BOYD GAMING CORP
Form 10-Q
August 06, 2018

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

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number: 1-12882

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

Nevada	88-0242733
(State or other jurisdiction of incorporation or organization)	(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)

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 x No o

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

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

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o
		Emerging growth company	o

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 Exchange Act. o

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

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

Class	Outstanding as of August 2, 2018
Common stock, $0.01 par value	112,273,503

BOYD GAMING CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED JUNE 30, 2018
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PART I. Financial Information

Item 1. Financial Statements (Unaudited)

BOYD GAMING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(In thousands, except share data)	June 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$632,808	$203,104
Restricted cash	26,112	24,175
Accounts receivable, net	35,854	40,322
Inventories	16,937	18,004
Prepaid expenses and other current assets	34,665	37,873
Income taxes receivable	5,204	5,185
Total current assets	751,580	328,663
Property and equipment, net	2,507,383	2,539,786
Other assets, net	91,745	81,128
Intangible assets, net	843,757	842,946
Goodwill, net	976,018	888,224
Other long-term tax assets	5,183	5,183
Total assets	$5,175,666	$4,685,930
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$88,937	$106,323
Current maturities of long-term debt	23,981	23,981
Accrued liabilities	256,821	255,146
Income tax payable	—	21
Total current liabilities	369,739	385,471
Long-term debt, net of current maturities and debt issuance costs	3,487,613	3,051,899
Deferred income taxes	105,950	86,657
Other long-term tax liabilities	3,541	3,447
Other liabilities	63,663	61,229
Commitments and contingencies (Notes 3, 8 and 9)		
Stockholders' equity		
Preferred stock, $0.01 par value, 5,000,000 shares authorized	—	—
Common stock, $0.01 par value, 200,000,000 shares authorized; 112,370,340 and 112,634,418 shares outstanding	1,124	1,126
Additional paid-in capital	913,096	931,858
Retained earnings	232,080	164,425
Accumulated other comprehensive loss	(1,140)	(182)
Total stockholders' equity	1,145,160	1,097,227
Total liabilities and stockholders' equity	$5,175,666	$4,685,930

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

BOYD GAMING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share data)	2018	2017	2018	2017
Revenues				
Gaming	$447,788	$437,125	$888,251	$881,070
Food & beverage	87,601	87,644	173,000	174,249
Room	49,434	47,834	97,346	94,684
Other	31,970	31,521	64,314	64,186
Total revenues	616,793	604,124	1,222,911	1,214,189
Operating costs and expenses				
Gaming	193,991	189,620	383,026	381,553
Food & beverage	81,619	84,427	164,309	168,775
Room	21,654	21,442	42,587	42,749
Other	21,645	21,119	42,450	42,534
Selling, general and administrative	88,041	93,037	175,624	184,650
Maintenance and utilities	28,673	25,864	56,599	52,263
Depreciation and amortization	53,923	52,563	105,199	106,527
Corporate expense	24,063	23,251	49,920	44,049
Project development, preopening and writedowns	5,801	2,784	9,241	5,756
Impairments of assets	993	—	993	—
Other operating items, net	132	463	1,931	949
Total operating costs and expenses	520,535	514,570	1,031,879	1,029,805
Operating income	96,258	89,554	191,032	184,384
Other expense (income)				
Interest income	(522)	(455)	(979)	(915)
Interest expense, net of amounts capitalized	44,959	42,728	89,218	86,402
Loss on early extinguishments and modifications of debt	—	378	61	534
Other, net	(24)	559	(404)	670
Total other expense, net	44,413	43,210	87,896	86,691
Income from continuing operations before income taxes	51,845	46,344	103,136	97,693
Income tax provision	(13,247)	(18,652)	(23,139)	(34,925)
Income from continuing operations, net of tax	38,598	27,692	79,997	62,768
Income from discontinued operations, net of tax	347	21,017	347	21,392
Net income	$38,945	$48,709	$80,344	$84,160
Basic net income per common share				
Continuing operations	$0.34	$0.24	$0.70	$0.54
Discontinued operations	—	0.18	—	0.19
Basic net income per common share	$0.34	$0.42	$0.70	$0.73
Weighted average basic shares outstanding	114,543	115,225	114,459	115,247
Diluted net income per common share				
Continuing operations	$0.34	$0.24	$0.70	$0.54
Discontinued operations	—	0.18	—	0.19
Diluted net income per common share	$0.34	$0.42	$0.70	$0.73
Weighted average diluted shares outstanding	115,218	115,923	115,186	115,911

Dividends declared per common share	$0.06	$0.05	$0.11	$0.05

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

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
(In thousands)	2018	2017	2018	2017
Net income	$38,945	$48,709	$80,344	$84,160
Other comprehensive (loss) income, net of tax:				
Fair value adjustments to available-for-sale securities, net of tax	(306)	535	(1,270)	1,106
Comprehensive income	$38,639	$49,244	$79,074	$85,266

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

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

	Boyd Gaming Corporation Stockholders' Equity						
	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss), Net	Noncontrolling Interest	Total
(In thousands, except share data)	Shares	Amount					
Balances, January 1, 2018	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	—	—	—	80,344	—	—	80,344
Comprehensive loss attributable to Boyd, net of tax	—	—	—	—	(1,270)	—	(1,270)
Stock options exercised	241,236	2	2,251	—	—	—	2,253
Release of restricted stock units, net of tax	16,957	—	(364)	—	—	—	(364)
Release of performance stock units, net of tax	337,537	4	(5,274)	—	—	—	(5,270)
Shares repurchased and retired	(859,808)	(8)	(30,324)	—	—	—	(30,332)
Dividends declared	—	—	—	(12,377)	—	—	(12,377)
Share-based compensation costs	—	—	14,949	—	—	—	14,949
Balances, June 30, 2018	112,370,340	$1,124	$913,096	$232,080	$(1,140)	$—	$1,145,160
Balances, January 1, 2017	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	—	—	—	84,160	—	—	84,160
Comprehensive income attributable to Boyd, net of tax	—	—	—	—	1,106	—	1,106
Stock options exercised	151,683	1	1,226	—	—	—	1,227
Release of restricted stock units, net of tax	150,945	1	(2,233)	—	—	—	(2,232)
Release of performance stock units, net of tax	173,653	2	(1,793)	—	—	—	(1,791)
Shares repurchased and retired	(441,586)	(4)	(11,086)	—	—	—	(11,090)
Dividends declared	—	—	—	(5,653)	—	—	(5,653)
Share-based compensation costs	—	—	8,830	—	—	—	8,830
Other	—	—	—	—	—	(50)	(50)
Balances, June 30, 2017	112,931,072	$1,129	$948,384	$70,460	$491	$—	$1,020,464

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

BOYD GAMING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended June 30,	
(In thousands)	2018	2017
Cash Flows from Operating Activities		
Net income	$80,344	$84,160
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations, net of tax	(347)	(21,392)
Depreciation and amortization	105,199	106,527
Amortization of debt financing costs and discounts on debt	4,368	4,412
Share-based compensation expense	14,949	8,830
Deferred income taxes	19,158	32,709
Non-cash impairment of assets	993	—
Loss on early extinguishments and modifications of debt	61	534
Other operating activities	15	(456)
Changes in operating assets and liabilities:		
Accounts receivable, net	4,459	539
Inventories	1,067	(555)
Prepaid expenses and other current assets	3,282	777
Income taxes payable	(40)	1,862
Other assets, net	(2,316)	(1,642)
Accounts payable and accrued liabilities	(15,729)	(15,776)
Other long-term tax liabilities	94	66
Other liabilities	2,434	(209)
Net cash provided by operating activities	217,991	200,386
Cash Flows from Investing Activities		
Capital expenditures	(63,245)	(118,751)
Cash paid for acquisition, net of cash received	(100,713)	—
Advances pursuant to development agreement	—	(35,108)
Other investing activities	(9,240)	492
Net cash used in investing activities	(173,198)	(153,367)
Cash Flows from Financing Activities		
Borrowings under bank credit facility	333,900	535,900
Payments under bank credit facility	(591,476)	(628,037)
Proceeds from issuance of senior notes	700,000	—
Debt financing costs, net	(11,028)	(2,381)
Share-based compensation activities, net	(3,381)	(2,796)
Shares repurchased and retired	(30,332)	(11,090)
Dividends paid	(11,267)	—
Other financing activities	(50)	(95)
Net cash provided by (used in) financing activities	386,366	(108,499)
Cash Flows from Discontinued Operations		
Cash flows from operating activities	—	(514)
Cash flows from investing activities	482	36,247
Cash flows from financing activities	—	—
Net cash provided by discontinued operations	482	35,733
Change in cash, cash equivalents and restricted cash	431,641	(25,747)
Cash, cash equivalents and restricted cash, beginning of period	227,279	210,350

Cash, cash equivalents and restricted cash, end of period	$658,920	$184,603
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest, net of amounts capitalized	$85,090	$94,600
Cash paid for income taxes	3,447	4,252
Supplemental Schedule of Non-cash Investing and Financing Activities		
Payables incurred for capital expenditures	$7,082	$7,729

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

BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
as of June 30, 2018 and December 31, 2017 and for the three and six months ended June 30, 2018 and 2017

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

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

We are a geographically diversified operator of 24 wholly owned gaming entertainment properties. Headquartered in Las Vegas, we have gaming operations in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana and Mississippi.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with the instructions to the Quarterly Report on Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all information and footnote disclosures necessary for complete financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2017 included in our Current Report on Form 8-K, filed with the U.S. Securities and Exchange Commission ("SEC") on June 28, 2018. As discussed in Note 2, Summary of Significant Accounting Policies, we adopted Accounting Standards Update 2016-18 and the Revenue Standard effective January 1, 2018, by applying the full retrospective method, which has impacted previously reported results.

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

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

On 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 Hotel Casino & Spa ("Borgata"), pursuant to an Equity Purchase Agreement (the "Purchase Agreement") entered into on May 31, 2016, as amended on July 19, 2016 by and among the Company, Boyd Atlantic City, Inc., a wholly owned subsidiary of the Company, and MGM Resorts International ("MGM"). (See Note 3, 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 condensed consolidated financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments, which include cash on hand and in banks, interest-bearing deposits and money market funds with maturities of three months or less at their date of purchase. The instruments are not restricted as to withdrawal or use and are on deposit with high credit quality financial institutions.

Although these balances may at times exceed the federal insured deposit limit, we believe such risk is mitigated by the quality of the institution holding such deposit. The carrying values of these instruments approximate their fair values as such balances are generally available on demand.

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

	June 30,	December 31,	June 30,	December 31,
(In thousands)	2018	2017	2017	2016
Cash and cash equivalents	$632,808	$203,104	$162,963	$193,862
Restricted cash	26,112	24,175	21,640	16,488
Total cash, cash equivalents and restricted cash	$658,920	$227,279	$184,603	$210,350

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 gross 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 & 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 owed 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 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 hotel rooms and food & beverage). 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 guests 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2018	2017	2018	2017
Food & beverage	$43,285	$43,662	$85,923	$86,475
Rooms	19,861	19,053	38,861	37,642
Other	2,749	2,667	5,329	5,195

Gaming Taxes

We are subject to taxes based on gross gaming revenues in the jurisdictions in which we operate. These gaming taxes are recorded as a gaming expense in the condensed consolidated statements of operations. These taxes totaled approximately $80.3 million and

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$83.8 million for the three months ended June 30, 2018 and 2017, respectively, and $158.4 million and $167.0 million for the six months ended June 30, 2018 and 2017, respectively.

Income Taxes

Income taxes are recorded under the asset and liability method, whereby deferred tax assets and liabilities are recognized based on the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. We reduce the carrying amounts of deferred tax assets by a valuation allowance, if based on the available evidence, it is more likely than not that such assets will not be realized. 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 and other tax authorities in the locations where it operates. The Company assesses potentially unfavorable outcomes of such examinations based on accounting standards for uncertain income taxes, which prescribe a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

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

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

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") 2018-06, Compensation - Stock Compensation ("Update 2018-06")

In June 2018, the Financial Accounting Standards Board ("FASB") issued Update 2018-06 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 determined that the impact of the new standard to its consolidated financial statements will not be material.

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 have recorded an adjustment as a result of the Tax Act as described above in fourth quarter 2017. We believe our analysis to be complete and do not anticipate any material future changes to financial statements as a result of the impact of the Tax Act. However, if any changes are determined, we will record those as part of the measurement period.

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 condensed consolidated statement of changes in stockholders' equity for the six months ended June 30, 2018.

ASU 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 condensed 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 condensed consolidated statement of cash flows for the six months ended June 30, 2017 were as follows:

	Six Months Ended June 30, 2017		
(In thousands)	As Previously Reported	Adoption of Update 2016-18	As Adjusted
Net cash provided by operating activities	$195,234	$5,152	$200,386
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	(30,899)	5,152	(25,747)
Cash, cash equivalents and restricted cash, end of period	$162,963	$21,640	$184,603

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 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 condensed consolidated statement of changes in stockholders' equity for the six months ended June 30, 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 condensed consolidated balance sheet. The impact to the condensed consolidated statement of cash flows for the three and six months ended June 30, 2017 was not material. The impact of this change in accounting for these programs is not expected to be material to any annual accounting period.

BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
as of June 30, 2018 and December 31, 2017 and for the three and six months ended June 30, 2018 and 2017

The effects of the adoption of the Revenue Standard on our results for the three months ended June 30, 2017 are as follows:

	Three Months Ended June 30, 2017		
(In thousands, except per share data)	As Previously Reported	Adoption of Revenue Standard	As Adjusted
Revenues			
Gaming	$495,056	$(57,931)	$437,125
Food & beverage	88,342	(698)	87,644
Room	48,270	(436)	47,834
Other	32,915	(1,394)	31,521
Gross revenues	664,583	(60,459)	604,124
Less promotional allowances	64,715	(64,715)	—
Net revenues	599,868	4,256	604,124
Operating costs and expenses			
Gaming	229,912	(40,292)	189,620
Food & beverage	49,533	34,894	84,427
Room	13,469	7,973	21,442
Other	19,631	1,488	21,119
Selling, general and administrative	93,037	—	93,037
Maintenance and utilities	25,864	—	25,864
Depreciation and amortization	52,563	—	52,563
Corporate expense	23,251	—	23,251
Project development, preopening and writedowns	2,784	—	2,784
Other operating items, net	463	—	463
Total operating costs and expenses	510,507	4,063	514,570
Operating income	89,361	193	89,554
Other expense (income)			
Interest income	(455)	—	(455)
Interest expense, net of amounts capitalized	42,728	—	42,728
Loss on early extinguishments and modifications of debt	378	—	378
Other, net	559	—	559
Total other expense, net	43,210	—	43,210
Income from continuing operations before income taxes	46,151	193	46,344
Income tax provision	(18,590)	(62)	(18,652)
Income from continuing operations, net of tax	27,561	131	27,692
Income from discontinued operations, net of tax	21,017	—	21,017
Net income	$48,578	$131	$48,709
Basic net income per common share			
Continuing operations	$0.24	$—	$0.24
Discontinued operations	0.18	—	0.18
Basic net income per common share	$0.42	$—	$0.42
Weighted average basic shares outstanding	115,225	—	115,225

Diluted net income per common share			
Continuing operations	$0.24	$—	$0.24
Discontinued operations	0.18	—	0.18
Diluted net income per common share	$0.42	$—	$0.42
Weighted average diluted shares outstanding	115,923	—	115,923

BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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The effects of the adoption of the Revenue Standard on our results for the six months ended June 30, 2017 are as follows:

	Six Months Ended June 30, 2017		
(In thousands, except per share data)	As Previously Reported	Adoption of Revenue Standard	As Adjusted
Revenues			
Gaming	$995,055	$(113,985)	$881,070
Food & beverage	175,785	(1,536)	174,249
Room	95,596	(912)	94,684
Other	66,953	(2,767)	64,186
Gross revenues	1,333,389	(119,200)	1,214,189
Less promotional allowances	128,179	(128,179)	—
Net revenues	1,205,210	8,979	1,214,189
Operating costs and expenses			
Gaming	461,543	(79,990)	381,553
Food & beverage	99,051	69,724	168,775
Room	26,583	16,166	42,749
Other	39,610	2,924	42,534
Selling, general and administrative	184,650	—	184,650
Maintenance and utilities	52,263	—	52,263
Depreciation and amortization	106,527	—	106,527
Corporate expense	44,049	—	44,049
Project development, preopening and writedowns	5,756	—	5,756
Other operating items, net	949	—	949
Total operating costs and expenses	1,020,981	8,824	1,029,805
Operating income	184,229	155	184,384
Other expense (income)			
Interest income	(915)	—	(915)
Interest expense, net of amounts capitalized	86,402	—	86,402
Loss on early extinguishments and modifications of debt	534	—	534
Other, net	670	—	670
Total other expense, net	86,691	—	86,691
Income from continuing operations before income taxes	97,538	155	97,693
Income tax provision	(34,863)	(62)	(34,925)
Income from continuing operations, net of tax	62,675	93	62,768
Income from discontinued operations, net of tax	21,392	—	21,392
Net income	$84,067	$93	$84,160
Basic net income per common share			
Continuing operations	$0.54	$—	$0.54
Discontinued operations	0.19	—	0.19
Basic net income per common share	$0.73	$—	$0.73
Weighted average basic shares outstanding	115,247	—	115,247
Diluted net income per common share			

Continuing operations	$0.54	$—	$0.54
Discontinued operations	0.19	—	0.19
Diluted net income per common share	$0.73	$—	$0.73
Weighted average diluted shares outstanding	115,911	—	115,911

Recently Issued Accounting Pronouncements

ASU 2016-02, Leases ("Update 2016-02")

In February 2016, the FASB issued Update 2016-02 which requires the recognition of lease assets and lease liabilities on the balance sheet and the disclosure of key information about leasing arrangements. The standard is effective for financial statements issued for annual periods and interim periods within those annual periods beginning after December 15, 2018, and early adoption is permitted. The Company has begun planning its assessment and implementation process, including determining the completeness of its lease population, and is currently evaluating the practical expedients and accounting policy elections and assessing the overall financial statement impact. While the Company's evaluation of this guidance is in the early stages, adoption is expected to have a significant impact on the consolidated balance sheet due to recognition of right-of-use assets and lease liabilities, but will likely have an insignificant impact on its consolidated statements of operations and comprehensive income. The Company also anticipates expanded footnote disclosures related to its leases under the new guidance. The Company's evaluation of Update 2016-02 is ongoing and may identify additional impacts on its consolidated financial statements and related disclosures prior to adoption.

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

NOTE 3. ACQUISITIONS AND DIVESTITURES

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 $100.7 million.

Consideration Transferred

The fair value of the consideration transferred on the acquisition date included the purchase price of the net assets transferred. The total gross consideration was $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 condensed 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 based on its judgment. 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 by the end of the year. The final fair value determinations may be significantly different than those reflected in the condensed consolidated financial statements at June 30, 2018.

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

(In thousands)	As Recorded
Current assets	$ 9,889
Property and equipment	9,063
Intangible and other assets	4,033
Total acquired assets	22,985
Current liabilities	1,062
Total liabilities assumed	1,062
Net identifiable assets acquired	21,923
Goodwill	88,615
Net assets acquired	$ 110,538

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

(In thousands)	Useful Lives	As Recorded
Buildings and improvements	10 - 45 years	$ 14
Furniture and equipment	3 - 7 years	9,049
Property and equipment acquired		$ 9,063

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 $0.5 million of acquisition related costs that were expensed for both the three and six months ended June 30, 2018. These costs are included in the condensed consolidated statements of operations in the line item entitled "Project development, preopening and writedowns".

Condensed Consolidated Statement of Operations for the period from June 1, 2018 through June 30, 2018
The following supplemental information presents the financial results of Lattner included in the Company's condensed consolidated statement of operations for the three and six months ended June 30, 2018:

(In thousands)	Period from June 1 to June 30, 2018
Net revenues	$ 3,481
Net income	$ 438

Pending Acquisitions
On December 18, 2017, we announced that we had entered into a definitive agreement with Penn National Gaming, Inc. ("Penn National," and such agreement, the "Penn National Purchase Agreement"), to acquire the operations of

four properties, which include Ameristar St. Charles and Ameristar Kansas City, both in Missouri, along with Belterra Casino Resort in Florence, Indiana, and Belterra Park in Cincinnati, Ohio, for total net cash consideration of $575.0 million, subject to adjustments based on (a) the adjusted 2017 EBITDA of each property (as determined per the agreement), and (b) working capital, cash and indebtedness of the combined properties at closing and transaction expenses (the "Penn National Purchase").

On December 20, 2017, we announced that we had entered into a definitive agreement with Valley Forge Convention Center Partners, L.P. (the "Valley Forge Merger Agreement"), to acquire Valley Forge Casino Resort ("Valley Forge") in King of Prussia, Pennsylvania, for total cash consideration of $280.5 million, subject to adjustment based on working capital, cash and indebtedness of Valley Forge at closing and transaction expenses (the "Valley Forge Merger").

The completion of the Penn National Purchase and the Valley Forge Merger are each subject to customary conditions and the receipt of all required regulatory approvals, including, among others, approval by the required state gaming commissions and the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. In addition, the Penn National Purchase is also contingent upon the successful completion of Penn National's proposed acquisition of Pinnacle Entertainment, Inc. Subject to the satisfaction or waiver of the respective conditions in each of the Penn National Purchase Agreement and the Valley Forge Merger Agreement, we currently expect each of the transactions to close during the second half of 2018.

Investment in and Divestiture of Borgata

On August 1, 2016, Boyd Gaming completed the sale of its 50% equity interest in MDDHC, the parent company of Borgata in Atlantic City, New Jersey, to MGM pursuant to the Purchase Agreement entered into on May 31, 2016, as amended on July 19, 2016, by and among the Company, Boyd Atlantic City, Inc., a wholly owned subsidiary of the Company, and MGM (the "Transaction").

Prior to the sale of our equity interest, the Company and MGM each held a 50% interest in MDDHC, which owned all the equity interests in Borgata. Until the closing of the sale, we were the managing member of MDDHC, and we were responsible for the day-to-day operations of Borgata. 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. These initial proceeds did not include our 50% share of any future property tax settlement benefits related to the time period during which we held a 50% ownership in MDDHC to which Boyd Gaming retained the right to receive upon payment. On February 15, 2017, Borgata entered into a settlement agreement with Atlantic City, the terms of which provided for $72 million to be paid to Borgata to resolve the remaining property tax issues. For the three and six months ended June 30, 2017, we recognized $35.6 million and $36.2 million, respectively, in income for the cash we received for our share of property tax benefits realized by Borgata subsequent to the closing of the sale. These payments, net of tax of $14.6 million and $14.8 million for the three and six months ended June 30, 2017, respectively, are included in discontinued operations in the condensed consolidated financial statements. During the three and six months ended June 30, 2018, we recognized $0.3 million in income, net of tax, for the cash we received for our share of miscellaneous recoveries realized by Borgata during that period. This payment is included in discontinued operations in the condensed consolidated financial statements.

NOTE 4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	June 30,	December 31,
(In thousands)	2018	2017
Land	$293,540	$294,533
Buildings and improvements	2,948,779	2,935,539
Furniture and equipment	1,379,460	1,311,704
Riverboats and barges	239,713	238,926
Construction in progress	43,658	59,538
Total property and equipment	4,905,150	4,840,240
Less accumulated depreciation	2,397,767	2,300,454
Property and equipment, net	$2,507,383	$2,539,786

Depreciation expense is as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
(In thousands)	2018	2017	2018	2017
Depreciation expense	$51,357	$47,771	$101,503	$97,165

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NOTE 5. INTANGIBLE ASSETS

Intangible assets consist of the following:

	June 30, 2018				
(In thousands)	Weighted Average Life Remaining	Gross Carrying Value	Cumulative Amortization	Cumulative Impairment Losses	Intangible Assets, Net
Amortizing intangibles					
Customer relationships	4.7 years	$9,400	$ (4,616)	$—	$4,784
Favorable lease rates	37.5 years	11,730	(3,189)	—	8,541
Development agreement	—	21,373	—	—	21,373
Other intangibles	5.0 years	2,169	(98)	—	2,071
		44,672	(7,903)	—	36,769
Indefinite lived intangible assets					
Trademarks	Indefinite	151,887	—	(4,300)	147,587
Gaming license rights	Indefinite	873,335	(33,960)	(179,974)	659,401
		1,025,222	(33,960)	(184,274)	806,988
Balance, June 30, 2018		$1,069,894	$ (41,863)	$(184,274)	$843,757

	December 31, 2017				
(In thousands)	Weighted Average Life Remaining	Gross Carrying Value	Cumulative Amortization	Cumulative Impairment Losses	Intangible Assets, Net
Amortizing intangibles					
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
		42,503	(6,545)	—	35,958
Indefinite lived intangible assets					
Trademarks	Indefinite	151,887	—	(4,300)	147,587
Gaming license rights	Indefinite	873,335	(33,960)	(179,974)	659,401
		1,025,222	(33,960)	(184,274)	806,988
Balance, December 31, 2017		$1,067,725	$ (40,505)	$(184,274)	$842,946

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NOTE 6. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

(In thousands)	June 30, 2018	December 31, 2017
Payroll and related expenses	$62,580	$70,724
Interest	19,618	19,858
Gaming liabilities	53,522	55,961
Player loyalty program liabilities	23,391	24,489
Advance deposits	20,190	18,922
Outstanding chip liability	4,701	4,928
Dividend payable	6,742	5,632
Other accrued liabilities	66,077	54,632
Total accrued liabilities	$256,821	$255,146

NOTE 7. LONG-TERM DEBT

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

	June 30, 2018				
(In thousands)	Interest Rates at June 30, 2018	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees and Costs	Long-Term Debt, Net
Bank credit facility	4.450%	$1,363,477	$ (1,428)	$ (21,091)	$1,340,958
6.875% senior notes due 2023	6.875%	750,000	—	(8,578)	741,422
6.375% senior notes due 2026	6.375%	750,000	—	(10,213)	739,787
6.000% senior notes due 2026	6.000%	700,000	—	(11,027)	688,973
Other	5.800%	454	—	—	454
Total long-term debt		3,563,931	(1,428)	(50,909)	3,511,594
Less current maturities		23,981	—	—	23,981
Long-term debt, net		$3,539,950	$ (1,428)	$ (50,909)	$3,487,613

	December 31, 2017				
(In thousands)	Interest Rates at Dec. 31, 2017	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees and Costs	Long-Term Debt, Net
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	$3,097,577	$ (1,556)	$ (44,122)	$3,051,899

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The outstanding principal amounts under our existing bank credit facility are comprised of the following:

	June 30,	December 31,
(In thousands)	2018	2017
Revolving Credit Facility	$—	$170,000
Term A Loan	204,475	210,938
Refinancing Term B Loans	1,159,002	1,170,016
Swing Loan	—	70,100
Total outstanding principal amounts under the bank credit facility	$1,363,477	$1,621,054

At June 30, 2018, approximately $1.4 billion was outstanding under the bank credit facility. As such, with a total revolving credit commitment of $775.0 million available under the bank credit facility, no borrowings on the Revolving Credit Facility and the Swing Loan, and $12.7 million allocated to support various letters of credit, the remaining contractual availability on the revolving credit commitment is $762.3 million.

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 100% owned by us.

The Company utilized the net proceeds from the debt issuance to pay down the outstanding amounts under the Revolving Credit Facility and Swing Loan and invested the balance of the net proceeds in cash equivalents and short-term marketable securities at a qualified institution.

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, if any, up to, but excluding, the applicable redemption date, plus a make whole premium. Subsequent to 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.

In connection with the 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 must use commercially reasonable efforts to file a registration statement and to consummate an exchange offer within 365 days after the issuance of the 6.000% Notes, subject to certain suspension and other rights set forth in the registration rights agreement. Under certain circumstances, including our determination that we cannot complete an exchange offer, we are required to file a shelf registration statement for the resale of the 6.000% Notes and to cause such shelf registration statement to be declared effective as soon as reasonably practicable (but in no event later than the 365th day following the issuance of the 6.000% Notes) after the occurrence of such circumstances. Subject to certain suspension and other rights, in the event that the registration statement is not filed or declared effective within the time periods specified in the registration rights agreement, the exchange offer is not consummated within 365 days after the issuance of the 6.000% Notes, or the registration statement is filed and declared effective but thereafter ceases to be effective or is unusable for its intended purpose for a period in excess of 30 days without being succeeded immediately by a post-effective amendment that cures such failure, the agreement provides that additional interest will accrue on the principal amount of the 6.000% Notes at a rate of 0.25% per annum during the 90-day period immediately following any of these events and will increase by 0.25% per annum at the end of each subsequent 90-day period, but in no event will the penalty rate exceed 1.00% per annum, until the default is cured. There are no other alternative settlement methods and, other than the 1.00% per annum maximum penalty rate, the agreement contains no limit on the maximum potential amount of consideration that could be transferred in the event we do not meet the registration statement filing requirements. We filed the required registration statement and commenced the exchange offer on July 12, 2018. The exchange offer will expire, unless extended or terminated in accordance with its terms, on August 10, 2018. Accordingly, we do not believe that payment of additional interest under the registration payment arrangement is probable and, therefore, no related liability has been recorded in the consolidated financial statements.

Debt Financing Costs
In conjunction with the issuance of the 6.000% Notes, we incurred approximately $11.0 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.

Credit Facility
On August 2, 2018, we entered into a Joinder Agreement (the "Joinder Agreement") to the Third Amended and Restated Credit Agreement, as amended (the "Credit Agreement"), among the Company, certain financial institutions and Bank of America, N.A., as administrative agent.

The Joinder Agreement modifies 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.

Covenant Compliance
As of June 30, 2018, we believe that we were in compliance with the financial and other covenants of our debt instruments.

NOTE 8. COMMITMENTS AND CONTINGENCIES
Commitments
There have been no material changes to our commitments described under Note 9, Commitments and Contingencies, in our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC on February 26, 2018, which was superseded by our Current Report on Form 8-K filed with the SEC on June 28, 2018.

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 9. STOCKHOLDERS' EQUITY AND STOCK INCENTIVE PLANS
Share Repurchase Program

On May 2, 2017, the Company announced that its Board of Directors had reaffirmed the Company's existing share repurchase program, which as of June 30, 2018, had $29.8 million remaining. The Company intends to make purchases of its common stock from time to time under this program 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.

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The following table provides information regarding share repurchases during the referenced periods.[1]

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share data)	2018	2017	2018	2017
Shares repurchased [2]	301	442	860	442
Total cost, including brokerage fees	$10,530	$11,090	$30,332	$11,090
Average repurchase price per share [3]	$35.02	$25.11	$35.28	$25.11

[1] Shares repurchased reflect repurchases settled during the three and six months ended June 30, 2018. These amounts exclude repurchases traded but not yet settled on or before June 30, 2018.
[2] All shares repurchased have been retired and constitute authorized but unissued shares.
[3] Amounts in the table may not recalculate exactly due to rounding. Average repurchase price per share is calculated based on unrounded numbers.

Dividends
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 and reflected in the periods presented are:

Declaration date	Record date	Payment date	Amount per share
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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2018	2017	2018	2017
Gaming	$131	$111	$303	$181
Food & beverage	25	22	58	35
Room	13	10	28	16
Selling, general and administrative	669	561	1,541	919
Corporate expense	5,184	5,043	13,019	7,679
Total share-based compensation expense	$6,022	$5,747	$14,949	$8,830

Performance Shares
Our stock incentive plan provides for the issuance of Performance Share Unit ("PSU") grants which may be earned, in whole or in part, upon passage of time and the attainment of performance criteria. We periodically review our

estimates of performance against the defined criteria to assess the expected payout of each outstanding PSU grant and adjust our stock compensation expense accordingly.
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, Earnings Before Interest, Taxes, Depreciation and Amortization ("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 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 condensed 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 condensed consolidated statement of operations.

NOTE 10. FAIR VALUE MEASUREMENTS

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

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

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

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

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

Balances Measured at Fair Value

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

	June 30, 2018			
(In thousands)	Balance	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$632,808	$632,808	$ —	$—

Restricted cash	26,112	26,112	—	—
Investment available for sale	15,591	—	—	15,591
Liabilities				
Contingent payments	$2,577	$—	$ —	$2,577

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	December 31, 2017			
(In thousands)	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 values of our cash and cash equivalents and restricted cash, classified in the fair value hierarchy as Level 1, are based on statements received from our banks at June 30, 2018 and December 31, 2017.

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 with a maturity date of June 1, 2037 that is classified as available for sale. We are the only holder of this instrument and there is no quoted market price for this instrument. As such, the fair value of this investment is classified as Level 3 in the fair value hierarchy. The fair value of the instrument is estimated using a discounted cash flows approach and the significant unobservable input used in the valuation at June 30, 2018 and December 31, 2017 is a discount rate of 11.3% 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 condensed consolidated balance sheets. At both June 30, 2018 and December 31, 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 June 30, 2018 and December 31, 2017, $15.1 million and $17.3 million, respectively, is included in other assets on the condensed consolidated balance sheets. The discount associated with this investment of $2.9 million as of both June 30, 2018 and December 31, 2017, is netted with the investment balance and is being accreted over the life of the investment using the effective interest method. The accretion of such discount is included in interest income on the condensed consolidated statements of operations.

Contingent Payments
In connection with the development of the Kansas Star Casino ("Kansas Star"), Kansas Star agreed to pay a former casino project promoter 1% of Kansas Star's EBITDA each month for a period of ten years commencing on December 20, 2011. The liability is recorded at the estimated fair value of the contingent payments using a discounted cash flows approach and the significant unobservable input used in the valuation at June 30, 2018 and December 31, 2017, is a discount rate of 11.0% and 9.2%, respectively. At June 30, 2018 and December 31, 2017, there was a current liability of $0.9 million and $0.8 million, respectively, related to this agreement, which is recorded in accrued liabilities on the respective condensed consolidated balance sheets, and long-term obligation at June 30, 2018 and December 31, 2017, of $1.7 million and $2.1 million, respectively, which is included in other liabilities on the respective condensed consolidated balance sheets.

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

	Three Months Ended			
	June 30, 2018		June 30, 2017	
	Assets	Liability	Assets	Liability
(In thousands)	Investment Available for Sale	Contingent Payments	Investment Available for Sale	Contingent Payments
Balance at beginning of reporting period	$16,454	$ (2,813)	$17,865	$ (3,348)
Total gains (losses) (realized or unrealized):				
Included in interest income (expense)	36	(58)	34	(73)
Included in other comprehensive income (loss)	(424)	—	(3)	—
Included in other items, net	—	64	—	(7)
Purchases, sales, issuances and settlements:				
Settlements	(475)	230	(440)	224
Balance at end of reporting period	$15,591	$ (2,577)	$17,456	$ (3,204)

	Six Months Ended			
	June 30, 2018		June 30, 2017	
	Assets	Liability	Assets	Liability
(In thousands)	Investment Available for Sale	Contingent Payments	Investment Available for Sale	Contingent Payments
Balance at beginning of reporting period	$17,752	$ (2,887)	$17,259	$ (3,038)
Total gains (losses) (realized or unrealized):				
Included in interest income (expense)	72	(120)	69	(202)
Included in other comprehensive income (loss)	(1,758)	—	568	—
Included in other items, net	—	(18)	—	(398)
Purchases, sales, issuances and settlements:				
Settlements	(475)	448	(440)	434
Balance at end of reporting period	$15,591	$ (2,577)	$17,456	$ (3,204)

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.

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:

	June 30, 2018			
(In thousands)	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy

Liabilities				
Obligation under assessment arrangements	$30,847	$25,049	$ 30,572	Level 3

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	December 31, 2017			
(In thousands)	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:

	June 30, 2018			
(In thousands)	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Bank credit facility	$1,363,477	$1,340,958	$1,366,375	Level 2
6.875% senior notes due 2023	750,000	741,422	786,563	Level 1
6.375% senior notes due 2026	750,000	739,787	756,563	Level 1
6.000% senior notes due 2026	700,000	688,973	691,250	Level 1
Other	454	454	454	Level 3
Total debt	$3,563,931	$3,511,594	$3,601,205	

	December 31, 2017			
(In thousands)	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Bank 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 our bank credit facility is based on a relative value analysis performed on or about June 30, 2018 and December 31, 2017. The estimated fair values of our Senior Notes are based on quoted market prices as of June 30, 2018 and December 31, 2017. The other debt is a fixed-rate debt that is payable in 32 semi-annual installments, beginning in 2008. It is not traded and does not have an observable market input; therefore, we have estimated its fair value to be equal to the carrying value.

There were no transfers between Level 1, Level 2 and Level 3 measurements during the six months ended June 30, 2018 or 2017.

NOTE 11. SEGMENT INFORMATION

We aggregate certain of our gaming entertainment properties in order to present three Reportable Segments: (i) Las Vegas Locals; (ii) Downtown Las Vegas; and (iii) Midwest & South. The table below lists the classification of each of our properties.

Las Vegas Locals	
Gold Coast Hotel and Casino	Las Vegas, Nevada
The Orleans Hotel and Casino	Las Vegas, Nevada
Sam's Town Hotel and Gambling Hall	Las Vegas, Nevada
Suncoast Hotel and Casino	Las Vegas, Nevada
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
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

Results of Operations - Total Reportable Segment Departmental 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.

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

	Three Months Ended June 30, 2018				
(In thousands)	Gaming Revenue	Food & Beverage Revenue	Room Revenue	Other Revenue	Total Revenue
Revenues					
Las Vegas Locals	$142,488	$38,948	$25,659	$12,879	$219,974
Downtown Las Vegas	32,822	13,741	6,606	8,033	61,202
Midwest & South	272,478	34,912	17,169	11,058	335,617
Total Revenues	$447,788	$87,601	$49,434	$31,970	$616,793

	Three Months Ended June 30, 2017				
(In thousands)	Gaming Revenue	Food & Beverage Revenue	Room Revenue	Other Revenue	Total Revenue
Revenues					
Las Vegas Locals	$139,862	$38,914	$24,892	$13,005	$216,673
Downtown Las Vegas	32,224	13,372	6,108	7,928	59,632
Midwest & South	265,039	35,358	16,834	10,588	327,819
Total Revenues	$437,125	$87,644	$47,834	$31,521	$604,124

	Six Months Ended June 30, 2018				
(In thousands)	Gaming Revenue	Food & Beverage Revenue	Room Revenue	Other Revenue	Total Revenue
Revenues					
Las Vegas Locals	$285,636	$77,818	$51,815	$26,880	$442,149
Downtown Las Vegas	65,261	27,328	13,417	15,664	121,670
Midwest & South	537,354	67,854	32,114	21,770	659,092
Total Revenues	$888,251	$173,000	$97,346	$64,314	$1,222,911

	Six Months Ended June 30, 2017				
(In thousands)	Gaming Revenue	Food & Beverage Revenue	Room Revenue	Other Revenue	Total Revenue
Revenues					
Las Vegas Locals	$283,808	$77,366	$51,099	$26,641	$438,914
Downtown Las Vegas	66,116	26,829	11,882	15,752	120,579
Midwest & South	531,146	70,054	31,703	21,793	654,696
Total Revenues	$881,070	$174,249	$94,684	$64,186	$1,214,189

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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 condensed consolidated statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2018	2017	2018	2017
Adjusted EBITDA				
Las Vegas Locals	$70,248	$63,300	$141,278	$129,214
Downtown Las Vegas	13,543	12,545	26,761	26,246
Midwest & South	98,510	93,730	192,756	188,043
Total Reportable Segment Adjusted EBITDA	182,301	169,575	360,795	343,503
Corporate expense	(18,878)	(18,207)	(36,900)	(36,370)
Adjusted EBITDA	163,423	151,368	323,895	307,133
Other operating costs and expenses				
Deferred rent	294	257	550	687
Depreciation and amortization	53,923	52,563	105,199	106,527
Share-based compensation expense	6,022	5,747	14,949	8,830
Project development, preopening and writedowns	5,801	2,784	9,241	5,756
Impairments of assets	993	—	993	—
Other operating items, net	132	463	1,931	949
Total other operating costs and expenses	67,165	61,814	132,863	122,749
Operating income	$96,258	$89,554	$191,032	$184,384

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:

	June 30,	December 31,
(In thousands)	2018	2017
Assets		
Las Vegas Locals	$1,752,150	$1,792,119
Downtown Las Vegas	169,856	170,574
Midwest & South	2,565,077	2,496,957
Total Reportable Segment Assets	4,487,083	4,459,650
Corporate	688,583	226,280
Total Assets	$5,175,666	$4,685,930

NOTE 12. 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 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 the 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

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our special purpose entities, tax holding companies, our less significant operating subsidiaries and our less than wholly owned subsidiaries.

The tables below present the condensed consolidating balance sheets as of June 30, 2018 and December 31, 2017, the condensed consolidating statements of operations for the three and six months ended June 30, 2018 and 2017, and the condensed consolidating statements of cash flows for the six months ended June 30, 2018 and 2017. 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 6.875% Notes and 6.375% Notes and a non-guarantor for the 6.000% Notes.

Condensed Consolidating Balance Sheets

	June 30, 2018						
(In thousands)	Parent	Guarantor Subsidiaries	Subsidiary (100% Owned)*	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Assets							
Cash and cash equivalents	$446,831	$169,803	$—	$16,174	$—	$—	$632,808
Restricted cash	—	11,597	—	14,515	—	—	26,112
Other current assets	74,193	17,859	233	2,724	—	(2,349)	92,660
Property and equipment, net	91,714	2,380,288	—	35,381	—	—	2,507,383
Investments in subsidiaries	5,210,840	—	—	2,140	—	(5,212,980)	—
Intercompany receivable	—	1,850,202	374,065	—	—	(2,224,267)	—
Other assets, net	29,011	29,687	—	38,230	—	—	96,928
Intangible assets, net	—	817,628	—	26,129	—	—	843,757
Goodwill, net	—	887,442	—	88,576	—	—	976,018
Total assets	$5,852,589	$6,164,506	$374,298	$223,869	$—	$(7,439,596)	$5,175,666
Liabilities and Stockholders' Equity							
Current maturities of long-term debt	$23,895	$86	$—	$—	$—	$—	$23,981
Other current liabilities	124,144	200,921	—	22,887	—	(2,194)	345,758
Accumulated losses of subsidiaries in excess of investment	—	5,656	—	—	—	(5,656)	—
Intercompany payable	1,165,444	—	—	1,058,701	—	(2,224,145)	—
Long-term debt, net of current maturities and debt issuance costs	3,487,244	369	—	—	—	—	3,487,613
Other long-term liabilities	(93,298)	275,982	900	(10,430)	—	—	173,154
Total stockholders' equity (deficit)	1,145,160	5,681,492	373,398	(847,289)	—	(5,207,601)	1,145,160

Total liabilities and stockholders' equity	$5,852,589	$6,164,506	$374,298	$223,869	$ —	$(7,439,596)	$5,175,666

*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.

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Condensed Consolidating Balance Sheets - continued

December 31, 2017

(In thousands)	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.

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Condensed Consolidating Statements of Operations

	Three Months Ended June 30, 2018						
(In thousands)	Parent	Guarantor Subsidiaries	Subsidiary (100% Owned)*	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Total revenues	$21,286	$607,569	$ —	$13,745	$ —	$(25,807)	$616,793
Operating costs and expenses							
Operating	—	306,392	—	12,517	—	—	318,909
Selling, general and administrative	(3)	85,913	—	2,131	—	—	88,041
Maintenance and utilities	—	28,331	—	342	—	—	28,673
Depreciation and amortization	4,347	48,245	—	1,331	—	—	53,923
Corporate expense	23,252	213	—	598	—	—	24,063
Project development, preopening and writedowns	2,640	1,017	—	2,144	—	—	5,801
Impairments of assets	993	—	—	—	—	—	993
Other operating items, net	48	84	—	—	—	—	132
Intercompany expenses	(199)	26,006	—	—	—	(25,807)	—
Total operating costs and expenses	31,078	496,201	—	19,063	—	(25,807)	520,535
Equity in earnings (losses) of subsidiaries	82,365	(386)	—	—	—	(81,979)	—
Operating income (loss)	72,573	110,982	—	(5,318)	—	(81,979)	96,258
Other expense (income)							
Interest expense, net	44,154	277	—	6	—	—	44,437
Other, net	(5)	(2)	—	(17)	—	—	(24)
Total other expense (income), net	44,149	275	—	(11)	—	—	44,413
Income (loss) from continuing operations before income taxes	28,424	110,707	—	(5,307)	—	(81,979)	51,845
Income tax benefit (provision)	10,521	(24,785)	—	1,017	—	—	(13,247)
Income (loss) from continuing operations, net of tax	38,945	85,922	—	(4,290)	—	(81,979)	38,598
Income from discontinued operations, net of tax	—	—	347	—	—	—	347
Net income (loss)	$38,945	$85,922	$ 347	$(4,290)	$ —	$(81,979)	$38,945
Comprehensive income (loss)	$38,639	$85,616	$ 347	$(4,290)	$ —	$(81,673)	$38,639

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
as of June 30, 2018 and December 31, 2017 and for the three and six months ended June 30, 2018 and 2017

Condensed Consolidating Statements of Operations - continued

	Three Months Ended June 30, 2017						
(In thousands)	Parent	Guarantor Subsidiaries	Subsidiary (100% Owned)*	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Total revenues	$ 18,490	$ 598,194	$ —	$ 10,897	$ —	$ (23,457)	$ 604,124
Operating costs and expenses							
Operating	—	307,139	—	9,469	—	—	316,608
Selling, general and administrative	17	91,129	—	1,908	—	(17)	93,037
Maintenance and utilities	—	25,511	—	353	—	—	25,864
Depreciation and amortization	2,844	48,687	—	1,032	—	—	52,563
Corporate expense	22,506	375	—	370	—	—	23,251
Project development, preopening and writedowns	1,472	586	116	610	—	—	2,784
Other operating items, net	150	313	—	—	—	—	463
Intercompany expenses	301	23,139	—	—	—	(23,440)	—
Total operating costs and expenses	27,290	496,879	116	13,742	—	(23,457)	514,570
Equity in earnings (losses) of subsidiaries	85,416	(169)	—	—	—	(85,247)	—
Operating income (loss)	76,616	101,146	(116)	(2,845)	—	(85,247)	89,554
Other expense (income)							
Interest expense, net	41,961	306	—	6	—	—	42,273
Loss on early extinguishments and modifications of debt	378	—	—	—	—	—	378
Other, net	520	57	—	(18)	—	—	559
Total other expense (income), net	42,859	363	—	(12)	—	—	43,210
Income (loss) from continuing operations before income taxes	33,757	100,783	(116)	(2,833)	—	(85,247)	46,344
Income tax benefit (provision)	14,952	(34,512)	—	908	—	—	(18,652)
Income (loss) from continuing operations, net of tax	48,709	66,271	(116)	(1,925)	—	(85,247)	27,692
Income from discontinued operations, net of tax	—	—	21,017	—	—	—	21,017
Net income (loss)	$ 48,709	$ 66,271	$ 20,901	$ (1,925)	$ —	$ (85,247)	$ 48,709
Comprehensive income (loss)	$ 49,244	$ 66,806	$ 20,901	$ (1,925)	$ —	$ (85,782)	$ 49,244

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
as of June 30, 2018 and December 31, 2017 and for the three and six months ended June 30, 2018 and 2017

Condensed Consolidating Statements of Operations - continued

Six Months Ended June 30, 2018

(In thousands)	Parent	Guarantor Subsidiaries	Subsidiary (100% Owned)*	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Net revenues	$42,127	$1,208,531	$ —	$ 23,766	$ —	$(51,513)	$1,222,911
Operating costs and expenses							
Operating	—	610,225	—	22,147	—	—	632,372
Selling, general and administrative	8	171,634	—	3,993	—	(11)	175,624
Maintenance and utilities	—	55,929	—	670	—	—	56,599
Depreciation and amortization	8,183	94,775	—	2,241	—	—	105,199
Corporate expense	48,500	216	—	1,204	—	—	49,920
Project development, preopening and writedowns	4,143	1,190	—	3,908	—	—	9,241
Impairments of assets	993	—	—	—	—	—	993
Other operating items, net	48	1,883	—	—	—	—	1,931
Intercompany expenses	102	51,400	—	—	—	(51,502)	—
Total operating costs and expenses	61,977	987,252	—	34,163	—	(51,513)	1,031,879
Equity in earnings of subsidiaries	164,009	(571)	—	—	—	(163,438)	—
Operating income (loss)	144,159	220,708	—	(10,397)	—	(163,438)	191,032
Other expense (income)							
Interest expense, net	87,673	554	—	12	—	—	88,239
Loss on early extinguishments and modifications of debt	61	—	—	—	—	—	61
Other, net	(5)	(366)	—	(33)	—	—	(404)
Total other expense (income), net	87,729	188	—	(21)	—	—	87,896
Income (loss) from continuing operations before income taxes	56,430	220,520	—	(10,376)	—	(163,438)	103,136
Income taxes benefit (provision)	23,914	(49,169)	—	2,116	—	—	(23,139)
Income (loss) from continuing operations, net of tax	80,344	171,351	—	(8,260)	—	(163,438)	79,997
Income from discontinued operations, net of tax	—	—	347	—	—	—	347
Net income (loss)	$80,344	$171,351	$ 347	$(8,260)	$ —	$(163,438)	$80,344
Comprehensive income (loss)	$79,074	$170,081	$ 347	$(8,260)	$ —	$(162,168)	$79,074

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
as of June 30, 2018 and December 31, 2017 and for the three and six months ended June 30, 2018 and 2017

Condensed Consolidating Statements of Operations - continued

	Six Months Ended June 30, 2017						
(In thousands)	Parent	Guarantor Subsidiaries	Subsidiary (100% Owned)*	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Net revenues	$37,200	$1,202,307	$—	$21,702	$—	$(47,020)	$1,214,189
Operating costs and expenses							
Operating	—	616,569	—	19,042	—	—	635,611
Selling, general and administrative	23	180,730	—	3,920	—	(23)	184,650
Maintenance and utilities	—	51,612	—	651	—	—	52,263
Depreciation and amortization	5,526	98,970	—	2,031	—	—	106,527
Corporate expense	42,370	739	—	940	—	—	44,049
Project development, preopening and writedowns	2,727	1,427	154	1,448	—	—	5,756
Impairments of assets	—	—	—	—	—	—	—
Other operating items, net	225	724	—	—	—	—	949
Intercompany expenses	602	46,395	—	—	—	(46,997)	—
Total operating costs and expenses	51,473	997,166	154	28,032	—	(47,020)	1,029,805
Equity in earnings (losses) of subsidiaries	151,977	(298)	—	—	—	(151,679)	—
Operating income (loss)	137,704	204,843	(154)	(6,330)	—	(151,679)	184,384
Other expense (income)							
Interest expense, net	84,800	675	—	12	—	—	85,487
Loss on early extinguishments of debt	534	—	—	—	—	—	534
Other, net	520	184	—	(34)	—	—	670
Total other expense (income), net	85,854	859	—	(22)	—	—	86,691
Income (loss) from continuing operations before income taxes	51,850	203,984	(154)	(6,308)	—	(151,679)	97,693
Income taxes benefit (provision)	32,310	(69,300)	—	2,065	—	—	(34,925)
Income (loss) from continuing operations, net of tax	84,160	134,684	(154)	(4,243)	—	(151,679)	62,768
Income from discontinued operations, net of tax	—	—	21,392	—	—	—	21,392
Net income (loss)	$84,160	$134,684	$21,238	$(4,243)	$—	$(151,679)	$84,160
Comprehensive income (loss)	$85,266	$135,790	$21,238	$(4,243)	$—	$(152,785)	$85,266

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
as of June 30, 2018 and December 31, 2017 and for the three and six months ended June 30, 2018 and 2017

Condensed Consolidating Statements of Cash Flows

	Six Months Ended June 30, 2018						
(In thousands)	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	$(70,065)	$282,907	$(135)	$5,405	$—	$(121)	$217,991
Cash flows from investing activities							
Capital expenditures	(36,914)	(26,059)	—	(272)	—	—	(63,245)
Cash paid for acquisition, net of cash received	(100,713)	—	—	—	—	—	(100,713)
Net activity with affiliates	—	(289,361)	(347)	—	—	289,708	—
Other investing activities	(9,240)	—	—	—	—	—	(9,240)
Net cash from investing activities	(146,867)	(315,420)	(347)	(272)	—	289,708	(173,198)
Cash flows from financing activities							
Borrowings under bank credit facility	333,900	—	—	—	—	—	333,900
Payments under bank credit facility	(591,476)	—	—	—	—	—	(591,476)
Proceeds from issuance of senior notes	700,000	—	—	—	—	—	700,000
Debt financing costs, net	(11,028)	—	—	—	—	—	(11,028)
Net activity with affiliates	277,000	—	—	12,587	—	(289,587)	—
Share-based compensation activities, net	(3,381)	—	—	—	—	—	(3,381)
Shares repurchased and retired	(30,332)	—	—	—	—	—	(30,332)
Dividends paid	(11,267)	—	—	—	—	—	(11,267)
Other financing activities	—	(50)	—	—	—	—	(50)
Net cash from financing activities	663,416	(50)	—	12,587	—	(289,587)	386,366
Cash flows from discontinued operations							
Cash flows from operating activities	—	—	—	—	—	—	—
Cash flows from investing activities	—	—	482				