

STATION CASINOS INC
Form 10-Q
August 16, 2010

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2010

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 000-21640**

STATION CASINOS, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

88-0136443
(I.R.S. Employer
Identification No.)

1505 South Pavilion Center Drive, Las Vegas, Nevada
(Address of principal executive offices)

89135
(Zip Code)

(702) 495-3000
Registrant's telephone number, including area code

N/A
(Former name, former address and former fiscal year, if changed since last report)

Edgar Filing: STATION CASINOS INC - Form 10-Q

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a
smaller reporting company)

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

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

As of August 2, 2010 there were 41.7 shares outstanding of the registrant's voting common stock, \$0.01 par value and 41,674,838 shares outstanding of the registrant's non-voting common stock, \$0.01 par value. The issued and outstanding equity securities of the registrant are all owned by FCP Holding Inc., Fertitta Partners LLC and FCP VoteCo LLC.

Table of Contents

STATION CASINOS, INC.
(Debtor and Debtor-In-Possession)
INDEX

<u>Part I.</u>	<u>Financial Information</u>	<u>3</u>
<u>Item 1.</u>	<u>Financial Statements</u>	<u>3</u>
	<u>Condensed Consolidated Balance Sheets June 30, 2010 (unaudited) and December 31, 2009</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Operations (unaudited) Three and Six Months Ended June 30, 2010 and June 30, 2009</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Cash Flows (unaudited) Six Months Ended June 30, 2010 and June 30, 2009</u>	<u>5</u>
	<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	<u>6</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>41</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>62</u>
<u>Item 4T.</u>	<u>Controls and Procedures</u>	<u>64</u>
<u>Part II.</u>	<u>Other Information</u>	<u>65</u>
<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>65</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>67</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>68</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	<u>68</u>
<u>Item 4.</u>	<u>Reserved</u>	<u>68</u>
<u>Item 5.</u>	<u>Other Information</u>	<u>68</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>68</u>
<u>Signature</u>		<u>69</u>

Table of Contents**Part I. Financial Information****Item 1. Financial Statements****STATION CASINOS, INC.****(Debtor and Debtor-In-Possession)****CONDENSED CONSOLIDATED BALANCE SHEETS****(amounts in thousands, except share data)**

	June 30, 2010	December 31, 2009
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 221,814	\$ 185,193
Restricted cash	195,126	174,361
Receivables, net	24,999	49,878
Inventories	6,966	9,794
Prepaid gaming tax	18,633	16,293
Prepaid expenses	14,315	13,903
Total current assets	481,853	449,422
Property and equipment, net	2,675,896	2,723,683
Goodwill	184,699	184,699
Intangible assets, net (includes Intangible assets, net, of consolidated variable interest entity of \$24,000 and \$24,000)	277,627	293,235
Land held for development	305,541	305,617
Investments in joint ventures	25,725	10,489
Native American development costs (includes Native American development costs of consolidated variable interest entity of \$63,797 and \$53,649)	225,993	213,774
Other assets, net	100,190	95,913
Total assets	\$ 4,277,524	\$ 4,276,832

LIABILITIES AND STOCKHOLDERS' DEFICIT**Current liabilities:**

Current portion of long-term debt (includes Current portion of long-term debt of consolidated variable interest entity of \$34 and \$39)	\$ 245,871	\$ 242,347
Accounts payable	12,200	14,905
Construction contracts payable	1,524	741
Accrued interest payable	12,322	2,341
Accrued expenses and other current liabilities	110,787	91,676
Total current liabilities	382,704	352,010
Long-term debt, less current portion (includes Long-term debt, less current portion, of consolidated variable interest entity of \$5,635 and \$5,714)	5,590	9,341
Deferred income tax, net	134,238	116,691
Investments in joint ventures, deficit	196,877	143,048

Edgar Filing: STATION CASINOS INC - Form 10-Q

Other long-term liabilities, net	6,617	7,021
Total liabilities not subject to compromise	726,026	628,111
Liabilities subject to compromise	6,001,255	5,984,109
Total liabilities	6,727,281	6,612,220
Commitments and contingencies (Note 14)		
Stockholders' deficit:		
Common stock, par value \$0.01; authorized 10,000 shares; 41.7 shares issued		
Non-voting common stock, par value \$0.01; authorized 100,000,000 shares; 41,674,838 shares issued	417	417
Additional paid-in capital	2,957,957	2,951,031
Accumulated other comprehensive income (loss)	931	(922)
Accumulated deficit	(5,409,062)	(5,285,914)
Total stockholders' deficit	(2,449,757)	(2,335,388)
Total liabilities and stockholders' deficit	\$ 4,277,524	\$ 4,276,832

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

Table of Contents

STATION CASINOS, INC.

(Debtor and Debtor-In-Possession)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(amounts in thousands)

(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Operating revenues:				
Casino	\$ 167,100	\$ 190,488	\$ 347,375	\$ 393,610
Food and beverage	41,119	50,625	81,038	104,000
Room	18,666	22,147	37,583	44,078
Other	14,734	16,060	30,239	31,215
Management fees	9,612	12,279	22,093	26,298
Gross revenues	251,231	291,599	518,328	599,201
Promotional allowances	(17,656)	(24,438)	(35,382)	(49,292)
Net revenues	233,575	267,161	482,946	549,909
Operating costs and expenses:				
Casino	69,001	82,065	141,513	165,067
Food and beverage	26,870	31,156	52,268	62,385
Room	7,981	8,847	16,287	17,431
Other	4,599	5,203	9,147	9,589
Selling, general and administrative	57,054	55,309	110,602	110,383
Corporate	10,396	13,107	19,314	24,693
Development and preopening	1,818	1,976	3,692	4,366
Depreciation and amortization	40,266	53,020	84,332	106,537
Write-downs and other charges, net	107	590	6,816	5,840
	218,092	251,273	443,971	506,291
Operating income	15,483	15,888	38,975	43,618
Earnings from joint ventures	542	1,044	2,213	2,707
Operating income and earnings from joint ventures	16,025	16,932	41,188	46,325
Other (expense) income:				
Interest expense, net (contractual interest expense for the three	(25,171)	(92,344)	(52,644)	(184,394)

Edgar Filing: STATION CASINOS INC - Form 10-Q

and six months ended June 30, 2010 was \$105,571 and \$207,928, respectively)				
Interest and other expense from joint ventures	(10,311)	(14,642)	(44,624)	(22,275)
Change in fair value of derivative instruments	(1)	14,563	(42)	33,581
Gain on early retirement of debt				40,348
	(35,483)	(92,423)	(97,310)	(132,740)
Loss before reorganization items and income taxes	(19,458)	(75,491)	(56,122)	(86,415)
Reorganization items, net	(37,943)		(57,194)	
Loss before income taxes	(57,401)	(75,491)	(113,316)	(86,415)
Income tax (provision) benefit	(12,214)	10,160	(9,832)	(12,625)
Net loss	\$ (69,615)	\$ (65,331)	\$ (123,148)	\$ (99,040)

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

Table of Contents

STATION CASINOS, INC.

(Debtor and Debtor-In-Possession)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

(unaudited)

	Six months ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net loss	\$ (123,148)	\$ (99,040)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	84,332	106,537
Change in fair value of derivative instruments	42	(33,581)
Gain on early retirement of debt		(40,348)
Write-downs and other charges, net	119	5,416
Amortization of debt discount and issuance costs	978	19,443