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 (State or other jurisdiction of incorporation or organization)	88-0242733 (I.R.S. Employer Identification No.)

3883 Howard Hughes Parkway, Ninth Floor, Las Vegas, NV 89169
(Address of principal executive offices) (Zip Code)
(702) 792-7200
(Registrant's telephone number, including area code)

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.

4

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					Noncontrolling Interest	Total
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss), Net		
	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

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	—	—	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	(3,766)	—	376,234
9.875% senior secured notes due 2018	9.88 %	393,500	(1,811)	(6,563)	385,126
Total Borgata Debt		813,400	(5,577)	(6,563)	801,260
Less current maturities		33,559	—	—	33,559
Long-term debt, net		$4,392,758	$(27,181)	$(12,645)	$4,352,932

Boyd Gaming Debt

Boyd Bank Credit Facility

The net amounts outstanding under the Third Amended and Restated Credit Agreement (the "Boyd Gaming Credit Facility") were:

(In thousands)	June 30, 2014	December 31, 2013
Revolving Credit Facility	$296,090	$295,000
Term A Loan	237,500	246,875
Term B Loan	871,000	897,750
Swing Loan	—	23,867
Total outstanding borrowings under the Boyd Gaming Credit Facility	$1,404,590	$1,463,492

At June 30, 2014, approximately $1.4 billion was outstanding under the Boyd Gaming Credit Facility and $7.7 million was allocated to support various letters of credit, leaving remaining contractual availability of $292.3 million.

HoldCo Note
In accordance with its terms, $4.3 million of accrued and unpaid interest was added to the principal balance of the HoldCo Note during the second quarter of 2014.

Peninsula Segment Debt
Bank Credit Facility
At June 30, 2014, approximately $768.2 million was outstanding under the Peninsula $875.0 million senior secured credit facility (the "Peninsula Credit Facility") and $5.2 million was allocated to support various letters of credit, leaving remaining contractual availability of $27.2 million.

Borgata Debt
Borgata Bank Credit Facility
At June 30, 2014, approximately $33.1 million was outstanding under the Marina District Finance Company Inc. ("MDFC") Amended and Restated Credit Agreement (the "Borgata Credit Facility") and $3.2 million was allocated to support a letter of credit, leaving remaining contractual availability of $23.7 million.

Covenant Compliance
As of June 30, 2014, we believe that Boyd Gaming, Peninsula and Borgata were in compliance with the financial and other covenants of their respective debt instruments.

NOTE 9. COMMITMENTS AND CONTINGENCIES
Commitments
There have been no material changes to our commitments described under Note 13, Commitments and Contingencies, in our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on March 14, 2014.

Contingencies
Borgata Property Taxes
Borgata filed tax appeal complaints, in connection with its property tax assessments for tax years 2009 through 2014, in New Jersey Tax Court ("Tax Court"). The trial for tax years 2009 and 2010 was held during the second quarter of 2013 and a decision was issued on October 18, 2013. The assessor valued Borgata's real property at approximately $2.3 billion. The Tax Court found in favor of Borgata and reduced the real property valuation to $880 million and $870 million for tax years 2009 and 2010, respectively. The City of Atlantic City ("City") filed an appeal in the New Jersey Superior Court - Appellate Division ("Appellate Court") in November 2013. No trial date has been set for the Appellate Court hearing. Borgata has paid its property tax obligations consistent with the assessor's valuation and based on the Tax Court's decision, we estimate the 2009 and 2010 property tax refunds and related statutory interest will be approximately $48.0 million and $9.0 million, respectively. We can provide no assurances that the Tax Court’s decision in the 2009-2010 appeal will be upheld at the appellate level. Due to the uncertainty surrounding the ultimate resolution of the City’s appeal, we will not recognize any gain until a final, non-appealable decision has been rendered.

On June 5, 2014, Borgata entered into a settlement agreement with the City of Atlantic City. The agreement resolved the tax appeal complaints filed by Borgata in connection with property tax assessments for tax years 2011 through 2014. Under the terms of the agreement, Borgata is entitled to receive a tax refund of $88.25 million for tax years 2011 through 2013, as well as an estimated tax credit of $17.85 million for tax year 2014. Additionally, the City of Atlantic City has agreed to a defined property tax valuation for tax year 2015. Although the tax rate for 2015 is unknown, Borgata believes that the revised valuation will result in significantly lower real estate taxes as compared to 2013. In exchange, Borgata has agreed to relinquish its right to further contest the property tax assessments for tax years 2011 through 2015, contingent upon the City fulfilling its obligations under the agreement. The agreement does not affect the pending appeals of the property tax assessments for tax years 2009 and 2010. Per the terms of the agreement, the City intends to fulfill its obligation to pay the refund to Borgata through a bond issuance; however, such bond issuance is subject to additional state and local agency approvals and general market conditions at the time of the proposed issuance. In the event that the City does not issue bonds, or otherwise fails to pay the refund, Borgata retains its right to compel a trial on the filed appeals., We cannot be certain that the City will issue bonds or fund their obligations under the agreement through other sources. Due to this uncertainty, we will not record the recovery of the $88.25 million in previously paid property taxes until the City has successfully issued bonds or obtained other dedicated sources of funding in an amount sufficient to pay the refund for tax years 2011-2013 per the terms of the agreement.

Legal Matters

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

NOTE 10. STOCKHOLDERS' EQUITY AND STOCK INCENTIVE PLANS

Share-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)	2014	2013	2014	2013
Gaming	$67	$58	$182	$117
Food and beverage	13	11	35	22
Room	7	6	17	11
Selling, general and administrative	342	298	926	596
Corporate expense	2,995	2,520	8,745	6,238
Total share-based compensation expense	$3,424	$2,893	$9,905	$6,984

NOTE 11. NONCONTROLLING INTEREST

Noncontrolling interest represents (i) the 50% interest in Holding Company held by the Divestiture Trust for the economic benefit of MGM, which was initially recorded at fair value at the March 24, 2010 date of the effective change in control, on March 24, 2010; and (ii) until the Echelon sale, which closed on March 4, 2013, all 100% of the members' equity interest in LVE, the variable interest entity which had been consolidated in our financial statements, but in which we hold no equity interest.

Changes in the noncontrolling interest are as follows:

	Six Months Ended June 30, 2014		
(In thousands)	Holding Company	Other	Total
Balance, January 1, 2014	$180,430	$20	$180,450
Attributable net loss	(374)	—	(374)
Capital contributions	—	30	30
Balance, June 30, 2014	$180,056	$50	$180,106

	Six Months Ended June 30, 2013			
(In thousands)	Holding Company	LVE	Other	Total
Balance, January 1, 2013	$208,277	$(44,961)	$20	$163,336

Attributable net loss	(10,268)	(443)	—	(10,711)
Deconsolidation of LVE on March 4, 2013	—	45,404	—	45,404
Balance, June 30, 2013	$198,009	$—	$20	$198,029

NOTE 12. FAIR VALUE MEASUREMENTS

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

These inputs create the following fair value hierarchy:

Level 1: Quoted prices for identical instruments in active markets.
Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

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

Balances Measured at Fair Value

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

	June 30, 2014			
(In thousands)	Balance	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$162,512	$162,512	$—	$—
Restricted cash	28,513	28,513	—	—
CRDA deposits	6,728	—	—	6,728
Investment available for sale	17,443	—	—	17,443
Liabilities				
Merger earnout	$450	$—	$—	$450
Contingent payments	4,278	—	—	4,278

	December 31, 2013			
(In thousands)	Balance	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$177,838	$177,838	$—	$—
Restricted cash	20,686	20,686	—	—
CRDA deposits	4,613	—	—	4,613
Investment available for sale	17,128	—	—	17,128

Liabilities				
Merger earnout	$1,125	$—	$—	$1,125
Contingent payments	4,343	—	—	4,343

Cash and Cash Equivalents and Restricted Cash
The fair value of our cash and cash equivalents and restricted cash, classified in the fair value hierarchy as Level 1, are based on statements received from our banks at June 30, 2014 and December 31, 2013.

CRDA Deposits
The fair value of Borgata's CRDA deposits, classified in the fair value hierarchy as Level 3, is based on estimates of the realizable value applied to the balances on statements received from the CRDA at June 30, 2014 and December 31, 2013.

Investment Available for Sale
We have an investment in a single municipal bond issuance of $21.7 million aggregate principal amount of 7.5% Urban Renewal Tax Increment Revenue Bonds, Taxable Series 2007 that is classified as available for sale. We are the only holder of this instrument and there is no quoted market price for this instrument. As such, the fair value of this investment is classified as Level 3 in the fair value hierarchy. The estimate of the fair value of such investment was determined using a combination of current market rates and estimates of market conditions for instruments with similar terms, maturities, and degrees of risk and a discounted cash flows analysis as of June 30, 2014 and December 31, 2013. 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 June 30, 2014 and December 31, 2013, $0.4 million and $0.3 million, respectively, 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, 2014 and December 31, 2013, $17.0 million and $16.8 million, respectively, is included in other assets on the condensed consolidated balance sheets. The discount associated with this investment of $3.4 million and $3.5 million as of June 30, 2014 and December 31, 2013, respectively, is netted with the investment balance and is being accreted over the life of the investment using the effective interest method. The accretion of such discount is included in interest income on the consolidated statements of operations.

Merger Earnout
Under the terms of the Merger Agreement, Boyd Acquisition II, LLC, an indirect wholly owned subsidiary of Boyd, is obligated to make an additional payment to Peninsula Gaming Partners, LLC, in 2016 if Kansas Star Casino's ("KSC") EBITDA, as defined in the Merger Agreement, for 2015 exceeds $105.0 million. The additional payment would be equal to 7.5 times the amount by which KSC's 2015 EBITDA exceeds $105.0 million. The actual payout will be determined based on actual EBITDA of KSC for calendar year 2015, and payments are not limited by a maximum value. If the actual 2015 EBITDA of KSC is less than the target, the Company is not required to make any additional consideration payment. The value of this contingency was calculated using a probability-based model. This model requires estimates of forecasted 2015 EBITDA and of probability of exceeding the threshold at which a payment would be made. We formed our valuation assumptions using historical experience in the gaming industry and observable market conditions. The assumptions will be reviewed periodically and any change in the value of the obligation will be included in the consolidated statements of operations. At June 30, 2014 and December 31, 2013, there were outstanding liabilities of $0.5 million and $1.1 million, respectively, related to the merger earnout which are included in other liabilities on the condensed consolidated balance sheets.

Contingent Payments

In connection with the development of the Kansas Star Casino, KSC agreed to pay a former casino project developer and option holder 1% of KSC's EBITDA each month for a period of ten years commencing December 20, 2011. The liability was initially recorded upon consummation of the Merger, at the estimated fair value of the contingent land purchase price using a discounted cash flows approach. At both June 30, 2014 and December 31, 2013, there was a current liability of $0.9 million related to this agreement, which was recorded in accrued liabilities on the respective condensed consolidated balance sheets, and long-term obligations of $3.4 million, which were included in other liabilities on the respective condensed consolidated balance sheets.

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

	Three Months Ended June 30, 2014			
	Assets		Liabilities	
(In thousands)	Investment Available for Sale	CRDA Deposits	Merger Earnout	Contingent Payments
Balance at April 1, 2014	$18,067	$5,547	$(750)	$(4,330)
Deposits	—	1,771	—	—
Total gains (losses) (realized or unrealized):				
Included in earnings	29	(590)	300	(183)
Included in other comprehensive income (loss)	(298)	—	—	—
Transfers in or out of Level 3	—	—	—	—
Purchases, sales, issuances and settlements:				
Settlements	(355)	—	—	235
Ending balance at June 30, 2014	$17,443	$6,728	$(450)	$(4,278)
Gains (losses) included in earnings attributable to the change in unrealized gains relating to assets and liabilities still held at the reporting date:				
Included in interest income	$29	$—	$—	$—
Included in interest expense	—	—	—	(183)

	Three Months Ended June 30, 2013			
	Assets		Liabilities	
(In thousands)	Investment Available for Sale	CRDA Deposits	Merger Earnout	Contingent Payments
Balance at April 1, 2013	$18,223	$29,101	$(8,983)	$(4,522)
Deposits	—	1,874	—	—
Total gains (losses) (realized or unrealized):				
Included in earnings	28	(5,861)	—	(193)
Included in other comprehensive income (loss)	(179)	—	—	—
Transfers in or out of Level 3	—	—	—	—
Purchases, sales, issuances and settlements:				
Settlements	(330)	—	—	245
Ending balance at June 30, 2013	$17,742	$25,114	$(8,983)	$(4,470)
Gains (losses) included in earnings attributable to the change in unrealized gains relating to assets and liabilities still held at the reporting date:				
Included in interest income	$28	$—	$—	$—
Included in interest expense	—	—	—	(193)

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

	Six Months Ended June 30, 2014			
	Assets		Liabilities	
(In thousands)	Investment Available for Sale	CRDA Deposits	Merger Earnout	Contingent Payments
Balance at January 1, 2014	$17,128	$4,613	$(1,125)	$(4,343)
Deposits	—	3,518	—	—
Total gains (losses) (realized or unrealized):				
Included in earnings	60	(1,144)	675	(368)
Included in other comprehensive income (loss)	610	—	—	—
Transfers in or out of Level 3	—	—	—	—
Purchases, sales, issuances and settlements:				
Settlements	(355)	(259)	—	433
Ending balance at June 30, 2014	$17,443	$6,728	$(450)	$(4,278)
Gains (losses) included in earnings attributable to the change in unrealized gains relating to assets and liabilities still held at the reporting date:				
Included in interest income	$60	$—	$—	$—
Included in interest expense	—	—	—	(368)

	Six Months Ended June 30, 2013			
	Assets		Liabilities	
(In thousands)	Investment Available for Sale	CRDA Deposits	Merger Earnout	Contingent Payments
Balance at January 1, 2013	$17,907	$28,464	$(9,800)	$(4,563)
Deposits	—	3,698	—	—
Total gains (losses) (realized or unrealized):				
Included in earnings	49	(6,883)	817	(387)
Included in other comprehensive income (loss)	116	—	—	—
Transfers in or out of Level 3	—	—	—	—
Purchases, sales, issuances and settlements:				
Settlements	(330)	(165)	—	480
Ending balance at June 30, 2013	$17,742	$25,114	$(8,983)	$(4,470)
Gains (losses) included in earnings attributable to the change in unrealized gains relating to assets and liabilities still held at the reporting date:				
Included in interest income	$49	$—	$—	$—
Included in interest expense	—	—	—	(387)
Included in non-operating income	—	—	817	—

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

	Valuation Technique	Unobservable Input	Rate	
Investment available for sale	Discounted cash flow	Discount rate	10.4	%
CRDA deposits	Valuation allowance	Reserves	33.3	%
Merger earnout	Probability-based model	Estimated probability	3.0	%
Contingent payments	Discounted cash flow	Discount rate	18.5	%

Balances Disclosed at Fair Value

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

(In thousands)	June 30, 2014 Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Liabilities				
Obligation under assessment arrangements	$37,547	$29,075	$28,840	Level 3
Other financial instruments	300	257	257	Level 3

(In thousands)	December 31, 2013 Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Liabilities				
Obligation under assessment arrangements	$37,783	$28,980	$27,608	Level 3
Other financial instruments	400	343	343	Level 3

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

(In thousands)	June 30, 2014 Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Boyd Debt:				
Boyd Gaming Debt:				
Bank credit facility	$1,408,500	$1,404,590	$1,422,253	Level 2
9.125% Senior Notes due 2018	500,000	494,536	535,000	Level 1
9.00% Senior Notes due 2020	350,000	350,000	384,125	Level 1
HoldCo Note	147,320	132,341	139,954	Level 3
	2,405,820	2,381,467	2,481,332	
Peninsula Segment Debt:				
Bank credit facility	768,163	768,163	780,397	Level 2
8.375% Senior Notes due 2018	350,000	350,000	376,250	Level 2
Other	8	8	8	Level 3
	1,118,171	1,118,171	1,156,655	
Total Boyd Debt	3,523,991	3,499,638	3,637,987	

Borgata Debt:				
Bank credit facility	33,100	33,100	33,100	Level 2
Incremental term loan	378,100	374,741	382,233	Level 2
9.875% senior secured notes due 2018	393,500	385,854	412,939	Level 1
Total Borgata debt	804,700	793,695	828,272	
Total debt	$4,328,691	$4,293,333	$4,466,259	

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)	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Boyd Debt:				
Boyd Gaming Debt:				
Bank credit facility	$1,467,725	$1,463,492	$1,469,969	Level 2
9.125% Senior Notes due 2018	500,000	493,918	543,750	Level 1
9.00% Senior Notes due 2020	350,000	350,000	383,250	Level 1
HoldCo Note	143,030	125,659	125,659	Level 3
	2,460,755	2,433,069	2,522,628	
Peninsula Segment Debt:				
Bank credit facility	802,150	802,150	814,941	Level 2
8.375% Senior Notes due 2018	350,000	350,000	381,500	Level 2
Other	12	12	12	Level 3
	1,152,162	1,152,162	1,196,453	
Total Boyd Debt	3,612,917	3,585,231	3,719,081	
Borgata Debt:				
Bank credit facility	39,900	39,900	39,900	Level 2
Incremental term loan	380,000	376,234	381,900	Level 2
9.875% senior secured notes due 2018	393,500	385,126	425,472	Level 1
Total Borgata debt	813,400	801,260	847,272	
Total debt	$4,426,317	$4,386,491	$4,566,353	

The estimated fair value of the Boyd Gaming Credit Facility is based on a relative value analysis performed on or about June 30, 2014 and December 31, 2013. The estimated fair value of the Peninsula Credit Facility is based on a relative value analysis performed on or about June 30, 2014 and December 31, 2013. The estimated fair value of the Borgata Credit Facility at June 30, 2014 and December 31, 2013 approximates its carrying value due to the short-term nature and variable repricing of the underlying Eurodollar loans comprising the Borgata Credit Facility. The estimated fair value of the Borgata incremental term loan is based on a relative value analysis performed on or about June 30, 2014 and December 31, 2013. The estimated fair values of our senior notes, Peninsula's senior notes and Borgata's senior secured notes are based on quoted market prices as of June 30, 2014 and December 31, 2013. Debt included in the "Other" category is fixed-rate debt that is not traded and does not have an observable market input; therefore, we have estimated its fair value based on a discounted cash flow approach, after giving consideration to the changes in market rates of interest, creditworthiness of both parties, and credit spreads.

There were no transfers between Level 1, Level 2 and Level 3 measurements during the six months ended June 30, 2014 or 2013.

NOTE 13. SEGMENT INFORMATION

We have aggregated certain of our properties in order to present five Reportable Segments: (i) Las Vegas Locals; (ii) Downtown Las Vegas; (iii) Midwest and South; (iv) Peninsula; and (v) Borgata. 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
Eldorado Casino	Henderson, Nevada
Jokers Wild Casino	Henderson, Nevada
Downtown Las Vegas	
California Hotel and Casino	Las Vegas, Nevada
Fremont Hotel and Casino	Las Vegas, Nevada
Main Street Station Casino, Brewery and Hotel	Las Vegas, Nevada
Midwest and South	
Sam's Town Hotel and Gambling Hall	Tunica, Mississippi
IP Casino Resort Spa	Biloxi, Mississippi
Par-A-Dice Hotel Casino	East Peoria, Illinois
Blue Chip Casino, Hotel & Spa	Michigan City, Indiana
Treasure Chest Casino	Kenner, Louisiana
Delta Downs Racetrack Casino & Hotel	Vinton, Louisiana
Sam's Town Hotel and Casino	Shreveport, Louisiana
Peninsula	
Diamond Jo Dubuque	Dubuque, Iowa
Diamond Jo Worth	Northwood, Iowa
Evangeline Downs Racetrack and Casino	Opelousas, Louisiana
Amelia Belle Casino	Amelia, Louisiana
Kansas Star Casino	Mulvane, Kansas
Borgata	
Borgata Hotel Casino & Spa	Atlantic City, New Jersey

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

We evaluate each of our wholly owned property's profitability based upon Property EBITDA, which represents each property's earnings before interest expense, income taxes, depreciation and amortization, preopening expenses, other operating charges, net, share-based compensation expense, deferred rent, change in value of derivative instruments, and gain/loss on early retirements of debt, as applicable. Total Reportable Segment Adjusted EBITDA is the aggregate sum of the Property EBITDA for each of the properties included in our Las Vegas Locals, Downtown Las Vegas, and Midwest and South, and Peninsula segments, and also includes Borgata's operating income before net amortization, preopening and other items. Results for Downtown Las Vegas include the results of our Hawaii-based travel agency and captive insurance company. EBITDA is a commonly used measure of performance in our industry that we believe, when considered with measures calculated in accordance with GAAP, provides our investors a more complete understanding of our operating results before the impact of investing and financing transactions and income taxes and facilitates comparisons between us and our competitors. Management has historically adjusted EBITDA when evaluating operating performance because we believe that the inclusion or exclusion of certain recurring and non-recurring items is necessary to provide the most accurate measure of our core operating results and as a means to evaluate period-to-period results.

We reclassify the reporting of corporate expense on the accompanying table in order to exclude it from our subtotal for Total Reportable Segment Adjusted EBITDA and include it as part of total other operating costs and expenses. Furthermore, corporate

24

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.

The following table sets forth, for the periods indicated, certain operating data for our Reportable Segments, and reconciles 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)	2014	2013	2014	2013
Net Revenues				
Las Vegas Locals	$148,270	$149,690	$299,713	$302,517
Downtown Las Vegas	55,552	56,128	111,285	110,211
Midwest and South	209,104	224,273	420,740	453,390
Peninsula	127,754	135,780	250,027	269,693
Borgata	181,854	172,877	349,118	338,521
Total Reportable Segment Net Revenues	$722,534	$738,748	$1,430,883	$1,474,332
Reportable Segment Adjusted EBITDA				
Las Vegas Locals	$36,581	$38,723	$76,588	$77,928
Downtown Las Vegas	8,551	9,297	17,878	16,408
Midwest and South	42,199	48,625	86,297	98,307
Peninsula	45,282	48,323	90,043	99,035
Borgata	42,598	27,847	63,044	56,252
Total Reportable Segment Adjusted EBITDA	175,211	172,815	333,850	347,930
Other operating costs and expenses				
Corporate expense	14,625	12,628	28,795	24,266
Deferred rent	904	958	1,811	1,915
Depreciation and amortization	65,898	70,318	132,077	140,356
Preopening expense	1,790	789	2,574	3,154
Share-based compensation expense	3,424	2,894	9,905	6,985
Impairments of assets	293	5,032	1,926	5,032
Asset transaction costs	1,859	614	2,014	3,627
Other operating charges and credits, net	(561)	203	(747)	1,796
Total other operating costs and expenses	88,232	93,436	178,355	187,131
Operating income	$86,979	$79,379	$155,495	$160,799

Total Reportable Segment Assets

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

(In thousands)	June 30, 2014	December 31, 2013
Assets		
Las Vegas Locals	$1,169,817	$1,190,234
Downtown Las Vegas	124,481	125,618
Midwest and South	1,331,544	1,349,155
Peninsula	1,487,632	1,511,606
Borgata	1,328,542	1,334,714
Total Reportable Segment Assets	5,442,016	5,511,327
Corporate	214,395	230,267
Other	—	137
Total Assets	$5,656,411	$5,741,731

NOTE 14. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Separate condensed consolidating financial information for our subsidiary guarantors and non-guarantors of our 9.125% Senior Notes due December 2018 and 9.00% Senior Notes due July 2020 is presented below. The 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.

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

Condensed Consolidating Balance Sheets

	June 30, 2014					
(In thousands)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Assets						
Cash and cash equivalents	$3,806	$95,617	$30,039	$33,050	$—	$162,512
Other current assets	6,505	70,060	33,642	65,691	(1,758)	174,140
Property and equipment, net	57,542	1,782,239	456,864	1,147,804	—	3,444,449
Investments in subsidiaries	3,328,344	184,338	—	577	(3,513,259)	—
Intercompany receivable	—	1,590,938	—	—	(1,590,938)	—
Other, net	40,843	6,712	68,746	22,215	—	138,516
Intangible assets, net	—	464,350	527,134	60,000	—	1,051,484
Goodwill, net	—	212,794	472,516	—	—	685,310
Total assets	$3,437,040	$4,407,048	$1,588,941	$1,329,337	$(5,105,955)	$5,656,411
Liabilities and Stockholders' Equity						
Current maturities of long-term debt	$21,500	$—	$6,196	$3,800	$—	$31,496
Other current liabilities	42,902	183,002	81,253	109,902	(658)	416,401
Accumulated losses of subsidiaries in excess of investment	—	—	3,466	—	(3,466)	—
Intercompany payable	619,497	—	972,020	347	(1,591,864)	—
Long-term debt, net of current maturities	2,227,625	—	1,244,317	789,895	—	4,261,837
Other long-term liabilities	49,824	180,093	37,674	23,288	—	290,879
Common stock	1,084	31,124	(27)	—	(31,097)	1,084
Additional paid-in capital	913,102	2,717,741	248,203	480,983	(3,446,927)	913,102
Retained earnings (deficit)	(437,587)	1,295,995	(1,003,254)	(78,878)	(213,863)	(437,587)
Accumulated other comprehensive loss, net	(907)	(907)	(907)	—	1,814	(907)
Total Boyd Gaming Corporation stockholders' equity (deficit)	475,692	4,043,953	(755,985)	402,105	(3,690,073)	475,692
Noncontrolling interest	—	—	—	—	180,106	180,106
	475,692	4,043,953	(755,985)	402,105	(3,509,967)	655,798

Total stockholders' equity (deficit)						
Total liabilities and stockholders' equity	$3,437,040	$4,407,048	$1,588,941	$1,329,337	$(5,105,955)	$5,656,411

27

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

Condensed Consolidating Balance Sheets - continued

December 31, 2013

(In thousands)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Assets						
Cash and cash equivalents	$—	$106,445	$33,766	$37,627	$—	$177,838
Other current assets	13,772	67,991	28,639	48,414	(1,974)	156,842
Property and equipment, net	69,309	1,808,450	460,789	1,167,065	—	3,505,613
Investments in subsidiaries	3,265,579	129,692	—	—	(3,395,271)	—
Intercompany receivable	—	1,474,412	—	—	(1,474,412)	—
Other, net	43,470	8,105	72,185	21,708	—	145,468
Intangible assets, net	—	465,259	545,401	60,000	—	1,070,660
Goodwill, net	—	212,794	472,516	—	—	685,310
Total assets	$3,392,130	$4,273,148	$1,613,296	$1,334,814	$(4,871,657)	$5,741,731
Liabilities and Stockholders' Equity						
Current maturities of long-term debt	$21,500	$—	$8,259	$3,800	$—	$33,559
Other current liabilities	57,156	186,539	70,678	103,833	2,098	420,304
Accumulated losses of subsidiaries in excess of investment	—	—	2,026	—	(2,026)	—
Intercompany payable	512,358	—	966,128	265	(1,478,751)	—
Long-term debt, net of current maturities	2,285,910	—	1,269,562	797,460	—	4,352,932
Other long-term liabilities	45,219	178,764	33,297	27,219	—	284,499
Common stock	1,082	31,124	(27)	—	(31,097)	1,082
Additional paid-in capital	902,496	2,736,895	248,083	480,833	(3,465,811)	902,496
Retained earnings (deficit)	(432,074)	1,139,826	(983,193)	(78,596)	(78,037)	(432,074)
Accumulated other comprehensive loss, net	(1,517)	—	(1,517)	—	1,517	(1,517)
Total Boyd Gaming Corporation stockholders' equity (deficit)	469,987	3,907,845	(736,654)	402,237	(3,573,428)	469,987
Noncontrolling interest	—	—	—	—	180,450	180,450
Total stockholders' equity (deficit)	469,987	3,907,845	(736,654)	402,237	(3,392,978)	650,437
Total liabilities and stockholders' equity	$3,392,130	$4,273,148	$1,613,296	$1,334,814	$(4,871,657)	$5,741,731

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

Condensed Consolidating Statements of Operations

	Three Months Ended June 30, 2014					
(In thousands)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Net revenues	$29,427	$405,544	$140,414	$181,854	$(34,705)	$722,534
Costs and expenses						
Operating	450	219,256	78,966	95,581	—	394,253
Selling, general and administrative	11,693	56,819	14,386	28,554	(73)	111,379
Maintenance and utilities	—	24,138	3,766	15,119	—	43,023
Depreciation and amortization	1,526	31,252	18,989	14,131	—	65,898
Corporate expense	16,794	87	740	—	—	17,621
Preopening expenses	6	—	1,516	268	—	1,790
Impairments of assets	—	5	288	—	—	293
Asset transactions costs	58	1,509	291	1	—	1,859
Other operating charges and credits, net	(578)	—	17	—	—	(561)
Intercompany expenses	301	29,141	5,190	—	(34,632)	—
Total costs and expenses	30,250	362,207	124,149	153,654	(34,705)	635,555
Equity in earnings of subsidiaries	33,781	1,716	(32)	—	(35,465)	—
Operating income (loss)	32,958	45,053	16,233	28,200	(35,465)	86,979
Other expense (income)						
Interest expense, net	32,895	1,518	22,585	17,828	—	74,826
Loss on early extinguishments of debt	—	—	904	—	—	904
Other, net	—	—	670	—	—	670
Total other expense, net	32,895	1,518	24,159	17,828	—	76,400
Income (loss) before income taxes	63	43,535	(7,926)	10,372	(35,465)	10,579
Income taxes benefit (expense)	606	(984)	(3,799)	(1,064)	—	(5,241)
Net income (loss)	669	42,551	(11,725)	9,308	(35,465)	5,338
Net loss attributable to noncontrolling interest	—	—	—	—	(4,669)	(4,669)

Net income (loss) attributable to controlling interest	$669	$42,551	$(11,725)	$9,308	$(40,134)	$669
Comprehensive income (loss)	$371	$42,253	$(12,023)	$9,308	$(34,869)	$5,040

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

Condensed Consolidating Statements of Operations - continued

	Three Months Ended June 30, 2013					
(In thousands)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Net revenues	$36,939	$422,872	$148,594	$172,877	$(42,534)	$738,748
Costs and expenses						
Operating	462	225,454	82,326	90,955	—	399,197
Selling, general and administrative	11,671	59,531	16,207	39,622	(31)	127,000
Maintenance and utilities	—	22,991	3,598	14,453	—	41,042
Depreciation and amortization	1,684	30,287	22,844	15,503	—	70,318
Corporate expense	14,154	(22)	1,016	—	—	15,148
Preopening expense	70	(1)	727	54	(61)	789
Impairments of assets	—	12,734	—	5,032	(12,734)	5,032
Asset transactions costs	165	68	309	72	—	614
Other operating charges and credits, net	(1)	94	136	—	—	229
Intercompany expenses	287	36,603	5,552	—	(42,442)	—
Total costs and expenses	28,492	387,739	132,715	165,691	(55,268)	659,369
Equity in earnings of subsidiaries	45,118	14,858	—	—	(59,976)	—
Operating income (loss)	53,565	49,991	15,879	7,186	(47,242)	79,379
Other expense (income)						
Interest expense, net	40,294	2,519	23,900	20,843	—	87,556
Loss on early extinguishments of debt	396	—	1,976	—	—	2,372
Other, net	—	—	47	—	—	47
Total other expense, net	40,690	2,519	25,923	20,843	—	89,975
Income (loss) from continuing operations before income taxes	12,875	47,472	(10,044)	(13,657)	(47,242)	(10,596)
Income taxes benefit (expense)	(1,248)	763	3,666	921	—	4,102
	11,627	48,235	(6,378)	(12,736)	(47,242)	(6,494)

Income (loss) from continuing operations, net of tax						
Income (loss) from discontinued operations, net of tax	—	—	24,487	—	(12,734)	11,753
Net income (loss)	11,627	48,235	18,109	(12,736)	(59,976)	5,259
Net loss attributable to noncontrolling interest	—	—	—	—	6,368	6,368
Net income (loss) attributable to controlling interest	$11,627	$48,235	$18,109	$(12,736)	$(53,608)	$11,627
Comprehensive income (loss)	$11,448	$48,351	$17,930	$(12,736)	$(59,913)	$5,080

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

Condensed Consolidating Statements of Operations - continued

	Six Months Ended June 30, 2014					
(In thousands)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Net revenues	$59,029	$817,345	$274,855	$349,118	$(69,464)	$1,430,883
Costs and expenses						
Operating	900	439,681	153,054	184,023	—	777,658
Selling, general and administrative	23,345	114,134	28,695	69,957	(73)	236,058
Maintenance and utilities	—	46,888	7,304	32,095	—	86,287
Depreciation and amortization	3,153	62,876	38,057	27,991	—	132,077
Corporate expense	35,824	110	1,607	—	—	37,541
Preopening expense	42	6	2,144	382	—	2,574
Impairments of assets	320	1,018	588	—	—	1,926
Asset transactions costs	58	1,489	468	(1)	—	2,014
Other operating charges and credits, net	(428)	—	83	(402)	—	(747)
Intercompany expenses	602	58,548	10,241	—	(69,391)	—
Total costs and expenses	63,816	724,750	242,241	314,045	(69,464)	1,275,388
Equity in earnings of subsidiaries	65,716	(9,139)	(113)	—	(56,464)	—
Operating income (loss)	60,929	83,456	32,501	35,073	(56,464)	155,495
Other expense (income)						
Interest expense, net	65,815	3,288	45,232	35,518	—	149,853
Loss on early extinguishments of debt	—	—	1,058	—	—	1,058
Other, net	—	—	382	—	—	382
Total other expense, net	65,815	3,288	46,672	35,518	—	151,293
Income (loss) before income taxes	(4,886)	80,168	(14,171)	(445)	(56,464)	4,202
Income taxes benefit (expense)	(627)	(1,452)	(7,594)	(416)	—	(10,089)
Net income (loss)	(5,513)	78,716	(21,765)	(861)	(56,464)	(5,887)
Net loss attributable to noncontrolling interest	—	—	—	—	374	374

Net income (loss) attributable to controlling interest	$(5,513)	$78,716	$(21,765)	$(861)	$(56,090)	$(5,513)
Comprehensive income (loss)	$(4,903)	$79,326	$(21,155)	$(861)	$(57,684)	$(5,277)

31

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

Condensed Consolidating Statements of Operations - continued

	Six Months Ended June 30, 2013					
(In thousands)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Net revenues	$74,114	$852,708	$294,373	$340,454	$(87,317)	$1,474,332
Costs and expenses						
Operating	924	457,222	160,537	179,103	—	797,786
Selling, general and administrative	23,485	120,556	32,621	74,397	(31)	251,028
Maintenance and utilities	—	44,448	7,033	28,770	—	80,251
Depreciation and amortization	3,398	60,711	45,136	31,111	—	140,356
Corporate expense	28,040	94	2,370	—	—	30,504
Preopening expense	1,100	—	3,929	58	(1,933)	3,154
Impairments of assets	—	12,734	—	5,032	(12,734)	5,032
Asset transactions costs	2,735	68	418	406	—	3,627
Other operating charges and credits, net	278	1,353	164	—	—	1,795
Intercompany expenses	611	73,390	11,352	—	(85,353)	—
Total costs and expenses	60,571	770,576	263,560	318,877	(100,051)	1,313,533
Equity in earnings of subsidiaries	73,110	2,561	—	—	(75,671)	—
Operating income (loss)	86,653	84,693	30,813	21,577	(62,937)	160,799
Other expense (income)						
Interest expense, net	84,068	5,360	49,160	43,994	—	182,582
Loss on early extinguishments of debt	396	—	1,976	—	—	2,372
Other income	—	—	(471)	—	—	(471)
Total other expense, net	84,464	5,360	50,665	43,994	—	184,483
Income (loss) from continuing operations before income taxes	2,189	79,333	(19,852)	(22,417)	(62,937)	(23,684)
Income taxes benefit (expense)	2,154	3,966	(1,027)	1,433	—	6,526

Income (loss) from continuing operations, net of tax	4,343	83,299	(20,879)	(20,984)	(62,937)	(17,158)
Income (loss) from discontinued operations, net of tax	—	—	23,524	—	(12,734)	10,790
Net income (loss)	4,343	83,299	2,645	(20,984)	(75,671)	(6,368)
Net loss attributable to noncontrolling interest	—	—	—	—	10,711	10,711
Net income (loss) attributable to controlling interest	$4,343	$83,299	$2,645	$(20,984)	$(64,960)	$4,343
Comprehensive income (loss)	$4,459	$83,415	$2,761	$(20,984)	$(75,903)	$(6,252)

32

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

Condensed Consolidating Statements of Cash Flows

	Six Months Ended June 30, 2014					
(In thousands)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Cash flows from operating activities						
Net cash from operating activities	$(33,921)	$125,168	$38,377	$12,118	$(3,413)	$138,329
Cash flows from investing activities						
Capital expenditures	(11,493)	(19,470)	(14,018)	(8,528)	—	(53,509)
Net activity with affiliates	—	(116,526)	5,892	82	110,552	—
Other investing activities	660	—	13	451	—	1,124
Net cash from investing activities	(10,833)	(135,996)	(8,113)	(7,995)	110,552	(52,385)
Cash flows from financing activities						
Borrowings under bank credit facility	365,700	—	155,900	248,700	—	770,300
Payments under bank credit facility	(424,925)	—	(189,887)	(255,500)	—	(870,312)
Debt financing costs	(88)	—	—	—	—	(88)
Payments on notes payable	—	—	(4)	—	—	(4)
Payments on long-term debt	—	—	—	(1,900)	—	(1,900)
Net activity with affiliates	107,139	—	—	—	(107,139)	—
Stock options exercised	904	—	—	—	—	904
Restricted stock units released, net	(201)	—	—	—	—	(201)
Other financing activities	31	—	—	—	—	31
Net cash from financing activities	48,560	—	(33,991)	(8,700)	(107,139)	(101,270)
Net change in cash and cash equivalents	3,806	(10,828)	(3,727)	(4,577)	—	(15,326)
Cash and cash equivalents, beginning of period	—	106,445	33,766	37,627	—	177,838
	$3,806	$95,617	$30,039	$33,050	$—	$162,512

Cash and cash equivalents,
end of
period

33

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

Condensed Consolidating Statements of Cash Flows - continued

	Six Months Ended June 30, 2013					
(In thousands)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
Cash flows from operating activities						
Net cash from operating activities	$(191,644)	$312,960	$23,310	$21,132	$12	$165,770
Cash flows from investing activities						
Capital expenditures	(10,889)	(20,152)	(16,787)	(10,628)	—	(58,456)
Proceeds from Echelon sale	343,750	—	—	—	—	343,750
Cash paid for LVE option	(187,000)	—	—	—	—	(187,000)
Investments in and advances to unconsolidated subsidiaries, net	(4,351)	—	—	—	4,351	—
Net activity with affiliates	—	(295,713)	(23,507)	5	319,215	—
Distributions from subsidiary	9,500	—	—	—	(9,500)	—
Other investing activities	—	—	238	(24)		214
Net cash from investing activities	151,010	(315,865)	(40,056)	(10,647)	314,066	98,508
Cash flows from financing activities						
Borrowings under bank credit facility	490,400	—	161,100	200,000	—	851,500
Payments under bank credit facility	(557,250)	—	(182,725)	(215,600)	—	(955,575)
Debt financing costs	(1,045)	—	(10,288)	—	—	(11,333)
Payments under note payable	(10,341)	—	(475)	—	—	(10,816)
Payments on retirement of long-term debt	(215,668)	—	—	—	—	(215,668)
Advances from parent	—	—	—	4,351	(4,351)	—
Net activity with affiliates	319,227	—	—	—	(319,227)	—
Distributions to parent	—	—	(9,500)	—	9,500	—
Stock options exercised	13,145	—	—	—	—	13,145
Restricted stock units released, net	(350)	—	—	—	—	(350)

Other financing activities	(4)	—	—	—	—	(4)
Net cash from financing activities	38,114	—	(41,888)	(11,249)	(314,078)	(329,101)
Cash flows from discontinued operations						
Cash flows from operating activities	—	—	(2,144)	—	—	(2,144)
Cash flows from investing activities	—	—	56,751	—	—	56,751
Cash flows from financing activities	—	—	—	—	—	—
Net cash from discontinued operations	—	—	54,607	—	—	54,607
Net change in cash and cash equivalents	(2,520)	(2,905)	(4,027)	(764)	—	(10,216)
Cash and cash equivalents, beginning of period	2,520	118,714	36,619	34,692	—	192,545
Change in cash classified as discontinued operations	—	—	283	—	—	283
Cash and cash equivalents, end of period	$—	$115,809	$32,875	$33,928	$—	$182,612

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 Company has adjusted certain prior year amounts in the above condensed consolidating financial information to (1) correct the December 31, 2013 condensed consolidating balance sheet and recast the condensed consolidating statements of operations and cash flows for the three and six months ended June 30, 2013 to add Boyd Acquisition, LLC as a Guarantor and to release Echelon Resorts, LLC as a Guarantor as a result of Supplemental Indentures to the notes, (2) correct prior year intercompany revenues and expenses and equity in earnings of subsidiaries presented in the statement of operations information, (3) correct prior year amounts in the statements of cash flows to reflect certain intercompany activities between the parent and the sub-groups as cash flows from investing and financing activities that had previously been reflected within cash flows from operating activities, and (4) properly record the impact of certain reclassification and tax entries within the correct sub-group. We believe the effect of the corrections are immaterial to the prior year financial statements. The application of these adjustments to the prior year consolidating information are summarized as follows:

(In thousands)	As Previously Reported	Adjustment	As Reclassified and Restated
Year Ended December 31, 2013			
Total Assets			
Parent	$3,392,130	$—	$3,392,130
Guarantor Subsidiaries	3,468,242	804,906	4,273,148
Non-Guarantor Subsidiaries (100% Owned)	1,592,946	20,350	1,613,296
Non-Guarantor Subsidiaries (Not 100% Owned)	1,334,814	—	1,334,814
Eliminations	(4,046,401)	(825,256)	(4,871,657)
Consolidated	$5,741,731	$—	$5,741,731

(In thousands)	As Previously Reported	Adjustment	As Reclassified
Three Months Ended June 30, 2013			
Net income (loss)			
Parent	$11,627	$—	$11,627
Guarantor Subsidiaries	53,157	(4,922)	48,235
Non-Guarantor Subsidiaries (100% Owned)	20,606	(2,497)	18,109
Non-Guarantor Subsidiaries (Not 100% Owned)	(12,736)	—	(12,736)
Eliminations	(67,395)	7,419	(59,976)
Consolidated	$5,259	$—	$5,259

(In thousands)	As Previously Reported	Adjustment	As Reclassified
Six Months Ended June 30, 2013			
Net income (loss)			
Parent	$4,343	$—	$4,343
Guarantor Subsidiaries	88,233	(4,934)	83,299
Non-Guarantor Subsidiaries (100% Owned)	12,820	(10,175)	2,645
Non-Guarantor Subsidiaries (Not 100% Owned)	(20,984)	—	(20,984)
Eliminations	(90,780)	15,109	(75,671)
Consolidated	$(6,368)	$—	$(6,368)

(In thousands)	As Previously Reported	Adjustment	As Reclassified and Restated
Six Months Ended June 30, 2013			
Cash flows from operating activities			
Parent	$127,577	$(319,221)	$(191,644)
Guarantor Subsidiaries	17,247	295,713	312,960
Non-Guarantor Subsidiaries (100% Owned)	(191)	23,501	23,310
Non-Guarantor Subsidiaries (Not 100% Owned)	25,488	(4,356)	21,132
Eliminations	(4,351)	4,363	12
Consolidated	$165,770	$—	$165,770

NOTE 15. SUBSEQUENT EVENTS

We have evaluated all events or transactions that occurred after June 30, 2014. During this period, up to the filing date, we did not identify any subsequent events, the effects of which would require disclosure or adjustment to our financial position or results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Overview

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 controlling interest in a limited liability company that operates Borgata. Headquartered in Las Vegas, Nevada, we have gaming operations in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi and New Jersey. We view each operating property as an operating segment. For financial reporting purposes, we aggregate our properties into the following five reportable segments:

Las Vegas Locals	
Gold Coast Hotel and Casino	Las Vegas, Nevada
The Orleans Hotel and Casino	Las Vegas, Nevada
Sam's Town Hotel and Gambling Hall	Las Vegas, Nevada
Suncoast Hotel and Casino	Las Vegas, Nevada
Eldorado Casino	Henderson, Nevada
Jokers Wild Casino	Henderson, Nevada
Downtown Las Vegas	
California Hotel and Casino	Las Vegas, Nevada
Fremont Hotel and Casino	Las Vegas, Nevada
Main Street Station Casino, Brewery and Hotel	Las Vegas, Nevada
Midwest and South	
Sam's Town Hotel and Gambling Hall	Tunica, Mississippi
IP Casino Resort Spa	Biloxi, Mississippi
Par-A-Dice Hotel Casino	East Peoria, Illinois
Blue Chip Casino, Hotel & Spa	Michigan City, Indiana
Treasure Chest Casino	Kenner, Louisiana
Delta Downs Racetrack Casino & Hotel	Vinton, Louisiana
Sam's Town Hotel and Casino	Shreveport, Louisiana
Peninsula	
Diamond Jo Dubuque	Dubuque, Iowa
Diamond Jo Worth	Northwood, Iowa
Evangeline Downs Racetrack and Casino	Opelousas, Louisiana
Amelia Belle Casino	Amelia, Louisiana
Kansas Star Casino	Mulvane, Kansas
Borgata	
Borgata Hotel Casino & Spa	Atlantic City, New Jersey

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

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

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

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

Our Strategy

Our overriding strategy is to increase shareholder value by pursuing strategic initiatives that improve and grow our business.

Strengthening our Balance Sheet

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

Operating Efficiently

We are committed to operating more efficiently, and endeavor to prevent unneeded expense in our business. The efficiencies of our business model position us to capture a substantial portion of revenue gains, which directly improves the bottom line. Margin improvements will remain a driver of profit growth for us going forward.

Evaluating Acquisition Opportunities

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

Maintaining our Brand

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

Our Key Performance Indicators

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

- Gaming revenue measures:
  - Slot handle, which means the dollar amount wagered in slot machines, and table game drop, which means the total amount of cash deposited in table games drop boxes, plus the sum of markers issued at all table games. Slot handle and table game drop are measures of volume and/or market share.
  - Slot win and table game hold, which mean the difference between customer wagers and customer winnings on slot machines and table games, respectively. Slot win and table game hold percentages represent the relationship between slot handle and table game drop to gaming wins and losses.

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

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

RESULTS OF OPERATIONS

Overview

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2014	2013	2014	2013
Net revenues	$722.5	$738.7	$1,430.9	$1,474.3
Operating income	87.0	79.4	155.5	160.8
Net income (loss) attributable to Boyd Gaming Corporation	0.7	11.6	(5.5)	4.3

38

Net Revenues
Net revenues declined 2.2% for the three months ended June 30, 2014, compared to the prior year period primarily due to revenue declines in all segments except Borgata. The revenue declines reflect the continuing impact of a slowly recovering economy on consumer spending. The revenue increase at Borgata primarily reflects the addition of revenues from a real-money online gaming website, launched in fourth quarter 2013.

For the six months ended June 30, 2014, net revenues declined 2.9% compared to the prior year period primarily due to revenue declines in the Midwest and South and Peninsula segments. The impact of the economy on consumer spending, compounded by the unusually severe winter weather experienced during the first quarter, negatively impacted these segments. The addition of revenues from Borgata's real-money online gaming website partially offset the revenue declines.

Operating Income
Operating income increased 9.6% during the three months ended June 30, 2014, compared to the corresponding period of the prior year, primarily due to the inclusion in the prior year of a $5.0 million impairment charge for Borgata's CRDA deposits and a $3.9 million reduction in amortization expense related to intangible assets in the Peninsula segment.

The decline in operating income during the six months ended June 30, 2014, compared to the corresponding period of the prior year, reflects the flow-through impact of the decline in revenues and increased corporate expense due to additional costs associated with corporate initiatives and higher share-based compensation expense.

Net income (loss) attributable to Boyd Gaming Corporation
Net income attributable to Boyd Gaming for the three months ended June 30, 2014 was $0.7 million, compared with a net income attributable to Boyd Gaming of $11.6 million for the corresponding period of the prior year. The reduction in the net income attributable to Boyd Gaming is primarily due to the inclusion in the prior year of $11.8 million in income from discontinued operations, reflecting the second quarter 2013 sale of Dania Jai-Alai ("Dania"). The reduction of interest expense largely mitigated the impact of the revenue declines experienced in the second quarter of 2014 versus the prior year.

For the six months ended June 30, 2014, the net loss attributable to Boyd Gaming was $5.5 million, compared with net income attributable to Boyd Gaming of $4.3 million for the corresponding period of the prior year. The $9.9 million reduction is primarily due to the inclusion in the prior year of $10.8 million in income from discontinued operations reflecting the disposition of Dania. The reduction of interest expense largely mitigated the impact of the revenue declines experienced in the first six months of 2014 as compared to the prior year.

Operating Revenues

We derive the majority of our gross revenues from our gaming operations, which produced approximately 74% of gross revenues for each of the three months ended June 30, 2014 and 2013, and 74% of gross revenues for each of the six months ended June 30, 2014 and 2013. Food and beverage gross revenues represent our next most significant revenue source, generating approximately 13% of gross revenues for each of the three months ended June 30, 2014 and 2013, and 13% for each of the six months ended June 30, 2014 and 2013. Room revenues and other revenues separately contributed less than 10% of gross revenues during these periods.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2014	2013	2014	2013
REVENUES				
Gaming	$618.9	$627.9	$1,227.7	$1,260.5
Food and beverage	110.4	112.8	217.0	224.6
Room	70.4	67.2	134.7	131.0
Other	41.1	41.8	80.2	81.1
Gross revenues	840.8	849.7	1,659.6	1,697.2
Less promotional allowances	118.3	111.0	$228.7	$222.9
Net revenues	$722.5	$738.7	$1,430.9	$1,474.3
COSTS AND EXPENSES				
Gaming	$288.2	$287.8	$573.4	$585.1
Food and beverage	61.2	64.2	118.5	124.3
Room	14.5	16.0	27.7	29.1
Other	30.4	31.2	58.1	59.3
Total costs and expenses	$394.3	$399.2	$777.7	$797.8
MARGINS				
Gaming	53.4%	54.2%	53.3%	53.6%
Food and beverage	44.5%	43.0%	45.4%	44.7%
Room	79.4%	76.2%	79.5%	77.8%
Other	26.3%	25.5%	27.4%	26.9%

Gaming

Gaming revenues are comprised primarily of the net win from our slot machine operations and table games. The $9.0 million, or 1.4%, decrease in gaming revenues during the three months ended June 30, 2014 as compared to the corresponding period of the prior year, was due primarily to gaming volume decreases reflecting declines in casual play experienced in all segments, except Borgata. Despite the declines in gaming volumes, gaming expense increased slightly during the three months ended June 30, 2014 as compared to the same period in the prior year due primarily to competitive pressures in certain markets.

The $32.8 million, or 2.6%, decrease in gaming revenues during the six months ended June 30, 2014 as compared to the corresponding period of the prior year, was due primarily to gaming volume decreases experienced in the Midwest and South and Peninsula segments. Although gaming expense decreased, there was a slight decrease in gaming margin during the six months ended June 30, 2014 as compared to the same period in the prior year due to competitive pressures in certain markets.

Food and Beverage

Food and beverage revenues decreased $2.5 million, or 2.2%, during the three months ended June 30, 2014, as compared to the corresponding period of the prior year, primarily as a result of the decline in visitation by casual players. The $3.0 million decrease in food and beverage costs reflects our adjustment to the lower demand and emphasis on cost controls, enabling us to improve our margins in this area.

Food and beverage revenues decreased $7.6 million, or 3.4%, during the six months ended June 30, 2014, as compared to the corresponding period of the prior year, primarily as a result of lower casual player visitation in second quarter of 2014 and the impact of the unusually severe winter weather on the Midwest and South and Peninsula segments during the first quarter of 2014. The $5.8 million decrease in food and beverage costs reflects our adjustment to the lower demand and our emphasis on cost controls, which enabled us to improve our margins in this area.

Room

Room revenues increased by $3.2 million, or 4.8%, during the three months ended June 30, 2014, due to a 2.2% increase in ADR and a 1.2% increase in the hotel occupancy rate, compared to the corresponding period of the prior year. Room expenses decreased $1.5 million during the three months ended June 30, 2014, compared to the same period in the prior year.

Room revenues increased by $3.7 million, or 2.8%, during the six months ended June 30, 2014, due to a 1.1% increase in ADR and a 0.5% increase in the hotel occupancy rate, compared to the corresponding period of the prior year. Room expenses decreased $1.4 million during the six months ended June 30, 2014, compared to the same period in the prior year.

Other

Other revenues decreased $0.7 million and other expenses decreased $0.8 million during the three months ended June 30, 2014, as compared to the corresponding period of the prior year. Other revenues relate to patronage visits at the amenities at our properties, including entertainment and nightclub revenues, retail sales, theater tickets and other venues.

Other revenues decreased $1.1 million and other expenses decreased $1.2 million during the six months ended June 30, 2014, as compared to the corresponding period of the prior year.

Revenues and Adjusted EBITDA by Reportable Segment

We determine each of our properties' profitability based upon Adjusted EBITDA, which represents earnings before interest expense, income taxes, depreciation and amortization, deferred rent, preopening expenses, share-based compensation expense, and other operating items, net, as applicable. Reportable Segment Adjusted EBITDA is the aggregate sum of the Adjusted EBITDA for each of the properties comprising our Las Vegas Locals, Downtown Las Vegas, Midwest and South, Peninsula and Borgata segments before net amortization, preopening and other items. Results for Downtown Las Vegas include the results of our travel agency and captive insurance company in Hawaii. Corporate expense represents unallocated payroll, professional fees, aircraft expenses and various other expenses not directly related to our casino and hotel operations. Furthermore, corporate expense excludes its portion of share-based compensation expense.

EBITDA is a commonly used measure of performance in our industry that we believe, when considered with measures calculated in accordance GAAP, provides our investors a more complete understanding of our operating results before the impact of investing and financing transactions and income taxes and facilitates comparisons between us and our competitors. Management has historically adjusted EBITDA when evaluating operating performance because we believe that the inclusion or exclusion of certain recurring and non-recurring items is necessary to provide the most accurate measure of our core operating results and as a means to evaluate period-to-period results.

The following table presents our net revenues and Adjusted EBITDA by Reportable Segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2014	2013	2014	2013
Net revenues				
Las Vegas Locals	$148.3	$149.7	$299.7	$302.5
Downtown Las Vegas	55.6	56.1	111.3	110.2
Midwest and South	208.9	224.3	420.8	453.4
Peninsula	127.8	135.8	250.0	269.7
Borgata	181.9	172.8	349.1	338.5
Net revenues	$722.5	$738.7	$1,430.9	$1,474.3
Adjusted EBITDA				
Las Vegas Locals	$36.6	$38.7	$76.6	$77.9
Downtown Las Vegas	8.6	9.3	17.9	16.4
Midwest and South	42.1	48.7	86.4	98.4
Peninsula	45.3	48.3	90.0	99.0
Wholly owned Adjusted Property EBITDA	132.6	145.0	270.9	291.7
Corporate expense	(14.6)	(12.6)	(28.8)	(24.3)
Wholly owned Adjusted EBITDA	118.0	132.4	242.1	267.4
Borgata	42.6	27.8	63.0	56.3
Adjusted EBITDA	$160.6	$160.2	$305.1	$323.7

Las Vegas Locals

Net revenues decreased $1.4 million during the three months ended June 30, 2014, as compared to the corresponding period of the prior year, due primarily to a 0.41 percentage point decline in table game win percentage and a 4.5% decrease in slot handle. Room revenues for the segment increased due to a 0.5% increase in the hotel occupancy rate and a 4.2% increase in the ADR.

Net revenues decreased $2.8 million during the six months ended June 30, 2014, as compared to the corresponding period of the prior year, due primarily to a 4.2% decrease in slot handle. Table game win decreased 2.0% due to a 0.44 percentage point decline in table game win percentage. Room revenues for the segment increased due to a 0.7% increase in the hotel occupancy rate and a 3.6% increase in the ADR.

Adjusted EBITDA decreased by 5.5% and 1.7%, respectively, for the three and six months ended June 30, 2014, over the comparable prior year periods due to the flow-through effects of lower revenues and higher utility costs.

Downtown Las Vegas

Net revenues decreased $0.6 million during the three months ended June 30, 2014, as compared to the corresponding period of the prior year, due primarily to the impact of lower business volumes in the segment. Slot handle and table game drop decreased 6.0% and 1.7%, respectively, for the second quarter of 2014 versus the comparable prior year period. Hotel occupancy rates decreased 3.1%, while the ADR increased 3.6%. Food and beverage revenues improved due to a 1.9% increase in the average check, which was offset by a 4.1% decrease in food covers. We continue to tailor our marketing programs in the Downtown segment to cater to our Hawaiian market. During the three months ended June 30, 2014, our Hawaiian market represented approximately 53% of our occupied rooms in this segment compared to 53% in the corresponding period of the prior year.

Net revenues increased $1.1 million during the six months ended June 30, 2014, as compared to the corresponding period of the prior year, due primarily to revenue improvements in non-gaming departments. ADR increased 3.6%, which was slightly offset by a 1.1% decline in hotel occupancy. Food and beverage revenues improved due to a 1.6% increase in the average check, which was slightly offset by a 2.1% decrease in food covers. Gaming revenues decreased due to a 5.2% decrease in slot handle for the six months ended June 30, 2014 as compared to the comparable prior year period. During the six months ended June 30, 2014, our Hawaiian market represented approximately 52% of our occupied rooms in this segment compared to 54% in the corresponding period of the prior year.

Adjusted EBITDA for the segment for the three months ended June 30, 2014, decreased $0.7 million, as compared to the corresponding prior year periods, primarily due to the flow-through effects of the lower revenues.

For the six months ended June 30, 2014, the revenue gains, coupled with our cost control efforts, resulted in the $1.5 million increase in Adjusted EBITDA, as compared to the corresponding prior year period.

Midwest and South
Net revenues decreased $15.2 million, or 6.8%, during the three months ended June 30, 2014, as compared to the corresponding period of the prior year, primarily due to the increased gaming capacity impacting three markets: Biloxi, Shreveport and central Illinois. Gaming revenues decreased due to 7.7% and 6.3% decreases in table games drop and slot handle, respectively. The hotel occupancy rate increased 3.2% in the segment while the ADR decreased 1.0%. Food covers decreased 4.1% and average guest check increased 0.2%.

Net revenues decreased $32.7 million, or 7.2%, during the six months ended June 30, 2014, as compared to the corresponding period of the prior year, due to competitive issues and unusually severe winter weather in the region during the first quarter of 2014. Gaming revenues decreased due to 7.6% and 8.4% decreases in table games drop and slot handle, respectively. The hotel occupancy rate increased 2.0% in the segment while the ADR decreased 0.8%. Food covers decreased 4.4% and average guest check increased 0.3%.

The segment reported Adjusted EBITDA decreases of $6.4 million and $12.0 million for the three and six months ended June 30, 2014, respectively, as compared to the corresponding prior year periods, due to the revenue declines.

Peninsula
Net revenues in our Peninsula segment decreased $8.0 million, or 5.9%, for the three months ended June 30, 2014, as compared to the prior year period, due to declines in casual player visitation. Adjusted EBITDA for the Peninsula segment decreased by $3.0 million, or 6.3%, due to the revenue decline.

Net revenues in our Peninsula segment decreased $19.7 million, or 7.3%, for the six months ended June 30, 2014, as compared to the prior year period. Operations were impacted by declines in casual player visitation and the unusually severe winter weather during the first quarter of 2014, which reduced leisure travel. Adjusted EBITDA for the Peninsula segment decreased by $9.0 million, or 9.1%, due to the revenue decline.

Borgata
Borgata's net revenues increased by $9.0 million, or 5.2%, during the three months ended June 30, 2014, as compared to the three months ended June 30, 2013. Borgata's real-money online gaming website, launched in the fourth quarter of 2013, contributed $6.7 million in revenues, and the revenue for the land-based operation increased $2.3 million. Land-based gaming revenues benefited from an increase in table game hold of 1.13 percentage points, compared to the same period in the prior year. Slot handle increased 1.1% and slot hold percentage increased 0.39 percentage points compared to the same period in the prior year. Borgata retains the position as the premiere destination in the Atlantic City market with a 23.2% market share. Borgata is also the leader in the New Jersey online gaming market with a 28.4% market share for the first half of 2014.

Borgata's net revenues for the six months ended June 30, 2014, as compared to the six months ended June 30, 2013 increased by $10.6 million, or 3.1%. Borgata's real-money online gaming website, launched in the fourth quarter of 2013, contributed $14.4 million in revenues, while the land-based operation experienced a revenue decline of $3.8 million due to increased local and regional competition and unusually severe winter weather experienced in the first quarter of 2014. Land-based table game drop decreased 3.0% but was offset by an increase in table game hold of 1.42 percentage points, compared to the same period in the prior year. Slot handle decreased 2.5%, while slot hold percentage increased 0.36 percentage points compared to the same period in the prior year.

Adjusted EBITDA for Borgata increased $14.8 million during the three months ended June 30, 2014, as compared to the prior year period primarily due to the impact of an $11.8 million adjustment of its year-to-date property tax accrual due to the recent settlement with the City of Atlantic City and the flow-through effect of the increased revenues.

Adjusted EBITDA for Borgata increased $6.8 million during the six months ended June 30, 2014, as compared to the prior year period due to the impact of the property tax accrual adjustment, partially offset by the expenses incurred related to the real-money online gaming website and higher utility costs.

Other Operating Costs and Expenses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2014	2013	2014	2013
Selling, general and administrative	$111.4	$127.0	$236.1	$251.0
Maintenance and utilities	43.0	41.0	86.3	80.3
Depreciation and amortization	65.9	70.3	132.1	140.4
Corporate expense	17.6	15.1	37.5	30.5
Preopening expense	1.8	0.8	2.6	3.2
Impairments of assets	0.3	5.0	1.9	5.0
Asset transactions costs	1.9	0.6	2.0	3.6
Other operating items, net	(0.6)	0.2	(0.7)	1.8

Selling, general and administrative

Selling, general and administrative expenses, as a percentage of gross revenues, were 13.2% and 14.9%, during the three months ended June 30, 2014 and 2013, respectively, and were 14.2% and 14.8%, during the six months ended June 30, 2014 and 2013, respectively. These costs primarily include marketing, technology, compliance and risk, surveillance and security. We continue to focus on disciplined and targeted marketing spend, and our ongoing cost containment efforts.

Maintenance and Utilities

Maintenance and utilities expenses, as a percentage of gross revenues, were 5.1% and 4.8% during the three months ended June 30, 2014 and 2013, respectively, and were 5.2% and 4.7% during the six months ended June 30, 2014 and 2013, respectively. Maintenance and utilities expense increased compared to the same period in the prior year due to higher utility costs, especially in the Las Vegas Locals and Borgata segments.

Depreciation and Amortization

Depreciation and amortization expenses, as a percentage of gross revenues, were 7.8% and 8.3% during the three months ended June 30, 2014 and 2013, respectively, and were 8.0% and 8.3% during the six months ended June 30, 2014 and 2013, respectively. The decrease in depreciation compared to the same period in the prior year is primarily due to a decrease in the level of amortization of intangible assets for the Peninsula segment.

Corporate Expense

Corporate expense represents unallocated payroll, professional fees, rent and various other administrative expenses that are not directly related to our casino and/or hotel operations, in addition to the corporate portion of share-based compensation expense. Corporate expense represented 2.1% and 1.8% of gross revenues during each of the three months ended June 30, 2014 and 2013, respectively, and 2.3% and 1.8% of gross revenues during each of the six months ended June 30, 2014 and 2013, respectively.

Preopening Expense

We expense certain costs of start-up activities as incurred. Preopening expenses relate to our efforts to develop gaming activities in other jurisdictions and to other business development activities.

Impairments of Assets

Impairments of assets for the three and six months ended June 30, 2014, included non-cash impairment charges primarily related to the planned dispositions of non-operating assets.

Asset Transactions Costs
Asset transactions costs are comprised of certain costs incurred and recoveries realized related to the activities associated with various acquisition opportunities, dispositions and other business development activities.

Other Operating Charges, Net
Other operating charges, net, generally include direct and non-reimbursable costs associated with natural disasters and severe weather, including hurricane and flood expenses.

Other Expenses

Interest Expense, net

The following table presents our interest expense, net:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2014	2013	2014	2013
Interest Expense, net				
Boyd Gaming Corporation	$38.3	$46.5	$76.8	$96.5
Peninsula	18.7	20.3	37.6	42.1
Borgata	17.8	20.8	35.5	41.6
Variable Interest Entity	—	—	—	2.4
	$74.8	$87.6	$149.9	$182.6
Average Long-Term Debt Balance				
Boyd Gaming Corporation	$2,419.3	$2,739.4	$2,442.4	$2,832.4
Peninsula	1,125.2	1,189.2	1,133.5	1,190.7
Borgata	805.4	804.5	803.4	804.1
Weighted Average Interest Rates				
Boyd Gaming Corporation	5.7 %	6.8 %	5.7 %	6.8 %
Peninsula	5.5 %	5.8 %	5.5 %	6.1 %
Borgata	8.2 %	10.4 %	8.2 %	10.4 %

On a consolidated basis, interest expense, net of capitalized interest and interest income, for the three months ended June 30, 2014 decreased $12.7 million, or 14.5%, as compared to the prior year period. For Boyd Gaming Corporation, interest expense, net, decreased $8.3 million, or 17.8%, due to the impact of refinancing activities undertaken during 2013. Boyd Gaming Corporation used the net cash proceeds from the sales of Echelon and Dania Jai-Alai and from our August 2013 equity offering to retire outstanding debt, as reflected in the 11.7% decline in its average long-term debt balance in the three months ended June 30, 2014 versus the comparable period of 2013. The refinancing of debt also reduced the weighted average interest rate. Interest expense, net, for Peninsula for the three months ended June 30, 2014 declined $1.5 million primarily due to debt refinancing activity. The decline in interest expense, net, at Borgata for the current year period versus the prior year is due to the impact of debt refinancing activities that reduced Borgata's weighted average interest rate.

On a consolidated basis, interest expense, net of capitalized interest and interest income, for the six months ended June 30, 2014 decreased $32.7 million, or 17.9%, as compared to the prior year period, primarily as a result of the same factors that impacted the second quarter comparison as described above. In addition, our 2013 results also included the interest expense related to the non-recourse debt of a variable interest entity. We discontinued the recognition of this interest expense upon the March 2013 sale of Echelon and the resulting deconsolidation of the variable interest entity.

Income Taxes

The effective tax rates during the three months ended June 30, 2014 and 2013 were 49.5% and 38.7%, respectively. The effective tax rates during the six months ended June 30, 2014 and 2013 were 240.1% and 27.6%, respectively. 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. Our tax rate is impacted by adjustments that are largely independent of our operating results before taxes. The tax provision or benefit was impacted by a valuation allowance applied to our federal and state income tax net operating losses and certain other deferred tax assets. Additionally, the tax provision or benefit was adversely impacted by an accrual of non-cash tax expense in connection with the tax amortization of indefinite lived intangible assets that was not available to offset existing deferred tax assets. The deferred tax liabilities created by the tax amortization of these intangibles cannot be used to offset corresponding increases in the net operating loss deferred tax assets when determining our valuation allowance. The tax provision for the quarter ended June 30, 2014 was favorably impacted as a result of statute expirations and the reversal of interest accrued on the related unrecognized tax benefits. The tax benefit for the quarter ended June 30, 2013 was favorably impacted, as a result of an effective settlement in connection with an IRS audit, by the reversal of interest accrued on unrecognized tax benefits.

Adjusted Earnings (Loss) and Adjusted EPS

We believe that Adjusted Earnings (Loss) and Adjusted Earnings Per Share ("EPS") are important supplemental measures of operating performance to investors, and management believes that Adjusted Earnings (Loss) and Adjusted EPS are widely used measures of performance in the gaming industry. We use Adjusted Earnings (Loss) and Adjusted EPS in this Quarterly Report on Form 10-Q because we believe they are useful to investors in allowing greater transparency related to significant measures used by management in its financial and operational decision-making. Management believes it is appropriate to adjust net income (loss) attributable to Boyd Gaming Corporation for certain items, which are eliminated from net income (loss) in order to enable investors to isolate the core operating results of the Company.

Adjusted Earnings (Loss) is net income (loss) before preopening expenses, adjustments to property tax accruals, net, change in value of derivative instruments, write-downs and other items, net, gain on early retirements of debt, other non-recurring items and our share of Borgata's other items and other operating charges, net.

The following tables present our Adjusted Earnings (Loss) and Adjusted Earnings per Share:

(In millions, except per share data) (Unaudited)	Three Months Ended June 30, 2014	2013	Six Months Ended June 30, 2014	2013
Net income (loss) attributable to Boyd Gaming Corporation	$0.7	$11.6	$(5.5)	$4.3
Less: income from discontinued operations, net of tax	—	(11.7)	—	(10.8)
Adjusted net income (loss) attributable to Boyd Gaming Corporation	0.7	(0.1)	(5.5)	(6.5)
Pretax adjustments related to Boyd Gaming:				
Preopening expenses, excluding impact of LVE	1.6	0.7	2.3	5.0
Loss on early extinguishments of debt	0.9	2.4	1.1	2.4
Impairments of assets	0.3	—	1.9	—
Asset transactions costs	1.9	0.5	2.0	3.2
Other operating charges and credits, net	(0.7)	0.2	(0.4)	1.8
Other (income) loss	0.7	—	0.3	(0.8)
Pretax adjustments related to Borgata:				
Preopening expenses	0.2	0.1	0.3	0.1
Valuation adjustments related to consolidation, net	(0.6)	(0.2)	(1.3)	(0.5)
Impairments of assets	—	5.0	—	5.0
Asset transactions costs	—	0.1	—	0.4
Other operating charges and credits, net	—	—	(0.4)	—
Total adjustments	4.3	8.8	5.8	16.6
Income tax effect for above adjustments	—	(6.3)	0.1	(6.3)
Impact on noncontrolling interest, net	0.2	(2.5)	0.7	(2.5)
Adjusted earnings (loss)	$5.2	$(0.1)	$1.1	$1.3
Basis Net income (loss) per common share	$0.01	$0.13	$(0.05)	$0.05
Less: (income) loss from discontinued operations, net of tax	—	(0.13)	—	(0.12)
Adjusted net income (loss) per share attributable to Boyd Gaming Corporation	0.01	—	(0.05)	(0.07)
Pretax adjustments related to Boyd Gaming:				
Preopening expenses, excluding impact of LVE	0.01	0.01	0.02	0.06
Loss on early extinguishments of debt	0.01	0.02	0.01	0.02
Impairments of assets	—	—	0.01	—
Asset transactions costs	0.02	0.01	0.02	0.04
Other operating charges and credits, net	—	—	—	0.02
Other (income) loss	0.01	—	—	(0.01)
Pretax adjustments related to Borgata:				
Preopening expenses	—	—	—	—
Valuation adjustments related to consolidation, net	(0.01)	—	(0.01)	(0.01)
Impairments of assets	—	0.06	—	0.06
Asset transactions costs	—	—	—	—

Other expense (income)	—	—	—	—
Total adjustments	0.04	0.10	0.05	0.18
Income tax effect for above adjustments	—	(0.07)	—	(0.07)
Impact on noncontrolling interest	—	(0.03)	0.01	(0.03)
Adjusted earnings per share	$0.05	$—	$0.01	$0.01
Weighted average shares outstanding	110.8	89.2	109.8	89.4

During the three and six months ended June 30, 2014 and 2013, the following items were included in the calculation of Adjusted Earnings and Adjusted Earnings per Share (as stated in the above table):

Adjustments Related to Boyd Gaming Corporation

Preopening Expense, Excluding Impact of Consolidation of LVE

Preopening expenses are comprised of costs primarily related to opening new business operations and expenditures for the exploration of new business development initiatives.

Loss on Early Extinguishments of Debt

The write-off of deferred finance charges was due to the early retirement of a portion of the Peninsula Credi