

BOYD GAMING CORP
Form 10-Q
May 09, 2014

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014

OR

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

For the transition period from _____ to _____

Commission file number: 1-12882

BOYD GAMING CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

Large accelerated filer Accelerated filer

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

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

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

Class	Outstanding as of April 30, 2014
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Common stock, \$0.01 par value 108,367,736

BOYD GAMING CORPORATION
 QUARTERLY REPORT ON FORM 10-Q
 FOR THE PERIOD ENDED MARCH 31, 2014
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PART I. Financial Information

Item 1. Financial Statements (Unaudited)

BOYD GAMING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

(Unaudited)

ASSETS

Current assets

Cash and cash equivalents

Restricted cash

Accounts receivable, net

Inventories

Prepaid expenses and other current assets

Income taxes receivable

Deferred income taxes and current tax assets

Total current assets

Property and equipment, net

Debt financing costs, net

Other assets, net

Intangible assets, net

Goodwill, net

Total assets

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities

Current maturities of long-term debt

Accounts payable

Accrued liabilities

Deferred income taxes and income taxes payable

Total current liabilities

Long-term debt, net of current maturities

Deferred income taxes

Other long-term tax liabilities

Other liabilities

Commitments and contingencies (Note 9)

Stockholders' equity

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

Common stock, \$0.01 par value, 200,000,000 shares authorized; 108,297,168 and
108,155,002 shares outstanding

Additional paid-in capital

Accumulated deficit

Accumulated other comprehensive loss

Total Boyd Gaming Corporation stockholders' equity

Noncontrolling interest

Total stockholders' equity

Total liabilities and stockholders' equity

March 31,
2014December 31,
2013

\$ 162,878

30,953

61,063

18,496

44,348

1,177

5,486

324,401

3,465,565

79,744

62,999

1,062,072

685,310

\$5,680,091

\$ 177,838

20,686

65,569

19,719

42,460

1,143

7,265

334,680

3,505,613

84,209

61,259

1,070,660

685,310

\$5,741,731

\$ 31,497

68,817

339,369

2,588

442,271

4,301,269

158,294

42,793

88,645

—

1,083

909,533

(438,256

(978

471,382

175,437

646,819

\$5,680,091

\$ 33,559

75,478

341,947

2,879

453,863

4,352,932

155,218

42,188

87,093

—

1,082

902,496

) (432,074

) (1,517

469,987

180,450

650,437

\$5,741,731

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

BOYD GAMING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data) (Unaudited)	Three Months Ended March 31,	
	2014	2013
REVENUES		
Operating revenues		
Gaming	\$608,757	\$632,559
Food and beverage	106,643	111,774
Room	64,380	63,855
Other	38,960	39,311
Gross revenues	818,740	847,499
Less promotional allowances	110,391	111,915
Net revenues	708,349	735,584
COST AND EXPENSES		
Operating costs and expenses		
Gaming	285,174	297,262
Food and beverage	57,269	60,053
Room	13,170	13,100
Other	27,792	28,174
Selling, general and administrative	124,679	124,028
Maintenance and utilities	43,264	39,209
Depreciation and amortization	66,179	70,038
Corporate expense	19,920	15,356
Preopening expense	784	2,365
Impairments of assets	1,633	—
Asset transactions costs	155	3,013
Other operating items, net	(186)	) 1,566
Total operating costs and expenses	639,833	654,164
Operating income	68,516	81,420
Other expense (income)		
Interest income	(476)	) (656)
Interest expense, net	75,503	95,682
Loss on early extinguishments of debt	154	—
Other, net	(288)	) (518)
Total other expense, net	74,893	94,508
Loss from continuing operations before income taxes	(6,377)	) (13,088)
Income taxes benefit (expense)	(4,848)	) 2,424
Loss from continuing operations, net of tax	(11,225)	) (10,664)
Income (loss) from discontinued operations, net of tax	—	(963)
Net loss	(11,225)	) (11,627)
Net loss attributable to noncontrolling interest	5,043	4,343
Net loss attributable to Boyd Gaming Corporation	\$(6,182)	) \$(7,284)
 Basic net loss per common share:		
Continuing operations	\$(0.06)) \$(0.07)
Discontinued operations	—	(0.01)
Basic net loss per common share	\$(0.06)) \$(0.08)

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Weighted average basic shares outstanding	109,753	87,974	
Diluted net loss per common share:			
Continuing operations	\$(0.06	) \$(0.07)
Discontinued operations	—	(0.01)
Diluted net loss per common share	\$(0.06	) \$(0.08)
Weighted average diluted shares outstanding	109,753	87,974	

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

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

(In thousands) (Unaudited)	Three Months Ended March 31,	
	2014	2013
Net loss	\$ (11,225)	\$ (11,627)
Other comprehensive income, net of tax:		
Fair value of adjustments to available-for-sale securities, net of tax of \$370 and \$0	539	295
Comprehensive loss	(10,686)	(11,332)
Less: net loss attributable to noncontrolling interest	(5,043)	(4,343)
Comprehensive loss attributable to Boyd Gaming Corporation	\$ (5,643)	\$ (6,989)

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

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

(In thousands, except share data) (Unaudited)	Boyd Gaming Corporation Stockholders' Equity						
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss), Net	Noncontrolling Interest	Total
	Shares	Amount					
Balances, January 1, 2014	108,155,002	\$ 1,082	\$ 902,496	\$ (432,074)	\$ (1,517)	\$ 180,450	\$ 650,437
Net loss	—	—	—	(6,182)	—	(5,043)	(11,225)
Comprehensive income attributable to Boyd	—	—	—	—	539	—	539
Stock options exercised	102,663	1	756	—	—	—	757
Release of restricted stock units, net of tax	39,503	—	(200)	—	—	—	(200)
Share-based compensation costs	—	—	6,481	—	—	—	6,481
Noncontrolling interests contribution	—	—	—	—	—	30	30
Balances, March 31, 2014	108,297,168	\$ 1,083	\$ 909,533	\$ (438,256)	\$ (978)	\$ 175,437	\$ 646,819

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

BOYD GAMING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) (Unaudited)	Three Months Ended March 31,	
	2014	2013
Cash Flows from Operating Activities		
Net loss	\$(11,225	) \$(11,627)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss on discontinued operations, net of tax	—	963
Depreciation and amortization	66,179	70,038
Amortization of debt financing costs	4,829	4,009
Amortization of discounts on debt	1,257	4,505
Loss on early extinguishments of debt	154	—
Share-based compensation expense	6,481	4,091
Deferred income taxes	4,143	8,920
Noncash impairments of assets	1,633	19
Other operating activities	(199	) 982
Changes in operating assets and liabilities:		
Restricted cash	(10,267	) (2,105)
Accounts receivable, net	3,830	458
Inventories	1,223	213
Prepaid expenses and other current assets	(1,891	) (4,718)
Current other tax asset	50	(618)
Income taxes receivable	(33	) 1,377
Other long-term tax assets	—	9,863
Other assets, net	(1,504	) (6,407)
Accounts payable and accrued liabilities	(9,695	) 22,950
Other long-term tax liabilities	605	(20,292)
Other liabilities	1,599	6,283
Net cash provided by operating activities	57,169	88,904
Cash Flows from Investing Activities		
Capital expenditures	(18,306	) (22,558)
Proceeds from sale of Echelon, net	—	343,750
Cash paid for exercise of LVE option	—	(187,000)
Other investing activities	1,112	(103)
Net cash provided by (used in) investing activities	(17,194	) 134,089
Cash Flows from Financing Activities		
Borrowings under Boyd Gaming bank credit facility	188,500	202,200
Payments under Boyd Gaming bank credit facility	(224,275	) (232,025)
Borrowings under Peninsula bank credit facility	75,000	68,200
Payments under Peninsula bank credit facility	(90,525	) (78,863)
Borrowings under Borgata bank credit facility	116,200	103,600
Payments under Borgata bank credit facility	(119,400	) (109,600)
Debt financing costs, net	(71	) 694
Payments on long-term debt	(952	) (10,814)
Stock options exercised	757	—
Restricted stock units released, net	(200) —
Other financing activities	31	(50)
Net cash used in financing activities	(54,935) (56,658)

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Cash Flows from Discontinued Operations		
Cash flows from operating activities	—	(786)
Cash flows from investing activities	—	(23)
Cash flows from financing activities	—	—
Net cash used in discontinued operations	—	(809)
Change in cash and cash equivalents	(14,960)	165,526
Cash and cash equivalents, beginning of period	177,838	192,545
Change in cash classified as discontinued operations	—	36
Cash and cash equivalents, end of period	\$162,878	\$358,107
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest, net of amounts capitalized	\$80,541	\$88,261
Cash paid (received) for income taxes, net of refunds	84	(1,313)
Supplemental Schedule of Noncash Investing and Financing Activities		
Payables incurred for capital expenditures	\$12,478	\$18,445

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 March 31, 2014 and December 31, 2013 and for the three months ended March 31, 2014 and 2013

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 for almost 40 years. The Company's common stock is traded on the New York Stock Exchange under the symbol "BYD".

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

Basis of Presentation

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

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

The accompanying condensed consolidated financial statements include the accounts of Boyd Gaming and its subsidiaries. Investments in unconsolidated affiliates, which are less than 50% owned and do not meet the consolidation criteria of the authoritative accounting guidance for voting interest, controlling interest or variable interest entities, are accounted for under the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation.

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

Revisions and Reclassifications

The financial information for the three months ended March 31, 2013 is derived from our condensed consolidated financial statements and footnotes included in the Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 and has been revised to reflect the results of operations and cash flows of our Dania Jai-Alai property as discontinued operations. See Note 3, Disposition, for further discussion.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Promotional Allowances

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

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2014 and December 31, 2013 and for the three months ended March 31, 2014 and 2013

The amounts included in promotional allowances are as follows:

(In thousands)	Three Months Ended	
	March 31,	
	2014	2013
Rooms	\$35,424	\$35,120
Food and beverage	49,872	50,780
Other	25,095	26,015
Total promotional allowances	\$110,391	\$111,915

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

(In thousands)	Three Months Ended	
	March 31,	
	2014	2013
Rooms	\$14,134	\$14,711
Food and beverage	43,561	45,059
Other	5,014	5,126
Total cost of promotional allowances	\$62,709	\$64,896

Gaming Taxes

We are subject to taxes based on gross gaming revenues in the jurisdictions in which we operate. These gaming taxes are assessed based on our gaming revenues and are recorded as a gaming expense in the condensed consolidated statements of operations. These taxes totaled approximately \$100.4 million and \$102.3 million for the three months ended March 31, 2014 and 2013, respectively.

Income Taxes

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

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

Our current rate is impacted by adjustments that are largely independent of our operating results before taxes. Such adjustments relate primarily to the accrual of non-cash tax expense in connection with the tax amortization of indefinite-lived intangible assets that are not available to offset existing deferred tax assets. The deferred tax liabilities created by the tax amortization of these intangibles cannot be used to offset corresponding increases in the

net operating loss deferred tax assets when determining our valuation allowance.

Other Long Term Tax Liabilities

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

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2014 and December 31, 2013 and for the three months ended March 31, 2014 and 2013

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

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

Net Loss per Share

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

Due to the net losses for the three months ended March 31, 2014 and 2013, the effect of all potential common share equivalents was anti-dilutive, and therefore all such shares, 942,141 and 379,593, respectively, were excluded from the computation of diluted weighted average shares outstanding.

Use of Estimates

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

Recently Issued Accounting Pronouncements

A variety of proposed or otherwise potential accounting standards are currently under study 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.

Accounting Standards Update 2013-11 Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit (“UTB”) When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (“Update 2013-11”)

In July 2013, the FASB issued ASU 2013-11. The objective of Update 2013-11 is to provide guidance on the financial statement presentation of an Unrecognized Tax Benefit (“UTB”) when a net operating loss (“NOL”) carryforward, a similar tax loss, or a tax credit carryforward exists. The Company is required to present an UTB in the financial statements as a reduction to a deferred tax asset for a NOL carryforward, a similar tax loss, or a tax credit carryforward.

Update 2013-11 is effective for interim and annual periods beginning after December 15, 2013. The adoption of Update 2013-11 did not have a material effect on our consolidated financial statements.

NOTE 3. DISPOSITION

Discontinued Operations - Disposition of Dania Jai-Alai

On May 22, 2013, we consummated the sale of certain assets and liabilities of the Dania pari-mutuel facility ("Dania Jai-Alia"), located in Broward County, Florida, for a sales price of \$65.5 million. The sale was pursuant to an asset agreement (the "New Dania Agreement") that we entered into with Dania Entertainment Center, LLC ("Dania Entertainment"). As part of the New Dania Agreement, the \$5 million non-refundable deposit and \$2 million fees paid to us in 2011 by Dania Entertainment were applied to the sales price, and we received \$58.5 million in cash and recorded a pre-tax gain of \$18.9 million in second quarter 2013. We have presented the results of Dania Jai-Alai Business as discontinued operations for all periods presented in these condensed consolidated financial statements. There were no assets and liabilities of the discontinued operation as of March 31, 2014 and December 31, 2013.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2014 and December 31, 2013 and for the three months ended March 31, 2014 and 2013

NOTE 4. CONSOLIDATION OF CERTAIN INTERESTS

Controlling Interest

Borgata Hotel Casino and Spa

Overview

The Company and MGM Resorts International ("MGM") each originally held a 50% interest in Marina District Development Holding Co., LLC ("Holding Company"). Holding Company owns all the equity interests in Marina District Development Company, LLC, d.b.a. Borgata Hotel Casino and Spa. We are the managing member of Holding Company, and we are responsible for the day-to-day operations of Borgata, including the improvement of the facility and business. As a result, we consolidate the Borgata into our financial statements.

In February 2010, we entered into an agreement with MGM to amend the operating agreement to, among other things, facilitate the transfer of MGM's interest in the Holding Company ("MGM Interest") to a divestiture trust (the "Divestiture Trust") established for the purpose of selling the MGM Interest to a third party. The proposed sale of the MGM Interest through the Divestiture Trust was part of a then-proposed settlement agreement between MGM and the New Jersey Department of Gaming Enforcement (the "NJDE").

On March 17, 2010, MGM announced that its settlement agreement with the NJDE had been approved by the New Jersey Casino Control Commission ("NJCCC"). Under the terms of the settlement agreement, MGM agreed to transfer the MGM Interest into the Divestiture Trust and further agreed to sell such interest within a 30-month period. During the first 18 months of such period, MGM had the power to direct the trustee to sell the MGM Interest, subject to the approval of the NJCCC. If the sale was not completed by such time, the trustee would have been solely responsible for the sale of the MGM Interest. The MGM Interest was transferred to the Divestiture Trust on March 24, 2010.

MGM has subsequently announced that it has entered into an amendment with respect to its settlement agreement with the NJDE, as approved by the NJCCC. The amended agreement provided that until March 24, 2013, MGM had the right to direct the Divestiture Trust to sell the MGM Interest. If a sale was not concluded by that time, the Divestiture Trust was to be responsible for selling MGM's Interest during the following 12-month period, or not later than March 24, 2014. Subsequent to a Joint Petition of MGM, Boyd and Marina District Development Company, LLC ("MDDC"), the NJCCC, on February 13, 2013, approved amendments to the Stipulation of Settlement and Trust Agreement which permits MGM to file an application for a statement of compliance, which, if approved, could permit MGM to reacquire its interest in MDDC. The deadline requiring MGM and the Divestiture Trust to sell the MGM Interest has been tolled to allow the NJCCC to complete a review of the application. The Company has a right of first refusal on any sale of the MGM Interest.

Deconsolidation of Variable Interest

LVE Energy Partners, LLC

LVE Energy Partners, LLC ("LVE") was a joint venture between Marina Energy LLC and DCO ECH Energy, LLC. Through our wholly-owned subsidiary, Echelon Resorts, LLC ("Echelon Resorts"), we had entered into an Energy Sales Agreement ("ESA") with LVE to design, build, own and operate a central energy center and related distribution system for our planned Echelon resort development.

Accounting guidance required us to consolidate LVE for financial statement purposes, as we determined that we were the primary beneficiary of the executory contract, the ESA, giving rise to the variable interest.

In connection with the disposition of Echelon on March 4, 2013, we exercised an option to acquire the central energy center assets from LVE for \$187.0 million. We immediately sold these assets to the buyer of Echelon and the ESA was terminated. As a result, we ceased consolidation of LVE as of that date.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2014 and December 31, 2013 and for the three months ended March 31, 2014 and 2013

NOTE 5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

(In thousands)	March 31, 2014	December 31, 2013
Land	\$334,746	\$336,079
Buildings and improvements	3,854,230	3,852,039
Furniture and equipment	1,359,670	1,332,090
Riverboats and barges	189,569	189,175
Construction in progress	60,677	72,141
Other	21,450	21,750
Total property and equipment	5,820,342	5,803,274
Less accumulated depreciation	2,354,777	2,297,661
Property and equipment, net	\$3,465,565	\$3,505,613

Other property and equipment presented in the table above relates to the estimated net realizable value of construction materials inventory that was not disposed of with the sale of the Echelon project. Such assets are not in service and are not currently being depreciated.

Depreciation expense for the three months ended March 31, 2014 and 2013 was \$57.7 million and \$58.2 million, respectively.

NOTE 6. INTANGIBLE ASSETS

Intangible assets consist of the following:

(In thousands)	March 31, 2014 Weighted Average Life Remaining	Gross Carrying Value	Cumulative Amortization	Cumulative Impairment Losses	Intangible Assets, Net
Amortizing intangibles:					
Customer relationships	3.3 years	\$154,000	\$(77,060	) \$—	\$76,940
Favorable lease rates	34.1 years	45,370	(10,173	) —	35,197
Development agreement	—	21,373	—	—	21,373
		220,743	(87,233	) —	133,510
Indefinite lived intangible assets:					
Trademarks and other	Indefinite	196,487	—	(8,200	) 188,287
Gaming license rights	Indefinite	955,135	(33,960	) (180,900	) 740,275
		1,151,622	(33,960	) (189,100	) 928,562
Balance, March 31, 2014		\$1,372,365	\$(121,193	) \$(189,100	) \$1,062,072

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2014 and December 31, 2013 and for the three months ended March 31, 2014 and 2013

(In thousands)	December 31, 2013		Cumulative Amortization	Cumulative Impairment Losses	Intangible Assets, Net
	Weighted Average Life Remaining	Gross Carrying Value			
Amortizing intangibles:					
Customer relationships	3.6 years	\$154,000	\$(68,733)	) \$—	\$85,267
Non-competition agreement	—	3,200	(3,200)) —	—
Favorable lease rates	34.4 years	45,370	(9,912)	) —	35,458
Development agreement	—	21,373	—	) —	21,373
		223,943	(81,845)	) —	142,098
Indefinite lived intangible assets:					
Trademarks and other	Indefinite	196,487	—	(8,200)	) 188,287
Gaming license rights	Indefinite	955,135	(33,960)	(180,900)	) 740,275
		1,151,622	(33,960)	(189,100)	) 928,562
Balance, December 31, 2013		\$1,375,565	\$(115,805)	) \$(189,100)	) \$1,070,660

NOTE 7. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

(In thousands)	March 31, 2014	December 31, 2013
Payroll and related expenses	\$83,133	\$90,602
Interest	35,941	47,497
Gaming liabilities	83,109	83,304
Accrued liabilities	137,186	120,544
Total accrued liabilities	\$339,369	\$341,947

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2014 and December 31, 2013 and for the three months ended March 31, 2014 and 2013

NOTE 8. LONG-TERM DEBT

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

(In thousands)	March 31, 2014					Long-Term Debt, Net
	Rates at Mar. 31, 2014	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees		
Boyd Debt:						
Boyd Gaming Debt:						
Bank credit facility	3.67	% \$1,431,950	\$(4,073)	) \$—		\$1,427,877
9.125% senior notes due 2018	9.13	% 500,000	—	(5,773)	)	494,227
9.00% senior notes due 2020	9.00	% 350,000	—	—		350,000
HoldCo Note	6.00	% 143,030	(16,677)	)	—	126,353
		2,424,980	(20,750)	)	(5,773)	) 2,398,457
Peninsula Segment Debt:						
Bank credit facility	4.20	% 786,625	—	—		786,625
8.375% senior notes due 2018	8.38	% 350,000	—	—		350,000
Other	various	11	—	—		11
		1,136,636	—	—		1,136,636
Total Boyd Debt		3,561,616	(20,750)	) (5,773)	)	3,535,093
Borgata Debt:						
Bank credit facility	3.86	% 36,700	—	—		36,700
Incremental term loan	6.75	% 379,050	(3,563)	)	—	375,487
9.875% senior secured notes due 2018	9.88	% 393,500	(1,733)	)	(6,281)	) 385,486
Total Borgata Debt		809,250	(5,296)	) (6,281)	)	797,673
Less current maturities		31,497	—	—		31,497
Long-term debt, net		\$4,339,369	\$(26,046)	) \$(12,054)	)	\$4,301,269

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as of March 31, 2014 and December 31, 2013 and for the three months ended March 31, 2014 and 2013

(In thousands)	December 31, 2013				
	Rates at Dec. 31, 2013	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
Boyd Debt:					
Boyd Gaming Debt:					
Bank credit facility	3.66	% \$1,467,725	\$ (4,233	) \$—	\$1,463,492
9.125% senior notes due 2018	9.13	% 500,000	—	(6,082	) 493,918
9.00% senior notes due 2020	9.00	% 350,000	—	—	350,000
HoldCo Note and other	6.00	% 143,030	(17,371	) —	125,659
		2,460,755	(21,604	) (6,082	) 2,433,069
Peninsula Segment Debt:					
Bank credit facility	4.20	% 802,150	—	—	802,150
8.375% senior notes due 2018	8.38	% 350,000	—	—	350,000
Other	various	12	—	—	12
		1,152,162	—	—	1,152,162
Total Boyd Debt		3,612,917	(21,604	) (6,082	) 3,585,231
Borgata Debt:					
Bank credit facility	3.86	% 39,900	—	—	39,900
Incremental term loan	6.75	% 380,000			