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STATION CASINOS INC  
Form 8-K  
January 29, 2004

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 8-K

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

Date of Report (Date of earliest event reported): January 29, 2004

STATION CASINOS, INC

(Exact name of registrant as specified in its charter)

|   |                             |   |
|---|-----------------------------|---|
| Nevada  | 000-21640                   | 88-0136443                              |
| (State or other jurisdiction<br>of incorporation) | (Commission<br>File Number) | (I.R.S. Employer<br>Identification No.) |

|  |            |
|--|------------|
| 2411 West Sahara Avenue, Las Vegas, Nevada | 89102      |
| (Address of principal executive offices)   | (Zip Code) |

Registrant's telephone number, including area code: (702) 367-2411

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N/A

(Former name or former address, if changed since last report)

ITEM 5. OTHER EVENTS AND REQUIRED FD DISCLOSURE

On January 29, 2004, the Company announced that it has entered into Development and Management Agreements with the Mechoopda Indian Tribe of Chico Rancheria, California (the "Tribe"), a federally recognized Indian tribe. Station will assist the Tribe in developing and operating a gaming and entertainment project to be located in Butte County, California (the "Project"), near the intersection of State Route 149 and Highway 99, approximately 10 miles southeast of Chico, California and 80 miles north of Sacramento, California.

Under the terms of the Development Agreement, Station has agreed to arrange the financing for the ongoing development costs and construction of the Project. Prior to obtaining financing for the Project, the Company expects to advance \$5 million to \$10 million to the Tribe for the acquisition of land and other development costs. Although no firm construction budget has been established,

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the Company expects the total cost of the development and construction of the Project will be less than \$80 million. Funds advanced by Station are expected to be repaid from the proceeds of the project financing or from the Tribe's gaming revenues. The Management Agreement has a term of seven years and provides for a management fee of 24% of the Project's net income. The proposed Project will be located on approximately 650 acres on State Route 149, east of the intersection with Highway 99. As currently contemplated, the Project will include approximately 500 slot machines, 10 table games and dining and entertainment amenities. Station anticipates the gaming and entertainment facility will be open some time during 2005.

On January 28, 2004, the Company reached an agreement in principle to settle a lawsuit brought by Fitzgeralds Sugar Creek, Inc., the City of Sugar Creek, Missouri and Phillip Griffith in December 2000 for \$24.7 million, net of the related tax benefit. The lawsuit centered on allegations of improper conduct by the Company's former Missouri legal counsel, Michael Lazaroff. The Company has asserted a claim against Mr. Lazaroff and his former law firm to recover all damages caused by Mr. Lazaroff's conduct. As part of that claim, the Company intends to seek reimbursement for, among other things, the amount it was required to pay to settle the Fitzgerald's litigation, as well as the attorney's fees and costs incurred by the Company in defending that litigation.

On January 29, 2004, the Company released the following unaudited Condensed Consolidated Balance Sheets as of December 31, 2003 and December 31, 2002 and unaudited Condensed Consolidated Statements of Operations for the three and twelve months ended December 31, 2003 and December 31, 2002.

Station Casinos, Inc.  
Condensed Consolidated Balance Sheets  
(amounts in thousands)  
(unaudited)

|  | December 31, |             |
|--|--------------|-------------|
|  | 2003         | 2002        |
| <b>Assets:</b>                               |              |             |
| Cash and cash equivalents                    | \$ 62,272    | \$ 59,339   |
| Receivables, net                             | 28,224       | 15,423      |
| Other current assets                         | 43,968       | 27,747      |
|  | 134,464      | 102,509     |
| Property and equipment, net                  | 1,158,299    | 1,046,051   |
| Other long-term assets                       | 453,209      | 449,787     |
|  | \$1,745,972  | \$1,598,347 |
| <b>Liabilities and stockholders' equity:</b> |              |             |
| Current portion of long-term debt            | \$ 22        | \$ 122      |
| Other current liabilities                    | 142,294      | 88,677      |
|  | 142,316      | 88,799      |
| Revolving credit facility                    | 177,000      | 177,200     |
| Senior and senior subordinated notes         | 973,786      | 973,669     |
| Other debt                                   | 6,060        | -           |

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|  |             |             |
|--|-------------|-------------|
| Interest rate swaps, mark-to-market        | 12,089      | 14,731      |
| Other long-term liabilities                | 94,782      | 73,270      |
|  | -----       | -----       |
| Total liabilities                          | 1,406,033   | 1,327,669   |
| Stockholders' equity                       | 339,939     | 270,678     |
|  | -----       | -----       |
| Total liabilities and stockholders' equity | \$1,745,972 | \$1,598,347 |
|  | =====       | =====       |

Station Casinos, Inc.  
Condensed Consolidated Statements of Operations  
(amounts in thousands, except per share data)  
(unaudited)

|   | Three Months Ended |           | Twelve Months Ended |            |
|---|--------------------|-----------|---------------------|------------|
|   | December 31,       |           | December 31,        |            |
|   | 2003               | 2002      | 2003                | 2002       |
|   | -----              | -----     | -----               | -----      |
| Operating revenues:                               |                    |           |                     |            |
| Casino  | \$168,774          | \$161,944 | \$648,664           | \$ 638,113 |
| Food and beverage                                 | 35,134             | 35,823    | 133,676             | 133,811    |
| Room  | 12,960             | 12,285    | 50,460              | 48,579     |
| Other   | 10,908             | 10,102    | 45,943              | 40,790     |
| Management fees                                   | 18,942             | 1,320     | 46,711              | 4,853      |
|   | -----              | -----     | -----               | -----      |
| Gross revenues                                    | 246,718            | 221,474   | 925,454             | 866,146    |
| Promotional allowances                            | (16,865)           | (19,867)  | (67,365)            | (73,281)   |
|   | -----              | -----     | -----               | -----      |
| Net revenues                                      | 229,853            | 201,607   | 858,089             | 792,865    |
|   | -----              | -----     | -----               | -----      |
| Operating costs and expenses:                     |                    |           |                     |            |
| Casino  | 68,591             | 67,573    | 265,203             | 258,383    |
| Food and beverage                                 | 24,882             | 20,573    | 87,783              | 78,738     |
| Room  | 4,952              | 4,750     | 19,580              | 19,000     |
| Other   | 3,802              | 4,329     | 15,452              | 16,276     |
| Selling, general and administrative               | 41,111             | 39,796    | 161,643             | 161,038    |
| Corporate expense                                 | 8,386              | 8,119     | 33,039              | 31,946     |
| Development expense                               | 1,447              | -         | 4,306               | -          |
| Depreciation and amortization                     | 18,569             | 17,933    | 73,144              | 72,783     |
| Impairment loss                                   | 17,474             | 4,915     | 18,868              | 8,791      |
| Litigation settlement                             | 38,000             | -         | 38,000              | -          |
|   | -----              | -----     | -----               | -----      |
|   | 227,214            | 167,988   | 717,018             | 646,955    |
|   | -----              | -----     | -----               | -----      |
| Operating income                                  | 2,639              | 33,619    | 141,071             | 145,910    |
| Earnings from joint ventures                      | 5,816              | 3,461     | 20,604              | 11,293     |
|   | -----              | -----     | -----               | -----      |
| Operating income and earnings from joint ventures | 8,455              | 37,080    | 161,675             | 157,203    |
|   | -----              | -----     | -----               | -----      |
| Other income (expense):                           |                    |           |                     |            |

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|   |            |          |           |           |
|---|------------|----------|-----------|-----------|
| Interest expense  | (22,182)   | (23,974) | (92,940)  | (96,795)  |
| Interest and other expense<br>from joint ventures   | (1,993)    | (1,533)  | (6,409)   | (6,272)   |
| Interest income   | 6          | 9        | 4,873     | 106       |
| Loss on early retirement of<br>debt   | (824)      | (4,381)  | (824)     | (5,808)   |
| Other   | 603        | 162      | 1,802     | 1,322     |
|   | -----      | -----    | -----     | -----     |
|   | (24,390)   | (29,717) | (93,498)  | (107,447) |
|   | -----      | -----    | -----     | -----     |
| Income (loss) before income<br>taxes and cumulative effect<br>of change in accounting<br>principle            | (15,935)   | 7,363    | 68,177    | 49,756    |
| Income tax benefit<br>(provision)   | 7,287      | (2,823)  | (23,834)  | (18,508)  |
|   | -----      | -----    | -----     | -----     |
| Income (loss) before<br>cumulative effect of change<br>in<br>accounting principle                             | (8,648)    | 4,540    | 44,343    | 31,248    |
| Cumulative effect of change<br>in accounting principle, net<br>of applicable income tax<br>benefit of \$7,170 | -          | -        | -         | (13,316)  |
|   | -----      | -----    | -----     | -----     |
| Net income (loss)   | \$ (8,648) | \$ 4,540 | \$ 44,343 | \$ 17,932 |
|   | =====      | =====    | =====     | =====     |
| Basic and diluted earnings<br>(loss) per common share:  |            |          |           |           |
| Income before cumulative<br>effect of change in<br>accounting principle                                       |            |          |           |           |
| Basic   | \$ (0.14)  | \$ 0.08  | \$ 0.76   | \$ 0.54   |
| Diluted   | \$ (0.14)  | \$ 0.07  | \$ 0.72   | \$ 0.51   |
| Net income  |            |          |           |           |
| Basic   | \$ (0.14)  | \$ 0.08  | \$ 0.76   | \$ 0.31   |
| Diluted   | \$ (0.14)  | \$ 0.07  | \$ 0.72   | \$ 0.30   |
| Weighted average common<br>shares outstanding   |            |          |           |           |
| Basic   | 60,176     | 57,912   | 58,371    | 57,845    |
| Diluted   | 60,176     | 61,388   | 61,850    | 60,730    |
| Dividends paid per common<br>share  | \$ 0.125   | \$ -     | \$ 0.250  | \$ -      |

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On January 29, 2004, Station Casinos, Inc. issued a press release announcing its financial results for the fourth quarter ended December 31, 2003. A copy of the press release is attached to this Current Report as Exhibit 99.1.

The information, including exhibits attached thereto, in Item 12 of this Current Report is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in Item 12 of this Current Report shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933,

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except as otherwise expressly stated in such filing.

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Station Casinos, Inc.

Date: January 29, 2004

By: /s/ Glenn C. Christenson

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Glenn C. Christenson  
Executive Vice President, Chief  
Financial Officer, Chief Administrative  
Officer and Treasurer