BOYD GAMING CORP
Form 10-Q
August 08, 2014

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, 2014

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

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

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 July 31, 2014
Common stock, $0.01 par value	108,386,736

BOYD GAMING CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED JUNE 30, 2014
TABLE OF CONTENTS

PART I. Financial Information
Item 1. Financial Statements (Unaudited)

BOYD GAMING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data) (Unaudited)	June 30, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	$162,512	$177,838
Restricted cash	28,513	20,686
Accounts receivable, net	64,619	65,569
Inventories	19,723	19,719
Prepaid expenses and other current assets	54,679	42,460
Income taxes receivable	1,189	1,143
Deferred income taxes and current tax assets	5,417	7,265
Total current assets	336,652	334,680
Property and equipment, net	3,444,449	3,505,613
Debt financing costs, net	74,494	84,209
Other assets, net	64,022	61,259
Intangible assets, net	1,051,484	1,070,660
Goodwill, net	685,310	685,310
Total assets	$5,656,411	$5,741,731
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	$31,496	$33,559
Accounts payable	68,789	75,478
Accrued liabilities	341,835	341,947
Deferred income taxes and other current tax liabilities	5,777	2,879
Total current liabilities	447,897	453,863
Long-term debt, net of current maturities	4,261,837	4,352,932
Deferred income taxes	164,452	155,218
Other long-term tax liabilities	38,083	42,188
Other liabilities	88,344	87,093
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; 108,383,736 and 108,155,002 shares outstanding	1,084	1,082
Additional paid-in capital	913,102	902,496
Accumulated deficit	(437,587)	(432,074)
Accumulated other comprehensive loss	(907)	(1,517)
Total Boyd Gaming Corporation stockholders' equity	475,692	469,987
Noncontrolling interest	180,106	180,450
Total stockholders' equity	655,798	650,437
'Total liabilities and stockholders' equity	$5,656,411	$5,741,731

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

3

BOYD GAMING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data) (Unaudited)	Three Months Ended June 30, 2014	2013	Six Months Ended June 30, 2014	2013
REVENUES				
Operating revenues				
Gaming	$618,914	$627,926	$1,227,671	$1,260,485
Food and beverage	110,353	112,804	216,996	224,578
Room	70,362	67,154	134,742	131,009
Other	41,173	41,898	80,133	81,209
Gross revenues	840,802	849,782	1,659,542	1,697,281
Less promotional allowances	118,268	111,034	228,659	222,949
Net revenues	722,534	738,748	1,430,883	1,474,332
COST AND EXPENSES				
Operating costs and expenses				
Gaming	288,214	287,801	573,388	585,063
Food and beverage	61,196	64,242	118,465	124,295
Room	14,481	15,955	27,651	29,055
Other	30,362	31,199	58,154	59,373
Selling, general and administrative	111,379	127,000	236,058	251,028
Maintenance and utilities	43,023	41,042	86,287	80,251
Depreciation and amortization	65,898	70,318	132,077	140,356
Corporate expense	17,621	15,148	37,541	30,504
Preopening expense	1,790	789	2,574	3,154
Impairments of assets	293	5,032	1,926	5,032
Asset transactions costs	1,859	614	2,014	3,627
Other operating items, net	(561)	229	(747)	1,795
Total operating costs and expenses	635,555	659,369	1,275,388	1,313,533
Operating income	86,979	79,379	155,495	160,799
Other expense (income)				
Interest income	(470)	(570)	(946)	(1,226)
Interest expense, net	75,296	88,126	150,799	183,808
Loss on early extinguishments of debt	904	2,372	1,058	2,372
Other, net	670	47	382	(471)
Total other expense, net	76,400	89,975	151,293	184,483
Income (loss) from continuing operations before income taxes	10,579	(10,596)	4,202	(23,684)
Income taxes benefit (expense)	(5,241)	4,102	(10,089)	6,526
Income (loss) from continuing operations, net of tax	5,338	(6,494)	(5,887)	(17,158)
Income from discontinued operations, net of tax	—	11,753	—	10,790
Net income (loss)	5,338	5,259	(5,887)	(6,368)
Net (income) loss attributable to noncontrolling interest	(4,669)	6,368	374	10,711
Net income (loss) attributable to Boyd Gaming Corporation	$669	$11,627	$(5,513)	$4,343
Basic net income (loss) per common share:				
Continuing operations	$0.01	$—	$(0.05)	$(0.07)

Discontinued operations	—	0.13	—	0.12
Basic net income (loss) per common share	$0.01	$0.13	$(0.05)	$0.05
Weighted average basic shares outstanding	109,884	89,230	109,819	88,606
Diluted net income (loss) per common share:				
Continuing operations	$0.01	$—	$(0.05)	$(0.07)
Discontinued operations	—	0.13	—	0.12
Diluted net income (loss) per common share	$0.01	$0.13	$(0.05)	$0.05
Weighted average diluted shares outstanding	110,813	90,265	109,819	89,447

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 June 30, 2014	2013	Six Months Ended June 30, 2014	2013
Net income (loss)	$5,338	$5,259	$(5,887)	$(6,368)
Other comprehensive income (loss), net of tax:				
Fair value of adjustments to available-for-sale securities, net of tax	(298)	(179)	610	116
Comprehensive income (loss)	5,040	5,080	(5,277)	(6,252)
Less: net income (loss) attributable to noncontrolling interest	4,669	(6,368)	(374)	(10,711)
Comprehensive income (loss) attributable to Boyd Gaming Corporation	$371	$11,448	$(4,903)	$4,459

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

5

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	—	—	—	(5,513)	—	(374)	(5,887)
Comprehensive income attributable to Boyd	—	—	—	—	610	—	610
Stock options exercised	121,329	2	902	—	—	—	904
Release of restricted stock units, net of tax	107,405	—	(201)	—	—	—	(201)
Share-based compensation costs	—	—	9,905	—	—	—	9,905
Noncontrolling interests contribution	—	—	—	—	—	30	30
Balances, June 30, 2014	108,383,736	$1,084	$913,102	$(437,587)	$(907)	$180,106	$655,798
Balances, January 1, 2013	86,871,977	$869	$655,694	$(351,810)	$(962)	$163,336	$467,127
Net income (loss)	—	—	—	4,343	—	(10,711)	(6,368)
Unrealized gain on investment available for sale	—	—	—	—	116	—	116
Stock options exercised	1,765,037	18	13,127	—	—	—	13,145
Restricted stock units released/settled	130,597	1	(351)	—	—	—	(350)
Share-based compensation costs	—	—	6,984	—	—	—	6,984
Deconsolidation of LVE	—	—	—	—	—	45,404	45,404
Balances, June 30, 2013	88,767,611	$888	$675,454	$(347,467)	$(846)	$198,029	$526,058

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)	Six Months Ended June 30, 2014	2013
Cash Flows from Operating Activities		
Net loss	$(5,887)	$(6,368)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss (Gain) on discontinued operations, net of tax	—	(10,790)
Depreciation and amortization	132,077	140,356
Amortization of debt financing costs	9,662	11,425
Amortization of discounts on debt	3,528	9,156
Loss on early extinguishments of debt	1,058	2,372
Share-based compensation expense	9,905	6,984
Deferred income taxes	10,439	4,732
Noncash impairments of assets	1,926	5,089
Other operating activities	2,230	1,535
Changes in operating assets and liabilities:		
Restricted cash	(7,827)	(675)
Accounts receivable, net	(131)	23
Inventories	(5)	(1,030)
Prepaid expenses and other current assets	(12,195)	249
Current other tax asset	3,541	(17)
Income taxes receivable	(46)	577
Other assets, net	(2,786)	3,818
Accounts payable and accrued liabilities	(4,493)	14,970
Other long-term tax liabilities	(4,105)	(19,939)
Other liabilities	1,438	3,303
Net cash provided by operating activities	138,329	165,770
Cash Flows from Investing Activities		
Capital expenditures	(53,509)	(58,456)
Proceeds from sale of Echelon, net	—	343,750
Cash paid for exercise of LVE option	—	(187,000)
Other investing activities	1,124	214
Net cash provided by (used in) investing activities	(52,385)	98,508
Cash Flows from Financing Activities		
Borrowings under Boyd Gaming bank credit facility	365,700	490,400
Payments under Boyd Gaming bank credit facility	(424,925)	(557,250)
Borrowings under Peninsula bank credit facility	155,900	161,100
Payments under Peninsula bank credit facility	(189,887)	(182,725)
Borrowings under Borgata bank credit facility	248,700	200,000
Payments under Borgata bank credit facility	(255,500)	(215,600)
Debt financing costs	(88)	(11,333)
Payments on long-term debt	(4)	(10,816)
Payments on retirements of long-term debt	(1,900)	(215,668)
Stock options exercised	904	13,145
Restricted stock units released, net	(201)	(350)
Other financing activities	31	(4)
Net cash used in financing activities	(101,270)	(329,101)

Cash Flows from Discontinued Operations		
Cash flows from operating activities	—	(2,144)
Cash flows from investing activities	—	56,751
Cash flows from financing activities	—	—
Net cash used in discontinued operations	—	54,607
Change in cash and cash equivalents	(15,326)	(10,216)
Cash and cash equivalents, beginning of period	177,838	192,545
Change in cash classified as discontinued operations	—	283
Cash and cash equivalents, end of period	$162,512	$182,612
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest, net of amounts capitalized	$136,245	$164,551
Cash paid (received) for income taxes, net of refunds	232	(2,136)
Supplemental Schedule of Noncash Investing and Financing Activities		
Payables incurred for capital expenditures	$14,023	$12,600

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, 2014 and December 31, 2013 and for the three and six months ended June 30, 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 since 1975. The Company's common stock is traded on the New York Stock Exchange under the symbol "BYD".

We are a diversified operator of 21 wholly owned gaming entertainment properties and one property, Borgata Hotel Casino & Spa ("Borgata"), in which we 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.

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.

The amounts included in promotional allowances are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2014	2013	2014	2013
Rooms	$36,981	$35,321	$72,405	$70,441

Food and beverage	49,343	49,875	99,215	100,653
Other	31,944	25,838	57,039	51,855
Total promotional allowances	$118,268	$111,034	$228,659	$222,949

BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
as of June 30, 2014 and December 31, 2013 and for the three and six months ended June 30, 2014 and 2013

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2014	2013	2014	2013
Rooms	$14,451	$14,432	$28,585	$29,143
Food and beverage	43,487	44,123	87,048	89,182
Other	5,673	5,404	10,687	10,559
Total cost of promotional allowances	$63,611	$63,959	$126,320	$128,884

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 $97.3 million and $101.8 million for the three months ended June 30, 2014 and 2013, respectively, and $192.6 million and $204.1 million for the six months ended June 30, 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 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 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.

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

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

Net Income (Loss) per Share

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

Due to the net loss for the six months ended June 30, 2014, the effect of all potential common share equivalents was anti-dilutive, and therefore all such shares were excluded from the computation of diluted weighted average shares outstanding for this period. The amount of all potential common share equivalents were 935,474 for the six months ended June 30, 2014.

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 2014-12 Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period ("Update 2014-12")

In June 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-12. Update 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. The standard is effective for annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company is evaluating the potential impacts of the new standard on its existing stock-based compensation plans.

Accounting Standards Update 2014-09 Revenue from Contracts with Customers (Topic 606) ("Update 2014-09")

In May 2014, the FASB issued ASU 2014-09. Update 2014-09 outlines 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 pronouncement is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is not permitted. The impact of the adoption of Update 2014-09 to the Company's consolidated financial position or results of operations is currently under evaluation.

Accounting Standards Update 2014-08 Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ("Update 2014-08")

In April 2014, the FASB issued ASU 2014-08. Update 2014-08 raises the threshold for determining which disposals are required to be presented as discontinued operations and modifies related disclosure requirements. The standard is applied prospectively and is effective in 2015 with early adoption permitted. The Company is currently assessing the potential impact that the adoption of this guidance will have on its financial position and results of operations.

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 June 30, 2014 and December 31, 2013.

NOTE 4. CONSOLIDATION OF CERTAIN INTERESTS

Controlling Interest

Borgata Hotel Casino and Spa

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.

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 "NJDGE").

On March 17, 2010, MGM announced that its settlement agreement with the NJDGE 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 NJDGE, 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.

Upon the transfer of MGM's ownership interest into the Divestiture Trust on March 24, 2010, we determined that we had control, as defined in the relevant accounting literature, of Holding Company and commenced consolidating the business as of that date. Should MGM's application be approved, it is expected that the Divestiture Trust will be dissolved and MGM will reacquire its ownership interest in Holding Company and its substantive participation rights in management of Holding Company. If MGM's application is not approved, it is expected that the Divestiture Trust would resume the process of selling the MGM Interest. Upon the occurrence of MGM reacquiring its ownership interest or the Divestiture Trust selling the MGM Interest to another party, we would re-evaluate our accounting for Holding Company and potentially deconsolidate Holding Company as of the date of the event. If we determine that we should deconsolidate, we will determine the fair value of our investment in Holding Company as of the date of deconsolidation, eliminate the assets, liabilities and non-controlling interests recorded for Holding Company, record an investment equal to the fair value of our investment and recognize a gain or loss due to the deconsolidation. We would account for the investment on the equity method for periods subsequent to the date of deconsolidation.

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.

NOTE 5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

(In thousands)	June 30, 2014	December 31, 2013
Land	$333,564	$336,079
Buildings and improvements	3,859,100	3,852,039
Furniture and equipment	1,373,411	1,332,090
Riverboats and barges	189,557	189,175
Construction in progress	71,110	72,141
Other	21,054	21,750
Total property and equipment	5,847,796	5,803,274
Less accumulated depreciation	2,403,347	2,297,661
Property and equipment, net	$3,444,449	$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 June 30, 2014 and 2013 was $57.3 million and $58.5 million, respectively.

Depreciation expense for the six months ended June 30, 2014 and 2013 was $115.0 million and $116.7 million, respectively.

BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
as of June 30, 2014 and December 31, 2013 and for the three and six months ended June 30, 2014 and 2013

NOTE 6. INTANGIBLE ASSETS

Intangible assets consist of the following:

	June 30, 2014				
(In thousands)	Weighted Average Life Remaining	Gross Carrying Value	Cumulative Amortization	Cumulative Impairment Losses	Intangible Assets, Net
Amortizing intangibles:					
Customer relationships	3.0 years	$154,000	$(85,388)	$—	$68,612
Favorable lease rates	33.8 years	45,370	(10,433)	—	34,937
Development agreement	—	21,373	—	—	21,373
		220,743	(95,821)	—	124,922
Indefinite lived intangible assets:					
Trademarks and other	Indefinite	194,487	—	(8,200)	186,287
Gaming license rights	Indefinite	955,135	(33,960)	(180,900)	740,275
		1,149,622	(33,960)	(189,100)	926,562
Balance, June 30, 2014		$1,370,365	$(129,781)	$(189,100)	$1,051,484

	December 31, 2013				
(In thousands)	Weighted Average Life Remaining	Gross Carrying Value	Cumulative Amortization	Cumulative Impairment Losses	Intangible Assets, Net
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)	June 30, 2014	December 31, 2013
Payroll and related expenses	$84,374	$90,602
Interest	48,005	47,497
Gaming liabilities	56,752	58,145
Player loyalty program liabilities	24,489	25,159
Accrued liabilities	128,215	120,544

Total accrued liabilities	$341,835	$341,947

13

BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
as of June 30, 2014 and December 31, 2013 and for the three and six months ended June 30, 2014 and 2013

NOTE 8. LONG-TERM DEBT

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

	June 30, 2014				
(In thousands)	Interest Rates at June 30, 2014	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
Boyd Debt:					
Boyd Gaming Debt:					
Bank credit facility	3.67 %	$1,408,500	$(3,910)	$—	$1,404,590
9.125% senior notes due 2018	9.13 %	500,000	—	(5,464)	494,536
9.00% senior notes due 2020	9.00 %	350,000	—	—	350,000
HoldCo Note	6.00 %	147,320	(14,979)	—	132,341
		2,405,820	(18,889)	(5,464)	2,381,467
Peninsula Segment Debt:					
Bank credit facility	4.25 %	768,163	—	—	768,163
8.375% senior notes due 2018	8.38 %	350,000	—	—	350,000
Other	various	8	—	—	8
		1,118,171	—	—	1,118,171
Total Boyd Debt		3,523,991	(18,889)	(5,464)	3,499,638
Borgata Debt:					
Bank credit facility	4.12 %	33,100	—	—	33,100
Incremental term loan	6.75 %	378,100	(3,359)	—	374,741
9.875% senior secured notes due 2018	9.88 %	393,500	(1,654)	(5,992)	385,854
Total Borgata Debt		804,700	(5,013)	(5,992)	793,695
Less current maturities		31,496	—	—	31,496
Long-term debt, net		$4,297,195	$(23,902)	$(11,456)	$4,261,837

BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
as of June 30, 2014 and December 31, 2013 and for the three and six months ended June 30, 2014 and 2013

	December 31, 2013				
(In thousands)	Interest 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	—		