Balmoral Park Racetrack and Maywood Park Racetrack. The suit claims that the taxed casinos were the victims of the criminal conduct of the former governor and the conspiracy between the former governor and the named racetracks. On interlocutory appeal the 7th Circuit Court of Appeals found former Governor Blagojevich to be protected by the immunity granted by virtue of his position of governor and dismissed former Governor Blagojevich from the suit. On December 11, 2014, the judge entered an order consistent with the jury determination in the civil RICO proceedings awarding the plaintiff casinos a total of \$82,900,000 in compensatory and punitive damages. Following the award, on December 24, 2014, Balmoral Park, Maywood Park Racetrack, and John Johnston filed for bankruptcy. The court award was subsequently reduced to \$25,940,000 following the defendants' appeal. The parties agreed to abandon further court action in this matter in connection with an agreed upon plan of liquidation approved by the bankruptcy court in June of 2016. The court appointed bankruptcy trustee continues to manage the assets of the bankrupt parties in accordance with the plan of liquidation and make distribution to the creditors as warranted. No other suit is actively pursued by the four effected casinos at this time. All other court proceedings have been concluded and ruled upon in favor of the State. Par-A-Dice Hotel and Casino is not a party to any of the foregoing lawsuits.

Effective December 15, 2008, the legislature passed and the Governor signed into law amendments that re-enact similar provisions of the Fourth Amended Act, which require the same casinos to pay the Surcharge until the earliest of the following occurs: (i) December 15, 2011; (ii) any organization licensee begins to operate a slot machine or video game of chance under the Illinois Horse Racing Law of 1975 or the initial Illinois Act; (iii) payments begin under subsection (c-5) of Section 13 of the initial Illinois Act or (iv) the wagering tax imposed under Section 13 of the initial Illinois Act is increased to reflect a tax rate that is at least as stringent or more stringent than the wagering tax imposed under the Second Amended Act described above. A second state court claim challenging the constitutionality of the 2008 act was dismissed with prejudice on November 19, 2009. On February 11, 2011, the Appellate Court affirmed. The new law does not apply to the Par-A-Dice Hotel and Casino.

Effective June 6, 2006, additional amendments to the Fourth Amended Act were passed by the legislature and signed into law by the Governor, which we refer to as the Fifth Amended Act to restate and clarify the Third Amended Act as to the amount of payments an owner licensee is required to make to the Illinois Board. The Fifth Amended Act now provides that - in addition to any amounts due pursuant to the Privilege Tax - each owner licensee (other than an owner that admitted 1,000,000 or fewer persons in calendar year 2004) must pay to the Illinois Board the amount by which its pre-determined base amount exceeds the amount of "net privilege tax" remitted. The Fifth Amended Act defines "net privilege tax" as all Privilege Taxes paid by a licensed owner to the Illinois Board, less the amount equal to 5% of the adjusted gross receipts generated by an owner licensee that is paid from the State Gaming Fund to the unit of local government designated as the home dock of the owner licensee's riverboat. As stated above, the requirement to pay the difference between pre-determined base amounts and "net privilege taxes" terminated on July 1, 2007.

In addition to owner's licenses, the Illinois Board also requires licensing for all vendors of gaming supplies and equipment and for all employees of a riverboat gaming operation. The Illinois Board is authorized to conduct investigations into the conduct of gaming and into alleged violations of the Illinois Act and the Illinois Board rules. Employees and agents of the Illinois Board have access to and may inspect any facilities relating to the riverboat gaming operation.

A holder of any license is subject to the imposition of fines, suspension or revocation of such license, or other action for any act or failure to act by himself or his agents or employees, that is injurious to the public health, safety, morals, good order and general welfare of the people of the State of Illinois, or that would discredit or tend to discredit the Illinois gaming industry or the State of Illinois. Any riverboat operations not conducted in compliance with the initial Illinois Act may constitute an illegal gaming place and consequently may be subject to criminal penalties, which penalties include possible seizure, confiscation and destruction of illegal gaming devices and seizure and sale of riverboats and dock facilities to pay any unsatisfied judgment that may be recovered and any unsatisfied fine that may be levied. The initial Illinois Act also provides for civil penalties, equal to the amount of gross receipts derived from wagering on the gaming, whether unauthorized or authorized, conducted on the day of any violation. The Illinois Board may revoke or suspend licenses, as the Illinois Board may see fit and in compliance with applicable laws of the State of Illinois regarding administrative procedures and may suspend an owner's license, without notice or hearing, upon a determination that the safety or health of patrons or employees is jeopardized by continuing a riverboat's operation. The suspension may remain in effect until the Illinois Board determines that the cause for suspension has been abated and it may revoke the owner's license upon a determination that the owner has not made satisfactory progress toward abating the hazard.

If the Illinois Board has suspended, revoked or refused to renew the license of an owner or if a riverboat gambling operation is closing and the owner is voluntarily surrendering its owner's license, the Illinois Board may petition the local circuit court, which we refer to as the Court, in which the riverboat is situated for appointment of a receiver. The court will have sole jurisdiction over any and all issues pertaining to the appointment of a receiver. The Illinois Board will specify the specific powers, duties and limitations for the receiver, including but not limited to the authority to:

- hire, fire, promote and discipline personnel and retain outside employees or consultants;
- take possession of any and all property, including but not limited to its books, records, and papers;
- preserve or dispose of any and all property;
- continue and direct the gaming operations under the monitoring of the Illinois Board;
- discontinue and dissolve the gaming operation;
- enter into and cancel contracts;
- borrow money and pledge, mortgage or otherwise encumber the property;
- pay all secured and unsecured obligations;
- institute or defend actions by or on behalf of the holder of an owner's license; and
- distribute earnings derived from gaming operations in the same manner as admission and wagering taxes are distributed under Sections 12 and 13 of the initial Illinois Act.

The Illinois Board will submit at least three nominees to the Court. The nominees may be individuals or entities selected from an Illinois Board approved list of pre-qualified receivers who meet the same criteria for a finding of preliminary suitability for licensure under Sections 3000.230(c)(2)(B) and (C) of the rules promulgated by the Illinois Board. In the event that the Illinois Board seeks the appointment of a receiver on an emergency basis, the Illinois Board will submit at least two nominees selected from the Illinois Board approved list of pre-qualified receivers to the Court and will issue a Temporary Operating Permit to the receiver appointed by the Court. A receiver, upon appointment by the court, will before assuming his or her duties, execute and post the same bond as an owner licensee pursuant to Section 10 of the initial Illinois Act.

The receiver will function as an independent contractor, subject to the direction of the Court; however, the receiver will also provide to the Illinois Board regular reports and provide any information deemed necessary for the Illinois Board to ascertain the receiver's compliance with all applicable rules and laws. From time to time, the Illinois Board may, at its sole discretion, report to the Court on the receiver's level of compliance and any other information deemed appropriate for disclosure to the Court. The term and compensation of the receiver shall be set by the Court. The receiver will provide to the Court and the Illinois Board at least 30 days written notice of any intent to withdraw from the appointment or to seek modification of the appointment. Except as otherwise provided by action to the Illinois Board, the gaming operation will be deemed a licensed operation subject to all rules of the Illinois Board during the tenure of any receivership.

The Illinois Board requires that a "Key Person" of an owner licensee submit a Personal Disclosure or Business Entity Form and be investigated and approved by the Illinois Board. The Illinois Board shall certify for each applicant for or holder of an owner's license each position, individual or Business Entity that is to be approved by the Illinois Board and maintain suitability as a Key Person. With respect to an applicant for or the holder of an owner's license, Key Person shall include:

- any Business Entity and any individual with an ownership interest or voting rights of more than 5% in the licensee or applicant, and the trustee of any trust holding such ownership interest or voting rights;
- the directors of the licensee or applicant and its chief executive officer, president and chief operating officer, or their functional equivalents; and
- all other individuals or Business Entities that, upon review of the applicant's or licensee's Table of Organization, Ownership and Control (as discussed below), the Illinois Board determines hold a position or a level of ownership, control or influence that is material to the regulatory concerns and obligations of the Illinois Board for the specified licensee or applicant.

In order to assist the Illinois Board in its determination of Key Persons, applicants for or holders of an owner's license shall provide to the Illinois Board a Table of Organization, Ownership and Control, which we refer to as the Table. The Table will identify in sufficient detail the hierarchy of individuals and Business Entities that, through direct or indirect means, manage, own or control the interest and assets of the applicant or license holder. If a Business Entity identified in the Table is a publicly-traded company, the following information must be provided in the Table:

- the name and percentage of ownership interest of each individual or Business Entity with ownership of more than 5% of the voting shares of the entity, to the extent such information is known or contained in Schedules 13D or 13G filed with the Securities and Exchange Commission;
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- to the extent known, the names and percentage of interest of ownership of persons who are relatives of one another and who together (as individuals or through trusts) exercise control over or own more than 10% of the voting shares of the entity; and
- any trust holding more than 5% of the ownership or voting interest in the entity, to the extent such information is known or contained in Schedules 13D or 13G filed with the Securities and Exchange Commission. The Table may be disclosed under the Freedom of Information Act.

Each owner licensee must provide a means for the economic disassociation of a Key Person in the event such economic disassociation is required by an order of the Illinois Board. Based upon findings from an investigation into the character, reputation, experience, associations, business probity and financial integrity of a Key Person, the Illinois Board may enter an order upon the licensee or require the economic disassociation of such Key Person.

Furthermore, each applicant or owner licensee must disclose the identity of every person, association, trust or corporation having a greater than 1% direct or indirect pecuniary interest in an owner licensee or in the riverboat gaming operation with respect to which the license is sought. The Illinois Board may also require an applicant or owner licensee to disclose any other principal or investor and require the investigation and approval of such individuals.

The Illinois Board (unless the investor qualifies as an Institutional Investor) requires a Personal Disclosure Form from any person or entity who or which, individually or in association with others, acquires directly or indirectly, beneficial ownership of more than 5% of any class of voting securities or non-voting securities convertible into voting securities of a publicly-traded corporation which holds an ownership interest in the holder of an owner's license. If the Illinois Board denies an application for such a transfer and if no hearing is requested, the applicant for the transfer of ownership interest must promptly divest those shares in the publicly-traded parent corporation. The holder of an owner's license would not be able to distribute profits to a publicly-traded parent corporation until such shares have been divested. If a hearing is requested, the shares need not be divested and profits may be distributed to a publicly-held parent corporation pending the issuance of a final order from the Illinois Board.

An Institutional Investor that, individually or jointly with others, cumulatively acquires, directly or indirectly, 5% or more of any class of voting securities of a publicly-traded licensee or a licensee's publicly-traded parent corporation shall, within no less than ten days after acquiring such securities, notify the administrator of the Illinois Board, who we refer to as the Administrator, of such ownership and shall provide any additional information as may be required. If an Institutional Investor (as specified above) acquires 10% or more of any class of voting securities of a publicly-traded licensee or a licensee's publicly-traded parent corporation, then it shall file an Institutional Investor Disclosure Form within 45 days after acquiring such level of ownership interest. The owner licensee shall notify the Administrator as soon as possible after it becomes aware that it or its parent is involved in an ownership acquisition by an Institutional Investor. The Institutional Investor also has an obligation to notify the Administrator of its ownership interest.

In addition to Institutional Investor Disclosure Forms, certain other forms may be required to be submitted to the Illinois Board. An owner licensee must submit a Marketing Agent Form to the Illinois Board for each Marketing Agent with whom it intends to do business. A Marketing Agent is a person or entity, other than a junketeer or an employee of a riverboat gaming operation, who is compensated by the riverboat gaming operation in excess of \$100 per patron per trip for identifying and recruiting patrons. Key Persons of owner licensees must submit Trust Identification Forms for trusts, excluding land trusts, for which they are a grantor, trustee or beneficiary each time such a trust relationship is established, amended or terminated.

Applicants for and holders of an owner's license are required to obtain formal approval from the Illinois Board for changes in the following areas:

- Key Persons;
 - type of entity;
 - equity and debt capitalization of the entity;
 - investors or debt holders;
 - source of funds;
 - applicant's economic development plan;
 - riverboat capacity or significant design change;
 - gaming positions;
 - anticipated economic impact; or
 - agreements, oral or written, relating to the acquisition or disposition of property (real or personal) of a value greater than \$1 million.
-

A holder of an owner's license is allowed to make distributions to its stockholders only to the extent that such distribution would not impair the financial viability of the gaming operation. Factors to be considered by the licensee include, but are not limited to, the following:

- cash flow, casino cash and working capital requirements;
- debt service requirements, obligations and covenants associated with financial instruments;
- requirements for repairs and maintenance and capital improvements;
- employment or economic development requirements of the Amended Illinois Act; and
- a licensee's financial projections.

The Illinois Board may waive any licensing requirement or procedure provided by rule if it determines that such waiver is in the best interests of the public and the gaming industry. Also, the Illinois Board may, from time to time, amend or change its rules. In general, uncertainty exists regarding the Illinois gaming regulatory environment due to limited experience in interpreting the Illinois Act.

Additionally, on July 13, 2009, Governor Pat Quinn signed the Video Gaming Act (230 ILCS 40/ Art 5) making video gaming terminals legal in Illinois. The Act allows for video gaming terminals to be placed in certain liquor establishments, truck stops and fraternal/ veterans clubs throughout the state. Under the Video Gaming Act, municipalities are authorized to pass an ordinance prohibiting video gaming within the corporate limits of the municipality and county boards may pass ordinances prohibiting video gaming within the unincorporated areas of the county. On January 26, 2011, the Illinois Court of Appeals found the Video Gaming Act to be unconstitutional due to a violation of the single subject rule. The State appealed the decision to the Illinois Supreme Court on February 1, 2011. The State also filed motions, which were approved by the Illinois Supreme Court, permitting the Illinois Board to continue its review of applications filed pursuant to the Video Gaming Act. On July 11, 2011 the Illinois Supreme Court overturned the ruling of the Illinois Court of Appeals, holding that the Video Gaming Act and associated legislation did not violate the single subject rule and was otherwise constitutional. Video gaming terminals may not be placed within 1,000 feet of the home dock of a riverboat licensed under the Riverboat Gambling Act. Through December, 2018, there were approximately 30,384 video gaming terminals in Illinois. On June 1, 2018, Boyd Gaming acquired Lattner Entertainment Group Illinois, LLC, a video gaming terminal operator licensed pursuant to the Video Gaming Act.

From time to time, various proposals have been introduced in the Illinois legislature that, if enacted, would affect the taxation, regulation, operation or other aspects of the gaming industry or Boyd Gaming. Some of this legislation, if enacted, could adversely affect the gaming industry or Boyd Gaming, and no assurances can be given as to whether such legislation or similar legislation will be enacted.

A potential piece of legislation that may have affected the gaming industry in Illinois is House Bill 4194, which we refer to as Bill 4194 that was introduced to the Illinois General Assembly on December 11, 2007. Bill 4194 was an attempt to expand gaming in Illinois by introducing one additional riverboat license, a land-based casino located in Chicago, Illinois, the ability of existing and new casinos to purchase additional gaming positions, and the ability of Illinois horse race tracks to operate slot machines and video poker upon the payment of a per-position fee. Bill 4194 also called for the formation of a new Gaming Board appointed by the Governor and a new Gaming Enforcement Division to monitor gaming operations, conduct background checks, conduct investigations and investigate violations of the Illinois Gaming Act. Although Bill 4194 was not enacted, bills providing for a gaming expansion bill have been introduced in 2010. HB0091, which we refer to as Bill 0091, was filed on January 27, 2010 and would add four additional owners' licenses, including one in Chicago. It would also allow for owners' licensees to competitively bid for unused gaming positions and would authorize slot machines at horse racetracks. Bill 0091 was not enacted. HB5110, which we refer to as Bill 5110, was filed on January 29, 2010 and provides for the issuance of a license to operate a riverboat in Danville, Illinois. HB4885, which we refer to as Bill 4885, provides for the issuance of a license to operate a riverboat in a municipality with a population of less than 50,000 and which is more than 50 miles from a licensed riverboat. Bill 5110 and Bill 4885 were pending in the House Rules Committee, but the legislative session ended before the Bills could be put to a vote resulting in their expiration. SB3371, which we refer to as Bill 3371, would have also authorized slot machine gambling at horse racetracks, but the legislative session ended causing Bill 3371 to expire.

Continuing efforts to revise the manner in which the Illinois Board is appointed and operates would affect the gaming industry. SB3384, which we refer to as Bill 3384, was introduced on February 10, 2010. Bill 3384 would end the term of the current members of the Illinois Board and require the Governor to replace them with persons nominated by a specified Nominating Panel. Bill 3384 would prohibit the Illinois Board from taking action with regard to a license until the new members are appointed. Bill 3384 would also require Illinois Board approval for contracts entered into by an owner's licensee in an aggregate amount of \$10,000 or more or for a term exceeding 365 days. The legislative session ended while Bill 3384 was pending in the Senate Assignments Committee resulting in its expiration.

Another potential piece of legislation that, if passed, will directly affect the gaming industry is Illinois House Bill 0261, which we refer to as Bill 0261 that was introduced to the Illinois General Assembly on January 23, 2009. Bill 0261 would remove the provisions setting the admission tax rate at \$3 per person admitted into a casino for licensees that have been conducting gambling operations since 2004. It would also provide that if a licensed owner of a riverboat in operation on January 1, 2009 has capital projects of at least \$45,000,000 that are approved by the Illinois Gaming Board after January 1, 2006 or for which at least \$45,000,000 in capital expenditures have been made after January 1, 2006, then no admissions tax will be imposed on admissions to that riverboat; however, if a riverboat does not have admissions tax imposed on it, an additional privilege tax of 1% of adjusted gross receipts will be imposed on that riverboat. On May 26, 2009, the Illinois House voted against concurring with Senate amendments to this bill, which included the provisions described above. This matter was returned to the Senate Assignments Committee on August 15, 2009, but the Bill expired when the legislative session ended.

Similar bills have recently been filed in the Illinois General Assembly. HB5962, which we refer to as Bill 5962, and SB3574, which we refer to as Bill 3574, also eliminate the admissions tax for certain riverboats. Those that qualify must have been in operation on January 1, 2009, have had capital projects of at least \$45,000,000 approved by the Illinois Board in calendar years 2006 through 2009 and at least \$45,000,000 in expenditures in calendar years 2006 through 2009. Bill 5962 and Bill 3574 also impose the additional 1% privilege tax. SB3542, which we refer to as Bill 3542, has similar provisions which apply to riverboats with capital projects of at least \$75,000,000 approved by the Illinois Board in calendar years 2006 through 2009. All three bills were introduced on February 10, 2010. Bill 5962 was pending in the House Rules Committee, when the legislative session ended resulting in its expiration. The Senate voted against Bill 3574 on March 10, 2010, and Bill 3542 also expired when the legislative session ended.

Additionally, Illinois Senate Bill 1654, which we refer to as Bill 1654, which was introduced to the Illinois General Assembly on February 19, 2009, would permit the State to enter into a management agreement with a third party to manage or operate the Illinois Lottery. If passed, it would also permit individuals to purchase Illinois lottery tickets on-line. On August 15, 2009, Bill 1654 was referred to the Senate Assignments Committee. However, on July 13, 2009, the Governor approved Public Acts 96-034 and 96-037, which we refer to as Acts 96-034 and 96-037, which permit the State's entry into a management agreement with a private party to manage the Illinois Lottery. Acts 96-034 and 96-037 also authorize the Illinois Lottery to conduct a pilot program to permit the purchase of Illinois lottery tickets on-line. Both Acts condition online sales upon the issuance of a U.S. Department of Justice memorandum stating that online sales are permitted under the U.S. Unlawful Internet Gambling Enforcement Act of 2006. On October 16, 2008, the Department of Justice issued its opinion and concluded, in part, that it would be permissible under the federal lottery statute exemption for a State to contract with private firms to provide goods and services necessary to enable the State to conduct its lottery. On September 15, 2010, Illinois selected Northstar Lottery Group to be the private manager of the Illinois Lottery; however, on January 26, 2011, in the same ruling that found the Video Gaming Act to be unconstitutional, the Illinois Court of Appeals found the Acts 96-034 and 96-037 to be unconstitutional due to a violation of the single subject rule. The State appealed the decision to the Illinois Supreme Court on February 1, 2011. On July 11, 2011 the Illinois Supreme Court overturned the ruling of the Illinois Court of Appeals, holding that Acts 96-034, 96-037 and associated legislation did not violate the single subject rule and were otherwise constitutional. On December 9, 2014, the Illinois Lottery and Northstar Lottery entered into a termination agreement, which was subsequently disapproved by the Illinois Attorney General on January 23, 2015. A subsequent termination agreement was entered into on September 18, 2015. On July 1, 2018, Camelot Group, a UK based lottery operator, replaced Northstar Lottery as the private operator of the Illinois Lottery. It remains unclear what effect, if any, the change to the private manager of the lottery will have on the Illinois gaming industry.

Additionally, on May 31, 2011 after passage in the Illinois Senate, the Illinois House of Representatives approved Illinois Senate Bill 744, which we refer to as Bill 744, which expands gambling in Illinois. After passage, Senate President John Cullerton placed a motion to reconsider on Bill 744, preventing Bill 744 from being sent to Governor Quinn. Bill 744 permits five new land based casinos, including one located in and owned by the City of Chicago and one each in Danville, Rockford, Park City, and a to-be-determined location in the south suburbs of Chicago. Illinois will also see increased gaming positions for existing operators, an option for those same operators to convert existing riverboats to land-based casinos, a mechanism for the issuance of a provisional license of Video Gaming Terminal site locations, and slot machines at the Chicago airports and Illinois horse racing tracks. In addition, the Bill offers tax incentives to build land-based casinos and offers a dollar-for-dollar tax credit of up to \$2,000,000 for renovations at existing casinos. With Illinois Board and municipality approval, the Par-A-Dice Casino would be permitted to relocate to a location that is no more than 10 miles away from its current location and is either in the same municipality or another municipality that borders on the Illinois River.

Bill 744 authorizes the City of Chicago to offer 4,000 gaming positions to be distributed among the City casino and the airport locations. All other casinos in the State (including existing riverboats) will be allowed to purchase up to 1,600 positions (up from 1,200) until January 1, 2013, and 2,000 positions thereafter. If some casinos do not purchase all of their available positions, those additional positions may be available to casinos that do purchase all their positions. Existing casinos may purchase positions for \$12,500 a piece. Racetracks can operate up to 1,200 gaming positions in Cook County, and 900 gaming positions in any other

county. Additional positions may be available for Racetrack licensees who purchase all their positions if any positions are left open by other licensees in the State. A \$3 per person tax will be imposed for admission to electronic gaming facilities, payable by the electronic gaming licensee.

Bill 744 also amends existing tax rates as follows: Changes will be made to the privilege tax rates for all businesses conducting riverboat gambling or electronic gaming operations beginning January 1, 2012. Tax rates are based on adjusted gross receipts, or "AGR":

Table Games -- January 1, 2012 - June 30, 2013		Table Games -- Beginning July 1, 2013	
<u>AGR</u>	<u>Privilege Tax Rate</u>	<u>AGR</u>	<u>Privilege Tax Rate</u>
0 to \$25M	12.0%	0 to \$25M	10.0%
\$25M to \$50M	19.5%	\$25M to \$50M	17.5%
\$50M to \$70M	24.5%	\$50M to \$70M	22.5%
\$70M and up	16.0%	\$70M and up	16.0%
All Other Games -- January 1, 2012 - June 30, 2013		All Other Games -- Beginning July 1, 2013	
<u>AGR</u>	<u>Privilege Tax Rate</u>	<u>AGR</u>	<u>Privilege Tax Rate</u>
0 to \$25M	12.0%	0 to \$25M	10.0%
\$25M to \$50M	19.5%	\$25M to \$50M	17.5%
\$50M to \$75M	24.5%	\$50M to \$75M	22.5%
\$75M to \$100M	29.5%	\$75M to \$100M	27.5%
\$100M to \$150M	34.5%	\$100M to \$150M	32.5%
\$150M to \$200M	39.0%	\$150M to \$200M	35.0%
\$200M and up	44.0%	\$200M and up	40.0%

Privilege taxes for land-based casino gambling will differ from riverboat and electronic gaming facilities.

Table Games -- January 1, 2012 - June 30, 2013		Table Games -- Beginning July 1, 2013	
<u>AGR</u>	<u>Privilege Tax Rate</u>	<u>AGR</u>	<u>Privilege Tax Rate</u>
0 to \$50M	12.0%	0 to \$50M	10.0%
\$50M to \$100M	19.5%	\$50M to \$100M	17.5%
\$100M to \$140M	24.5%	\$100M to \$140M	22.5%
\$140M and up	16.0%	\$140M and up	16.0%
All Other Games -- January 1, 2012 - June 30, 2013		All Other Games -- Beginning July 1, 2013	
<u>AGR</u>	<u>Privilege Tax Rate</u>	<u>AGR</u>	<u>Privilege Tax Rate</u>
0 to \$50M	12.0%	0 to \$50M	10.0%
\$50M to \$100M	19.5%	\$50M to \$100M	17.5%
\$100M to \$150M	24.5%	\$100M to \$150M	22.5%
\$150M to \$200M	29.5%	\$150M to \$200M	27.5%
\$200M to \$300M	34.5%	\$200M to \$300M	32.5%
\$300M to \$400M	39.0%	\$300M to \$400M	35.0%
\$400M and up	44.0%	\$400M and up	40.0%

Bill 744 also grants the Illinois Board oversight and enforcement responsibility for all riverboat and casino gambling, as well as electronic gaming in the State of Illinois. The Board's five members will include someone with experience as a senior officer at

a company and have no more than three members from the same political party. Bill 744 requires that all internal controls submitted by licensees must be approved or denied by the IGB within 60 days of receipt. If the Illinois Board takes no action the internal control is deemed approved.

Bill 744 was held by the Senate President's motion and later released to Governor Quinn, who later vetoed Bill 744. As Governor Quinn vetoed Bill 744 following the final adjournment of the 97th General Assembly, the veto could not be overridden by the legislature. Bill 744 expired with the adjournment of the legislative session.

On May 31, 2012, following passage by the Illinois House of Representatives, the Illinois Senate passed Senate Bill 1849, which we refer to as Bill 1849, which expands gambling in Illinois. Bill 1849 permits five new casinos, including one located in and owned by the City of Chicago and one each in Rockford, Danville, Park City, and a to-be-determined location in the south suburbs of Chicago. Bill 1894 also permits increasing gaming positions for existing operators, an option for operators to convert riverboats to land-based casinos, and slot machines at Illinois horse racing tracks. In addition, the bill offers a tax credit of \$2,000,000 for capital improvements at existing casinos. With Illinois Board and municipality approval, the Par-A-Dice Casino would be permitted to relocate to a location that is no more than 10 miles away from its original location, in a municipality that (1) borders on the Illinois River or is within 5 miles of the city limits of a municipality that borders on the Illinois River and (2) on January 1, 2010 had a riverboat conducting riverboat gambling operations.

Bill 1849 authorizes the City of Chicago to offer 4,000 gaming positions. All other casinos in the State (including existing riverboats) will be allowed to purchase up to 1,600 positions for 90 days following the effective date of Bill 1849, at a price of \$12,500 per position outside of Cook County and \$25,000 per position in Cook County. If some casinos do not purchase all of their available positions, those additional positions will be reserved by the Illinois Board. Thereafter, the Board will publish the number of gaming positions reserved by each owner's licensee, will accept requests for additional gaming positions from any owners' licensee which initially reserved 1,600 positions, and will allocate the unreserved gaming positions in a manner to maximize revenue to the State. Illinois racetracks within Cook County may purchase up to 1,200 gaming positions. Illinois racetracks outside of Cook County that conducted racing in 2010 may purchase up to 900 gaming positions. Illinois racetracks outside of Cook County that did not conduct racing in 2010 may purchase up to 350 positions.

Bill 1849 also amends existing tax rates as follows: Changes will be made to the privilege tax rates for businesses conducting riverboat gambling operations or electronic gambling operations beginning on the date when at least 500 additional gaming positions authorized by Bill 1849 are active. Tax rates are based on adjusted gross receipts, or "AGR":

Non-Table Games		Table Games	
<u>AGR</u>	<u>Privilege Tax Rate</u>	<u>AGR</u>	<u>Privilege Tax Rate</u>
<u>0 to \$25M</u>	<u>10%</u>	<u>0 to \$25M</u>	<u>10%</u>
<u>\$25M to \$50M</u>	<u>17.5%</u>	<u>\$25M to \$50M</u>	<u>17.5%</u>
<u>\$50M to \$75M</u>	<u>22.5%</u>	<u>\$50M to \$70M</u>	<u>22.5%</u>
<u>\$75M to \$100M</u>	<u>27.5%</u>	<u>\$70M and up</u>	<u>16%</u>
<u>\$100M to \$150M</u>	<u>32.5%</u>		
<u>\$150M to \$200M</u>	<u>35%</u>		
<u>\$200M to \$300M</u>	<u>40%</u>		
<u>\$300M to \$350M</u>	<u>30%</u>		
<u>\$350M and up</u>	<u>20%</u>		

Beginning on January 1, 2012, the calculation of AGR will not include non-cashable vouchers, coupons, and electronic gaming promotions redeemed by wagerers up to 30% of AGR.

Bill 1849 was transmitted to the Governor on June 29, 2012. The Governor vetoed Bill 1849 on August 28, 2012. The General Assembly did not override the veto prior to the constitutional deadline of November 29, 2012.

On February 15, 2013, Senate Bill 1739 was introduced, and two amendments were filed on March 6, 2013 and March 7, 2013, which we refer to collectively as Bill 1739. Bill 1739 expands gambling in Illinois. Bill 1739 permits five new casinos, one each in Danville, Rockford, a Lake County location, a location in the south suburbs of Chicago, and one located in and owned by the City of Chicago (which may place slot machines at Chicago's two airports). The bill also permits slot machines at Illinois horseracing tracks. The facility within the City of Chicago may offer 4,000 gaming positions, including positions at the Chicago airports. All

other casino facilities may have 1,200 positions. Illinois racetracks located in Cook County may offer 1,200 positions. Illinois racetracks outside of Cook County that conducted live racing in 2010 may offer 900 positions. Illinois racetracks outside of Cook County that did not conduct live racing in 2010 may offer 350 positions, which increases to 900 positions in the year following the year in which it conducts 96 live races. Positions in Cook County may be purchased for \$30,000 per position. Positions outside of Cook County may be purchased for \$17,500.

In addition, Bill 1739 permits owners' licensees to conduct land-based gaming with Illinois Board approval. The bill also offers a tax incentive of up to a \$2,000,000 dollar-for-dollar credit for any renovation or construction costs. With Illinois Board approval, the Par-A-Dice casino would be permitted to relocate to a new location that is no more than 10 miles away from its original location, in a municipality that (1) borders on the Illinois River or is within 5 miles of the city limits of a municipality that borders on the Illinois River and (2) on January 1, 2010 had a riverboat conducting gambling operations.

Bill 1739 amends existing tax rates as follows: an admissions tax of \$3 per person will be imposed on admissions to electronic gaming facilities at Illinois racetracks. Privilege taxes imposed on AGR will be amended beginning in the year following the year that the facility within the City of Chicago begins gaming operations, but not before July 1, 2015 as follows:

<u>Non-Table Games</u>		<u>Table Games</u>	
<u>AGR</u>	<u>Privilege Tax Rate</u>	<u>AGR</u>	<u>Privilege Tax Rate</u>
<u>0 to \$25M</u>	<u>10%</u>	<u>0 to \$25M</u>	<u>10%</u>
<u>\$25M to \$50M</u>	<u>17.5%</u>	<u>\$25M to \$50M</u>	<u>17.5%</u>
<u>\$50M to \$75M</u>	<u>22.5%</u>	<u>\$50M to \$70M</u>	<u>22.5%</u>
<u>\$75M to \$100M</u>	<u>27.5%</u>	<u>\$70M and up</u>	<u>16%</u>
<u>\$100M to \$150M</u>	<u>32.5%</u>		
<u>\$150M to \$200M</u>	<u>35%</u>		
<u>\$200M to \$300M</u>	<u>40%</u>		
<u>\$300M to \$350M</u>	<u>30%</u>		
<u>\$350M to \$800M</u>	<u>20%</u>		
<u>\$800M and up</u>	<u>50%</u>		

Beginning on January 1, 2014, the calculation of AGR will not include the dollar amount of non-cashable vouchers, coupons, and electronic promotions redeemed by wagerers up to 30% of AGR.

Bill 1739 also establishes the Division of Internet Gambling within the Department of Lottery for the purpose of administrating, regulating and enforcing a system of internet gambling in the state. Internet gaming licenses will be available to: (i) entities that hold owners' licenses for wagering at Illinois riverboats and casinos, (ii) entities that hold electronic gaming licenses for wagering at Illinois racetracks, and (iii) entities that hold Advance Deposit Wagering licenses. An Internet gaming licensee will be assessed a licensed fee of \$20,000,000, to be used to offset initial taxes. Taxes are imposed at a rate of 20% of non-fee-based game gross gaming revenue ("GGR") and 15% of all fee-based game GGR following an initial 5-year license term, where taxes will be imposed at a rate of 10% of non-fee-based game GGR up to \$200,000,000 and 7.5% of fee-based game GGR up to \$200,000,000.

Bill 1739 terminates the terms of all members of the Illinois Board on the effective date of the bill. The Governor will nominate five new Illinois Board members, subject to confirmation of the Illinois Senate, who meet the following criteria: (i) one member who has at least 10 years of law enforcement experience, (ii) one member who is a certified public accountant, (iii) one member who has 5 years experience as a principal, senior officer, or director of a business, and (iv) one member who is licensed to practice law in Illinois. No more than 3 members of the Illinois Board may be from the same political party.

Finally, Bill 1739 would provide for the following items. It would prohibit gaming industry interests from making certain political contributions. It would require licensees to establish and maintain diversity programs. It would require all gaming operations that begin following January 1, 2013 or relocate following the effective date of Bill 1739 to consist of buildings certified as meeting the U.S. Green Building Council's Leadership in Energy and Environmental Design standards. It would require licensees to include in public disclosures the name and addresses of all stockholders and directors (if the entity is a corporation), the names and addresses of all members (if the entity is a limited liability company), the names of addresses of all partners (if the entity is a partnership), and the names of all beneficiaries (if the entity is a trust). And it requires the Illinois Board to approve or deny internal controls within 60 days of submission or provide licensees assistance with remedying deficiencies in internal controls. There were no additional amendments filed on Bill 1739 after March 7, 2013, and Bill 1793 expired when the legislative session ended.

In 2015, a number of bills amending the Illinois Act were introduced in the Illinois General Assembly. Illinois Senate Bill 2139 amends the Illinois Act to provide an owners licensee that conducted gambling operations prior to January 1, 2015 a dollar-for-dollar credit against the taxes imposed by the Illinois Act for any money paid to a local government or charitable organization. Illinois Senate Bill 2139 remains in the Senate Assignments committee. Two bills, Illinois House Bill 3170 and Illinois House Bill 3607, amend the Illinois Act to permit land-based gaming operations. Both bills remain in the House Rules Committee. Two other bills, Illinois House Bill 2939 and Illinois House Bill 3564, would expand gambling in Illinois by providing for additional land-based or riverboat casinos, including within the City of Chicago. Both of these bills are presently in the House Rules Committee. These bills did not pass prior to the adjournment of the General Assembly and expired when the legislative session ended.

On January 11, 2017, the 100th session of the General Assembly convened. State Senator Terry Link introduced Illinois Senate Bill 7, which we will refer to as Bill 7, which would expand gaming in Illinois. Bill 7 would authorize the operation of additional riverboat casinos in the City of Chicago, Danville, one of three municipalities in Lake County, Rockford, one of six townships in Cook County, and in unincorporated Williamson County. The facility in the City of Chicago is authorized for 4,000 gaming positions; the other facilities, with the exception of the one in Williamson County, are authorized for 1,600 positions. The facility in unincorporated Williamson County is authorized for 1,200 positions.

Bill 7 also allows the Illinois Board to award one electronic gaming license to each operator of an Illinois racetrack. Upon payment of certain fees, a racetrack in Cook County that conducted racing in 2016 may receive up to 1,200 positions. A racetrack outside of Cook County that conducted racing in 2016 may receive up to 900 positions. A racetrack outside of Cook County that did not conduct live racing in 2010 may receive up to 350 positions which shall increase to 900 positions in the calendar year following the year in which in conducts 96 live races. An admissions tax of \$3 will be imposed on admissions to electronic gaming facilities at Illinois racetracks in addition to a tax on AGR.

Beginning in the fiscal year following the opening of a casino facility in Chicago, the privilege tax imposed on AGR in riverboats will be amended as follows:

<u>Non-Table Games</u>		<u>Table Games</u>	
<u>AGR</u>	<u>Privilege Tax Rate</u>	<u>AGR</u>	<u>Privilege Tax Rate</u>
<u>0 to \$25M</u>	<u>10%</u>	<u>0 to \$25M</u>	<u>10%</u>
<u>\$25M to \$50M</u>	<u>17.5%</u>	<u>\$25M to \$50M</u>	<u>17.5%</u>
<u>\$50M to \$75M</u>	<u>22.5%</u>	<u>\$50M to \$70M</u>	<u>22.5%</u>
<u>\$75M to \$100M</u>	<u>27.5%</u>	<u>\$70M and up</u>	<u>16%</u>
<u>\$100M to \$150M</u>	<u>32.5%</u>		
<u>\$150M to \$200M</u>	<u>35%</u>		
<u>\$200M to \$300M</u>	<u>40%</u>		
<u>\$300M to \$350M</u>	<u>30%</u>		
<u>\$350M to \$800M</u>	<u>20%</u>		
<u>\$800M and up</u>	<u>50%</u>		

Beginning on January 1, 2018, the calculation of AGR will not include non-cashable vouchers, coupons, and electronic promotions redeemed by wagerers up to 30% of AGR.

Bill 7 also makes various other changes related to the regulation and taxation of gaming in Illinois. For instance, with approval of the Board, a riverboat in Tazewell County may relocate to a new location that is no more than 10 miles away from its original location, in a municipality that borders on the Illinois River or is within 5 miles of the city limits of a municipality that borders on the Illinois River. The bill also offers a dollar-for-dollar tax credit of up to \$2,000,000 for renovations or construction costs at riverboats in operation prior to January 1, 2011. Ultimately, Bill 7 did not pass prior to the adjournment of the General Assembly and expired when the legislation session ended.

The 2018 General Assembly session began on January 30, 2018. Five gaming related bills have been filed thus far. Senate Bill 2325 would authorize a new casino in Williamson County. Senate Bill 2326 would require the Illinois Gaming Board to establish a policy to prevent underage gambling and alcohol consumption at video gaming locations. Senate Bill 2327 would require the Illinois Gaming Board to server written notice upon video gaming locations of any violations of the Video Gaming Act or the Illinois Gaming Board rules within fifteen (15) days of violation. Finally, [Senate Bill 2478](#) the Sports Betting Consumer Protection Act would authorize a State agency or entity charged by law with enforcing the Act, unless prohibited under federal law and as

otherwise provided by State law, to adopt rules which prohibit or authorize sports betting. A companion bill has been filed in the house. None of the bills have been voted out of committee and it is expected that the substance of the bills will change as a result of the legislative process.

On August 22, 2018, the Illinois House convened a joint hearing of the House Executive Gaming Subcommittee and the House Revenue Sales and Other Taxes Subcommittee to consider House Amendment #3 to Senate Bill 7. House Amendment #3 would establish 6 new Riverboat licenses, allow for relocation of the Par-A-Dice riverboat, bifurcate tax rates for table games and slots, allow full gaming at racetracks, allow establishments with Video Gaming Terminals to add a sixth Video Gaming Terminal, and raise tax rates for the terminals. On October 17, 2018, a subsequent hearing was held to discuss sports wagering, fantasy sports, and internet gaming. None of the bills discussed at the hearings in August or October passed either house prior to the end of the 2018 legislative session. On January 14, 2019, Governor Pritzker was sworn into office. On February 20, 2019, the Governor made his first budget address where he encouraged the legislature to take up regulated sports wagering initiatives immediately. The Governor asked for Illinois to become the first state in the Midwest to move on this initiative, promising that the State can realize more than \$200 million from sports betting fees and taxes in FY 2020. The 2019 legislature has yet to take action consistent with the Governor's February 20, 2019 address. Other legislative measures that may impact Boyd Gaming could be offered prior to the adjournment of the General Assembly.

Indiana

The Indiana Riverboat Gaming Act, or the Indiana Act, was passed in 1993 and authorized the issuance of up to eleven Riverboat Owner's Licenses to be operated from counties that are contiguous to the Ohio River, Lake Michigan and Patoka Lake. Five riverboats operate from counties contiguous to the Ohio River and five operate from counties contiguous to Lake Michigan. Subsequent legislation has amended or modified the Indiana Act, including:

- Legislation adopted in May 2003 eliminated the Riverboat Owner's License for a riverboat to be docked in a county contiguous to Patoka Lake. However, the General Assembly authorized the Indiana Gaming Commission to enter into a contract pursuant to which an Operating Agent can operate a riverboat in Orange County, which is contiguous to Patoka Lake, on behalf of the Indiana Gaming Commission. This contract was awarded to Blue Sky Casino, LLC, d/b/a French Lick Casino & Resort, which commenced operations on November 3, 2006.
- Legislation enacted in April 2007 specified a riverboat cannot be moved from the county in which it was docked on January 1, 2007, to another county.
- In May 2008 the horse track located in Anderson, Indiana commenced slot operations and in June 2008 the horse track located in Shelbyville, Indiana commenced slot operations pursuant to the Gambling Games at Racetracks legislation. Each horse track may install up to 2,000 slot machines ("Racino"). The Indiana Gaming Commission may authorize the installation of additional slot machines at each Racino.
- Public Law 255-2015 specifies a process for entering into tribal-state compacts concerning Indian Gaming, a procedure not previously in Indiana law. It should be noted that in May of 2012, the Pokagon Band of Potawatomi Indians submitted to the Bureau of Indian Affairs a fee-to-trust application to take 165 acres of land in South Bend into trust. The proposed development includes a Class III casino-style gaming facility. In 2017 the Pokagon Band of Potawatomi Indians opened a Class II gaming facility in South Bend, Indiana. Legislation passed in 2017 changes the revenue sharing provisions for South Bend, Indiana. It is anticipated that the Pokagon Band of Potawatomi Indians will seek to enter into a tribal-state compact for Class III gaming at the facility in South Bend, Indiana.
- Public Law 255-2015 provides for table games at Racinos beginning in 2021 upon application and approval by the Indiana Gaming Commission and further limits the number of gambling games a Racino may offer to 2,200 after January 1, 2021.
- Public Law 212-2016, codified at Indiana Code 4-33-24-1., legalized Fantasy Sports play in Indiana.
- Public Law 72-2016, codified at Indiana Code 4-33-4-3.5, amended existing law and now requires all licensed owners and operating agent to pay to the commission a special Workers Compensation Fee of \$12,000 per year in exchange for the removal of the requirement to reimburse Workers Compensation costs incurred by Gaming Enforcement Agents and support staff.

The Indiana Act and rules promulgated thereunder provide for the strict regulation of the facilities, persons, associations and practices related to gaming operations. The Indiana Act vests the seven member Indiana Gaming Commission with the power and duties of administering, regulating and enforcing riverboat gaming in Indiana. In 2005 the Indiana Act was amended to change the residency requirements of Indiana Gaming Commission members requiring only one member, rather than three, reside in counties contiguous to Lake Michigan and to the Ohio River. The Indiana Gaming Commission's jurisdiction extends to every person, association, corporation, partnership and trust involved in any riverboat gaming operation located in the State of Indiana.

The Indiana Act requires that the owner of a riverboat gambling operation hold a Riverboat Owner's License issued by the Indiana Gaming Commission. The applicants for a Riverboat Owner's License must submit a comprehensive application and the substantial owners and key persons must submit personal disclosure forms. The company, substantial owners and key persons must undergo an exhaustive background investigation prior to the issuance of a Riverboat Owner's License. A person who owns or will own five percent of a Riverboat Owner's License must automatically undergo the background investigation. The Indiana Gaming Commission may investigate any person with any level of ownership interest. The Operating Agent of an Orange County riverboat and Racino licensees undergo the same background investigation as a Riverboat Licensee. If the holder of a Riverboat license, the Riverboat Licensee or the Operating Agent is a publicly-traded corporation, its Articles of Incorporation must contain language concerning transfer of ownership, suitability determinations and possible divestiture of ownership if a shareholder is found unsuitable.

A Riverboat Owner's License and Operating Contract entitle the licensee or the Operating Agent to operate one riverboat. The Indiana Act was amended in May 2003 to allow a person to hold up to one hundred percent of two individual Riverboat Owner's Licenses. In addition, a transfer fee of two million dollars will be imposed on a Riverboat Licensee who purchases or otherwise acquires a controlling interest in a second Indiana Riverboat Owner's License.

Pursuant to language that became effective on July 1, 2009, each riverboat licensee, Operating Agent and Racino licensee must execute and submit a Power of Attorney and name a Trustee who would operate the casino and related facilities if a statutory event occurs and the Indiana Gaming Commission adopts a resolution authorizing the Trustee to temporarily conduct the riverboat gambling operations. Specifically, the Indiana Gaming Commission may adopt a resolution authorizing a Trustee to temporarily conduct riverboat gambling operations if any of the following occurs: (i) The Indiana Gaming Commission revokes the owner's license; (ii) the Indiana Gaming Commission declines to renew the owner's license; (iii) a proposed transferee is denied a license when attempting to purchase a riverboat and current owner is unable or unwilling to retain ownership of the riverboat; or (iv) a licensee agrees, in writing, to relinquish control of a riverboat to a trustee as approved by the Indiana Gaming Commission. The Power of Attorney and potential Trustees had to be submitted by November 1, 2009. Blue Chip's Power of Attorney and its proposed Trustee were initially approved by the Indiana Gaming Commission at its March 4, 2009, business meeting and last approved August 18, 2016. The approval of the Trustee is annual and coincides with the annual renewal of the Casino Owner's License.

All riverboats must comply with applicable federal and state laws including, but not limited to, U.S. Coast Guard regulations. Each riverboat must be certified to carry at least five hundred passengers and be at least one hundred fifty feet in length. Those riverboats located in counties contiguous to the Ohio River must replicate historic Indiana steamboat passenger vessels of the nineteenth century. Public Law 255-2015 allows for inland casinos on adjacent and existing casino. Two casinos appear to be prepared to avail themselves of this provision and build new land based facilities. Originally, the Indiana Act did not limit the number of gaming positions allowed on each riverboat. Public Law 255-2015 now sets a limit, whether inland or on the existing riverboat, at the highest number since January 1, 2007. The only limitation on the number of permissible patrons previously allowed was established by the U.S. Coast Guard Certificate of Inspection in the specification of the riverboat's capacity. In 2005 the Indiana Act was amended to allow the Indiana Gaming Commission to adopt an alternative certification process if the U.S. Coast Guard discontinues issuing Certifications of Inspections to Indiana riverboats. On June 7, 2007, the Indiana Gaming Commission adopted the Guide for Alternate Certification of Continuously Moored, Self-Propelled, Riverboat Gaming Vessels in the State of Indiana. Vessels with an existing Certificate of Inspection operating as a dockside riverboat casino will be accepted as-is into the Alternative Certification program, subject to satisfactory completion of the United States Coast Guard procedures for becoming a Permanently Moored Vessel and a satisfactory inspection by ABS Consulting. Upon surrendering the United States Coast Guard Certificate of Inspection rules and regulation of the Occupational Health and Safety Administration will apply to the vessel and its crew, including casino personnel.

The Indiana Gaming Commission, after consultation with the Corps, may determine those navigable waterways located in counties contiguous to Lake Michigan or the Ohio River that are suitable for riverboats. If the Corps rescinds approval for the operation of a riverboat gambling facility, the Riverboat Owner's License issued by the Indiana Gaming Commission is void and the Riverboat Licensee may not commence or must cease conducting gambling operations.

The initial Riverboat Owner's License ran for a period of five years. Thereafter, the license is subject to renewal on an annual basis upon a determination by the Indiana Gaming Commission that it continues to be eligible to hold a Riverboat Owner's License pursuant to the Indiana Act and rules promulgated thereunder. After the expiration of the initial license, the Riverboat Owner's License must be renewed annually with each Riverboat Licensee undergoing a complete reinvestigation every three years. The Indiana Gaming Commission reserves the right to investigate Riverboat Licensees at any time it deems necessary. The initial license was issued to Blue Chip Casino, Inc., the predecessor to Blue Chip Casino, LLC, in August of 1997. Blue Chip underwent a reinvestigation in 2018 and its license was renewed. The license is valid for a period of one year and must be renewed annually. Blue Chip's license was renewed and reinvestigated in 2018 as a part of the investigation conducted relating to the acquisition of

four (4) casino properties from Penn National Gaming, Inc. ("Penn") as a part of Penn's acquisition of Pinnacle Entertainment, Inc.; the Belterra Resort in Florence, Indiana is one of the four casino properties acquired by Boyd. The Operating Contract for an Orange County riverboat is valid for a period of twenty years. However, the Operating Agent is to be reinvestigated every three years to determine continued suitability. In addition, the Indiana Gaming Commission has the right to reinvestigate the Operating Agent at any time it deems necessary. Racino licenses must be renewed annually with a reinvestigation every three years.

Pursuant to legislation enacted in 2009, all riverboat licensees, Operating Agents, and Racino licensees must submit to the Indiana Gaming Commission for approval a proposed Power of Attorney identifying the person who would temporarily operate the facility on a temporary basis and upon approval of the Indiana Gaming Commission ("Trustee"). The Trustee is to operate the facility if one of the following occurs: (i) the Indiana Gaming Commission revokes the license or the Operating Agreement; (ii) the Indiana Gaming Commission does not renew a license or an Operating Agent contract; (iii) a proposed transferee of a license or Operating Agent is denied a license or an Operating Agent Contract and the licensee or Operating Agent is unwilling to retain ownership of the riverboat or Racino; or (iv) the licensee agrees, in writing, to relinquish control to a trustee approved by the Indiana Gaming Commission. The Indiana Gaming Commission will establish a deadline for all licensees and Operating Agents to submit a proposed Power of Attorney. After the deadline passes the Indiana Gaming Commission may not renew a license or Operating Agent Contract until the Power of Attorney is submitted and the Indiana Gaming Commission has approved the Power of Attorney and the proposed trustee. If the Indiana Gaming Commission adopts a resolution authorizing a trustee to temporarily operate a riverboat or a Racino the licensee will have 180 days from the date the resolution is adopted to sell the riverboat or Racino to a person approved by the Indiana Gaming Commission. If the riverboat or Racino is not sold within 180 days, the trustee may sell the riverboat or Racino to a person approved by the Indiana Gaming Commission. All licensees must apply for and hold all other licenses necessary for the operation of a riverboat gambling operation, including, but not limited to, alcoholic beverage licenses and food preparation licenses.

Neither the Riverboat Owner's License nor the Operating Contract may be leased, hypothecated or have money borrowed or loaned against it. An ownership interest in a Riverboat Owner's License or an Operating Contract may only be transferred in accordance with the Indiana Act and rules promulgated thereunder.

The Indiana Act does not limit the amount a patron may bet or lose. Minimum and maximum wagers for each game are set by the Riverboat Licensee or an Operating Agent. Wagering may not be conducted with money or other negotiable currency. No person under the age of 21 is permitted to wager on a riverboat. A person at least 18 years of age may be present on a riverboat only if that person has applied for and received an occupational license but a person under 21 may not deal or otherwise participate in the gambling games. Wagers may only be taken from a person present on the riverboat. All electronic gaming devices must pay out in a theoretical range that is at least eighty but less than one hundred percent of the amount wagered. In addition, in May 2003, the Indiana General Assembly adopted legislation authorizing twenty-four hour operation for all Indiana riverboats upon application to, and approval by, the Indiana Gaming Commission. The Indiana Gaming Commission had previously allowed only twenty-one hour gaming. As a result of the legislative change and upon receipt of the requisite approval, Blue Chip commenced twenty-four hour gaming on August 1, 2003.

Pursuant to legislation adopted in May 2003, the Indiana Gaming Commission adopted rules to establish and implement a voluntary exclusion program that requires, among other things, (i) that persons who participate in the voluntary exclusion program be included on a list of persons excluded from all Indiana riverboats, (ii) that persons who participate in the voluntary exclusion program may not seek readmittance to Indiana riverboats, (iii) Riverboat Licensees and Operating Agents must make reasonable efforts, as determined by the Indiana Gaming Commission, to cease all direct marketing efforts to a person participating in the voluntary exclusion program, and (iv) a Riverboat Licensee or Operating Agent may not cash a check of, or extend credit to, a person participating in the voluntary exclusion program. The voluntary exclusion program does not preclude a Riverboat Licensee or Operating Agent from seeking payment of a debt accrued by a person before entry into the voluntary exclusion program. The Indiana Gaming Commission commenced the voluntary exclusion program on July 1, 2004. As of September 2012, 5,869 individuals had enrolled in the program.

The Indiana General Assembly amended the Indiana Act in 2002 to allow riverboats to choose between continuing to conduct excursions or operate dockside. The Indiana Gaming Commission authorized riverboats to commence dockside operations on August 1, 2002. Blue Chip opted to operate dockside and commenced dockside operations on August 1, 2002. Pursuant to the legislation, the tax rate was increased from 20% to 22.5% during any time an Indiana riverboat does not operate dockside. For those riverboats that operate dockside, the following graduated tax rate is applicable: (i) 15% of the first \$25 million of adjusted gross receipts, which we refer to as AGR; (ii) 20% of AGR in excess of \$25 million, but not exceeding \$50 million; (iii) 25% of AGR in excess of \$50 million, but not exceeding \$75 million; (iv) 30% of AGR in excess of \$75 million, but not exceeding \$150 million; and (v) 35% of AGR in excess of \$150 million, but not exceeding \$600 million; (vi) 40% of AGR in excess of \$600 million. AGR is based on Indiana's fiscal year (July 1 of one year through June 30 of the following year). Public Law 229-2013 changed the graduated tax rate for a riverboat that received less than \$75,000,000.00 AGR in the preceding state fiscal year by

taxing the first \$25,000,000.00 at a 5% rate as opposed to the prevailing 15%. However, a riverboat that is taxed at the 5% rate shall pay an additional \$2,500,000.00 in any state fiscal year that it exceeds \$75,000,000.00 AGR.

Public Law 229-2013 also allows the licensees to deduct not more than \$2.5 million from AGR in state fiscal year 2013 attributable to free play wagering (statutorily referred to as “qualified wagering”) and not more than \$5 million from AGR for subsequent years ending before July 1, 2016 (new legislation is being considered to extend the free play deduction to additional fiscal years). Public Law 255-2015 extended the deduction permanently and increased the deduction to \$7 million.

The Operating Agent in Orange County will pay the wagering tax on the same basis as the other ten Indiana riverboats. The Indiana Act requires that Riverboat Licensees pay a \$3.00 admission tax for each person. A riverboat that opts to continue excursions pays the admission tax on a per excursion basis while a riverboat that operates dockside pays the admission tax on a per entry basis. Legislation enacted in April 2007 provides the Indiana Gaming Commission with the authority to adopt rules to determine the point at which a patron is considered admitted to a riverboat. Legislation enacted in 2017 eliminated the admissions tax and replaced it with a supplemental wagering tax which is a formula calculated based on the riverboat’s AGR. For a riverboat that has relocated from dockside to an inland casino the supplemental wagering tax was set at 3% of AGR imposed starting the day operations commenced at the inland casino. For dockside riverboat casinos the supplemental wagering tax takes effect July 1, 2018 and may not exceed 4% for the fiscal year commencing July 1, 2018 and ending June 30, 2019 and may not exceed 3.5% beginning July 1, 2019. Legislation proposed in Senate Bill 242, in the 2018 session, would clarify the formula for the calculation of the supplemental wagering tax commencing July 1, 2018. The 2017 legislation changed the collection of the admissions tax, wagering tax and the supplemental wagering tax from daily to monthly. The 2018 legislative session did not pass any laws which impact the operation of the Blue Chip Casino as only slight adjustments were made to existing law which primarily affected the Racinos. The 2019 legislative session is considering Senate Bill 552 which, as presently written, contains comprehensive changes to the Riverboat Gambling Act. Those proposed changes include:

- Authorizing Sports wagering at riverboats, racinos, the proposed Vigo County casino and satellite facilities along with fees, licensing requirements, rules and background investigations for employees of sports wagering venues;
- Authorizing the owner of the two riverboat owner’s licenses at Gary Indiana to move one license to an inland casino within the city limits of Gary and relocate the second license to Vigo County, located on the western boarder of Indiana about mid-state, upon approval of a referendum in Vigo County and other governmental action;
- Sets forth fees and taxation relating to a Vigo County casino;
- Allows and moves up the date for live table games at the racinos to 2019 based upon submissions and approvals by the Indiana Gaming Commission and prohibits the relocation of a riverboat licensee, operating agent, racino from relocating within 75 miles of another riverboat casino, operating agent or racino;
- Repeals: (1) the maximum number of owner’s licenses that may be issued to a riverboat owner; (2) the cap on the maximum number of slot machines and gambling games at racinos; and (3) prohibits money distributed to horsemen’s association from being used for lobbying; and
- Provides for taxation relating to the Vigo County casino, table games at the racinos and an overall limitation of \$9,000,000.00 deduction from AGR from wagering on gambling games.

The Orange County Operating Agent must pay a \$4.00 admission tax for each person that enters the riverboat. However, Public Law 255-2015 exempted the payment of the admissions tax for the French Lick Casino and creates a fee for each Racino in the amount of \$2.250 million per Racino. Racino licensees must pay the following graduated wagering tax: (i) 25% of the first \$100 million; (ii) 30% of AGR in excess of \$100 million, but not exceeding \$150 million; (iii) 35% of AGR in excess of \$150 million, but not exceeding \$600 million; (iv) 40% of AGR in excess of \$600 million. The Indiana Act provides for the suspension or revocation of a license whose owner does not timely submit the wagering or admission tax. Racino licensees must also pay (i) a 3% county slot machines wagering fee not to exceed \$8 million in a fiscal year; (ii) an annual \$500,000 problem gambling fee; (iii) 15% of its respective AGR to horsemen's purses, horsemen's associations and the gaming integrity fee; and (iv) an annual supplemental fee of 1% AGR to the Operating Agent for the first five years of operation and, thereafter, an annual renewal fee of \$100 per slot machine.

In April 2007, the Indiana General Assembly amended the manner in which riverboats are to be taxed for property tax purposes. Retroactive to March 1, 2006, riverboats are to be taxed based on the lowest valuation as determined by an application of each of the following methodologies: (i) cost approach; (ii) sales comparison approach; and (iii) income capitalization approach. Alternatively, the Riverboat Licensee and the respective Township Assessor may reach an agreement regarding the value of the riverboat. All Indiana state excise taxes, use taxes and gross retail taxes apply to sales made on a riverboat. In 2004 the Indiana Supreme Court ruled that vessels purchased out of the State of Indiana and brought into the State of Indiana would be subject to Indiana sales tax. Additionally, the Supreme Court declined to hear an Indiana Tax Court case that determined wagering tax payments made by a riverboat could not be deducted from the riverboat’s adjusted gross income. Finally, for taxable years

beginning after December 31, 2014 the adjusted gross income tax rate was lowered from 3.4% to 3.3% thereby lowering the required withholding from qualifying jackpots from 3.4% to 3.3%. The Legislation enacted in 2017 changed the phase out of the state income tax add back for wagering taxes deducted on a taxpayer's federal income tax return to an 8-year phase out.

The Indiana Gaming Commission is authorized to conduct investigations into gambling games, the maintenance of equipment, and violations of the Indiana Act as it deems necessary. The Indiana Gaming Commission may subject a Riverboat Licensee, an Operating Agent or a Racino licensee to fines, suspension or revocation of its license or Operating Contract for any conduct that violates the Indiana Act, rules promulgated thereunder or that constitutes a fraudulent act.

The Riverboat Licensee, Operating Agent and Racino licensees must carry insurance in types and amounts as required by the Indiana Gaming Commission. By rule promulgated by the Indiana Gaming Commission, neither a Riverboat Licensee, Operating Agent nor a Racino licensee may enter into or perform any contract or transaction in which it transfers or receives consideration that is not commercially reasonable or that does not reflect the fair market value of goods and services rendered or received. All contracts are subject to disapproval by the Indiana Gaming Commission and contracts should reflect the potential for disapproval.

The Indiana Act places special emphasis on minority and women business enterprise participation in the riverboat industry. The Indiana Gaming Commission recently hired consultants who performed a Statistical Analysis of the Utilization of minority and women business enterprises by Riverboat Licensees and the Operating Agents. Based on the results of that Statistical Analysis Riverboat Licensees, Operating Agents and Racino licensees must establish goals of expending ten and nine-tenths percent of the total dollars spent on construction expenditures with women business enterprises. The Indiana Gaming Commission encourages the purchase of goods and services in the following categories from minority and women business enterprises based on the capacity measurement determined by the Statistical Analysis: (i) Twenty-three and two-tenths percent with minority-owned construction firms; (ii) four and two-tenths percent with minority-owned procurement firms; (iii) two and five-tenths percent with women-owned procurement firms; (iv) eleven and two-tenths percent with minority-owned professional services firms; (v) seven and eight-tenths percent with women-owned professional services firms; (vi) two and nine-tenths percent of other expenditures with minority-owned firms; and (vii) one and eight-tenths percent with other women-owned firms. Riverboat Licensees, Operating Agents and Racino licensees may be subject to a disciplinary action for failure to meet the minority and women business enterprise expenditure goals.

By rule promulgated by the Indiana Gaming Commission, a Riverboat Licensee or affiliate may not enter into a debt transaction in excess of \$1 million without the prior approval of the Indiana Gaming Commission. A debt transaction is any transaction that will result in the encumbrance of assets. Unless waived, approval of debt transactions requires consideration by the Indiana Gaming Commission at two business meetings. The Indiana Gaming Commission, by resolution, has authorized the Executive Director, subject to subsequent approval by the Indiana Gaming Commission, to approve debt transactions after a review of the documents and consultation with the Chair and the Indiana Gaming Commission's outside financial analyst.

A rule promulgated by the Indiana Gaming Commission requires the reporting of currency transactions to the Indiana Gaming Commission after the transactions are reported to the federal government. Indiana rules also require that Riverboat Licensees track and maintain logs of transactions that exceed \$3,000. The Indiana Gaming Commission has promulgated a rule that prohibits distributions, excluding distributions for the payment of taxes, by a Riverboat Licensee to its partners, shareholders, itself or any affiliated entity if the distribution would impair the financial viability of the riverboat gaming operation. The Indiana Gaming Commission has also promulgated a rule mandating Riverboat Licensees to maintain a cash reserve to protect patrons against defaults in gaming debts. The cash reserve is to be equal to a Riverboat Licensee's average payout for a three-day period based on the riverboat's performance the prior calendar quarter. The cash reserve can consist of cash on hand, cash maintained in Indiana bank accounts and cash equivalents not otherwise committed or obligated.

In January 2011, the Indiana Gaming Commission extended an Emergency Rule originally promulgated based on two Supreme Court decisions clearly establishing the Indiana Gaming Commission's authority over Local Development Agreements between Riverboat, Contracting Agent and Racino licensees and the local community in which each is located. The Emergency Rule requires recipients of local development payments to follow specific guidelines to promote openness and transparency in the receipt, dissemination and use of the payments. SB 325, which has passed the Senate and has been sent to the House for its consideration, tracts the language of the Emergency Rule.

The Indiana Act prohibits contributions to a candidate for a state legislative or local office or to a candidate's committee or to a regular party committee by:

- a person who owns at least one percent of a Riverboat Licensee, Operating Agent or Racino licensee;
 - a person who is an officer of a Riverboat Licensee, Operating Agent or Racino Licensee;
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- a person who is an officer of a person that owns at least one percent of a Riverboat Licensee, Operating Agent or Racino Licensee; or
- a person who is a political action committee of a Riverboat Licensee, Operating Agent, or Racino Licensee.

The prohibition against political contributions extends for three years following a change in the circumstances that resulted in the prohibition.

Individuals employed on a riverboat and in certain positions must hold an occupational license issued by the Indiana Gaming Commission. Suppliers of gaming equipment and gaming or revenue tracking services must hold a supplier's license issued by the Indiana Gaming Commission. By rule promulgated by the Indiana Gaming Commission, Riverboat Licensees, Operating Agents and Racino Licensees who employ non-licensed individuals in positions requiring licensure or who purchase supplies from a non-licensed entity may be subject to a disciplinary action.

As earlier mentioned, in 2018 Boyd acquired Belterra Resort Indiana, LLC, and three other gambling properties, from Penn as a part of Penn's acquisition of Pinnacle Entertainment, Inc. Boyd's financing for the acquisition of the four properties and for other corporate activities was approved by the Indiana Gaming Commission in Order 2018-60; the Order approving the acquisition of the Belterra Resort Indiana, LLC is 2018-121. The acquisition of Belterra Resort Indiana, LLC maximized the number of riverboat casinos Boyd may own in Indiana as a result of Indiana's two license limitation for a single licensee of riverboat casinos. The acquisition also triggered a one-time \$2,000,000.00 fee for the second license which was paid by Boyd as a part of the timing of the Indiana Gaming Commission's approval.

2018 also saw the opening of a second Indian casino located in the South Bend, Indiana area. The casino opened with Class 2 Gaming.

Louisiana

In the State of Louisiana, we, through our wholly owned subsidiaries, own and operate five gaming properties: Treasure Chest Casino in Kenner, Delta Downs Racetrack, Casino & Hotel in Vinton, Sam's Town Hotel and Casino in Shreveport, Evangeline Downs Racetrack and Casino in Opelousas and the Amelia Belle Casino in Amelia. Through Evangeline Downs, we also operate three off-track betting facilities, which contain Video Draw Poker Devices. The operation and management of these riverboat casinos, slot machine operations at certain racetracks, live racing facilities, off-track betting facilities and video poker operations in Louisiana are subject to extensive state regulation. The Louisiana Riverboat Economic Development and Gaming Control Act, or the Riverboat Act, became effective on July 19, 1991. The Louisiana Pari-Mutuel Live Racing Facility Economic Redevelopment and Gaming Control Act, or the Slots Act, became effective on July 9, 1997. The Video Draw Poker Act became effective July 30, 1991. The statutory scheme regulating live and off-track betting, or the Horse Racing Act, has been in existence since 1958.

The Riverboat Act states, among other things, that certain of the policies of the State of Louisiana are:

- to develop a historic riverboat industry that will assist in the growth of the tourism market;
- to license and supervise the riverboat industry from the period of construction through actual operation;
- to regulate the operators, manufacturers, suppliers and distributors of gaming devices; and
- to license all entities involved in the riverboat gaming industry.

The Slots Act states, among other things, that certain policies of the State of Louisiana are:

- to revitalize and rehabilitate pari-mutuel racing facilities through the allowance of slot machine operations at certain racetracks; and
- to regulate and license owners of such facilities.

The Horse Racing Act states, among other things, that certain policies of the State of Louisiana are:

- to encourage the development of horse racing with pari-mutuel wagering on a high plane;
- to encourage the development and ownership of race horses;
- to regulate the business of racing horses and to provide the orderly conduct of racing;
- to provide financial assistance to encourage the business of racing horses; and
- to provide a program for the regulation, ownership, possession, licensing, keeping, breeding and inoculation of horses.

Both the Riverboat Act and the Slots Act make it clear, however, that no holder of a license or permit possesses any vested interest in such license or permit and that the license or permit may be revoked at any time.

In a special session held in April 1996, the Louisiana legislature passed the Louisiana Gaming Control Act, or the Gaming Control Act, which created the Louisiana Gaming Control Board, or the Gaming Control Board. Pursuant to the Gaming Control Act, all of the regulatory authority, control and jurisdiction of licensing for both riverboats and slot facilities was transferred to the Gaming Control Board. The Gaming Control Board came into existence on May 1, 1996 and is made up of nine members and two ex-officio members (the Secretary of Revenue and Taxation and the superintendent of Louisiana State Police). It is domiciled in Baton Rouge and regulates riverboat gaming, the land-based casino in New Orleans, racetrack slot facilities and video poker. The Attorney General acts as legal counsel to the Gaming Control Board. Any material alteration in the method whereby riverboat gaming, slot facilities or video draw poker is regulated in the State of Louisiana could have an adverse effect on the operations of the Treasure Chest, Delta Downs, Sam's Town Shreveport, Evangeline Downs and Amelia Belle.

Riverboats

The Riverboat Act approved the conducting of gaming activities on a riverboat, in accordance with the Riverboat Act, on twelve separate waterways in Louisiana. The Riverboat Act allows the Gaming Control Board to issue up to fifteen licenses to operate riverboat gaming projects within the state, with no more than six licenses for operation from any one designated waterway. There are presently fifteen licenses issued and all are operating currently.

We and certain of our directors and officers and certain of our key personnel were found suitable to operate riverboat gaming in the State of Louisiana. New directors, officers and certain key employees associated with gaming must also be found suitable by the Gaming Control Board prior to working in gaming-related areas. These approvals may be immediately revoked for a number of causes as determined by the Gaming Control Board. The Gaming Control Board may deny any application for a certificate, permit or license for any cause found to be reasonable by the Gaming Control Board. The Gaming Control Board has the authority to require us to sever our relationships with any persons for any cause deemed reasonable by the Gaming Control Board or for the failure of that person to file necessary applications with the Gaming Control Board.

The current Louisiana riverboat gaming license of Treasure Chest is valid for five years and will expire on May 18, 2020. The Sam's Town Shreveport license is also valid for five years and will expire on March 8, 2020. Amelia Belle's current license is valid for five years and will expire on March 24, 2020.

Annual fees are currently charged to each riverboat project as follows:

- \$50,000 per year for the first year and \$100,000 for each year thereafter; and
- 21.5% of net gaming proceeds.

Additionally, each local government may charge a boarding fee or admissions tax. Treasure Chest pays the City of Kenner a fee of (\$2.50 per passenger boarding the vessel multiplied by 1.2). Sam's Town Shreveport pays admission taxes of up to 5.5% of adjusted gross receipts to various local governmental bodies. Amelia Belle pays St. Mary Parish \$15 million per year (subject to adjustment) as admission tax. Any increase in these fees or taxes could have a material and detrimental effect on the operations of Treasure Chest, Sam's Town and Amelia Belle.

Slot Facilities

The Slots Act allows for four separate "eligible facilities" to operate slot machines at live horse racing pari-mutuel facilities (one each in Calcasieu Parish, St. Landry Parish, Bossier Parish and Orleans Parish). Each facility, with the exception of Orleans Parish, may, upon proper licensure, operate slot machines in a designated gaming space of up to 15,000 square feet.

Gaming licenses and approvals of slot operations are issued by the Gaming Control Board, and are subject to revocation for any cause deemed reasonable by the Gaming Control Board. Our operation of slot machines at Delta Downs and Evangeline Downs is subject to strict regulation by the Gaming Control Board and the Louisiana State Police. Extensive regulations concerning accounting, internal controls, underage patrons and other aspects of slot machine operations have been promulgated by the Gaming Control Board. Failure to adhere to these rules and regulations can result in substantial fines and the suspension or revocation of the license to conduct slot machine operations. Any failure to comply with the Louisiana Gaming Control Board's rules or regulations in the future could ultimately result in the revocation of our license to operate slot machines at Delta Downs and Evangeline Downs.

Annual Fees and taxes currently charged Delta Downs and Old Evangeline Downs under the Slots Acts are as follows:

- 15% of the annual net slot machine proceeds are dedicated to supplement purses of the live horse race meets held at the facility;
 - 3% of the annual net slot machine proceeds dedicated to horse breeders associations;
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- 18.5% taxable net slot machine proceeds are paid to the state;
- For Delta Downs, an admission tax of \$0.25 per person attending live racing and off-track betting facilities only on those days when there are scheduled live races at its racetrack (currently Thursdays through Sundays) from the hours of 6:00 p.m. until 12:00 a.m. and during those periods when it is not conducting live racing (i.e., between race meetings) only on Thursdays through Mondays from the hours of 12:00 p.m. until 12:00 a.m.; and
- For Evangeline Downs, an admission tax of \$0.25 per person attending live racing and off-track betting facilities during those periods when it is conducting race meetings from one hour before post time until one hour after the conclusion of racing; during periods when it is not conducting race meetings, on all persons entering on Thursday through Monday from 12 p.m. until 12 a.m. each day.

Gaming Control Board

At any time, the Gaming Control Board may investigate and require the finding of suitability of any stockholder, beneficial stockholder, officer or director of Boyd Gaming or of any of its subsidiaries. The Gaming Control Board requires all holders of more than a 5% interest in the license holder to submit to suitability requirements. Additionally, if a shareholder who must be found suitable is a corporate or partnership entity, then the shareholders or partners of the entity must also submit to investigation. The sale or transfer of more than a 5% interest in any riverboat or slot project is subject to Gaming Control Board approval.

Pursuant to the regulations promulgated by the Gaming Control Board, all licensees are required to inform the Gaming Control Board of all debt, credit, financing and loan transactions, including the identity of debt holders. Our subsidiaries, Treasure Chest Casino, L.L.C., Boyd Racing, L.L.C., Red River Entertainment of Shreveport, L.L.C. (Sam's Town Shreveport), Old Evangeline Downs, LLC and Belle of Orleans, LLC (Amelia Belle) are licensees and are subject to these regulations. In addition, the Gaming Control Board, in its sole discretion, may require the holders of such debt securities to file applications and obtain suitability certificates from the Gaming Control Board. Although the Riverboat Act and the Slots Act do not specifically require debt holders to be licensed or to be found suitable, the Gaming Control Board retains the discretion to investigate and require that any holders of debt securities be found suitable under the Riverboat Act or the Slots Act. Additionally, if the Gaming Control Board finds that any holder exercises a material influence over the gaming operations, a suitability certificate will be required. If the Gaming Control Board determines that a person is unsuitable to own such a security or to hold such an indebtedness, the Gaming Control Board may propose any action which it determines proper and necessary to protect the public interest, including the suspension or revocation of the license. The Gaming Control Board may also, under the penalty of revocation of license, issue a condition of disqualification naming the person(s) and declaring that such person(s) may not:

- receive dividends or interest in debt or securities;
- exercise directly or through a nominee a right conferred by the securities or indebtedness; receive any remuneration from the licensee;
- receive any economic benefit from the licensee; or
- continue in an ownership or economic interest in a licensee or remain as a manager, director or partner of a licensee.

Any violation of the Riverboat Act, the Slots Act or the rules promulgated by the Gaming Control Board could result in substantial fines, penalties (including a revocation of the license) and criminal actions. Additionally, all licenses and permits issued by the Gaming Control Board are revocable privileges and may be revoked at any time by the Gaming Control Board.

Live Horse Racing

Pari-mutuel betting and the conducting of live horse race meets in Louisiana are strictly regulated by the Louisiana State Racing Commission, which we refer to as the Racing Commission. The Racing Commission is comprised of thirteen members and is domiciled in New Orleans, Louisiana. In order to be approved to conduct a live race meet and to operate pari-mutuel wagering (including off-track betting), an applicant must show, among other things:

- racing experience;
- financial qualifications;
- moral and financial qualifications of applicant and applicant's partners, officers and officials;
- the expected effect on the breeding and horse industry;
- the expected effect on the State's economy; and
- the hope of financial success.

In May 2001, a subsidiary of Boyd Gaming applied for and received approval from the Racing Commission to buy Delta Downs. Approval was also granted to conduct live race meets and to operate pari-mutuel wagering at the Delta Downs facility and to conduct off-track wagering at Delta Downs. The term of each of these licenses is ten years and they renew annually.

In April 2002, Peninsula Gaming (now a subsidiary of Boyd Gaming) applied for and received approval from the Racing Commission to buy Evangeline Downs. Approval was also granted to conduct live race meets and to operate pari-mutuel wagering at the Evangeline Downs facility and to conduct off-track wagering at Evangeline Downs and other locations. The term of each of these licenses is ten years and they renew annually.

Any alteration in the regulation of riverboat casinos, slot machine operations at certain racetracks, or live racing facilities could have a material adverse effect on the operations of Treasure Chest, Delta Downs, Sam's Town Shreveport, Amelia Belle Casino or Evangeline Downs.

Mississippi

The ownership and operation of casino gaming facilities in the State of Mississippi, such as those at Sam's Town Tunica and IP Biloxi, are subject to extensive state and local regulation, but primarily the licensing and regulatory control of the Mississippi Gaming Commission, or the Mississippi Commission.

The Mississippi Gaming Control Act, or the Mississippi Act, is similar to the Nevada Gaming Control Act. The Mississippi Commission has adopted regulations that are also similar in many respects to the Nevada gaming regulations.

The laws, regulations and supervisory procedures of the Mississippi Commission are based upon declarations of public policy that are concerned with, among other things:

- the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
- the establishment and maintenance of responsible accounting practices and procedures;
- the maintenance of effective controls over the financial practices of licensees, including the establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues, providing for reliable record keeping and requiring the filing of periodic reports with the Mississippi Commission;
- the prevention of cheating and fraudulent practices;
- providing a source of state and local revenues through taxation and licensing fees; and
- ensuring that gaming licensees, to the extent practicable, employ Mississippi residents.

The regulations are subject to amendment and interpretation by the Mississippi Commission. We believe that our compliance with the licensing procedures and regulatory requirements of the Mississippi Commission will not affect the marketability of our securities. Changes in Mississippi laws or regulations may limit or otherwise materially affect the types of gaming that may be conducted and such changes, if enacted, could have an adverse effect on us and our business, financial condition and results of operations.

The Mississippi Act provides for legalized gaming in each of the fourteen counties that border the Gulf Coast or the Mississippi River, but only if the voters in the county have not voted to prohibit gaming in that county.

Currently, gaming is permissible in nine of the fourteen eligible counties in the state and gaming operations have commenced in seven counties. Traditionally, Mississippi law required gaming vessels to be located on the Mississippi River or on navigable waters in eligible counties along the Mississippi River, or in the waters lying south of the counties along the Mississippi Gulf Coast. However, the Mississippi Legislature amended the Mississippi Act to permit licensees in the three counties along the Gulf Coast to establish casino structures that are located in whole or part on shore and land-based casino operations provided the land-based gaming areas do not extend more than 800 feet beyond the nineteen-year mean high water line, except in Harrison County where the 800-foot limit can be extended as far as the greater of 800 feet beyond the 19 year mean high water line or the southern boundary of Highway 90. Due to another change in the interpretation of the Mississippi Act, the Commission has also permitted licensees in approved Mississippi River counties to conduct gaming operations on permanent structures, provided that the majority of the gaming floor in any such structure is located on the river side of the "bank full" line of the Mississippi River.

Our Sam's Town Tunica casino is located on barges situated in a specially constructed basin several hundred feet inland from the Mississippi River. In the past, whether basins such as the one in which our casino barges are located constituted "navigable waters" suitable for gaming under Mississippi law was a controversial issue. The Mississippi Attorney General issued an opinion in July 1993 addressing legal locations for gaming vessels under the Mississippi Act and the Mississippi Commission later approved the location of the casino barges on the Sam's Town Tunica site as legal under the opinion of the Mississippi Attorney General. We believe that Sam's Town Tunica is in compliance with the Mississippi Act and the Mississippi Attorney General's "navigable waters" opinion. However, no assurance can be given that a court ultimately would conclude that our casino barges at Sam's Town Tunica are located on navigable waters within the meaning of Mississippi law. If the basin in which our Sam's Town Tunica casino

barges presently are located was not deemed navigable waters within the meaning of Mississippi law, such a decision would have a significant adverse effect on us and our business, financial condition and results of operations. Our IP Biloxi casino is located on permanent structures elevated above the Back Bay of Biloxi.

The Mississippi Act permits unlimited stakes gaming on a 24-hour basis and does not restrict the percentage of space which may be utilized for gaming. The Mississippi Act permits substantially all traditional casino games and gaming devices. Following the United States Supreme Court ruling declaring the Professional and Amateur Sports Protection Act unconstitutional, the Mississippi Commission adopted regulations permitting race books and sports pools to be operated by licensed Mississippi gaming operators. While mobile wagering is permitted, such wagers may be made only while the patron is on the property of a licensed gaming establishment.

We and any subsidiary of ours that operates a casino in Mississippi (each a "Gaming Subsidiary" and together, the "Gaming Subsidiaries") are subject to the licensing and regulatory control of the Mississippi Commission. We are registered under the Mississippi Act as a publicly traded corporation, or a Registered Corporation, of Boyd Tunica, Inc., the owner and operator of Sam's Town Tunica, a licensee of the Mississippi Commission, and of Boyd Biloxi, LLC, the owner and operator of IP Biloxi. As a Registered Corporation, we are required periodically to submit detailed financial and operating reports to the Mississippi Commission and furnish any other information the Mississippi Commission may require. If we are unable to continue to satisfy the registration requirements of the Mississippi Act, we and any Gaming Subsidiary cannot own or operate gaming facilities in Mississippi. No person may become a stockholder of or receive any percentage of profits from a licensed subsidiary of a Registered Corporation without first obtaining licenses and approvals from the Mississippi Commission. We have obtained such approvals in connection with the licensing of Sam's Town Tunica and IP Biloxi.

A Gaming Subsidiary must maintain a gaming license from the Mississippi Commission to operate a casino in Mississippi. Such licenses are issued by the Mississippi Commission subject to certain conditions, including continued compliance with all applicable state laws and regulations. There are no limitations on the number of gaming licenses that may be issued in Mississippi. Gaming licenses require the payment of periodic fees and taxes, are not transferable, are issued for a three-year period and must be renewed periodically thereafter. Sam's Town Tunica's current gaming license expires on December 3, 2019, and IP Biloxi's gaming license expires on October 3, 2020.

Certain of our officers and employees and the officers, directors and certain key employees of Sam's Town Tunica and IP Biloxi must be found suitable or approved by the Mississippi Commission. We believe that we have obtained, applied for or are in the process of applying for all necessary findings of suitability with respect to Boyd Gaming, Sam's Town Tunica and IP Biloxi, although the Mississippi Commission, in its discretion, may require additional persons to file applications for findings of suitability. In addition, any person having a material relationship or involvement with us may be required to be found suitable, in which case those persons must pay the costs and fees associated with such investigation. The Mississippi Commission may deny an application for a finding of suitability for any cause that it deems reasonable. Changes in certain licensed positions must be reported to the Mississippi Commission. In addition to its authority to deny an application for a finding of suitability, the Mississippi Commission has jurisdiction to disapprove a change in any corporate position or title and such changes must be reported to the Mississippi Commission. The Mississippi Commission has the power to require us and our Gaming Subsidiaries to suspend or dismiss officers, directors and other key employees or sever relationships with other persons who refuse to file appropriate applications or whom the authorities find unsuitable to act in such capacities. Determination of suitability or questions pertaining to licensing are not subject to judicial review in Mississippi.

At any time, the Mississippi Commission has the power to investigate and require the finding of suitability of any record or beneficial stockholder of Boyd Gaming. The Mississippi Act requires any person who acquires more than five percent of any class of voting securities of a Registered Corporation, as reported to the Securities and Exchange Commission, or SEC, to report the acquisition to the Mississippi Commission, and such person may be required to be found suitable. Also, any person who becomes a beneficial owner of more than ten percent of any class of voting securities of a Registered Corporation, as reported to the SEC, must apply for a finding of suitability by the Mississippi Commission and must pay the costs and fees that the Mississippi Commission incurs in conducting the investigation. If a stockholder who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information including a list of beneficial owners.

The Mississippi Commission generally has exercised its discretion to require a finding of suitability of any beneficial owner of five percent or more of any class of voting securities of a Registered Corporation. However, under certain circumstances, an "institutional investor," as defined in the Mississippi Commission's regulations, which acquires more than ten percent, but not more than twenty-five percent, of the voting securities of a Registered Corporation may apply to the Mississippi Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes only. An institutional investor shall not be deemed to hold voting securities for investment purposes unless the voting securities were acquired and are held in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or

indirectly, the election of a majority of the members of the board of directors of the Registered Corporation, any change in the corporate charter, bylaws, management, policies or operations, or any of its gaming affiliates, or any other action which the Mississippi Commission finds to be inconsistent with holding the voting securities for investment purposes only. Activities which are not deemed to be inconsistent with holding voting securities for investment purposes include:

- voting on all matters voted on by stockholders;
- making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in management, policies or operations; and
- such other activities as the Mississippi Commission may determine to be consistent with such investment intent.

Any person who fails or refuses to apply for a finding of suitability or a license within thirty days after being ordered to do so by the Mississippi Commission may be found unsuitable. The same restrictions apply to a record owner if the record owner, after request, fails to identify the beneficial owner. Any person found unsuitable and who holds, directly or indirectly, any beneficial ownership of our securities beyond such time as the Mississippi Commission prescribes, may be guilty of a misdemeanor. We may be subject to disciplinary action if, after receiving notice that a person is unsuitable to be a stockholder or to have any other relationship with us or any Gaming Subsidiary owned by us, the company involved:

- pays the unsuitable person any dividend or other distribution upon such person's voting securities;
- recognizes the exercise, directly or indirectly, of any voting rights conferred by securities held by the unsuitable person;
- pays the unsuitable person any remuneration in any form for services rendered or otherwise, except in certain limited and specific circumstances; or
- fails to pursue all lawful efforts to require the unsuitable person to divest himself of the securities, including, if necessary, the immediate purchase of the securities for cash at a fair market value.

We may be required to disclose to the Mississippi Commission, upon request, the identities of the holders of our debt or other securities. In addition, under the Mississippi Act, the Mississippi Commission, in its discretion, may require the holder of any debt security of a Registered Corporation to file an application, be investigated and be found suitable to own the debt security if the Mississippi Commission has reason to believe that the ownership of the debt security by the holder would be inconsistent with the declared policies of the State of Mississippi.

Although the Mississippi Commission generally does not require the individual holders of obligations such as notes to be investigated and found suitable, the Mississippi Commission retains the discretion to do so for any reason, including but not limited to, a default, or where the holder of the debt instruments exercises a material influence over the gaming operations of the entity in question. Any holder of debt securities required to apply for a finding of suitability must pay all investigative fees and costs of the Mississippi Commission in connection with such an investigation.

If the Mississippi Commission determines that a person is unsuitable to own a debt security, then the Registered Corporation maybe sanctioned, including the loss of its approvals, if without the prior approval of the Mississippi Commission, it:

- pays to the unsuitable person any dividend, interest, or any distribution whatsoever;
- recognizes any voting right by the unsuitable person in connection with those securities;
- pays the unsuitable person remuneration in any form; or
- makes any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation, or similar transaction.

Each Gaming Subsidiary must maintain in Mississippi a current ledger with respect to the ownership of its equity securities, and we must maintain in Mississippi a current list of our stockholders which must reflect the record ownership of each outstanding share of any class of our equity securities. The ledger and stockholder lists must be available for inspection by the Mississippi Commission at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Mississippi Commission. A failure to make such disclosure may be grounds for finding the record holder unsuitable. We must also render maximum assistance in determining the identity of the beneficial owner.

The Mississippi Act requires that the certificates representing securities of a Registered Corporation bear a legend indicating that the securities are subject to the Mississippi Act and the regulations of the Mississippi Commission. We have received from the Mississippi Commission a waiver of this legend requirement. The Mississippi Commission has the power to impose additional restrictions on the holders of our securities at any time.

Substantially all material loans, leases, sales of securities and similar financing transactions by a Registered Corporation or a Gaming Subsidiary must be reported to or approved by the Mississippi Commission. A Gaming Subsidiary may not make a public offering of its securities but may pledge or mortgage casino facilities. A Registered Corporation may not make a public offering of its securities without the prior approval of the Mississippi Commission if any part of the proceeds of the offering is to be used to finance the construction, acquisition or operation of gaming facilities in Mississippi or to retire or extend obligations incurred for those purposes. Such approval, if given, does not constitute a recommendation or approval of the investment merits of the securities subject to the offering. We have received a waiver of the prior approval requirement with respect to public offerings and private placements of securities, subject to certain conditions, including the ability of the Mississippi Commission to issue a stop order with respect to any such offering if the staff determines it would be necessary to do so.

Under the regulations of the Mississippi Commission, a Gaming Subsidiary may not guarantee a security issued by an affiliated company pursuant to a public offering, or pledge its assets to secure payment or performance of the obligations evidenced by the security issued by the affiliated company, without the prior approval of the Mississippi Commission. A pledge of the stock of a Gaming Subsidiary and the foreclosure of such a pledge are ineffective without the prior approval of the Mississippi Commission. Moreover, restrictions on the transfer of an equity security issued by a Gaming Subsidiary or its holding companies and agreements not to encumber such securities are ineffective without the prior approval of the Mississippi Commission. We have obtained approvals from the Mississippi Commission for such guarantees, pledges and restrictions in connection with offerings of securities, subject to certain restrictions, but we must obtain separate prior approvals from the Mississippi Commission for pledges and stock restrictions in connection with certain financing transactions. Moreover, the regulations of the Mississippi Commission require us to file a Loan to Licensees and Lease Transaction Report with the Mississippi Commission within thirty (30) days following certain financing transactions and the offering of certain debt securities. If the Mississippi Commission were to deem it appropriate, the Mississippi Commission could order any such transaction rescinded.

Changes in control of us through merger, consolidation, acquisition of assets, management or consulting agreements or any act or conduct by a person by which he or she obtains control, may not occur without the prior approval of the Mississippi Commission. Entities seeking to acquire control of a Registered Corporation must satisfy the Mississippi Commission in a variety of stringent standards prior to assuming control of the Registered Corporation. The Mississippi Commission also may require controlling stockholders, officers, directors, and other persons having a material relationship or involvement with the entity proposing to acquire control to be investigated and found suitable as part of the approval process relating to the transaction.

The Mississippi legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities and other corporate defense tactics that affect corporate gaming licensees in Mississippi and Registered Corporations may be injurious to stable and productive corporate gaming. The Mississippi Commission has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Mississippi's gaming industry and further Mississippi's policy to:

- assure the financial stability of corporate gaming operators and their affiliates;
- preserve the beneficial aspects of conducting business in the corporate form; and
- promote a neutral environment for the orderly governance of corporate affairs.

Approvals are, in certain circumstances, required from the Mississippi Commission before a Registered Corporation may make exceptional repurchases of voting securities (such as repurchases which treat holders differently) in excess of the current market price and before a corporate acquisition opposed by management can be consummated. Mississippi's gaming regulations also require prior approval by the Mississippi Commission of a plan of recapitalization proposed by the Registered Corporation's board of directors in response to a tender offer made directly to the Registered Corporation's shareholders for the purpose of acquiring control of the Registered Corporation.

Neither we nor any Gaming Subsidiary may engage in gaming activities in Mississippi while also conducting gaming operations outside of Mississippi without approval of, or a waiver of such approval by, the Mississippi Commission. The Mississippi Commission may require determinations that, among other things, there are means for the Mississippi Commission to have access to information concerning the out-of-state gaming operations of us and our affiliates. We previously have obtained, or otherwise qualified for, a waiver of foreign gaming approval from the Mississippi Commission for operations in other jurisdictions in which we conduct gaming operations and will be required to obtain approval or a waiver of such approval from the Mississippi Commission prior to engaging in any additional future gaming operations outside of Mississippi; provided, however, that upon notice to the Mississippi Commission within thirty days of conducting such activity, such a waiver shall be deemed automatically granted under the Mississippi Commission's regulations in connection with foreign gaming activities (except for internet gaming activities) conducted (i) within the fifty (50) states or any territory of the United States, (ii) on board any cruise ship embarking from a port located therein, and (iii) in any other jurisdiction in which a casino operator's license or its equivalent is not required in order to legally conduct gaming operations.

If the Mississippi Commission were to determine that we or our Gaming Subsidiaries had violated a gaming law or regulation, the Mississippi Commission could limit, condition, suspend or revoke our approvals and the license of such Gaming Subsidiary, subject to compliance with certain statutory and regulatory procedures. In addition, we, the Gaming Subsidiary and the persons involved could be subject to substantial fines for each separate violation. Because of such a violation, the Mississippi Commission could attempt to appoint a supervisor to operate the casino facilities. Limitation, conditioning or suspension of any gaming license or approval or the appointment of a supervisor could (and revocation of any gaming license or approval would) materially adversely affect us and our business, financial condition and results of operations.

License fees and taxes, computed in various ways depending on the type of gaming or activity involved, are payable to the State of Mississippi, to the Mississippi Commission and to the counties and cities in which a Gaming Subsidiary's operations are conducted. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly, quarterly or annually. Generally, gaming fees and taxes are based upon the following:

- a percentage of the gross gaming revenues received by the casino operation;
- the number of gaming devices operated by the casino; or
- the number of table games operated by the casino.

The license fee payable to the State of Mississippi includes an annual license fee of \$5,000, plus a monthly licensed fee based upon "gaming receipts" (generally defined as gross receipts less payouts to customers as winnings), and the current maximum tax rate imposed by the State of Mississippi is eight percent of all gaming receipts in excess of \$134,000 per month. The foregoing license fees we pay are allowed as a credit against our Mississippi income tax liability for the year paid. Additionally, there is an annual license fee payable by us to the state equal to \$81,200 plus \$100 for each game in excess of thirty-five games on the casino floor. Moreover, the Mississippi Commission assesses each of Sam's Town Tunica and IP Biloxi with an annual investigative fee of up to \$325,000, which is based on the number of gaming devices on the property. The gross revenues fee imposed by Tunica County in which Sam's Town Tunica is located and the City of Biloxi in which IP Biloxi is located equals approximately four percent of the gaming receipts.

The Mississippi Commission's regulations require as a condition of licensure that a project include a 500-car or larger parking facility in close proximity to the casino complex, a 300-room or larger hotel of at least a three diamond rating as defined by an acceptable travel publication as determined by the Mississippi Commission, a restaurant capable of seating at least 200 people and a fine dining facility capable of seating at least 75 people, a casino floor of at least 40,000 square feet and have (or support) an amenity that will be unique to the market, encourage economic development and promote tourism. Unless waived, such regulations apply to new casinos or acquisitions of closed casinos. Sam's Town Tunica and IP Biloxi were both grandfathered under a prior version of the regulation and thus are exempt from the current regulation's requirements.

The sale of alcoholic beverages by Sam's Town Tunica and IP Biloxi is subject to licensing, control and regulation by both the local jurisdiction and the Alcoholic Beverage Control Division, or ABC, of the Mississippi Department of Revenue. Each is located in an area designated as special resort area, which allows the property to serve alcoholic beverages on a 24-hour basis. If the ABC laws are violated, the ABC has the full power to limit, condition, suspend or revoke any license for the serving of alcoholic beverages or to place such licensee on probation with or without conditions. Any such disciplinary action could (and revocation would) have a significant adverse effect upon us and our business, financial condition and results of operations. Certain of our officers and managers at Sam's Town Tunica and IP Biloxi must be investigated by the ABC in connection with our liquor permits and changes in certain key positions must be approved by the ABC.

Missouri

Conducting gambling activities and operating a riverboat gaming facility in Missouri are subject to extensive regulation under Missouri's Riverboat Gambling Act and the rules and regulations promulgated thereunder. The Missouri Gaming Commission (the "Commission") was created by the Missouri Riverboat Gambling Act and is charged with regulatory authority over riverboat gaming operations in Missouri, including the issuance of gaming licenses to owners, operators, suppliers and certain affiliates of riverboat gaming facilities. In August 2018, the Commission issued Boyd Gaming Corporation a Class A riverboat gaming license in connection with its proposed acquisition of Ameristar Casino Kansas City, LLC and Ameristar Casino St. Charles, LLC. In addition, the Commission approved the company's petition for approval of transfer of interest and change in control to allow for the proposed acquisition to close in October 2018. This acquisition resulted in the company operating two casino properties in Missouri, one in Kansas City and one in St. Charles, through these acquired subsidiaries. Each of the acquired subsidiaries maintains a Class B riverboat gaming license issued by the Commission which allows for the operation of the casino properties.

In order to obtain a license to operate a riverboat gaming facility, the proposed operating business entity must complete a Riverboat Gaming Application form requesting a Class B License. In order to obtain a license to own and/or control a Class B Licensee as

its ultimate holding company, a company must complete a Riverboat Gaming Application form requesting a Class A License. The Riverboat Gaming Application form is comprised of comprehensive questions regarding the nature and suitability of the applicant. Applicants who submit the Riverboat Gaming Application form requesting either a Class A or Class B License undergo an extensive background investigation by the Commission. In addition, each key person associated with the applicant (including directors, officers, managers and owners of a significant direct or indirect interest in the Class A or Class B License applicant) must complete a Key Person and Level 1 Application (Personal Disclosure Form 1) and undergo a substantial background investigation. Certain key business entities closely related to the applicant must undergo a similar application process and background check. An applicant for a Class A or Class B License will not receive or be allowed to retain a license if the applicant and its key persons, including key business entities, have not established and maintained good repute and moral character. No licensee shall either employ or contract with any person who has pled guilty to, or been convicted of, a felony, to perform any duties directly connected with the licensee's privileges under a license granted by the Commission.

Each Class B License granted entitles a licensee to conduct gambling activities at a specific riverboat gaming operation. Each Class A License granted entitles the licensee to develop and operate a Class B licensee or, if authorized, multiple Class B licensees. The duration of both the Class A and Class B License initially runs for two one-year terms; thereafter, for four-year terms. In conjunction with the renewal of each license, the Commission requires the filing of a Riverboat Gaming Renewal Application form and renewal fees. In conjunction with each renewal, the Commission may conduct an additional investigation of the licensee with specific emphasis on new information provided in the Riverboat Gaming Renewal Application form. The Commission also possesses the right to periodically conduct a comprehensive investigation on any Class A, Class B, supplier or key person licensee since the date on which the last comprehensive investigation was conducted. The Commission also licenses the serving of alcoholic beverages on riverboats and related facilities operated by the Class A or Class B.

In determining whether to grant and allow the continued possession of a gaming license, the Commission considers the following factors, among others: (i) the integrity of the applicant; (ii) the types and variety of games the applicant may offer; (iii) the quality of the physical facility, together with improvements and equipment; (iv) the financial ability of the applicant to develop and operate the facility successfully; (v) the status of governmental actions required by the facility; (vi) the management ability of the applicant; (vii) compliance with applicable statutes, rules, charters and ordinances; (viii) the economic, ecological and social impact of the facility as well as the cost of public improvements; (ix) the extent of public support or opposition; (x) the plan adopted by the home dock city or county; and (xi) effects on competition.

A licensee is subject to the imposition of penalties, suspension or revocation of its license for any act that is injurious to the public health, safety, morals, good order and general welfare of the people of the State of Missouri, or that would discredit or tend to discredit the Missouri gaming industry or the State of Missouri, including without limitation: (i) failing to comply with or make provision for compliance with the legislation, the rules promulgated thereunder or any federal, state or local law or regulation; (ii) failing to comply with any rules, order or ruling of the Commission or its agents pertaining to gaming; (iii) receiving goods or services from a person or business entity who does not hold a supplier's license but who is required to hold such license by the legislation or the rules; (iv) being suspended or ruled ineligible or having a license revoked or suspended in any state or gaming jurisdiction; (v) associating with, either socially or in business affairs, or employing persons of notorious or unsavory reputation or who have extensive police records, or who have failed to cooperate with any officially constituted investigatory or administrative body and would adversely affect public confidence and trust in gaming; (vi) employing in any Missouri gaming operation any person known to have been found guilty of cheating or using any improper device in connection with any gambling game; (vii) use of fraud, deception, misrepresentation or bribery in securing any license or permit issued pursuant to the legislation; (viii) obtaining any fee, charge or other compensation by fraud, deception or misrepresentation; and (ix) incompetence, misconduct, gross negligence, fraud, misrepresentation or dishonesty in the performance of the functions or duties regulated by the Missouri Riverboat Gambling Act.

Any transfer or issuance of ownership interests in a publicly held gaming licensee or its holding company that results in an entity or group of entities acting in concert owning, directly or indirectly, an aggregate ownership interest of 5% or more in the gaming licensee must be reported to the Commission within seven days. Further, any pledge or hypothecation of, or grant of a security interest in, 5% or more of the ownership interest in a publicly held gaming licensee or its holding company must be reported to the Commission within seven days. The Commission will impose certain licensing requirements upon a holder of an aggregate ownership interest of 5% or more in a publicly-traded Missouri Class A or Class B licensee, unless such holder applies for and obtains an institutional investor exemption in accordance with the Missouri gaming regulations. The Executive Director of the Commission may grant a waiver to an institutional investor that holds up to 10% of the outstanding equity of the Missouri licensee. The Commission itself may grant a waiver to an institutional investor that holds up to 20% of the outstanding equity of the Missouri licensee. No investor may increase holdings above 25% without triggering a change in control that requires prior approval by the Commission. The Commission may grant a petition to approve a change in control if the petitioner proves that (i) the transfer is in the best interest of the state of Missouri and would have no potential to affect suitability of the gaming operation; (ii) the transfer is not injurious to the public health, safety, morals, good order, or general welfare of the state; (iii) it would have no material

negative competitive impact; and (iv) it would not potentially result in any significant negative changes in the financial condition of the licensee. In addition, any sale, transfer or lease of the Class B's real estate (outside of the normal course of business) shall trigger a change in control that requires prior approval by the Commission. The petition to approve a change in control in such an instance will be considered by the Commission using the same criteria set forth above for an ownership interest change in control.

Every employee participating in a riverboat gaming operation must hold an occupational license. In addition, the Commission issues supplier's licenses, which authorize the supplier licensee to sell or lease gaming equipment and supplies to any licensee involved in the operation of gaming activities. Class A and Class B licensees may not be licensed as suppliers.

Riverboat gaming activities may only be conducted on, or within 1,000 feet of the nearest edge of the main channel of, the Missouri River or Mississippi River. Minimum and maximum wagers on games are set by the licensee, and wagering may be conducted only with a cashless wagering system, whereby money is converted to tokens, electronic cards or chips that can only be used for wagering. No person under the age of 21 is permitted to wager, and wagers may only be taken from a person present on a licensed excursion gambling boat.

The Missouri Riverboat Gambling Act imposes a 21% wagering tax on adjusted gross receipts (generally defined as gross receipts less winnings paid to wagerers) from gambling games. The tax imposed is to be paid by the licensee to the Commission on the day after the day when the wagers were made. Of the proceeds of the wagering tax, 10% of such proceeds go to the local government where the home dock is located, and the remainder goes to the State of Missouri.

The Missouri Riverboat Gambling Act also requires that licensees pay a two dollar admission tax to the Commission for each person admitted to each two hour synthetic gaming excursion; no Missouri casinos actually offer excursions currently. One dollar of the admission fee goes to the State of Missouri, and one dollar goes to the home dock city in which the licensee operates. The licensee is required to maintain public books and records clearly showing amounts received from admission fees, the total amount of gross receipts and the total amount of adjusted gross receipts. In addition, all local income, earnings, use, property and sales taxes are applicable to licensees. From time to time, there have been several proposed bills pending before the Missouri General Assembly which, individually or in combination, if adopted, would (1) allow gaming credits to be used in food and beverage purchases, (2) adjust the amount of wagering tax imposed on adjusted gross receipts of licensees and/or (3) adjust the amount of admission tax paid by the licensee for each person admitted for a gaming cruise. Currently, there are two bills pending before the Missouri General Assembly for the expansion of gaming in the state. The Missouri sports betting bill would allow Class B gaming licensees and daily fantasy sports licensees to conduct sports wagering including on mobile devices so long as such devices are located within the state of Missouri. The Missouri VLT bill would allow the state lottery to operate video gaming terminals, similar to slot machines, at various bars, restaurants, veterans and fraternal organizations and convenience stores throughout the state. Each of these bills are in the early stages of the law making process. Consequently, it is unclear whether there will be effective support in the Missouri General Assembly to move the bills forward.

Iowa

Our Diamond Jo and Diamond Jo Worth operations are subject to Chapter 99F of the Iowa Code and the regulations promulgated under that Chapter, and the licensing and regulatory control of the Iowa Racing and Gaming Commission ("IRGC" or "Commission"). Our licenses held by Diamond Jo, LLC ("DJL") and Diamond Jo Worth, LLC, ("DJW") are subject to annual renewal and are further dependent upon successful annual license renewal of our respective "qualified sponsoring organizations," Dubuque Racing Association, Ltd. ("DRA") and Worth County Development Authority ("WCDA").

The legislation permitting gambling in Iowa authorizes the granting of licenses to conduct gambling games to "qualified sponsoring organizations." A "qualified sponsoring organization" is defined as a nonprofit corporation organized under Iowa law, whether or not exempt from federal taxation, or a person or association that can show to the satisfaction of the Commission that the person or association is eligible for exemption from federal income taxation under Sections 501(c)(3), (4), (5), (6), (7), (8), (10) or (19) of the Internal Revenue Code. Such nonprofit corporation may operate the excursion gambling boat or gambling structure itself, or it may enter into an agreement with another operator to operate the boat or structure on its behalf. An operator must be approved and licensed by the Commission. DRA, a nonprofit corporation originally organized for the purpose of operating a pari-mutuel greyhound racing facility in Dubuque, Iowa, first received an excursion gambling boat license in 1990 and has been licensed as the "qualified sponsoring organization" of the Diamond Jo Casino since March 18, 1993. DRA entered into an operating agreement (the "DRA Operating Agreement") with Greater Dubuque Riverboat Entertainment Company, L.C., the previous owner and operator of the Diamond Jo Casino, authorizing Greater Dubuque Riverboat Entertainment Company, L.C. to operate excursion gambling boat gaming operations in Dubuque. The Commission approved the DRA Operating Agreement on March 18, 1993. We assumed the rights and obligations of Greater Dubuque Riverboat Entertainment Company, L.C. under the DRA Operating Agreement.

During 2005, the DRA Operating Agreement was amended to provide for, among other things, the extension of the agreement through December 31, 2018. The Agreement also authorized the DRA to operate up to 1,500 gaming positions at Mystique, a greyhound racetrack that DRA operates under a separate license. On November 13, 2014, the Commission approved a request by DRA to conduct gambling games at a gambling structure instead of a racetrack enclosure effective January 1, 2015. This change was in response to a 2014 statutory amendment allowing DRA to maintain a license to conduct gambling games at Mystique without the requirement of scheduling performances of live dog races. DJL pays the DRA 4.5% of DJL's adjusted gross receipts (the gross receipts less winnings paid to wagerers) from gaming operations of DJL. In 2017, the DRA and DJL executed an Amended and Restated Operating Agreement, effective January 1, 2019, that will extend the term through December 31, 2030, upon effectiveness.

In 2007, DJL entered into an Amended and Restated Port of Dubuque Public Parking Facility Development Agreement with the City of Dubuque, Iowa ("the City"). Pursuant to that agreement, DJL agreed to and has now completed construction of a land-based casino of not less than one hundred forty thousand (140,000) square feet of floor space. DJL is obligated to pay the full property taxes on the casino development and valuation of the property is subject to a minimum assessment agreement. DJL further agreed to escrow funds for the City to construct a parking facility. The parking garage has been completed and DJL is obligated to pay the reasonable and necessary actual operating costs incurred by the City for the operating, security, repair and maintenance of that Public Parking Facility and to contribute \$80 per parking space (adjusted by the Consumer Price Index) annually to a Sinking Fund from which certain of those expenses are withdrawn. As part of that agreement the City agreed to make the parking garage available for public use 24 hours/day and 7 days/week subject to certain emergency situations. The parking garage was largely funded through tax increment financing over a 30-year period and the parking agreement between the City and DJL continues for the life of the Public Parking Facility. The development agreement was amended June 11, 2009 to provide parking privileges in the public parking facility for DJL's customer valet parking and for certain management personnel. The amendment agreement terminates June 18, 2029.

The Worth County Development Authority ("WCDA"), a nonprofit corporation, was organized on July 14, 2003 for the purpose of serving as a "qualified sponsoring organization" for an excursion gambling boat licensed in Worth County, Iowa. Pursuant to an operating agreement with the WCDA (the "WCDA Operating Agreement"), DJW is entitled to own and operate a gambling facility in Worth County, Iowa. As the "qualified sponsoring organization" for DJW, WCDA receives 5.76% of DJW's adjusted gross receipts from gaming operations. An Amendment to the WCDA Operating Agreement was entered into on October 7, 2014 and was approved by the Commission on November 13, 2014. The First Amendment to Amended and Restated Operator's Agreement provides for a continuation of the operating agreement until March 31, 2025 with DJW's right to renew for succeeding ten year periods thereafter as long as gaming is allowed in Worth County pursuant to Iowa Code 99F and as long as DJW has substantially complied with the WCDA Operating Agreement and DJW's and WCDA's gaming licenses are renewed and/or in effect

Under Iowa law, a license to conduct gaming may be issued in a county only if the county electorate has approved the gaming. The electorate of Dubuque County, Iowa, which includes the City of Dubuque, approved gaming on May 17, 1994, by referendum, with 80% of the electorate voting in favor of gaming conducted by DJL. The electorate of Worth County, Iowa, approved gaming on June 24, 2003, by referendum, including gaming conducted by DJW, with 75% of the electorate voting in favor. In 2011, the legislature amended the law to remove the requirement for referendums to be conducted every eight years if a proposition to operate gambling games is approved by a majority of the county electorate voting on the proposition in two successive elections. Because both Dubuque County and Worth County have had two successive referendums approving the proposition allowing for the operation of gambling games, no further referendums approving a proposition to operate gambling games are required for DJL and DJW.

Under Iowa law, the legal age for gaming is 21 years of age, and wagering on a "gambling game" is legal when conducted by a licensee on the gaming floor of an "excursion gambling boat" or a "gambling structure." An "excursion gambling boat" is an excursion boat or moored barge and a "gambling structure" is any man-made stationary structure that does not contain a race track and is approved by the Commission. A "gambling game" is any game of chance authorized by the Iowa Racing and Gaming Commission.

In July 1995, legislation was enacted requiring the Commission to cooperate with the gamblers assistance program and to incorporate information regarding the program and its toll-free telephone number in printed materials distributed by the Commission. It also provided that, as a condition of licensing, the Commission could require licensees to have the information available in a conspicuous place.

Legislation enacted in May 2004, and subsequently amended in 2017, required licensees to establish a voluntarily exclusion program, whereby persons may voluntarily ban themselves from the gaming floor of all licensed facilities under Iowa Code Chapter 99F for an initial period of five years or life and that person can then make subsequent requests to be excluded from the gaming

floor for five years or life. This process also requires the licensee to disseminate information regarding persons voluntarily excluded to all other licensees. The 2004 legislation also prohibited cash and credit devices in the wagering area or on the gaming floor and required that the CPA conducting the annual audit be selected by the board of supervisors of the licensee's county and required that new operating agreements between a qualified sponsoring organization and an operator provide for a minimum distribution for charitable purposes to average at least three percent of the adjusted gross receipts for each license year.

A substantial amount of all resources and goods used in the operation of an excursion gambling boat must emanate from and be made in Iowa. Also, as a condition of granting a license, the licensee must make every effort to ensure a substantial number of staff and entertainers are Iowa residents and reserve a section for promotion and sale of arts, crafts, and gifts native to and made in Iowa.

Substantially all of DJL's and DJW's material transactions are subject to review and approval by the Commission. All contracts or business arrangements, verbal or written, with any related party or in which the term exceeds three years or the total value of the contract exceeds \$100,000 in a calendar year are agreements that qualify for submission to and approval by the Commission subject to certain limited exceptions. The agreement must be submitted within 30 days of execution and approval must be obtained prior to implementation unless the agreement contains a written clause stating that the agreement is subject to Commission approval. Additionally, contracts negotiated between DJL or DJW and a related party must be accompanied by economic and qualitative justification.

We must submit detailed financial, operating and other reports to the Commission. We must file weekly gaming reports indicating adjusted gross receipts received from gambling games. Additionally, we and our qualified sponsoring organizations must file annual audited financial statements covering all financial activities related to our operations for each fiscal year. We must also keep detailed records regarding our equity structure and owners.

Iowa has a graduated wagering tax on excursion gambling boat and gambling structure gaming equal to 5% of the first one million dollars of adjusted gross receipts, 10% on the next two million dollars of adjusted gross receipts and 22% on adjusted gross receipts of more than three million dollars. In addition, Iowa excursion gambling boats and gambling structures share equally in costs of the Commission and related entities to administer gaming in Iowa.

Proposals to amend or supplement Iowa's gaming statutes are frequently introduced in the Iowa state legislature. In addition, the state legislature sometimes considers proposals to amend or repeal Iowa law and regulations, which could effectively prohibit gaming in gambling structures and excursion gambling boats in the State of Iowa, limit the expansion of existing operations or otherwise affect our operations. Although we do not believe that a prohibition of gaming in Iowa is likely, we can give no assurance that changes in Iowa gaming laws will not occur or that the changes will not have a material adverse effect on our business. Similarly, there could be changes in laws governing prohibition of smoking at our facilities or other laws that would impact our business.

If the Commission decides that a gaming law or regulation has been violated, the Commission has the power to assess fines, revoke, or suspend licenses or to take any other action as may be reasonable or appropriate to enforce the gaming rules and regulations. In addition, annual license renewal is subject to, among other things, continued satisfaction of suitability requirements.

We are required to notify the Commission as to the identity of, and may be required to submit background information regarding, each director, corporate officer and owner, partner, joint venture, trustee or any other person who has a beneficial interest, direct or indirect, in DJL or DJW. The Commission may also request that we provide them with a list of persons holding beneficial ownership interests in DJL or DJW. For purposes of these rules, "beneficial interest" includes all direct and indirect forms of ownership or control, voting power or investment power held through any contract, lien, lease, partnership, stockholding, syndication, joint venture, understanding, relationship, present or reversionary right, title or interest, or otherwise. The Commission may limit, make conditional, suspend or revoke the license of a licensee in which a director, corporate officer or holder of a beneficial interest is found to be ineligible as a result of want of character, moral fitness, financial responsibility, or professional qualifications or due to failure to meet other criteria employed by the Commission.

If the Commission were to find an officer, director or key employee unsuitable for licensing or unsuitable to continue having a relationship with us or DJL or DJW, all relationships with such person would have to be severed. If any gaming authority, including the Commission, requires any person, including a holder of record or beneficial owner of securities or holder of a "beneficial interest", to be licensed, qualified or found suitable, the person must apply for a license, qualification or finding of suitability within the time period specified by the Commission. The person would be required to pay all costs of obtaining the license, qualification or finding of suitability. If a holder of record or holder of a "beneficial interest" in the licensee is required to be licensed, qualified or found suitable and is not licensed, qualified or found suitable by the Commission within the applicable time

period, membership interests or “beneficial interests” as the case may be, must be redeemed or transferred to a person or entity that is licensed, qualified or found suitable or the gaming license could be adversely affected, including revocation.

Kansas Gaming Regulation

On January 14, 2011, the State of Kansas gave its final approval to develop, construct and manage a casino in the South Central Gaming Zone. On December 17, 2011, the Kansas Racing and Gaming Commission (“KRGK”) gave its Final Certification to open the Kansas Star Casino, which then opened to the public on December 20, 2011. On October 15, 2012, the Kansas Lottery consented to and approved the assignment/transfer of the ownership and control of the Lottery Gaming Management Facility Contract (“Management Contract”) and the Kansas Star Casino to Boyd Gaming Corporation. On November 16, 2012, the KRGK issued its certification and approved Boyd Gaming Corporation as the Gaming Manager for the South Central Zone. Pursuant to the terms of the Management Contract, the State retains 22%-26% of gross gaming revenue, based on a tiered revenue structure. In addition, 3% is paid to the City of Mulvane and Sumner County and 2% is paid to the Problem Gaming and Addiction Grant Fund. Kansas Star Casino receives the balance of gross gaming revenue, as well as all non-gaming revenue. Kansas Star Casino is contractually committed to providing \$1.5 million annually to a county fund to support education in the region and \$100.00 to each Sumner County student grades K-12 for school supplies plus \$1,000.00 to each Sumner County student pursuing post-secondary endeavors.

The state gaming regulations in Kansas provide for four (4) designated gaming zones, with a single state sanctioned casino to be located in each such zone. Kansas regulations authorize gaming operations through the execution of management contracts between the State of Kansas and commercial gaming managers. The Management Contract confers the exclusive right to manage a lottery gaming business in a designated gaming zone for a period of 15 years from commencement of operations. It provides the Lottery Gaming Facility Manager (the “Gaming Manager”) the right to own and develop all of the assets of the casino and related amenities (except for lottery facility games, including slot machines and table games) and manage the Lottery Gaming Facility on behalf of the State of Kansas. Subject to the approval of the Executive Director of the Kansas Lottery, the Gaming Manager purchases the lottery facility games on behalf of the State of Kansas and title to the lottery facility games is placed in the name of the State of Kansas for the duration of the Management Contract. If this Management Contract were to eventually expire, title to these games would be transferred to the Gaming Manager, if legally permitted, or the games would be sold and the State of Kansas would convey the residual value of such games to the Gaming Manager. The Management Contract also provides the Gaming Manager and the Kansas Lottery with discretion to renew the Management Contract or to negotiate a new Management Contract provided the new Management Contract contains substantially the same terms as contained in the existing Management Contract and compels the parties to negotiate in good faith. Kansas law additionally allows for the development of racetrack gaming facilities in three of the gaming zones, the Northeast Zone, the South Central Zone and the Southeast Zone. These facilities would be allowed to place up to 2,200 slot machines between the three tracks, provided the public in each Gaming Zone approved the expansion of gaming into racetrack facilities. On August 7, 2007, voters in Sedgwick County, Kansas rejected the expansion of gaming to the Wichita Greyhound Park in Park City, Kansas. The Wichita Greyhound Park is located in the South Central zone. Given the relatively high tax rate and race requirements for racetrack gaming facilities in Kansas, no proposals to establish slots at either of the other gaming zones have been received and the other two racetracks (the Woodlands in Kansas City, Kansas and Camptown in Frontenac, Kansas) have been closed for many years.

The Gaming Manager is subject to regulation by both the Kansas Lottery Commission and the KRGK. These regulations require the Gaming Manager to comply with strict operating, accounting and audit procedures. Additionally, pursuant to the Management Contract, the Executive Director of the Kansas Lottery has approval rights over certain operational areas such as advertising, promotions and marketing materials as well as the purchase, lease, sale or transfer of lottery facility games. Pursuant to the Expanded Lottery Gaming Act, the Gaming Manager, together with all officers, directors, key employees and persons owning directly or indirectly 0.5% or greater interest in a Gaming Manager are required to be certified by the KRGK. Such certification requires the Gaming Manager, entities and individuals to submit to a background investigation, and includes compliance with such security, fitness and background investigations and standards as the Executive Director of the KRGK deems necessary to determine whether such person’s reputation, habits or associations pose a threat to the public interest of the state or to the reputation of or effective regulation and control of the Lottery Gaming Facility or Racetrack Gaming Facility. The KRGK has the power to assess fines, revoke or suspend licenses or to take any other action it deems necessary to comply with Kansas laws, rules and regulations. The KRGK from time to time adopts regulations it considers necessary and appropriate.

During the 2017 legislative session bills designed to permit slot machines at race tracks in Kansas were introduced in both the House and Senate. On January 26, 2017 HB 2173, was introduced in the Kansas House of Representatives, and, referred to the House Committee on Federal and State Affairs. The Bill contained numerous provisions designed to permit electronic gaming machines to be placed at various dog and horse racing tracks in Kansas and regulating such activities at the tracks. In part, HB 2173 required the Sedgwick County Board of County Commissioners to submit a ballot proposition to the voters of Sedgwick County that would permit the operation of electronic gaming machines at the Wichita Greyhound Park racetrack facility if a petition

signed by 5,000 or more qualified voters supporting the proposition is presented to the Board of County Commissioners. The Bill further provided that if a majority of Sedgwick County voters approved the proposition (at an election held no than 120 days after the petition was certified), the Bill would authorize the Executive Director of the Kansas Lottery to enter into a contract with the pari-mutuel licensee at Wichita Greyhound Park to operate electronic gaming machines at the racetrack facility. The Bill, as amended, received the approval of the Committee on February 13, 2017 with a recommendation for passage. On February 16, 2017, the amended HB 2173 was referred by the Speaker of the House to the House Committee on Appropriations for further consideration. On March 23, 2017, the House Committee on Appropriations held a hearing on the Bill as amended and took no further action.

Substantially similar legislation, Senate Bill 207, was introduced in the Kansas Senate on February 21, 2017 and referred to the Senate Committee on Federal and State Affairs. The Senate Committee heard the bill on March 23, 2017 and took no further action.

The 2017 session of the Kansas Legislature adjourned without taking any action on either HB 2173, as amended, or SB 207.

On February 8, 2017, the Kansas Lottery introduced identical bills in the Senate and House Federal and State Committees. The bills attempted to change Kansas law to authorize lottery ticket vending machines in Kansas, such as keno ticket vending machines, pull-tab vending machines and instant bingo vending machines. The bills also authorized certain lottery ticket facilities to place lottery dispensing machines in such facilities and would have extended the sunset of the Kansas Lottery an additional fifteen (15) years, from 2022 to 2037. The House of Representatives version of the legislation, HB 2313, passed both the Kansas House and Kansas Senate, in amended form, but was vetoed by the Governor on June 15, 2017. On January 22, 2018, HB 2517 was introduced as legislation and, ultimately, referred to the House Federal and State Affairs Committee. HB 2517, as drafted, was substantially similar to the 2017 version of HB 2313 but died on the House calendar.

During 2018 legislative session HB 2545 was introduced and referred to the House Committee on Federal and State Affairs. The Bill was once again designed to permit electronic gaming machines to be placed at various dog and horse race tracks in Kansas including the Wichita Greyhound Park facility. The bill, in part, contains provisions that provided for a new election in Sedgwick County to determine whether the operation of electronic gaming machines should be authorized at Wichita Greyhound Park either as a result of a resolution of the Board of County Commissioners or a petition signed by 5,000 or more qualified voters supporting the proposition. If a majority of Sedgwick County voters approved the proposition at an election, the Bill authorized the Executive Director of the Kansas Lottery to enter into a contract with the pari-mutuel licensee at Wichita Greyhound Park to operate electronic gaming machines at that facility. The Bill also included provisions that attempted to limit the State's liability to Lottery Gaming Facility Managers for authorizing and enabling pari-mutuel racetracks to operate electronic gaming machines, simulcast gaming and limited live racing programs within the Northeast, South Central and Southeast gaming zones.

Senate Bill No. 427, which was referred to the Senate Committee on Federal and State Affairs, sought to amend the Kansas Expanded Lottery Act and the Kansas Pari-mutuel Racing Act to significantly reduce the live racing required at pari-mutuel racetracks located in Wyandotte County (100% reduction in greyhound racing) and Crawford County (50% reduction in live greyhound racing) for the Kansas lottery to install and operate slot machines at any racetrack gaming facility which may be established on the racetrack premises. Since the results of a Sedgwick County election in August 2007 prohibits the Kansas lottery from installing and operating any slot machines in Sedgwick County, the bill proposed to permit a re-vote regarding the placement of slot machines at a racetrack gaming facility in Sedgwick County. The bill would have also changed the distribution of net slot machine income at all racetrack gaming facilities by reducing the State's share from 40% to 22% and increasing the racetrack gaming facility manager's share from 25% of net slot machine income to: 65.5% for two years and 61.5% thereafter in Wyandotte County; 68.4% in Sedgwick County; and 67.5% in Crawford County. SB 427 also sought to significantly reduce the number of live racing days required for a simulcast license and inter-track pari-mutuel wagering thereon. SB 427 was favorably reported out of committee but failed to pass upon a full vote of the Senate on April 28, 2018. Neither SB 427 nor HB 2545 and the Substitute for House Bill No. 2545 were submitted to a vote of the full House of Representatives during the session.

In May of 2018, the Legislature passed without a hearing, and Governor Colyer signed into law, the Substitute for House Bill No. 2194. The Legislature originally passed this measure in 2017 as House Bill No. 2313, but it was vetoed by then-Governor Brownback. Sub. for HB 2194 became effective on May 24, 2018 and amends the Kansas Lottery Act to extend the sunset for the Kansas lottery from July 1, 2022 to July 1, 2037, to allow the use of lottery ticket vending machines and instant bingo vending machines, and to permit underage purchases of lottery tickets as part of authorized law enforcement investigations. Sub. for HB 2194 also amends various provisions of Kansas law concerning the State Debt Setoff Program to direct the Secretary of Administration to enter into agreements with lottery gaming facility managers to check prize winners for whom an IRS Form W-2G must be completed against the Kansas Debt Recovery database and to withhold the amount of any reported debt from any qualifying prize. To date, the Secretary of Administration and the lottery gaming facility managers have engaged in negotiations, but no agreements have been reached or executed.

Several bills to authorize sports wagering in Kansas were also introduced during the 2018 legislative session in anticipation of a United State Supreme Court decision invalidating the Professional and Amateur Sports Protection Act of 1992. These measures included House Bill Nos. 2533, 2792 and 2793, which were referred to the House Committee on Federal and State Affairs, and Senate Bill No. 455, which was referred to the Senate Committee on Federal and State Affairs. None of these bills, however, were favorably reported out of committee or submitted to a full vote of the House of Representatives or the Senate.

The 2019 Kansas Legislature is considering various proposals to authorize sports wagering in the wake of the U.S. Supreme Court's decision invalidating the Professional and Amateur Sports Protection Act of 1992. Senate Bill No. 23, which was referred to the Senate Committee on Federal and State Affairs on January 18, 2019, would enact the Kansas sports wagering act authorizing the Kansas lottery to offer betting on professional and amateur sporting events directly using its retail outlets, through lottery gaming facilities and racetrack gaming facilities. The lottery, lottery gaming facilities and racetrack gaming facilities would be permitted to conduct sports wagering through internet websites and mobile applications. The House counterpart to SB 23 is House Bill No. 2068, which was referred to the House Committee on Federal and State Affairs on January 24, 2019. House Bill No. 2032, which was referred to the House Committee on Federal and State Affairs on January 15, 2019, would authorize the Kansas lottery to offer sports wagering only on the premises of racetrack gaming facilities.

Senate Bill No. 98, which was referred to the Senate Committee on Federal and State Affairs on February 6, 2019, would amend the Kansas Expanded Lottery Act to authorize the Kansas lottery to install and operate slot machines at a racetrack gaming facility which may be established on the premises of The Woodlands pari-mutuel racetrack in Kansas City, Kansas. The bill also seeks to reduce the live racing days required for a simulcast and inter-track pari-mutuel wagering and eliminates the requirement for live greyhound racing. The bill would retain the requirement for a limited live horse racing program in order to operate slot machines and change the distribution of net slot machine income by reducing the State's share from 40% to 22% and increasing the racetrack gaming facility manager's share from 25% to 63.5% in the first two years of operation, 61.5% in the third year of operation and 59.5% thereafter. The House counterpart to SB 98 is House Bill No. 2280, which was referred to the House Committee on Commerce, Labor and Economic Development on February 12, 2019. On February 19, 2019 RS No. 19 RS 0944 was introduced in the House Committee on Federal and State Affairs with its counterpart being introduced in the Senate Committee on Federal and State Affairs. The bills would enact a Kansas sports wagering act authorizing the Kansas lottery to offer sports gaming exclusively through the lottery gaming facilities. House Bill 2204 was introduced in the House Committee on Appropriations and seeks to require the approval of the legislature before the term of any lottery gaming facility contract can be extended.

Ohio Gaming Regulation

Ohio has eleven (11) gaming facilities. Four of these gaming facilities are casinos and subject to the Ohio Casino Control Commission. Casino gaming was authorized in Ohio on November 3, 2009 through a voter approved Constitutional Amendment (Issue 3). The other seven (7) gaming facilities conduct video lottery terminal sales and pari-mutuel wagering as described below.

Boyd Gaming Corporation, or its subsidiaries, does not conduct casino gaming in Ohio. Instead, Boyd, through a subsidiary, owns and operates Belterra Park Gaming. Belterra Park operates and conducts video lottery terminals ("VLTs") sales, and also conducts pari-mutuel wagering on horse racing. Belterra Park also sells traditional lottery games.

Video Lottery Terminals

VLT sales were authorized by House Bill 1 (effective 07/17/09) (the "Lottery Act"). The Governor at this time also issued an executive order authorizing VLTs at the seven (7) commercial racetracks (issued 08/18/09). Two of the VLT facilities are in Cuyahoga County with one of the facilities sharing a border with an adjoining county. Finally, one VLT facility is in each of the following counties: Franklin, Hamilton Mahoning, Montgomery, and Warren. The Lottery Act was subsequently amended by House Bill 386 (effective 06/11/12). The Lottery Act authorized Lottery to implement VLT sales and regulation through administrative code regulations which were originally effective on 08/18/09 (the "Lottery Regulations"). The Lottery Regulations have been amended numerous times since original enactment and can be found in Ohio Administrative Code Section 3770:2.

Currently, video lottery sales can only be conducted at a commercial horse racing facility that has been issued a permit by the Ohio State Racing Commission. The Ohio Lottery Commission ("Lottery") licenses and regulates VLTs at seven (7) facilities in the state including Belterra Park. Lottery regulation restricts the number of authorized video lottery licenses to seven (7) for ten years from the issuance of the first video lottery sales agent license. The first VLT facility opened on June 1, 2012.

To conduct VLT sales, an applicant must be issued a video lottery license as a video lottery sales agent. An applicant must pay applicable application and license fees. Each initial licensed video lottery licensee was required to invest \$150 Million in the VLT and racing facilities.

A video lottery license is valid for three (3) years and Belterra Park's license expires on April 28, 2020. Annual disclosures are required. A license may be renewed by the Lottery. Video lottery licenses are not transferable for five years from the initial issuance of an operating license unless the Director permits a license transfer to protect the public interest and trust.

A video lottery sales agent receives 66.5% commission of video lottery terminal income through Lottery regulation. Up to 1% can be dedicated to support problem gaming also through Lottery Regulation.

Video lottery sales agent employees are required to be licensed prior to being involved in gaming activity. The Lottery has the following license categories for such employees: key gaming employees, gaming employees and non-gaming employees. Key gaming employees may be provided temporary licenses if approved by the Director.

No person may own, directly or indirectly, more than five (5) percent in a video lottery applicant or licensee without notice and ultimate approval by Lottery unless such person is a qualifying institutional investor. An institutional investor who owns five (5) percent to fifteen (15) percent may be exempt from suitability review upon submitting to the director sufficient documentation and certifications. However, the Director of the Lottery may determine that any person affiliated with a video lottery applicant or video lottery sales agent must submit to background checks and suitability reviews.

Lottery has authority to audit and inspect video lottery sales agent facilities. Belterra Park is required to comply with all aspects of the Lottery Act including all rules, regulations, policies and directives of the Lottery, and all terms and conditions of the license. Failure to comply may subject the video lottery sales agent's video lottery license to suspension or revocation, or monetary penalties.

If Lottery were to find an officer, director, key employee or other licensee or applicant unsuitable for licensing or unsuitable to continue having a relationship with Belterra Park, Belterra Park would have to sever all relationships with such person. In addition, the Lottery may require Boyd Gaming or Belterra Park to terminate the employment of any person who refuses to file appropriate applications.

Video lottery sales agents may only have twenty-five hundred (2,500) VLTs unless otherwise approved by the Director. Video lottery participants must be twenty one (21) to wager on video lottery terminals. Projected average return to video lottery participants must be eighty five (85) percent or more. Video lottery sales agents receive a commission of sixty-six and one-half (66.5) percent of video lottery terminal sales, but a portion goes to support problem gaming. Lottery keeps the remainder to support education of the state.

Pari-mutuel wagering

Pari-mutuel wagering on horse racing was first authorized in 1933 by the Ohio General Assembly. Commercial horse racing is permitted and regulated pursuant to Ohio Revised Code Chapter 3769 and Ohio Administrative Code Chapter 3769 (collectively the "Horse Racing Act"). The Horse Racing Act is dedicated to the protection, preservation and promotion of horse racing and its related industry.

The Ohio State Racing Commission ("Racing Commission") permits and regulates horse racing at seven (7) commercial facilities in the state which currently are at same facilities as the VLT facilities. The Horse Racing Act requires a racing permit only for a corporation that holds, conducts, assists, or aid and abets in holding or conducting any meetings, at which horse racing is permitted for any stake, purse, or award. The Racing Commission licenses all industry participants and regulated pari-mutuel wagering.

To conduct pari-mutuel wagering at horse racing facilities, an applicant must be issued a permit annually. An applicant must pay applicable license fees. A permit may be renewed by the Racing Commission. Racing permits are not transferable without approval of the Racing Commission.

Persons participating in racing are required to be licensed by the Racing Commission.

The Racing Commission has authority to audit and inspect the racing facilities. Belterra Park is required to comply with all aspects of the Horse Racing Act including all rules, regulations, policies and directives of the Racing Commission, and all terms and conditions of the license. Failure to comply may subject the video lottery sales agent's video lottery license to suspension or revocation, or monetary penalties.

Ohio has taxed pari-mutuel wagering on horse racing since 1933. In 1981, the horse racing tax was expanded to include "exotic" wagering - meaning all bets made on placements other than win, place or show.

An additional tax on pari-mutuel wagering is also levied for the municipal corporation or township in which racing takes place, intended as a reimbursement for expenses incurred due to racing meets.

- **Tax Base** - The base of the tax includes the:
 - Amount wagered each day on all pari-mutuel racing.
 - Amount wagered each day on exotic bets.
 - Total amount wagered at each horse racing meeting of a permit holder.
- **Rates** - Pari-mutuel wagering tax: The tax rates on daily pari-mutuel wagering are as follows:

<u>Amount wagered daily</u>	<u>Rates</u>
◦ First \$200,000	1.0%
◦ Next \$100,000	2.0%
◦ Next \$100,000	3.0%
◦ Over \$400,000	4.0%

In addition to the pari-mutuel tax, a special tax of 3.5% applies to daily wagering on results other than win, place or show. There is an additional pari-mutuel wagering tax as follows which is capped at \$15,000 per meet:

<u>Total wagering per meet</u>	<u>Rates</u>
◦ Less than \$5 million	0.10%
◦ 45 million or more	0.15%

Liquor

Belterra Park is also subject to the jurisdiction and regulation of the Ohio Division of Liquor Control ("Liquor Control") for the liquor sales conducted at the property. Liquor Control issues permits to Belterra Park to conduct liquor sales and regulates liquor sales along with the Ohio Department of Public Safety.

Changes in such laws, regulations and procedures could have an adverse effect on our gaming operations and our business, financial condition and results of operations.

Pennsylvania

The ownership and operation of casinos in Pennsylvania - including the Valley Forge Casino Resort that is owned and operated by our wholly-owned subsidiary, Valley Forge Convention Center Partners, LLC (the "PA Subsidiary") - are subject to extensive state regulation under the Pennsylvania Race Horse Development and Gaming Act, as amended, (4 Pa. C.S. §§ 1101 *et seq.*) and the regulations set forth in Title 58, Part VII of the Pennsylvania Code, (collectively referred to herein as the "Pennsylvania Act"). The primary objective of the Pennsylvania Act is to protect the public through regulation and policing of all activities involving gaming. Secondary objectives of the Pennsylvania Act include the generation of licenses fee and tax revenue for state and local government, tourism promotion, economic development, and promotion of the horse racing industry.

The Pennsylvania Act vests the Pennsylvania Gaming Control Board ("PGCB") with general and sole regulatory authority over the conduct of casino gaming and related activities, which includes interactive gaming and sports wagering under Act 42 of 2017. The PGCB was formed in 2004 and consists of seven voting members; three of whom are appointed by the governor and four of whom are appointed by the leadership of the Pennsylvania General Assembly. The PGCB grants various licenses, certificates, and other approvals, including, without limitation:

- Slot machine licenses that authorize a holder to make slot machines available to play in accordance with the Pennsylvania Act;
 - Table games operation certificates that authorize a holder to make table games available to play in accordance with the Pennsylvania Act;
 - Interactive gaming certificates that authorize a holder to conduct interactive gaming directly or through an interactive gaming operator in accordance with the Pennsylvania Act; and
 - Sports wagering operation certificates that authorize a holder to conduct sports wagering directly or through an sports wagering operator in accordance with the Pennsylvania Act.
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A slot machine license and the three other certificates listed above are required for casinos to offer slot machines, table games, interactive games and sports wagering. Each license or certificate has statutory and regulatory conditions that applicants must satisfy by clear and convincing evidence. In addition, persons with material relationships to, or material involvement with Boyd Gaming or the PA Subsidiary, including officers, directors and certain key employees, are required to apply to the PGCB for and maintain principal licenses and key employee licenses in accordance with the Pennsylvania Act. Any person with a beneficial ownership interest in Boyd Gaming of 5% or more must also apply for and obtain a principal license. Institutional investors, as defined in the Pennsylvania Act, that hold a beneficial ownership interest in Boyd Gaming of less than 20% which file and remain eligible to file a statement of beneficial ownership on Schedule 13G with the U.S. Securities and Exchange Commission may qualify for an institutional investor waiver in lieu of full licensure as a principal. If the PGCB were to find an officer, director, key employee or beneficial owner unsuitable for licensing or unsuitable to continue having a relationship with Boyd Gaming or the PA Subsidiary, the individuals and/or companies involved would have to sever all relationships with such person or entity.

All applicants to the PGCB must pay upfront fees for the issuance of the license or certificate and, for certain certificates, a periodic renewal fee. The PA Subsidiary has applied for, obtained and paid the requisite license fee for the license and certificates that authorize slot machines, table games, interactive games and sports wagering subject to customary regulatory conditions.

Pennsylvania has twelve casinos throughout the state. The PGCB is authorized to issue up to twenty-four slot machine licenses. Seven licenses may be issued to existing horse racetracks (Category 1), five licenses may be issued to stand-alone casinos (Category 2), and two licenses may be issued to well-established hotel resorts (Category 3). The Pennsylvania Act was amended on January 7, 2010, which amendment allowed the Category 1 and Category 2 casinos to offer up to 250 table games, while Category 3 casinos are limited to offer a maximum of 50 table games. The Pennsylvania Act was amended again on October 30, 2017, which amendment authorized up to 10 ancillary casinos (Category 4) to operate between 300 and 750 slot machines and up to 30 table games, and further authorized Category 3 casinos to add up to 250 additional slot machines (over and above the previously authorized number of 600 machines) for a \$2.5 million fee and up to 15 table games (over and above the previously authorized number of 50 table games) for a \$1.0 million fee.

The PA Subsidiary holds a Category 3 license and paid the \$2.5 million fee in order to offer the additional 250 slot machines. Boyd Gaming and its applicable principals and key employees have been licensed by the PGCB for Boyd Gaming to own Valley Forge Casino Resort. All permits and licenses issued by the PGCB are subject to renewal every five years. An application for renewal should be submitted at least six months prior to the expiration of the permit or license. The renewal application shall include an update of the information contained in the initial and any prior renewal applications and the payment of any renewal fee required.

Boyd Gaming and the PA Subsidiary are required to submit detailed financial and operating reports to the PGCB on regular intervals and in advance of the occurrence of certain material financing transactions.

If it were determined that the Pennsylvania Act was violated by Boyd Gaming or the PA Subsidiary, the gaming licenses for Valley Forge Casino Resort could be limited, conditioned, suspended or revoked, subject to compliance with certain statutory and regulatory procedures. In addition, Boyd Gaming and the persons involved could be subject to substantial fines for each separate violation of the Pennsylvania Act. Furthermore, a trustee could be appointed by the PGCB to operate Valley Forge Casino Resort.

All licenses under the Pennsylvania Act are grants of privilege to conduct business in the state and are nontransferable. If a slot machine licensee becomes aware of any proposed or contemplated change of ownership of the slot machine licensee, they must immediately notify the PGCB. A change of ownership includes:

- More than 5% of a slot machine licensee's securities or other ownership interests;
- More than 5% of the securities or other ownership interests of a corporation or other form of business entity that owns directly or indirectly at least 20% of the voting or other securities or other ownership interests of the licensee;
- The sale - other than in the ordinary course of business - of a licensee's assets; or
- Any other transaction or occurrence deemed by the PGCB to be relevant to license qualifications.

Within the PGCB is the Bureau of Investigations and Enforcement ("BIE"), Bureau of Casino Compliance ("BCC") and the Office of Enforcement Counsel ("OEC"). BIE and OEC enforce the Pennsylvania Act and have pervasive investigative powers. BIE and OEC investigate and review all applicants and applications for a license, permit or registration. BCC and OEC also monitor gaming operations and can inspect and examine licensed facilities. A review may include the review of accounting, administrative and financial records, management control systems, procedures and other records utilized by a licensed entity. Licensees are obligated to comply with all investigations and the failure to do so may jeopardize the licensee's ability to continue its business.

The passage of Act 42 of 2017 was the largest expansion of gaming in Pennsylvania since 2004. The most significant change was the establishment of Category 4 licenses. The PGCB was given authorization to establish up to 10 locations, with licenses awarded via sealed bid auction. In addition, Act 42 of 2017 authorized the operation of up to 5 video gaming terminals at truck stops. Further, sports wagering was authorized in anticipation of changes in applicable federal law, and Act 42 of 2017 gave the PGCB the authority to establish standards and procedures to govern sports wagering in the state. Finally, the Department of Revenue was given the authority to establish an iLottery program to sell existing products as well as internet instant games.