BOYD GAMING CORP
Form 10-Q
May 10, 2013

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 March 31, 2013

OR

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

For the transition period from to

Commission file number: 1-12882

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

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

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

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

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

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

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

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

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

Class	Outstanding as of April 30, 2012
Common stock, $0.01 par value	87,747,167

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BOYD GAMING CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED MARCH 31, 2013
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PART I. Financial Information
Item 1. Financial Statements (Unaudited)

BOYD GAMING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
as of March 31, 2013 and December 31, 2012

	March 31, 2013	December 31, 2012
	(In thousands, except share data)	
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$358,354	$192,828
Restricted cash	25,005	22,900
Accounts receivable, net	59,964	62,040
Inventories	18,406	18,618
Prepaid expenses and other current assets	89,919	48,709
Income taxes receivable	1,498	2,875
Deferred income taxes and other current tax assets	8,216	7,623
Total current assets	561,362	355,593
Property and equipment, net	3,612,508	3,624,988
Assets held for development	—	331,770
Debt financing costs, net	79,187	85,468
Restricted investments held by variable interest entity	—	21,382
Other assets, net	99,715	98,425
Intangible assets, net	1,107,284	1,119,638
Goodwill, net	694,929	694,929
Total assets	$6,154,985	$6,332,193
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	$200,759	$61,570
Accounts payable	106,681	91,210
Accrued liabilities	412,894	364,542
Deferred income taxes and income taxes payable	656	8,129
Current deferred tax liability	7,116	—
Current maturities of non-recourse obligations of variable interest entity	—	225,113
Total current liabilities	728,106	750,564
Long-term debt, net of current maturities	4,637,063	4,827,853
Deferred income taxes	149,193	139,943
Other long-term tax liabilities	25,906	43,457
Other liabilities	109,432	103,249
Commitments and contingencies (Note 10)		
Stockholders' equity		
Preferred stock, $0.01 par value, 5,000,000 shares authorized	—	—
Common stock, $0.01 par value, 200,000,000 shares authorized; 86,892,311 and 86,871,977 shares outstanding	869	869
Additional paid-in capital	659,780	655,694
Retained earnings (accumulated deficit)	(359,094)	(351,810)

Accumulated other comprehensive income	(667)	(962)
Total Boyd Gaming Corporation stockholders’ equity	300,888	303,791
Noncontrolling interest	204,397	163,336
Total stockholders’ equity	505,285	467,127
Total liabilities and stockholders’ equity	$6,154,985	$6,332,193

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

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BOYD GAMING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
for the three months ended March 31, 2013 and 2012

	Three Months Ended March 31,	
	2013	2012
	(In thousands, except per share data) (Unaudited)	
REVENUES		
Operating revenues:		
Gaming	$633,767	$535,748
Food and beverage	111,864	106,132
Room	63,855	65,997
Other	39,420	35,832
Gross revenues	848,906	743,709
Less promotional allowances	111,923	110,626
Net revenues	736,983	633,083
COST AND EXPENSES		
Operating costs and expenses:		
Gaming	298,409	248,955
Food and beverage	60,167	54,078
Room	13,100	14,135
Other	28,221	26,061
Selling, general and administrative	124,905	109,717
Maintenance and utilities	39,353	38,763
Depreciation and amortization	70,071	50,014
Corporate expense	15,356	12,871
Preopening expense	2,365	1,660
Asset transactions costs	3,013	45
Other operating charges, net	1,566	202
Total operating costs and expenses	656,526	556,501
Operating income	80,457	76,582
Other expense (income):		
Interest income	(656)	(4)
Interest expense, net	95,682	63,828
Other income	(518)	—
Total other expense, net	94,508	63,824
Income (loss) before income taxes	(14,051)	12,758
Income taxes	2,424	(6,283)
Net income (loss)	(11,627)	6,475
Net loss (income) attributable to noncontrolling interest	4,343	(623)
Net income (loss) attributable to Boyd Gaming Corporation	$(7,284)	$5,852
Basic net income (loss) per common share	$(0.08)	$0.07
Weighted average basic shares outstanding	87,974	87,530
Diluted net income (loss) per common share	$(0.08)	$0.07
Weighted average diluted shares outstanding	87,974	87,987

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

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BOYD GAMING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
for the three months ended March 31, 2013 and 2012

	Three Months Ended March 31,		
	2013		2012
	(In thousands) (Unaudited)		
Net income (loss)	$(11,627	)	$6,475
Other comprehensive income, net of tax:			
Fair value of derivative instruments, net	—		2,440
Fair value of adjustments to available-for-sale securities, net of tax of $0	295		—
Comprehensive income (loss)	(11,332	)	8,915
Less: other comprehensive income attributable to noncontrolling interest	—		2,440
Less: net income (loss) attributable to noncontrolling interest	(4,343	)	623
Comprehensive income (loss) attributable to Boyd Gaming Corporation	$(6,989	)	$5,852

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

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BOYD GAMING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
for the three months ended March 31, 2013

	Boyd Gaming Corporation Stockholders' Equity						
	Common Stock		Additional Paid-in Capital	Retained Earnings/ Accumulated Deficit	Accumulated Other Comprehensive Income (Loss), Net	Noncontrolling Interest	Total
	Shares	Amount					
	(In thousands, except share data) (Unaudited)						
Balances, January 1, 2013	86,871,977	$869	$655,694	$(351,810)	$(962)	$163,336	$467,127
Net loss	—	—	—	(7,284)	—	(4,343)	(11,627)
Unrealized gain on investment available for sale	—	—	—	—	295	—	295
Stock options exercised	20,334	—	158	—	—	—	158
Tax effect from share-based compensation arrangements	—	—	(163)	—	—	—	(163)
Share-based compensation costs	—	—	4,091	—	—	—	4,091
Deconsolidation of LVE	—	—	—	—	—	45,404	45,404
Balances, March 31, 2013	86,892,311	$869	$659,780	$(359,094)	$(667)	$204,397	$505,285

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

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BOYD GAMING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three months ended March 31, 2013 and 2012

	Three Months Ended March 31,	
	2013	2012
	(In thousands) (Unaudited)	
Cash Flows from Operating Activities		
Net income (loss)	$(11,627)	$6,475
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	70,071	50,014
Amortization of debt financing costs	4,009	3,150
Amortization of discounts on debt	4,505	889
Share-based compensation expense	4,091	3,116
Deferred income taxes	8,920	8,679
Noncash asset write-downs	19	42
Other operating activities	982	3,486
Changes in operating assets and liabilities:		
Restricted cash	(2,105)	1,706
Accounts receivable, net	538	779
Inventories	212	570
Prepaid expenses and other current assets	(4,745)	(94)
Current other tax asset	(618)	—
Income taxes receivable	1,377	908
Other long-term tax assets	9,863	57
Other assets, net	(6,407)	208
Accounts payable and accrued liabilities	23,042	(11)
Income taxes payable	—	248
Other long-term tax liabilities	(20,292)	(3,219)
Other liabilities	6,283	485
Net cash provided by operating activities	88,118	77,488
Cash Flows from Investing Activities		
Capital expenditures	(22,581)	(32,796)
Proceeds from sale of Echelon, net	343,750	—
Cash paid for exercise of LVE option	(187,000)	—
Other investing activities	(103)	28
Net cash provided by (used in) investing activities	134,066	(32,768)
Cash Flows from Financing Activities		
Borrowings under bank credit facility	202,200	134,800
Payments under bank credit facility	(232,025)	(184,425)
Borrowings under Peninsula bank credit facility	68,200	—
Payments under Peninsula bank credit facility	(78,863)	—
Borrowings under Borgata bank credit facility	103,600	182,900
Payments under Borgata bank credit facility	(109,600)	(200,600)
Debt financing costs, net	694	(44)
Proceeds from issuance of non-recourse debt by variable interest entity	—	919
Payments on notes payable	(10,814)	—

Payments on non-recourse debt of variable interest entity	—	(250)
Other financing activities	(50)	(62)
Net cash used in financing activities	(56,658)	(66,762)
Change in cash and cash equivalents	165,526	(22,042)
Cash and cash equivalents, beginning of period	192,828	178,756
Cash and cash equivalents, end of period	$358,354	$156,714

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BOYD GAMING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)
for the three months ended March 31, 2013 and 2012

	Three Months Ended March 31,	
	2013	2012
	(In thousands) (Unaudited)	
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$88,261	$49,173
Cash paid (received) for income taxes, net	(1,313)	(137)
Supplemental Schedule of Noncash Investing and Financing Activities		
Payables incurred for capital expenditures	$18,445	$6,311
Assets and Liabilities Deconsolidated of Variable Interest Entity		
Current assets	$184,013	$—
Long-term assets	2,429	—
Total assets deconsolidated	$186,442	$—
Current liabilities	$48,366	$—
Noncontrolling interests	(48,924)	—
Total liabilities and noncontrolling interests deconsolidated	$(558)	$—

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

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BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
as of March 31, 2013 and December 31, 2012 and for the three months ended March 31, 2013 and 2012

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 1973. 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. Headquartered in Las Vegas, Nevada, 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 (“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 Corporation 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, 2012, as filed with the SEC on March 18, 2013.

Reclassifications

Certain prior period amounts presented in our consolidated financial statements have been reclassified to conform to the current presentation. These reclassifications related to other assets that were previously accumulated in assets held for development for the year ended December 31, 2012. This reclassification had no effect on our total assets as previously reported in our condensed consolidated balance sheet. In addition, asset transaction costs that were previously accumulated in other operating charges were disaggregated in our consolidated statements of operations for the three months ended March 31, 2013 and 2012, respectively. This reclassification had no effect on our retained earnings or net income (loss) as previously reported.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Gaming revenue represents the net win from gaming activities, which is the aggregate difference between gaming wins and losses. The majority of our gaming revenue is counted in the form of cash and chips and therefore is not subject to any significant or complex estimation procedures. Cash discounts, commissions and other cash incentives to customers related to gaming play are recorded as a reduction of gross gaming revenues. Race revenue recognition criteria are met at the time the results of the event are official. Room revenue recognition criteria are met at the time of occupancy. Food and beverage revenue recognition criteria are met at the time of service.

Asset Transaction Costs

Asset transaction costs are comprised of certain costs incurred related to the activities associated with various acquisition opportunities and other business development activities, as well as, transaction costs incurred to dispose of assets, including, but not limited to, the sales of Echelon and Dania.

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 such as cash, goods and services (such as complimentary rooms and food and beverages) earned in our slot bonus point program. 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 cash play, and to a lesser extent for goods or services, depending upon the property. We record the estimated retail value of these goods and services as revenue and then deduct them as a promotional allowance.

The amounts included in promotional allowances for the three months ended March 31, 2013 and 2012 are as follows:

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Rooms	$35,120	$34,682
Food and beverage	50,788	48,298
Other	26,015	27,646
Total promotional allowances	$111,923	$110,626

The estimated costs of providing such promotional allowances for the three months ended March 31, 2013 and 2012 are as follows:

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Rooms	$14,711	$14,827
Food and beverage	45,059	44,851
Other	5,126	5,806
Total cost of promotional allowances	$64,896	$65,484

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 $102.3 million and $71.3 million for the three months ended March 31, 2013 and 2012, respectively.

CRDA Investments

New Jersey state law provides, among other things, for an assessment of licensees equal to 1.25% of gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. Generally, a licensee may satisfy this investment obligation by: (i) investing in qualified eligible direct investments; (ii) making qualified contributions; or (iii) depositing funds with the New Jersey Casino Reinvestment Development Authority (“CRDA”). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. Our net deposits with the CRDA, held by Borgata, eligible to be used to fund qualified investments were $29.1

million and $28.5 million as of March 31, 2013 and December 31, 2012, respectively, and are included in other assets, net, on our consolidated balance sheets.

Investment

We have an investment in $22.4 million aggregate principal amount of 7.5% Urban Renewal Tax Increment Revenue Bonds, Taxable Series 2007 ("City Bonds"). This investment is classified as available-for-sale and is recorded at fair-value. The fair value at March 31, 2013 was $18.2 million. At March 31, 2013, $0.3 million is included as a current asset in other current assets, and $17.9 million is included in long-term other assets, net.

Income Taxes

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

For the three months ended March 31, 2013, 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 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 in determining our valuation allowance. As such, we believe this method provides the most reliable estimate of year-to-date income tax expense.

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 be 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.

Unrecognized tax benefits at March 31, 2013 and December 31, 2012 are $22.0 million and $38.4 million, respectively. Included in the $22.0 million balance of unrecognized tax benefits at March 31, 2013, are $19.9 million of benefits that, if recognized, would impact the effective tax rate. We recognize accrued interest related to unrecognized tax benefits in our income tax provision. We have accrued $9.0 million and $12.4 million of interest and penalties in our consolidated balance sheet as of March 31, 2013 and December 31, 2012.

In 2013, we reached agreement on certain proposed adjustments in connection with our IRS examination for tax years ended 2005 through 2009. As a result of the agreed adjustments, we reduced our unrecognized tax benefits by $16.7 million, of which $0.9 million impacted our effective tax rate. Such agreements also resulted in a reduction to the interest accrued on our unrecognized tax benefits and a corresponding benefit to our tax provision of $3.8 million. During 2012, we reached an agreement with the Appeals Division in our IRS examination for tax years ended 2001 through 2004. We reduced our federal unrecognized tax benefits, primarily related to the settlement, by approximately $20.8 million on a net basis, of which $0.1 million impacted our effective tax rate. Additionally, we reduced the interest accrued on our federal unrecognized tax benefits by approximately $4.9 million and recorded a $3.2 million benefit to our tax provision.

We are in various stages of the examination and appeals process in connection with many of our audits and it is difficult to determine when these examinations will be closed; however, it is reasonably possible over the next twelve-month period, that we may experience a decrease in our unrecognized tax benefits, as of March 31, 2013, of up to $10.1 million. Approximately $8.0 million of the total reduction would impact our effective tax rate.

Earnings per Share

Basic earnings per share is computed by dividing net income applicable to Boyd Gaming Corporation's 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.

The weighted average number of common and common equivalent shares used in the calculations of basic and diluted earnings per share calculations for the three months ended March 31, 2013 and 2012, consisted of the following amounts:

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Weighted average shares outstanding:		
Basic	87,974	87,530
Potential dilutive effect	—	457
Diluted	87,974	87,987

Due to the net loss for the three months ended March 31, 2013, 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. Such exclusion included anti-dilutive options totaling 9.1 million, for the three months ended March 31, 2013 and have been excluded from the computation of diluted earnings per share, as these shares were out of the money. Anti-dilutive options totaling 8.1 million have been excluded during the three months ended March 31, 2012, as these shares were out of the money.

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. Significant estimates incorporated into our condensed consolidated financial statements include the estimated allowance for doubtful accounts receivable, the estimated useful lives for depreciable and amortizable assets, recoverability of assets held for development, measurement of the fair value of our controlling interest and the noncontrolling interest in Borgata, fair valuations of acquired assets and assumed liabilities, estimated cash flows in assessing the recoverability of long-lived assets and assumptions relative to the valuation and impairment of goodwill and intangible assets, estimated valuation allowances for deferred tax assets, accruals for slot bonus point programs, estimates of certain tax liabilities and uncertain tax positions, determination of self-insured liability reserves, computation of share-based payment valuation assumptions, estimates of fair values of assets and liabilities measured at fair value, estimates of fair values of assets and liabilities disclosed at fair value, fair values of derivative instruments and assessments of contingencies and litigation and claims. Actual results could differ from these estimates.

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

Accounting Standards Update 2013-02 Comprehensive Income (Topic 220) Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("Update 2013-02")
In February 2013, the Financial Accounting Standards Board ("FASB") issued Update 2013-02 which is an amendment to Topic 220-10 of the Accounting Standards Codification ("ASC").

The objective of Update 2013-02 is to amend ASC 220-10 to require entities to provide information about amounts reclassified out of other comprehensive income by component. The Company is required to present, either on the face of the financial statements or in the notes, the amounts reclassified from other comprehensive income to the respective line items in the Condensed Consolidated Statements of Comprehensive Income (Loss).

Update 2013-02 is effective for interim and annual periods beginning after December 15, 2012. In February 2013, the Company adopted Update 2013-02. Update 2013-02 will not have a material impact on our consolidated financial statements.

NOTE 3. ACQUISITIONS AND DIVESTITURES

Acquisition of Peninsula Gaming
Overview
On November 20, 2012, we completed the acquisition of Peninsula Gaming pursuant to an Agreement and Plan of Merger (the "Merger Agreement") entered into on May 16, 2012. Accordingly, the acquired assets and liabilities of Peninsula Gaming are included in our consolidated balance sheets as of March 31, 2013 and December 31, 2012 and the results of its operations and cash flows are reported in our consolidated statements of operations and cash flows for the three months ended March 31, 2013.

Status of Purchase Price Allocation
The Company has recognized the assets acquired and liabilities assumed in the Merger based on preliminary fair value estimates as of the date of the Merger. The determination of the fair values of the acquired assets and assumed liabilities (and the related determination of estimated lives of depreciable tangible and identifiable intangible assets) requires significant judgment. As such, management has not completed its valuation analysis and calculations in sufficient detail necessary to arrive at the final estimates of the fair value of the assets acquired and liabilities assumed, along with the related allocations of goodwill and intangible assets. The fair values of certain tangible assets, intangible assets, the note payable to seller, certain contingent liabilities and residual goodwill are the most significant areas not yet finalized and therefore are subject to change. The final fair value determinations are expected to be completed no later than the third quarter of 2013. The final fair value determinations may be significantly different than those reflected in the consolidated balance sheets at March 31, 2013 and December 31, 2012.

Supplemental Unaudited Pro Forma Information
The following table presents pro forma results of the Company, as though Peninsula Gaming had been acquired as of January 1, 2012. The pro forma results do not necessarily represent the results that may occur in the future. The pro forma amounts include the historical operating results of the Company and Peninsula Gaming prior to the acquisition, with adjustments directly attributable to the acquisition.

	Three Months Ended March 31, 2012		
	Boyd Gaming Corporation (As Reported)	Peninsula Gaming	Boyd Gaming Corporation (Pro Forma)
	(In thousands)		
Condensed Statements of Operations			
Net revenues	$633,083	$134,658	$767,741
Net income attributable to Boyd Gaming Corporation	$5,852	$385	$6,237
Basic and diluted earnings per share	$0.07		$0.07

Disposition of Echelon

On March 1, 2013, we entered into a definitive agreement to sell the Echelon site for $350 million in cash. The sale agreement included the 87-acre land parcel, as well as site improvements. The transaction was completed on March 4, 2013, and we realized approximately $157.0 million in net proceeds from the sale after consideration of direct transaction costs and after payment of a portion of the proceeds to a third party to fulfill our obligations to LVE Energy Partners, LLC (See Note 5, Deconsolidation of LVE Energy Partners, LLC.)

Disposition of Dania Jai-Alai

On February 22, 2013, we and Dania Entertainment entered into an agreement (the “New Dania Agreement”) for the sale of certain assets and liabilities of the Dania Jai-Alai Business, our pari-mutuel facility, located in Dania Beach, Broward County, Florida at which jai-alai and related gaming operations are conducted, including poker and inter-track wagering, for a purchase price of $65.5 million. As part of the New Dania Agreement, the $7 million deposit previously paid to us by Dania Entertainment will be applied to the purchase price. The closing of the transactions contemplated by the New Dania Agreement is expected to occur on or prior to May 24, 2013, subject to certain closing conditions.

NOTE 4. 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”). The Holding Company owns all the equity interests in Marina District Development Company, LLC, d.b.a. Borgata Hotel Casino and Spa. We are the managing member of Holding Company, and we are responsible for the day-to-day operations of Borgata, including the improvement of the facility and business. As a result, we consolidate the Borgata into our financial statements.

On March 24, 2010, MGM transferred its interest in the Holding Company ("MGM Interest") to a divestiture trust (“Divestiture Trust”) established for the purpose of selling the MGM Interest to a third party as a part of a settlement agreement between MGM and the New Jersey Department of Gaming Enforcement (the “NJDGE”).

On February 20, 2013, MGM announced that it had entered into an amendment with the NJDGE, effective February 13, 2013, pursuant to which MGM was allowed to reapply to the New Jersey Casino Control Commission for licensure in New Jersey with the March 24, 2013, deadline to sell the MGM Interest deferred pending the outcome of the licensure process.

NOTE 5. DECONSOLIDATION OF LVE ENERGY PARTNERS, LLC

In connection with the Echelon transaction, on March 4, 2013, we exercised an option to acquire the central energy center assets from LVE Energy Partners, LLC (“LVE”), a joint venture between Marina Energy LLC and DCO ECH Energy, LLC, for $187 million. We immediately sold these assets to the buyer of Echelon, and our agreements with LVE were terminated.

Prior to these transactions, we had determined that we were the primary beneficiary of the contract with LVE, which required us to consolidate LVE for financial statement purposes. As a result of the March 4, 2013 transactions, we ceased consolidation of LVE as of that date.

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The effects of the consolidation of LVE on our financial position as of December 31, 2012, and its impact on our results of operations for the three months ended March 31, 2013 and 2012 are reconciled by respective line items to amounts as reported in
our condensed consolidated balance sheets and condensed consolidated statements of operations as follows:

	December 31, 2012			
	Boyd Gaming Corporation (as historically presented)	LVE, LLC	Eliminations	Boyd Gaming Corporation (as consolidated)
	(In thousands)			
ASSETS				
Current assets	$354,140	$1,453	$—	$355,593
Property and equipment, net	3,624,988	—	—	3,624,988
Assets held for development	168,251	163,519	—	331,770
Debt financing costs, net	83,020	2,448	—	85,468
Restricted investments	—	21,382	—	21,382
Other assets	98,425	—	—	98,425
Intangible assets, net	1,119,638	—	—	1,119,638
Goodwill, net	694,929	—	—	694,929
Total Assets	$6,143,391	$188,802	$—	$6,332,193
LIABILITIES				
Current maturities of long-term debt	$61,570	$—	$—	$61,570
Accounts payable	91,046	164	—	91,210
Accrued and other liabilities	356,056	8,486	—	364,542
Income taxes payable	8,129	—	—	8,129
Non-recourse obligations of variable interest entity	—	225,113	—	225,113
Long-term debt, net of current maturities	4,827,853	—	—	4,827,853
Deferred income taxes	139,943	—	—	139,943
Long-term tax and other liabilities	146,706	—	—	146,706
STOCKHOLDERS' EQUITY				
Common stock	869	—	—	869
Additional paid-in capital	655,694	—	—	655,694
Retained earnings	(351,810)	—	—	(351,810)
Accumulated other comprehensive income (loss)	(962)	—	—	(962)
Noncontrolling interest	208,297	(44,961)	—	163,336
Total Liabilities and Stockholders' Equity	$6,143,391	$188,802	$—	$6,332,193

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	Three Months Ended March 31, 2013			
	Boyd Gaming Corporation	LVE, LLC	Eliminations	Boyd Gaming Corporation (as consolidated)
	(In thousands)			
REVENUES				
Other revenue	$39,420	$1,933	$(1,933)	$39,420
COSTS AND EXPENSES				
Selling, general and administrative	$124,905	$—	$—	$124,905
Preopening expenses	$2,365	$—	$—	$2,365
Operating income	$80,457	$1,933	$(1,933)	$80,457
Other expense				
Interest expense, net	$93,306	$2,376	$—	$95,682
Income (loss) before income taxes	$(11,675)	$(443)	$(1,933)	$(14,051)
Income taxes	2,424	—	—	2,424
Net income (loss)	(9,251)	(443)	(1,933)	(11,627)
Net (income) loss attributable to noncontrolling interest	3,900	—	443	4,343
Net income (loss) attributable to Boyd Gaming Corporation	$(5,351)	$(443)	$(1,490)	$(7,284)

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	Three Months Ended March 31, 2012			
	Boyd Gaming Corporation (as historically presented)	LVE, LLC	Eliminations	Boyd Gaming Corporation (as consolidated)
	(In thousands)			
REVENUES				
Other revenue	$35,832	$2,724	$(2,724)	$35,832
COSTS AND EXPENSES				
Maintenance and utilities	$38,763	$—	$—	$38,763
Preopening expenses	$4,384	$—	$(2,724)	$1,660
Operating income	$73,861	$2,721	$—	$76,582
Other expense				
Interest expense, net	$60,435	$3,393	$—	$63,828
Income (loss) before income taxes	$13,430	$(672)	$—	$12,758
Income taxes	(6,283)	—	—	(6,283)
Net income (loss)	7,147	(672)	—	6,475
Net (income) loss attributable to noncontrolling interest	(1,295)	672	—	(623)
Net income (loss) attributable to Boyd Gaming Corporation	$5,852	$—	$—	$5,852

The reduction in other revenue and preopening expenses reflects the elimination of the Periodic Fee paid by Boyd Gaming to LVE. Such fee was recognized as revenue by LVE, but eliminated in consolidation completely, thereby having no impact on our consolidated other revenues. Although this Periodic Fee is eliminated in this consolidation, it was actually paid to LVE directly on a monthly basis through March 4, 2013, the date we completed the Echelon transaction.

NOTE 6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	March 31, 2013	December 31, 2012
	(In thousands)	
Land	$377,748	$377,748
Buildings and improvements	3,830,279	3,827,980
Furniture and equipment	1,314,007	1,306,150

Riverboats and barges	188,760	187,620
Construction in progress	59,123	27,707
Other	23,013	23,013
Total property and equipment	5,792,930	5,750,218
Less accumulated depreciation	2,180,422	2,125,230
Property and equipment, net	$3,612,508	$3,624,988

Depreciation expense for the three months ended March 31, 2013 and 2012 was $58.2 million and $48.9 million, respectively. Other property and equipment presented in the table above relates to the net realizable value of construction materials inventory that was previously included in assets held for development during the year ended December 31, 2012, and that was not disposed of with the sale of the Echelon project. Such assets are not in service and are not currently being depreciated.

NOTE 7. INTANGIBLE ASSETS

Intangible assets consist of the following:

	March 31, 2013				
	Weighted Average Life Remaining	Gross Carrying Value	Cumulative Amortization	Cumulative Impairment Losses	Intangible Assets, Net
		(In thousands)			
Amortizing intangibles:					
Customer relationships	4.3 years	$154,000	$(34,461)	$—	$119,539
Non-competition agreement	0.7 years	3,200	(1,155)	—	2,045
Favorable lease rates	35.2 years	45,370	(9,129)	—	36,241
Development agreement	—	21,373	—	—	21,373
		223,943	(44,745)	—	179,198
Indefinite lived intangible assets:					
Trademarks	Indefinite	191,800	—	(5,000)	186,800
Gaming license rights	Indefinite	955,246	(33,960)	(180,000)	741,286
		1,147,046	(33,960)	(185,000)	928,086
Balance, March 31, 2013		$1,370,989	$(78,705)	$(185,000)	$1,107,284

	December 31, 2012				
	Weighted Average Life Remaining	Gross Carrying Value	Cumulative Amortization	Cumulative Impairment Losses	Intangible Assets, Net
		(In thousands)			
Amortizing intangibles:					
Customer relationships	4.5 years	$154,000	$(23,059)	$—	$130,941
Non-competition agreement	0.9 years	3,200	(354)	—	2,846
Favorable lease rates	35.4 years	45,370	(8,867)	—	36,503
Development agreement	—	21,373	—	—	21,373
		223,943	(32,280)	—	191,663
Indefinite lived intangible assets:					
Trademarks	Indefinite	191,800	—	(5,000)	186,800
Gaming license rights	Indefinite	955,135	(33,960)	(180,000)	741,175

	1,146,935	(33,960)	(185,000)	927,975
Balance, December 31, 2012	$1,370,878	$(66,240)	$(185,000)	$1,119,638

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NOTE 8. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	March 31, 2013	December 31, 2012
	(In thousands)	
Payroll and related expenses	$93,625	$86,716
Interest	60,624	67,145
Gaming liabilities	79,466	85,561
Accrued liabilities	179,179	125,120
Total accrued liabilities	$412,894	$364,542

NOTE 9. LONG-TERM DEBT

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

	March 31, 2013			
	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
	(In thousands)			
Boyd Debt:				
Boyd Gaming Long-Term Debt:				
Bank credit facility	$1,445,025	$(4,464)	$(2,866)	$1,437,695
9.125% senior notes due 2018	500,000	—	(7,010)	492,990
9.00% senior notes due 2020	350,000	—	—	350,000
6.75% senior subordinated notes due 2014	215,668	—	—	215,668
7.125% senior subordinated notes due 2016	240,750	—	—	240,750
HoldCo Note	147,800	(29,145)	—	118,655
	2,899,243	(33,609)	(9,876)	2,855,758
Peninsula Gaming Debt:				
Bank credit facility	843,738	—	—	843,738
8.375% senior notes due 2018	350,000	—	—	350,000
Other	19	—	—	19
	1,193,757	—	—	1,193,757
Total Boyd Debt	4,093,000	(33,609)	(9,876)	4,049,515
Borgata Debt:				
Bank credit facility	14,000	—	—	14,000
9.50% senior secured notes due 2015	398,000	(2,328)	(5,467)	390,205
9.875% senior secured notes due 2018	393,500	(2,033)	(7,365)	384,102
	805,500	(4,361)	(12,832)	788,307

Less current maturities	200,759	—	—	200,759
Long-term debt, net	$4,697,741	$(37,970)	$(22,708)	$4,637,063

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	December 31, 2012			
	Outstanding Principal	Unamortized Discount	Unamortized Origination Fees	Long-Term Debt, Net
	(In thousands)			
Boyd Debt:				
Boyd Gaming Long-Term Debt:				
Bank credit facility	$1,474,850	$(5,001)	$(3,214)	$1,466,635
9.125% senior notes due 2018	500,000	—	(7,320)	492,680
9.00% senior notes due 2020	350,000	—	—	350,000
6.75% senior subordinated notes due 2014	215,668	—	—	215,668
7.125% senior subordinated notes due 2016	240,750	—	—	240,750
HoldCo Note and other	158,141	(32,666)	—	125,475
	2,939,409	(37,667)	(10,534)	2,891,208
Peninsula Gaming Debt:				
Bank credit facility	854,400	—	—	854,400
8.375% senior notes due 2018	350,000	—	—	350,000
Other	494	(3)	—	491
	1,204,894	(3)	—	1,204,891
Total Boyd Debt	4,144,303	(37,670)	(10,534)	4,096,099
Borgata Debt:				
Bank credit facility	20,000	—	—	20,000
9.50% senior secured notes due 2015	398,000	(2,525)	(5,928)	389,547
9.875% senior secured notes due 2018	393,500	(2,103)	(7,620)	383,777
	811,500	(4,628)	(13,548)	793,324
Less current maturities	61,570	—	—	61,570
Long-term debt, net	$4,894,233	$(42,298)	$(24,082)	$4,827,853

Boyd Gaming Corporation Debt

Bank Credit Facility

The blended interest rate for outstanding borrowings under our Second Amended and Restated Credit Agreement (as amended, the "Credit Facility") was 4.2% at both March 31, 2013 and December 31, 2012. At March 31, 2013, approximately $1.45 billion was outstanding under our Credit Facility, with $8.5 million allocated to support various letters of credit, leaving remaining contractual availability of approximately $278.4 million.

Amounts Outstanding

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

	March 31, 2013	December 31, 2012
	(In thousands)	
Extended Revolving Facility	$660,000	$660,000
Initial Term Loan	443,750	450,000
Increased Term Loan	328,125	332,500
Swing Loan	5,820	24,135
Total outstanding borrowings under Credit Facility, net	$1,437,695	$1,466,635

Availability

Presently, our Credit Facility is comprised of the following components and commitments:

	Available Capacity	Present Borrowings	Remaining Availability
	(In thousands)		
Extended Revolving Facility	$960,000	$660,000	$278,398
Initial Term Loan	500,000	443,750	—
Increased Term Loan	350,000	328,125	—
Total commitments under Credit Facility	$1,810,000	$1,431,875	$278,398

Guarantees

The Company's obligations under the Credit Facility, subject to certain exceptions, are guaranteed by certain of the Company's subsidiaries and are secured by the capital stock of certain subsidiaries. In addition, subject to certain exceptions, the Company and each of the guarantors granted the administrative agent first priority liens and security interests on substantially all of their real and personal property (other than gaming licenses and subject to certain other exceptions) as additional security for the performance of the secured obligations under the Credit Facility.

Compliance with Financial Covenants

The Credit Facility contains certain financial and other covenants, including, without limitation, various covenants (i) requiring the maintenance of a minimum consolidated interest coverage ratio of 2.00 to 1.00, (ii) establishing a maximum permitted consolidated total leverage ratio (discussed below), (iii) establishing a maximum permitted secured leverage ratio (discussed below), (iv) imposing limitations on the incurrence of indebtedness, (v) imposing limitations on transfers, sales and other dispositions and (vi) imposing restrictions on investments, dividends and certain other payments. Subject to certain exceptions, the Company may be required to repay the amounts outstanding under the Credit Facility in connection with certain asset sales and issuances of certain additional secured indebtedness. We believe that, at March 31, 2013, we were in compliance with the Credit Facility covenants.

Senior Notes

9.125% Senior Notes due December 2018

Significant Terms

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 notes contain certain restrictive covenants that, subject to exceptions and qualifications, among other things, limit our ability and the ability of our restricted subsidiaries (as defined in the indenture governing the notes) to incur additional indebtedness or liens, pay dividends or make distributions or repurchase our capital stock, make certain investments, and sell or merge with other companies. We believe that we were in compliance with these covenants at March 31, 2013.

Senior Notes
9.00% Senior Notes due July 2020
The notes and are fully and unconditionally guaranteed, on a joint and several basis, by certain of our current and future domestic restricted subsidiaries, all of which are 100% owned by us. The notes contain certain restrictive covenants that, subject to exceptions and qualifications, among other things, limit our ability and the ability of our restrictive subsidiaries (as defined in the indenture governing the notes) to incur additional indebtedness or liens, pay dividends or make distributions or repurchase our capital stock, make certain investments, and sell or merge with other companies. We believe that we were in compliance with these covenants at March 31, 2013.

Pursuant to the registration rights agreement entered into with the initial purchasers on June 8, 2012, the date these notes were issued, we agreed that, subject to certain suspension and other rights provided in the Registration Rights Agreement, we would file a registration statement with the SEC with respect to a registered exchange offer to exchange the 2020 notes for new notes with terms substantially identical in all material respects to the 2020 notes, and consummate the exchange offer within 365 days of the issuance of the notes. We filed the registration statement with the SEC on March 22, 2013. The registration statement was declared effective on April 23, 2013 and the exchange offer is in process.

Senior Subordinated Notes
6.75% Senior Subordinated Notes due April 2014
The notes contain certain restrictive covenants regarding, among other things, incurrence of debt, sales of assets, mergers and consolidations, and limitations on restricted payments (as defined in the indenture governing the notes). We believe that we were in compliance with these covenants at March 31, 2013.

On March 7, 2013, we announced that we would redeem $150 million of the notes at a redemption price of 100.00% plus accrued and unpaid interest to the redemption date, April 6, 2013, subject to the right of holders of record on April 1, 2013 to receive accrued and unpaid interest on the redemption date. The redemption was completed on April 6 and resulted in a write-off of unamortized debt fees of $0.3 million which will be recognized in our second quarter 2013 financial results.

On April 30, 2013, we announced that we would redeem the remaining $65.7 million notes at a redemption price of 100.00% plus accrued and unpaid interest to the redemption date, May 30, 2013, subject to the right of holders of record on April 1, 2013 to receive accrued and unpaid interest on the redemption date. The redemption is expected to result in a write-off of unamortized debt fees of $0.1 million, which will be recognized in our second quarter 2013 financial results.

Senior Subordinated Notes
7.125% Senior Subordinated Notes due February 2016
The notes contain certain restrictive covenants regarding, among other things, incurrence of debt, sales of assets, mergers and consolidations, and limitations on restricted payments (as defined in the indenture governing the notes). We believe that we were in compliance with these covenants at March 31, 2013.

Current Maturities of Our Indebtedness

We classified certain non-extending balances under our Credit Facility as a current maturity, as such amounts come due within the next twelve months. On March 7, 2013, we announced the redemption of $150 million, 6.75% Notes due 2014, and have reclassified these notes from long-term to current. In March 2012, we reclassified $10.9 million for a note payable that matured on February 28, 2013 from long-term to current.

Debt Service Requirements

Debt service requirements under our current outstanding senior subordinated notes and senior notes consist of semi-annual interest payments (based upon fixed annual interest rates ranging from 6.75% to 9.125%) and principal repayment of our 6.75% and 7.125% senior subordinated notes due on April 15, 2014 and February 1, 2016, respectively, and principal repayment of our 9.125% senior notes due on December 1, 2018, and our 9.00% senior notes due on July 1, 2020.

Peninsula Gaming Debt

Bank Credit Facility

The blended interest rate for outstanding borrowings under the Peninsula Gaming $875.0 million senior secured credit facility (the "Peninsula Credit Facility") was 5.7% at both March 31, 2013 and at December 31, 2012. At March 31, 2013, approximately $843.7 million was outstanding under the Peninsula Credit Facility, with $5.8 million allocated to support various letters of credit, leaving remaining contractual availability of $23.4 million.

Guarantees and Collateral
Peninsula Gaming's obligations under the Peninsula Credit Facility, subject to certain exceptions, are guaranteed by Peninsula Gaming's subsidiaries and are secured by the capital stock and equity interests of Peninsula Gaming's subsidiaries. In addition, subject to certain exceptions, Peninsula Gaming and each of the guarantors granted the collateral agent first priority liens and security interests on substantially all of the real and personal property (other than gaming licenses and subject to certain other exceptions) of Peninsula Gaming and its subsidiaries as additional security for the performance of the obligations under the Peninsula Credit Facility. The obligations under the Revolver rank senior in right of payment to the obligations under the Term Loan.

Compliance with Financial and Other Covenants
The Peninsula Credit Facility contains certain financial and other covenants, including, without limitation, various covenants requiring the maintenance of (i) beginning with the fiscal quarter ended March 31 2013, a maximum consolidated leverage ratio over each 12-month period ending on the last fiscal day of each quarter; (ii) beginning with the fiscal quarter ended March 31, 2013, a minimum consolidated interest coverage ratio of 2.0 to 1.0 as of the end of each calendar quarter; and (iii) a maximum amount of capital expenditures for each fiscal year. Substantially all of Peninsula Gaming's net assets were restricted from distribution under the Peninsula Gaming Notes and Credit Facility subject to specific amounts allowed for certain investments and other restricted payments as well as payments under a management services agreement between Peninsula Gaming and Boyd Acquisition Sub. We believe we were in compliance with our financial covenants at March 31, 2013.

Senior Notes
8.375% Senior Notes due February 2018
The notes are fully and unconditionally guaranteed, on a joint and several basis, by Peninsula Gaming, LLC's subsidiaries (other than Peninsula Gaming Corp.). The notes contain certain restrictive covenants that, subject to exceptions and qualifications, among other things, limit our ability and the ability of our restrictive subsidiaries (as defined in the indenture governing the notes) to incur additional indebtedness or liens, pay dividends or make distributions or repurchase our capital stock, make certain investments, and sell or merge with other companies. We believe that we were in compliance with these covenants at March 31, 2013.

Borgata Debt

Borgata Bank Credit Facility
The blended interest rate for outstanding borrowings under the MDFC $60 million payment priority secured revolving credit facility (the "Borgata bank credit facility) was 4.9% at both March 31, 2013 and December 31, 2012. At March 31, 2013, approximately $14.0 million was outstanding under the credit facility leaving contractual availability of $46.0 million.

Guarantees
The Borgata bank credit facility is guaranteed on a senior secured basis by Marina District Development Company, LLC ("MDDC") and any future subsidiaries of MDDC and is secured by a first priority lien on substantially all of

Borgata's assets, subject to certain exceptions. The obligations under the Borgata bank credit facility have priority in payment to Borgata's senior secured notes.

Neither Boyd Gaming Corporation, nor its subsidiaries are guarantors of the Borgata bank credit facility, as amended.

Compliance with Financial and Other Covenants

The Borgata bank credit facility, as amended, contains certain financial and other covenants, including, without limitation, (i) establishing a minimum consolidated EBITDA (as defined in the Borgata bank credit facility) of $125 million over each trailing twelve-month period ending on the last day of each calendar quarter; (ii) imposing limitations on Marina District Finance Company Inc.'s ("MDFC") ability to incur additional debt; and (iii) imposing restrictions on Borgata's ability to pay dividends and make other distributions, make certain restricted payments, create liens, enter into transactions with affiliates, merge or consolidate, and engage in unrelated business activities. We believe that MDFC was in compliance with the amended Borgata bank credit facility covenants at March 31, 2013.

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Borgata Senior Secured Notes
9.5% Senior Secured Notes Due 2015
The notes are guaranteed on a senior secured basis by MDDC and any future restricted subsidiaries of MDDC. The notes contain covenants that, among other things, limit MDFC's ability and the ability of MDDC to (i) incur additional indebtedness or liens; (ii) pay dividends or make distributions; (iii) make certain investments; (iv) sell or merge with other companies; and (v) enter into certain types of transactions. MDFC believes that it was in compliance with these covenants at March 31, 2013.

Borgata Senior Secured Notes
9.875% Senior Secured Notes Due 2018
The notes are guaranteed on a senior secured basis by MDDC and any future restricted subsidiaries of MDDC. The notes contain covenants that, among other things, limit MDFC's ability and the ability of MDDC to (i) incur additional indebtedness or liens; (ii) pay dividends or make distributions; (iii) make certain investments; (iv) sell or merge with other companies; and (v) enter into certain types of transactions. MDFC believes that it was in compliance with these covenants at March 31, 2013.

NOTE 10. 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, 2012 filed with the SEC on March 18, 2013.

Contingencies
Copeland
Alvin C. Copeland, the sole shareholder (deceased) of an unsuccessful applicant for a riverboat license at the location of our Treasure Chest Casino (“Treasure Chest”), has made several attempts to have the Treasure Chest license revoked and awarded to his company. In 1999 and 2000, Copeland unsuccessfully opposed the renewal of the Treasure Chest license and has brought two separate legal actions against Treasure Chest. In November 1993, Copeland objected to the relocation of Treasure Chest from the Mississippi River to its current site on Lake Pontchartrain. The predecessor to the Louisiana Gaming Control Board allowed the relocation over Copeland's objection. Copeland then filed an appeal of the agency's decision with the Nineteenth Judicial District Court. Through a number of amendments to the appeal, Copeland unsuccessfully attempted to transform the appeal into a direct action suit and sought the revocation of the Treasure Chest license. Treasure Chest intervened in the matter in order to protect its interests. The appeal/suit, as it related to Treasure Chest, was dismissed by the District Court and that dismissal was upheld on appeal by the First Circuit Court of Appeal. Additionally, in 1999, Copeland filed a direct action against Treasure Chest and certain other parties seeking the revocation of Treasure Chest's license, an award of the license to him, and monetary damages. The suit was dismissed by the trial court, citing that Copeland failed to state a claim on which relief could be granted. The dismissal was appealed by Copeland to the Louisiana First Circuit Court of Appeal. On June 21, 2002, the First Circuit Court of Appeal reversed the trial court's decision and remanded the matter to the trial court. On January 14, 2003, we filed a motion to dismiss the matter and that motion was partially denied. The Court of Appeal refused to reverse the denial of the motion to dismiss. In May 2004, we filed additional motions to dismiss on other grounds. There was no activity regarding this matter during 2005 and 2006, and the case was set to be dismissed by the court for failure to prosecute by the plaintiffs in mid-May 2007; however on May 1, 2007, the plaintiff filed a

motion to set a hearing date related to the motions to dismiss. The hearing was scheduled for September 10, 2007, at which time all parties agreed to postpone the hearing indefinitely. The hearing has not yet been rescheduled.

Mr. Copeland has since passed away and his son, the executor of his estate, has petitioned the court to be substituted as plaintiff in the case. On June 9, 2009, the plaintiff filed to have the exceptions set for hearing. The parties decided to submit the exceptions to the court on the previously filed briefs. The court issued a ruling denying the exceptions on August 9, 2010. Copeland's counsel indicated a desire to move forward with the litigation and requested that the parties respond to outstanding discovery. Subsequently, on August 11, 2010, Robert J. Guidry, the co-defendant, filed a third party demand against the U.S. Attorney's Office seeking enforcement of Guidry's plea agreement which would limit Guidry's exposure in the case. On September 9, 2010, the U.S. Attorney's Office removed the suit to the U.S. District Court, Middle District of Louisiana. Pending before the District Court are a motion to dismiss for failing to state a cause of action filed by Guidry, asserting the same arguments he tried in state court, which the Company joined, and a motion to dismiss for lack of subject matter jurisdiction filed by the U.S. Attorney, which may result in the case being remanded to state court. The U.S. District Court heard the motions on March 16, 2011. A ruling has not yet been issued. On April 1, 2011, the U.S. Attorney's Office moved for summary judgment, maintaining its jurisdictional argument as well as seeking substantive relief. On September 2, 2011, the judge issued an Order stating that the case should be remanded to state district court but allowed for additional filings by September 13, 2011. A Remand Order was issued on September 15, 2011, sending the case back to the 19th Judicial District Court, East Baton Rouge Parish, State of Louisiana. Guidry filed a motion for partial summary judgment on November 14, 2011 to limit the damages in the case. Treasure Chest joined in the motion. The hearing on the Motion for Partial Summary Judgment was held on September 10, 2012. On October 3, 2012, Judge Clark granted the motion which effectively struck Copeland's demands for lost profits, the value of the Treasure Chest license and the value of Treasure Chest's success. On October 26, 2012, Copeland filed a supervisory writ application with the First Circuit Court of Appeal asking that the partial summary judgment be reversed. Treasure Chest and Guidry opposed the writ. On February 13, 2013, the writ was denied leaving intact the partial summary judgment. Discovery is proceeding. We currently are vigorously defending the lawsuit. If this matter ultimately results in the Treasure Chest license being revoked, it could have a significant adverse effect on Treasure Chest's business, financial condition and results of operations.

Nevada Use Tax Refund Claims

On March 27, 2008, the Nevada Supreme Court issued a decision in Sparks Nugget, Inc. vs. The State of Nevada Department of Taxation (the “Department”), holding that food purchased for subsequent use in the provision of complimentary and/or employee meals was exempt from use tax. As a result of this decision, refund claims were filed for use taxes paid, over the period November 2000 through May 2008, on food purchased for subsequent use in complimentary and employee meals at our Nevada casino properties. We estimate the refund to be in the range of $17.9 million to $21.4 million, including interest. In 2009, the Department audited and denied our refund claim while simultaneously issuing a $12.3 million sales tax deficiency assessment, plus interest of $7.5 million. We appealed both the denial of the refund claim as well as the deficiency assessment in a hearing before the Nevada Administrative Law Judge ("ALJ") in September 2010. In April 2011, the judge issued a split decision, granting a refund on employee meals and applying a sales tax measure on complimentary meals; however, the ruling barred retroactive application of the sales tax measure to all years in the refund claim period, effectively overturning the Department's 2009 deficiency assessment. Both we and the Department appealed the decision to the Nevada State Tax Commission (the "Commission"). On August 8, 2011, the Commission remanded the case back for a second administrative hearing, which was held on September 26, 2011, to allow for the introduction of additional supporting documentation. The ALJ issued a decision on November 8, 2011, reversing her position on the employee meal refund claim while also affirming the denial of the complimentary meal refund, as well as the denial of a retroactive application of the sales tax measure to both employee and complimentary meals. The ALJ's decision was affirmed in a Commission hearing on January 23, 2012. On February 15, 2012 we filed a petition for judicial review in Clark County District Court. We received a split decision at our District Court hearing on October 17, 2012. The District Court Judge (the “Judge”) affirmed the ALJ decision that sales tax was applicable to complimentary meals and reversed the decision on employee meals, concluding that such meals were exempt from sales tax. The Department has asserted that, although the statute of limitations prohibits their ability to collect incremental sales tax on complimentary meals, the statutes provide for an offset of the incremental sales tax against refunds due on employee meals. As such, the Department believes that it is not required to pay the employee meal refunds. The Judge did not issue a decision with respect to the refund claim offset. We are appealing the decision on complimentary meals to the Nevada State Supreme Court and the Department has appealed the decision on employee meals. The State Supreme Court has suspended our briefing schedule, pending a decision to either accept the appeal or remand the case back to District Court for a remedy on the offset issue. Due to the uncertainty surrounding the ultimate resolution of our appeal to the State Supreme Court, we will not record any gain until a final, non-appealable decision has been rendered.

On February 14, 2012, the Department issued a policy directive, requesting that affected taxpayers begin collecting and remitting sales tax on complimentary and employee meals. In late March 2012, we petitioned the Commission, along with other affected parties, to repeal or suspend the policy directives subject to promulgation in accordance with the appropriate statutory requirements. The Department responded by issuing a draft regulation and the Commission approved the draft regulation on June 25, 2012; however, as required under Nevada Revised Statutes, such regulation must be approved by a legislative commission before its enactment. The legislative commission has not yet taken any action with respect to the regulation and it is uncertain when such action will occur. The Department revised its policy directive on July 6, 2012, providing for a deferral on the remittance of the purported tax due until the occurrence of a defined future event, as well as the removal of the imposition of all penalties and interest on such tax. Although the Department is deferring remittance of the tax, it believes the liability for sales tax begins to accrue as of February 15, 2012. We have not collected, remitted or accrued a liability for sales tax on complimentary and employee meals at our Nevada casino properties, for periods subsequent to February 15, 2012, as we do not believe it is probable, based on procedural issues with the enforcement of the proposed regulation and the technical merits of the Department's arguments, that we owe this tax. Although not probable, it is reasonably possible that the opinion of the court may differ from our interpretation of the procedural and legal issues noted above. In the event we were to receive an adverse decision on the issues deemed to be reasonably possible, we estimate that the resulting tax assessment on complimentary meals could range between $0.8 million and $3.5 million, as of March 31, 2013.

Blue Chip Property Taxes

Blue Chip received a property tax assessment for its 2010 tax year in January 2013 but has not received valuation notices or final tax rates for the years 2011 through 2013. The 2010 tax assessment increased the taxable property value approximately 46% over the settlement valuation agreed to in Blue Chip's 2009 appeal. We have made the minimum required payment against provisional bills received for the tax years 2010 through 2013, all of which were based on our 2006 appeal valuation. We have appealed the 2010 tax assessment and believe the assessments for the period from January 1, 2010 through March 31, 2013 could result in a total property tax obligation, net of previous payments, ranging between $4.5 million and $15.5 million. We have accrued, net of the payment of the minimum requirements discussed above, approximately $15.5 million for this property tax liability as of March 31, 2013, based on what we believe to be the most likely outcome within our range, once all valuations have been received and all tax rates have been finalized; however, we can provide no assurances that the estimated amount accrued will approximate the actual amount assessed. The final tax assessment notices for the period January 1, 2011 through March 31, 2013, which have not been received as of March 31, 2013, could result in further adjustment to our estimated property tax liability at Blue Chip.

Legal Matters

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

NOTE 11. 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 March 31,	
	2013	2012
	(In thousands)	
Gaming	$59	$59
Food and beverage	11	11
Room	5	5
Selling, general and administrative	298	297
Corporate expense	3,718	2,744
Total shared-based compensation expense	$4,091	$3,116

NOTE 12. NONCONTROLLING INTEREST

Noncontrolling interest represents: (i) the 50% interest in Borgata, held by the Divestiture Trust for the economic benefit of MGM, which was initially recorded at fair value at the date of the effective change in control, on March 24, 2010; and (ii) until the Echelon Transaction, 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 during the three months ended March 31, 2013 are as follows:

	Three Months Ended March 31, 2013			
	Borgata	LVE	Other	Total
	(In thousands)			
Balance, January 1, 2013	$208,277	$(44,961)	$20	$163,336
Attributable net loss	(3,900)	(443)	—	(4,343)
Comprehensive income	—	—	—	—
Deconsolidation of LVE on March 4, 2013	—	45,404	—	45,404
Balance, March 31, 2013	$204,377	$—	$20	$204,397

NOTE 13. 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.

	March 31, 2013			
	Balance	Level 1	Level 2	Level 3
	(In thousands)			
Assets				
Cash and cash equivalents	$358,354	$358,354	$—	$—
Restricted cash	25,005	25,005	—	—

CRDA deposits	29,101	—	—	29,101
Investment available for sale	18,223	—	—	18,223
Liabilities				
Merger earnout	$8,983	$—	$—	$8,983
Contingent payments	4,522	—	—	4,522

	December 31, 2012			
	Balance	Level 1	Level 2	Level 3
	(In thousands)			
Assets				
Cash and cash equivalents	$192,828	$192,828	$—	$—
Restricted cash	22,900	22,900	—	—
CRDA deposits	28,464	—	—	28,464
Investment available for sale	17,907	—	—	17,907
Liabilities				
Merger earnout	$9,800	$—	$—	$9,800

Cash and Cash Equivalents

The fair value of our cash and cash equivalents, classified in the fair value hierarchy as Level 1, is based on statements received from our banks at March 31, 2013 and December 31, 2012.

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 March 31, 2013 and December 31, 2012.

Investment Available for Sale

We are the only holder of the City Bonds 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 an estimate from an independent source of what market participants would use in pricing the bonds. 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 Company's balance sheets. The carrying value of the investment available for sale is included in Other assets, net, on the consolidated balance sheets. The discount associated with this investment is netted with the investment on the consolidated balance sheets 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 PGP 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 liability was initially recorded upon consummation of the Merger, at the estimated fair value of the earnout using the modified Black-Scholes option pricing model, which requires the following assumptions: expected EBITDA volatility, forecasted 2015 EBITDA, risk-free interest rates and risk adjusted discount rate. We formed our assumptions using historical experience in the gaming industry and observable market conditions. The contingent consideration agreement will be fair valued periodically with updated assumptions and any change in the fair value of the obligation will be included in the Consolidated Statements of Comprehensive Income (Loss). At March 31, 2013 and December 31, 2012, there were outstanding liabilities of $9.0 million and $9.8 million, respectively, related to the merger earnout which are included in Other liabilities on the condensed consolidated balance sheets.

Contingent Payments

In connection with KSC's acquisition of the land upon which KSC's casino was developed, 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 March 31, 2013, there was a current liability of $0.9 million related to this agreement which is included in Accrued liabilities on the respective condensed consolidated balance sheets and a long-term obligation of $3.6 million which is included in Other liabilities on the respective condensed consolidated balance sheets.

The following table summarizes the fair value of the Company's Level 3 assets and liabilities for the three months ended March 31, 2013.

	Three Months Ended March 31, 2013			
	Assets		Liabilities	
	Investment Available for Sale	CRDA Deposits	Merger Earnout	Contingent Payments
	(In thousands)			
Balance at January 1, 2013	$17,907	$28,464	$(9,800)	$(4,563)
Total gains (losses) (realized or unrealized):				
Included in earnings	21	637	817	(194)
Included in other comprehensive income (loss)	295	—	—	—
Transfers in or out of Level 3	—	—	—	—
Purchases, sales, issuances and settlements:				
Settlements	—	—	—	235
Ending balance at March 31, 2013	$18,223	$29,101	$(8,983)	$(4,522)
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	$21	$—	$—	$—
Included in interest expense	—	—	—	(194)
Included in non-operating income	—	—	817	—

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	10.5%
CRDA deposits	Valuation Allowance	Reserves	33.0%
Merger earnout	Option Model	Risk-free interest rate	0.4%
		Risk-adjusted discount rate	14.5%
		EBITDA volatility	21.3%

Contingent payments	Discounted cash flow	Discount rate	18.5	%

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Balances Disclosed at Fair Value

The following tables provide the fair value measurement information about our note receivable, obligation under minimum assessment agreements and other financial instruments at March 31, 2013 and December 31, 2012.

	March 31, 2013			
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
	(In thousands)			
Assets				
Note receivable	$2,488	$2,488	$2,488	Level 3
Liabilities				
Obligation under assessment arrangements	$38,345	$29,049	$28,795	Level 3
Other financial instruments	500	421	421	Level 3

	December 31, 2012			
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
	(In thousands)			
Assets				
Note receivable	$2,470	$2,470	$2,470	Level 3
Liabilities				
Obligation under assessment arrangements	$38,787	$29,335	$29,113	Level 3
Other financial instruments	500	413	413	Level 3

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	March 31, 2013 Outstanding Face Amount (In thousands)	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Boyd Debt:				
Boyd Gaming Debt:				
Bank credit facility	$1,445,025	$1,437,695	$1,450,813	Level 2
9.125% Senior Notes due 2018	500,000	492,990	527,750	Level 1
9.00% Senior Notes due 2020	350,000	350,000	366,538	Level 1
6.75% Senior Subordinated Notes due 2014	215,668	215,668	215,938	Level 1
7.125% Senior Subordinated Notes due 2016	240,750	240,750	243,759	Level 1
Other	147,800	118,655	123,424	Level 3
	2,899,243	2,855,758	2,928,222	
Peninsula Gaming Debt:				
Bank credit facility	843,738	843,738	857,152	Level 2
8.375% senior notes due 2018	350,000	350,000	371,875	Level 1
Other	19	19	19	Level 3
	1,193,757	1,193,757	1,229,046	
Total Boyd debt	4,093,000	4,049,515	4,157,268	
Borgata Debt:				
Borgata bank credit facility	14,000	14,000	14,000	Level 2
Borgata 9.50% Senior Secured Notes due 2015	398,000	390,205	418,059	Level 1
Borgata 9.875% Senior Secured Notes due 2018	393,500	384,102	414,379	Level 1
Total Borgata debt	805,500	788,307	846,438	
Total debt	$4,898,500	$4,837,822	$5,003,706	

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	December 31, 2012			
	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
	(In thousands)			
Boyd Debt:				
Boyd Gaming Debt:				
Bank credit facility	$1,474,850	$1,466,635	$1,508,516	Level 2
9.125% Senior Notes due 2018	500,000	492,680	523,995	Level 1
9.00% Senior Notes due 2020	350,000	350,000	347,158	Level 1
6.75% Senior Subordinated Notes due 2014	215,668	215,668	216,460	Level 1
7.125% Senior Subordinated Notes due 2016	240,750	240,750	236,537	Level 1
Other	158,141	125,475	123,424	Level 3
	2,939,409	2,891,208	2,956,090	
Peninsula Gaming Debt:				
Bank credit facility	854,400	854,400	868,838	Level 2
8.375% Senior Notes due 2018	350,000	350,000	367,721	Level 1
Other	494	491	494	Level 3
	1,204,894	1,204,891	1,237,053	
Total Boyd Debt	4,144,303	4,096,099	4,193,143	
Borgata Debt:				
Borgata bank credit facility	20,000	20,000	20,000	Level 2
Borgata 9.50% Senior Secured Notes due 2015	398,000	389,547	402,275	Level 1
Borgata 9.875% Senior Secured Notes due 2018	393,500	383,777	373,825	Level 1
Total Borgata debt	811,500	793,324	796,100	
Total debt	$4,955,803	$4,889,423	$4,989,243	

The estimated fair value of the Credit Facility is based on a relative value analysis performed on or about March 31, 2013 and December 31, 2012. The estimated fair value of Borgata's bank credit facility at March 31, 2013 and December 31, 2012 approximates its carrying value due to the short-term nature and variable repricing of the underlying Eurodollar loans comprising the Borgata bank credit facility. The estimated fair values of our senior subordinated and senior notes and Borgata's senior secured notes are based on quoted market prices as of March 31, 2013 and December 31, 2012, respectively. Debt included in the “Other” category is fixed-rate debt that is due March 2013 and 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 three months ended March 31, 2013 or 2012.

Fair Value of Non-Recourse Obligations of Variable Interest Entity

At March 31, 2013 and December 31, 2012, the carrying value of LVE's long-term debt approximates its fair value due to the prevailing interest rates on the debt, which are comparable to market.

NOTE 14. 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 Gaming; and (v) Atlantic City. 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 Gaming	
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
Atlantic City	
Borgata Hotel Casino & Spa	Atlantic City, New Jersey

Results of Operations

We determine 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. 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 Gaming segments, and also includes our share of Borgata's operating income 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.

We reclassify the reporting of corporate expense on the accompanying table in order to exclude it from our subtotal for Reportable Segment Adjusted EBITDA and include it as part of total other operating costs and expenses. Furthermore, corporate expense excludes its portion of share-based compensation expense. Corporate expense represents unallocated payroll, professional fees, aircraft expenses and various other expenses not directly related to our casino and hotel operations. Other operating costs and expenses include Property EBITDA from Dania Jai-Alai, deferred rent, and share-based compensation expense charged to our Reportable Segments. Interest expense is net of interest income and amounts capitalized.

The following table sets forth, for the periods indicated, certain operating data for our Reportable Segments, and reconciles Adjusted EBITDA to operating income, as reported in our accompanying condensed consolidated statements of operations for the three months ended March 31, 2013 and 2012.

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Net Revenues		
Las Vegas Locals	$152,827	$154,789
Downtown Las Vegas	54,083	57,008
Midwest and South	229,117	243,722
Peninsula Gaming	133,913	—
Atlantic City	165,644	176,150
Reportable Segment Net Revenues	735,584	631,669
Other	1,399	1,414
Net Revenues	$736,983	$633,083
Reportable Segment Adjusted EBITDA		
Las Vegas Locals	$39,205	$38,486
Downtown Las Vegas	7,111	8,432
Midwest and South	49,682	58,130
Peninsula Gaming	50,712	—
Atlantic City	28,405	38,881
Reportable Segment Adjusted EBITDA	175,115	143,929
Other operating costs and expenses		
Corporate expense	11,638	10,127
Deferred Rent	957	996
Depreciation and Amortization	70,071	50,014
Preopening Expenses	2,365	1,660
Share-based compensation expense	4,091	3,116
Asset transaction costs	3,013	45
Other operating charges, net	2,523	1,389
Total other operating costs and expenses	94,658	67,347
Operating income	$80,457	$76,582

Total Assets

The Company's total assets by Reportable Segment consisted of the following amounts at March 31, 2013 and December 31, 2012:

	March 31, 2013	December 31, 2012
	(In thousands)	
Assets		
Las Vegas Locals	$1,221,301	$1,215,494
Downtown Las Vegas	131,776	133,689
Midwest and South	1,355,925	1,367,063
Peninsula Gaming	1,586,807	1,604,778
Atlantic City	1,412,560	1,388,562
Total Reportable Segment assets	5,708,369	5,709,586
Corporate	408,346	395,436
Other	38,270	227,171
Total assets	$6,154,985	$6,332,193

NOTE 15. 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.

The tables below present the condensed consolidating balance sheets as of March 31, 2013 and December 31, 2012 and the condensed consolidating statements of operations for the three months ended March 31, 2013 and 2012 and the condensed consolidating statements of cash flows for the three months ended March 31, 2013 and 2012. The Company has corrected certain prior year amounts in the current year presentation to reflect certain intercompany activities between the parent and the sub-groups that had previously been excluded from the presentation, and to properly record the impact of certain reclassification entries within the correct sub-group.

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as of March 31, 2013 and December 31, 2012 and for the three months ended March 31, 2013 and 2012

Condensed Consolidating Balance Sheets

	March 31, 2013					
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
			(In thousands)			
Assets						
Cash and cash equivalents	$163,855	$124,658	$33,308	$36,533	$—	$358,354
Other current assets	87,965	(8,049)	43,212	80,866	(986)	203,008
Property and equipment, net	63,628	1,862,935	495,634	1,190,311	—	3,612,508
Investments in subsidiaries	3,111,455	266,031	14,226	—	(3,391,712)	—
Intercompany receivable	—	481,285	10	(229)	(481,066)	—
Other assets, net	45,491	12,915	76,734	43,762	—	178,902
Intangible assets, net	—	467,712	578,384	61,188	—	1,107,284
Goodwill, net	—	212,795	482,134	—	—	694,929
Total assets	$3,472,394	$3,420,282	$1,723,642	$1,412,431	$(3,873,764)	$6,154,985
Liabilities and Stockholders' Equity						
Current maturities of long-term debt	$192,500	$—	$8,259	$—	$—	$200,759
Current liabilities	64,146	241,671	86,710	135,514	(694)	527,347
Intercompany payable	344,461	—	136,517	—	(480,978)	—
Long-term debt, net of current maturities	2,544,603	—	1,304,153	788,307	—	4,637,063
Other long-term liabilities	25,796	182,210	38,083	38,442	—	284,531
Common stock	869	31,129	(9,500)	—	(21,629)	869
Additional paid-in capital	659,780	2,756,184	250,504	480,833	(3,487,521)	659,780
Retained earnings (deficit)	(359,094)	209,088	(90,417)	(30,665)	(88,006)	(359,094)
Accumulated other comprehensive loss, net	(667)	—	(667)	—	667	(667)
Total Boyd Gaming Corporation stockholders' equity	300,888	2,996,401	149,920	450,168	(3,596,489)	300,888
Noncontrolling interest	—	—	—	—	204,397	204,397
Total stockholders' equity	300,888	2,996,401	149,920	450,168	(3,392,092)	505,285
Total liabilities and stockholders' equity	$3,472,394	$3,420,282	$1,723,642	$1,412,431	$(3,873,764)	$6,154,985

BOYD GAMING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
as of March 31, 2013 and December 31, 2012 and for the three months ended March 31, 2013 and 2012

Condensed Consolidating Balance Sheets - continued

	December 31, 2012					
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
			(In thousands)			
Assets						
Cash and cash equivalents	$2,520	$118,714	$36,902	$34,692	$—	$192,828
Other current assets	87,493	(4,371)	32,862	50,751	(3,970)	162,765
Property and equipment, net	67,500	1,691,120	500,660	1,365,708	—	3,624,988
Assets held for development	775	330,995	—	—	—	331,770
Investments in subsidiaries	3,089,125	267,777	4,103	—	(3,361,005)	—
Intercompany receivable	(134,385)	264,686	10	(224)	(130,087)	—
Other assets, net	45,880	12,791	81,856	64,748	—	205,275
Intangible assets, net	—	468,229	589,845	61,564	—	1,119,638
Goodwill, net	—	212,795	482,134	—	—	694,929
Total assets	$3,158,908	$3,362,736	$1,728,372	$1,577,239	$(3,495,062)	$6,332,193
Liabilities and Stockholders' Equity						
Current maturities of long-term debt	$42,500	$10,341	$8,729	$—	$—	$61,570
Non-recourse debt	—	—	—	225,113	—	225,113
Current liabilities	66,121	208,399	80,792	109,442	(873)	463,881
Intercompany payable	—	—	128,198	—	(128,198)	—
Long-term debt, net of current maturities	2,723,234	—	1,311,295	793,324	—	4,827,853
Other long-term liabilities	23,262	185,717	41,289	36,350	31	286,649
Common stock	869	31,128	—	—	(31,128)	869
Additional paid-in capital	655,694	2,756,184	250,504	480,833	(3,487,521)	655,694
Retained earnings (deficit)	(351,810)	170,967	(91,473)	(67,823)	(11,671)	(351,810)
Accumulated other comprehensive loss, net	(962)	—	(962)	—	962	(962)
Total Boyd Gaming Corporation stockholders' equity	303,791	2,958,279	158,069	413,010	(3,529,358)	303,791
Noncontrolling interest	—	—	—	—	163,336	163,336
Total stockholders' equity	303,791	2,958,279	158,069	413,010	(3,366,022)	467,127
Total liabilities and stockholders' equity	$3,158,908	$3,362,736	$1,728,372	$1,577,239	$(3,495,062)	$6,332,193

Condensed Consolidating Statements of Operations

	Three Months Ended March 31, 2013					
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
			(In thousands)			
Net revenues	$37,175	$424,664	$152,350	$167,577	$(44,783)	$736,983
Costs and expenses						
Operating	462	231,768	79,519	88,148	—	399,897
Selling, general and administrative	11,814	61,087	17,229	34,775	—	124,905
Maintenance and utilities	—	21,457	3,579	14,317	—	39,353
Depreciation and amortization	1,714	30,424	22,325	15,608	—	70,071
Corporate expense	13,886	116	1,354	—	—	15,356
Preopening expenses	1,030	2,789	414	4	(1,872)	2,365
Other operating charges, net	2,849	1,259	137	334	—	4,579
Intercompany expenses	325	31,752	10,836	—	(42,913)	—
Total costs and expenses	32,080	380,652	135,393	153,186	(44,785)	656,526
Equity in earnings of subsidiaries	27,812	(4,425)	—	—	(23,387)	—
Operating income (loss)	32,907	39,587	16,957	14,391	(23,385)	80,457
Other expense (income)						
Interest expense, net	43,774	2,842	25,259	23,151	—	95,026
Other income	—	—	(518)	—	—	(518)
Total other expense, net	43,774	2,842	24,741	23,151	—	94,508
Income (loss) before income taxes	(10,867)	36,745	(7,784)	(8,760)	(23,385)	(14,051)
Income taxes	3,583	(1,669)	(2)	512	—	2,424
Net income (loss)	(7,284)	35,076	(7,786)	(8,248)	(23,385)	(11,627)
Net loss attributable to noncontrolling interest	—	—	—	—	4,343	4,343
Net income (loss) attributable to controlling interest	$(7,284)	$35,076	$(7,786)	$(8,248)	$(19,042)	$(7,284)

Comprehensive income (loss)	$(6,989)	$35,076	$(7,491)	$(8,248)	$(23,680)	$(11,332)

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Condensed Consolidating Statements of Operations - continued

	Three Months Ended March 31, 2012					
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
			(In thousands)			
Net revenues	$33,009	$442,364	$15,111	$178,875	$(36,276)	$633,083
Costs and expenses						
Operating	456	236,987	15,364	90,422	—	343,229
Selling, general and administrative	11,339	62,721	3,114	32,543	—	109,717
Maintenance and utilities	—	23,948	508	14,307	—	38,763
Depreciation and amortization	2,130	32,061	693	15,130	—	50,014
Corporate expense	12,556	5	310	—	—	12,871
Preopening expenses	384	3,899	(31)	132	(2,724)	1,660
Other operating charges, net	29	247	—	(29)	—	247
Intercompany expenses	332	32,725	495	—	(33,552)	—
Total costs and expenses	27,226	392,593	20,453	152,505	(36,276)	556,501
Equity in earnings of subsidiaries	25,979	1,044	—	—	(27,023)	—
Operating income (loss)	31,762	50,815	(5,342)	26,370	(27,023)	76,582
Other expense (income)						
Interest expense, net	36,169	3,780	—	23,875	—	63,824
Total other expense, net	36,169	3,780	—	23,875	—	63,824
Income (loss) before income taxes	(4,407)	47,035	(5,342)	2,495	(27,023)	12,758
Income taxes	10,259	(17,402)	1,437	(577)	—	(6,283)
Net income (loss)	5,852	29,633	(3,905)	1,918	(27,023)	6,475
Net loss attributable to noncontrolling interest	—	—	—	—	(623)	(623)
Net income (loss) attributable to controlling interest	$5,852	$29,633	$(3,905)	$1,918	$(27,646)	$5,852
Comprehensive income (loss)	$5,852	$29,633	$(3,905)	$4,358	$(27,023)	$8,915

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Condensed Consolidating Statements of Cash Flows

	Three Months Ended March 31, 2013					
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
			(In thousands)			
Cash flows from operating activities						
Net cash from operating activities	$39,351	$18,438	$23,025	$11,020	$(3,716)	$88,118
Cash flows from investing activities						
Capital expenditures	(1,028)	(12,494)	(5,904)	(3,155)	—	(22,581)
Proceeds from Echelon sale	343,750	—	—	—	—	343,750
Cash paid for LVE option	(187,000)	—	—	—	—	(187,000)
Investment in subsidiaries	(3,716)	—	—	—	3,716	—
Other investing activities	—	—	(79)	(24)	—	(103)
Net cash from investing activities	152,006	(12,494)	(5,983)	(3,179)	3,716	134,066
Cash flows from financing activities						
Borrowings under bank credit facility	202,200	—	68,200	103,600	—	374,000
Payments under bank credit facility	(232,025)	—	(78,863)	(109,600)	—	(420,488)
Debt issuance costs, net	694	—	—	—	—	694
Payments under note payable	(10,341)	—	(473)	—	—	(10,814)
Distributions to parent	9,500	—	(9,500)	—	—	—
Other financing activities	(50)	—	—	—	—	(50)
Net cash from financing activities	(30,022)	—	(20,636)	(6,000)	—	(56,658)
Net change in cash and cash equivalents	161,335	5,944	(3,594)	1,841	—	165,526
Cash and cash equivalents, beginning of period	2,520	118,714	36,902	34,692	—	192,828
	$163,855	$124,658	$33,308	$36,533	$—	$358,354

Cash and cash equivalents,
end of period

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BOYD GAMING CORPORATION AND SUBSIDIARIES
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Condensed Consolidating Statements of Cash Flows - continued

	Three Months Ended March 31, 2012					
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (100% Owned)	Non-Guarantor Subsidiaries (Not 100% Owned)	Eliminations	Consolidated
			(In thousands)			
Cash flows from operating activities						
Net cash from operating activities	$58,559	$(2,182)	$(209)	$21,320	$—	$77,488
Cash flows from investing activities						
Capital expenditures	(7,566)	(7,736)	(28)	(17,466)	—	(32,796)
Investment in subsidiaries	(1,390)	—	—	1,390	—	—
Other investing activities	—	—	—	28	—	28
Net cash from investing activities	(8,956)	(7,736)	(28)	(16,048)	—	(32,768)
Cash flows from financing activities						
Borrowings under bank credit facility	134,800	—	—	182,900	—	317,700
Payments under bank credit facility	(184,425)	—	—	(200,600)	—	(385,025)
Payments on long-term debt	(44)	—	—	—	—	(44)
Payments on obligations of variable interest entity	—	—	—	919	—	919
Other financing activities	117	(179)	—	(250)	—	(312)
Net cash from financing activities	(49,552)	(179)	—			