BRINKER INTERNATIONAL INC
Form 10-Q
May 05, 2014
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 26, 2014
Commission File Number 1-10275

BRINKER INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	75-1914582 (I.R.S. Employer Identification No.)
6820 LBJ FREEWAY, DALLAS, TEXAS (Address of principal executive offices)	75240 (Zip Code)

(972) 980-9917
(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 definition of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x		Accelerated filer	o
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 registrant’s classes of common stock, as of the latest practicable date.

Class	Outstanding at April 28, 2014
Common Stock, $0.10 par value	64,951,528 shares

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PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
BRINKER INTERNATIONAL, INC.
Consolidated Balance Sheets
(In thousands, except share and per share amounts)
(Unaudited)

	March 26, 2014	June 26, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	$64,609	$59,367
Accounts receivable	43,476	44,082
Inventories	24,346	24,628
Prepaid expenses and other	62,725	65,584
Income taxes receivable	0	4,930
Total current assets	195,156	198,591
Property and Equipment, at Cost:		
Land	148,801	147,581
Buildings and leasehold improvements	1,470,583	1,435,426
Furniture and equipment	585,250	580,115
Construction-in-progress	24,039	20,588
	2,228,673	2,183,710
Less accumulated depreciation and amortization	(1,191,264)	(1,147,895)
Net property and equipment	1,037,409	1,035,815
Other Assets:		
Goodwill	133,163	142,103
Deferred income taxes	25,258	24,064
Other	59,092	52,030
Total other assets	217,513	218,197
Total assets	$1,450,078	$1,452,603
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current installments of long-term debt	$27,810	$27,596
Accounts payable	93,309	93,326
Accrued liabilities	283,830	268,444
Income taxes payable	10,796	0
Deferred income taxes	549	845
Total current liabilities	416,294	390,211
Long-term debt, less current installments	817,259	780,121
Other liabilities	128,419	132,914
Commitments and Contingencies (Note 9)		
Shareholders' Equity:		
Common stock—250,000,000 authorized shares; $0.10 par value; 176,246,649 shares issued and 65,302,505 shares outstanding at March 26, 2014, and 176,246,649 shares issued and 67,444,099 shares outstanding at June 26, 2013	17,625	17,625
Additional paid-in capital	480,040	477,420
Accumulated other comprehensive income (loss)	(1,862)	0
Retained earnings	2,293,639	2,217,623
	2,789,442	2,712,668

Less treasury stock, at cost (110,944,144 shares at March 26, 2014 and 108,802,550 shares at June 26, 2013)	(2,701,336)	(2,563,311)
Total shareholders' equity	88,106	149,357
Total liabilities and shareholders' equity	$1,450,078	$1,452,603

See accompanying notes to consolidated financial statements.

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BRINKER INTERNATIONAL, INC.
Consolidated Statements of Comprehensive Income
(In thousands, except per share amounts)
(Unaudited)

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	March 26, 2014	March 27, 2013	March 26, 2014	March 27, 2013
Revenues:				
Company sales	$739,200	$724,693	$2,088,087	$2,057,490
Franchise and other revenues	19,208	18,066	58,640	58,540
Total revenues	758,408	742,759	2,146,727	2,116,030
Operating costs and expenses:				
Company restaurants (excluding depreciation and amortization)				
Cost of sales	195,439	198,316	561,276	567,602
Restaurant labor	233,890	231,822	672,525	667,865
Restaurant expenses	171,574	164,537	508,405	489,781
Company restaurant expenses	600,903	594,675	1,742,206	1,725,248
Depreciation and amortization	34,218	33,222	100,912	98,830
General and administrative	34,009	33,986	98,792	102,289
Other gains and charges	2,088	1,550	4,315	2,227
Total operating costs and expenses	671,218	663,433	1,946,225	1,928,594
Operating income	87,190	79,326	200,502	187,436
Interest expense	7,068	7,085	21,128	21,040
Other, net	(693)	(573)	(1,736)	(2,096)
Income before provision for income taxes	80,815	72,814	181,110	168,492
Provision for income taxes	24,552	20,863	55,891	51,500
Net income	$56,263	$51,951	$125,219	$116,992
Basic net income per share	$0.85	$0.73	$1.88	$1.61
Diluted net income per share	$0.82	$0.71	$1.83	$1.56
Basic weighted average shares outstanding	66,479	71,067	66,661	72,511
Diluted weighted average shares outstanding	68,342	73,341	68,591	74,873
Other comprehensive income (loss):				
Foreign currency translation adjustment	$(1,108)	$0	$(1,862)	$0
Other comprehensive loss	(1,108)	0	(1,862)	0
Comprehensive income	$55,155	$51,951	$123,357	$116,992
Dividends per share	$0.24	$0.20	$0.72	$0.60

See accompanying notes to consolidated financial statements.

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BRINKER INTERNATIONAL, INC.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Thirty-Nine Week Periods Ended	
	March 26, 2014	March 27, 2013
Cash Flows from Operating Activities:		
Net income	$125,219	$116,992
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	100,912	98,830
Stock-based compensation	12,990	12,909
Deferred income taxes	(1,490)	(9,867)
Restructure charges and other impairments	3,836	3,792
Net loss on disposal of assets	3,208	1,115
(Gain) loss on equity investments	(353)	752
Other	355	205
Changes in assets and liabilities:		
Accounts receivable	2,820	5,543
Inventories	212	760
Prepaid expenses and other	4,115	1,586
Other assets	(1,694)	(2,367)
Accounts payable	4,168	(15,644)
Accrued liabilities	11,699	(4,617)
Current income taxes	14,043	12,893
Other liabilities	(2,940)	(246)
Net cash provided by operating activities	277,100	222,636
Cash Flows from Investing Activities:		
Payments for property and equipment	(113,980)	(98,690)
Proceeds from sale of assets	833	6,535
Net cash used in investing activities	(113,147)	(92,155)
Cash Flows from Financing Activities:		
Purchases of treasury stock	(191,811)	(191,799)
Borrowings on revolving credit facility	98,000	110,000
Payments on revolving credit facility	(40,000)	0
Payments of dividends	(47,556)	(42,161)
Excess tax benefits from stock-based compensation	17,972	7,811
Payments on long-term debt	(19,890)	(19,785)
Proceeds from issuances of treasury stock	24,574	32,042
Net cash used in financing activities	(158,711)	(103,892)
Net change in cash and cash equivalents	5,242	26,589
Cash and cash equivalents at beginning of period	59,367	59,103
Cash and cash equivalents at end of period	$64,609	$85,692

See accompanying notes to consolidated financial statements.

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BRINKER INTERNATIONAL, INC.
Notes to Consolidated Financial Statements
(Unaudited)

1. BASIS OF PRESENTATION

References to “Brinker,” “the Company,” “we,” “us” and “our” in this Form 10-Q are references to Brinker International, Inc. and its subsidiaries and any predecessor companies of Brinker International, Inc.

Our consolidated financial statements as of March 26, 2014 and June 26, 2013 and for the thirteen week and thirty-nine week periods ended March 26, 2014 and March 27, 2013 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). We are principally engaged in the ownership, operation, development, and franchising of the Chili’s Grill & Bar (“Chili’s”) and Maggiano’s Little Italy (“Maggiano’s”) restaurant brands. At March 26, 2014, we owned, operated or franchised 1,608 restaurants in the United States and 31 countries and two territories outside of the United States.

Beginning in the third quarter of fiscal 2014, other comprehensive income is presented on the newly titled consolidated statements of comprehensive income. The foreign currency translation adjustment included in comprehensive income represents the unrealized impact of translating the financial statements of the Canadian entity from Canadian dollars, the functional currency, to U.S. dollars. This amount is not included in net income and would only be realized upon disposition of the business. The accumulated other comprehensive income (loss) is presented on the consolidated balance sheets. Additionally, certain prior year balances in the consolidated balance sheets have been reclassified to conform with fiscal 2014 presentation. These reclassifications have no effect on our net income as previously reported and an immaterial impact on our prior year consolidated balance sheets.

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and costs and expenses during the reporting period. Actual results could differ from those estimates.

The information furnished herein reflects all adjustments (consisting only of normal recurring accruals and adjustments) which are, in our opinion, necessary to fairly state the interim operating results for the respective periods. However, these operating results are not necessarily indicative of the results expected for the full fiscal year. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to SEC rules and regulations. The notes to the consolidated financial statements (unaudited) should be read in conjunction with the notes to the consolidated financial statements contained in the June 26, 2013 Form 10-K. We believe the disclosures are sufficient for interim financial reporting purposes.

2. ACQUISITION OF CHILI'S RESTAURANTS

On June 1, 2013, we completed the acquisition of 11 Chili's restaurants in Alberta, Canada from an existing franchisee for $24.6 million in cash. The results of operations of the Canadian restaurants are included in our consolidated financial statements from the date of acquisition. The assets and liabilities of the Canadian restaurants were recorded at their respective fair values as of the date of acquisition. During the first quarter of fiscal 2014, we completed the valuation of the reacquired franchise rights and recorded the asset at an estimated fair value of $8.9 million in other assets on the consolidated balance sheet, with a corresponding decrease to goodwill.

The excess of the purchase price over the aggregate fair value of net assets acquired was allocated to goodwill. We expect the majority of the goodwill balance to be deductible for tax purposes. The portion of the purchase price attributable to goodwill represents benefits expected as a result of the acquisition, including sales and unit growth opportunities. We do not expect any further material adjustments to the purchase price allocation. Pro-forma financial information of the combined entities for periods prior to the acquisition is not presented due to the immaterial impact of the financial results of the Canadian restaurants on our consolidated financial statements.

3. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the calculation of diluted earnings per share, the basic weighted average number of shares is increased by the dilutive effect of stock options and restricted share awards determined using the treasury stock method. We had approximately 119,000 stock options and restricted share awards outstanding

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at March 26, 2014 and 470,000 stock options and restricted share awards outstanding at March 27, 2013 that were not included in the dilutive earnings per share calculation because the effect would have been anti-dilutive.

4. LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	March 26, 2014	June 26, 2013
3.88% notes	$299,729	$299,707
2.60% notes	249,856	249,829
Term loan	193,750	212,500
Revolving credit facility	58,000	0
Capital lease obligations	43,734	45,681
	845,069	807,717
Less current installments	(27,810)	(27,596)
	$817,259	$780,121

During the first nine months of fiscal 2014, $98 million was drawn from the the revolver primarily to fund share repurchases. We repaid $40 million of the outstanding balance leaving $192 million of credit available under the revolver as of March 26, 2014.

The term loan and revolving credit facility bear interest of LIBOR plus an applicable margin, which is a function of our credit rating and debt to cash flow ratio, but is subject to a maximum of LIBOR plus 2.50%. Based on our current credit rating, we are paying interest at a rate of LIBOR plus 1.63%. One month LIBOR at March 26, 2014 was approximately 0.15%. Our debt agreements contain various financial covenants that, among other things, require the maintenance of certain leverage and fixed charge coverage ratios. We are currently in compliance with all financial covenants.

5. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. In determining fair value, the accounting standards establish a three level hierarchy for inputs used in measuring fair value, as follows:

- Level 1 – inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs are observable for the asset or liability, either directly or indirectly, including quoted prices in active markets for similar assets or liabilities.
- Level 3 – inputs are unobservable and reflect our own assumptions.

(a) Non-Financial Assets Measured on a Non-Recurring Basis

During fiscal 2014, long-lived assets with a carrying value of $2.6 million, primarily related to four underperforming restaurants, were written down to their fair value of $1.3 million resulting in an impairment charge of $1.3 million, which was included in other gains and charges in the consolidated statement of comprehensive income for the period. During fiscal 2013, long-lived assets with a carrying value of $0.8 million, primarily related to one underperforming restaurant, were written down to their fair value of $0.1 million resulting in an impairment charge of $0.7 million, which was included in other gains and charges in the consolidated statement of comprehensive income for the period. We determined fair value based on projected discounted future operating cash flows of the restaurants over their remaining service life using a risk adjusted discount rate that is commensurate with the risk inherent in our current business model.

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The following table presents fair values for those assets measured at fair value on a non-recurring basis at March 26, 2014 and March 27, 2013 (in thousands):

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Long-lived assets held for use				
At March 26, 2014	$0	$0	$1,342	$1,342
At March 27, 2013	$0	$0	$140	$140

(b) Other Financial Instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amounts because of the short maturity of these items. The fair values of the 2.60% notes and 3.88% notes are based on quoted market prices and are considered Level 1 fair value measurements. At March 26, 2014, the 2.60% notes had a carrying value of $249.9 million and a fair value of $248.2 million and the 3.88% notes had a carrying value of $299.7 million and a fair value of $279.8 million. At June 26, 2013, the 2.60% notes had a carrying value of $249.8 million and a fair value of $244.2 million and the 3.88% notes had a carrying value of $299.7 million and a fair value of $279.5 million. The carrying amount of debt outstanding pursuant to the term loan and revolving credit facility approximates fair value as interest rates on these instruments approximate current market rates (Level 2).

6. OTHER GAINS AND CHARGES

Other gains and charges consist of the following (in thousands):

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	March 26, 2014	March 27, 2013	March 26, 2014	March 27, 2013
Restaurant impairment charges	$0	$0	$1,285	$661
Restaurant closure charges	1,224	305	2,330	2,887
Severance and other benefits	717	1,269	1,110	1,269
Gains on the sale of assets, net	0	(81)	(579)	(2,430)
Other	147	57	169	(160)
	$2,088	$1,550	$4,315	$2,227

In the third quarter of fiscal 2014, we recorded $1.2 million of restaurant closure charges consisting primarily of lease termination charges and other costs associated with closed restaurants. Additionally, we incurred $0.7 million in severance and other benefits related to organization changes made during the third quarter. The severance charges include expense related to the accelerated vesting of stock-based compensation awards.

During the first nine months of fiscal 2014, we recorded restaurant impairment charges of $1.3 million related to underperforming restaurants that either continue to operate or are scheduled to close. We also recorded $2.3 million of restaurant closure charges consisting primarily of lease termination charges and incurred $1.1 million in severance and other benefits related to organizational changes. Additionally, a $0.6 million gain was recorded primarily related to land sales in the second quarter.

In the third quarter of fiscal 2013, we incurred $1.3 million related to severance and other benefits related to organizational changes made during the third quarter of fiscal 2013. The severance charges include expense related to the accelerated vesting of stock-based compensation awards.

During the first nine months of fiscal 2013, we recorded restaurant impairment charges of $0.7 million related to underperforming restaurants that either continue to operate or are scheduled to close. We also recorded $2.9 million in restaurant closure charges, consisting primarily of $1.7 million in lease termination charges and $0.9 million primarily related to the write-down of land associated with a closed facility. Additionally, we incurred $1.3 million in severance and other benefits and recorded net gains of $2.4 million primarily related to land sales.

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The impairment charges were measured as the excess of the carrying amount of property and equipment over the fair value. See Note 5 for fair value disclosures related to the restaurant impairment charges.

7. SHAREHOLDERS' EQUITY

In August 2013, our Board of Directors authorized a $200.0 million increase to our existing share repurchase program. We repurchased approximately 4.1 million shares of our common stock for $191.8 million during the first three quarters of fiscal 2014. As of March 26, 2014, approximately $354.7 million was available under our share repurchase authorizations. Our stock repurchase plan has been and will be used to return capital to shareholders and to minimize the dilutive impact of stock options and other share-based awards. We evaluate potential share repurchases under our plan based on several factors, including our cash position, share price, operational liquidity, proceeds from divestitures, and borrowing, planned investment and financing needs. Repurchased common stock is reflected as a reduction of shareholders' equity.

During the first three quarters of fiscal 2014, we granted approximately 175,000 stock options with a weighted average exercise price of $40.85 and a weighted average fair value of $15.65, and approximately 448,000 restricted share awards with a weighted average fair value of $39.61. Additionally, during the first three quarters of fiscal 2014, approximately 1.0 million stock options were exercised resulting in cash proceeds of approximately $24.6 million. We received an excess tax benefit from stock-based compensation of approximately $18.0 million during the first three quarters primarily as a result of the normally scheduled vesting and distribution of restricted stock grants and performance shares.

During the first three quarters of fiscal 2014, we paid dividends of $47.6 million to common stock shareholders, compared to $42.2 million in the prior year. Our Board of Directors approved a 20 percent increase in the quarterly dividend from $0.20 to $0.24 per share effective with the dividend declared in August 2013. Additionally, we declared a quarterly dividend of $15.8 million in February 2014 which was paid on March 27, 2014. The dividend accrual was included in accrued liabilities on our consolidated balance sheet as of March 26, 2014.

8. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for income taxes and interest in the first three quarters of fiscal 2014 and 2013 are as follows (in thousands):

	March 26, 2014	March 27, 2013
Income taxes, net of refunds	$22,825	$38,799
Interest, net of amounts capitalized	14,640	15,909

Non-cash investing activities for the first three quarters of fiscal 2014 and 2013 are as follows (in thousands):

	March 26, 2014	March 27, 2013
Retirement of fully depreciated assets	$49,601	$43,262

9. CONTINGENCIES

In connection with the sale of restaurants to franchisees and brand divestitures, we have, in certain cases, guaranteed lease payments. As of March 26, 2014 and June 26, 2013, we have outstanding lease guarantees or are secondarily liable for $123.5 million and $132.6 million, respectively. These amounts represent the maximum potential liability of future payments under the guarantees. These leases have been assigned to the buyers and expire at the end of the respective lease terms, which range from fiscal 2014 through fiscal 2024. In the event of default, the indemnity and default clauses in our assignment agreements govern our ability to pursue and recover damages incurred. No material liabilities have been recorded as of March 26, 2014.

In August 2004, certain current and former hourly restaurant team members filed a putative class action lawsuit against us in California Superior Court alleging violations of California labor laws with respect to meal periods and rest breaks. The lawsuit sought penalties and attorney's fees and was certified as a class action by the trial court in July 2006. In July 2008, the California Court of Appeal decertified the class action on all claims with prejudice. In October 2008, the California Supreme Court granted a writ to review the decision of the Court of Appeal and oral arguments were heard by the California Supreme Court on November 8, 2011. On April 12, 2012, the California Supreme Court issued an opinion affirming in part, reversing in part, and remanding in part for further proceedings. The California Supreme Court's opinion resolved many of the legal standards for meal

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periods and rest breaks in our California restaurants. On September 26, 2013, the trial court granted plaintiffs' motion to certify a meal period subclass and denied our motion to decertify the rest period subclass. We intend to continue our vigorous defense of this lawsuit. Given the trial court's recent ruling, we believe it is reasonably possible that a loss has been incurred but the amount cannot be reasonably estimated at this time given there are significant issues to be resolved that will have a material impact on the potential loss or range of loss. Subsequent to the end of the quarter, the parties participated in a mediation where preliminary settlement discussions began, but a settlement was not achieved and significant issues still remain to be resolved that will have a material impact on the potential range of loss.

We are engaged in various other legal proceedings and have certain unresolved claims pending. Reserves have been established based on our best estimates of our potential liability in certain of these matters. We are of the opinion that, apart from the discussion above, there are no matters pending or threatened which are likely to have a material adverse effect, individually or in the aggregate, on our consolidated financial condition or results of operations. However, we understand that evaluating contingencies related to litigation is a complex process involving subjective judgment on the potential outcome of future events and the ultimate resolution of litigated claims may differ from our current analysis. Accordingly, we review the adequacy of accruals and disclosures pertaining to litigated matters each quarter in consultation with legal counsel and we assess the probability and range of possible losses associated with contingencies for potential accrual in the consolidated financial statements.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth selected operating data as a percentage of total revenues (unless otherwise noted) for the periods indicated. All information is derived from the accompanying consolidated statements of comprehensive income:

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	March 26, 2014	March 27, 2013	March 26, 2014	March 27, 2013
Revenues:				
Company sales	97.5 %	97.6 %	97.3 %	97.2 %
Franchise and other revenues	2.5 %	2.4 %	2.7 %	2.8 %
Total revenues	100.0 %	100.0 %	100.0 %	100.0 %
Operating costs and expenses:				
Company restaurants (excluding depreciation and amortization)				
Cost of sales [1]	26.5 %	27.4 %	26.9 %	27.6 %
Restaurant labor [1]	31.6 %	32.0 %	32.2 %	32.5 %
Restaurant expenses [1]	23.2 %	22.7 %	24.3 %	23.8 %
Company restaurant expenses [1]	81.3 %	82.1 %	83.4 %	83.9 %
Depreciation and amortization	4.5 %	4.5 %	4.7 %	4.7 %
General and administrative	4.5 %	4.6 %	4.6 %	4.8 %
Other gains and charges	0.3 %	0.2 %	0.2 %	0.1 %
Total operating costs and expenses	88.5 %	89.3 %	90.7 %	91.1 %
Operating income	11.5 %	10.7 %	9.3 %	8.9 %
Interest expense	0.9 %	1.0 %	1.0 %	1.0 %
Other, net	(0.1)%	(0.1)%	(0.1)%	(0.1)%
Income before provision for income taxes	10.7 %	9.8 %	8.4 %	8.0 %
Provision for income taxes	3.3 %	2.8 %	2.6 %	2.5 %
Net income	7.4 %	7.0 %	5.8 %	5.5 %

[1] As a percentage of company sales.

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The following table details the number of restaurant openings during the third quarter, total restaurants open at the end of the third quarter, and total projected openings in fiscal 2014:

	Third Quarter Openings		Year-to-Date Openings		Total Open at End Of Third Quarter		Projected Openings
	Fiscal 2014	Fiscal 2013	Fiscal 2014	Fiscal 2013	Fiscal 2014	Fiscal 2013	Fiscal 2014
Company-owned restaurants:							
Chili's domestic	2	0	5	2	823	821	6-8
Chili's international	0	0	1	0	12	0	2-4
Maggiano's	0	0	1	0	45	44	1-2
Total company-owned	2	0	7	2	880	865	9-14
Franchise restaurants:							
Chili's domestic	0	0	1	2	441	447	3
Chili's international	10	6	21	25	287	276	31-33
Total franchise	10	6	22	27	728	723	34-36
Total restaurants:							
Chili's domestic	2	0	6	4	1,264	1,268	9-11
Chili's international	10	6	22	25	299	276	33-37
Maggiano's	0	0	1	0	45	44	1-2
Grand total	12	6	29	29	1,608	1,588	43-50

At March 26, 2014, we owned the land and buildings for 190 of the 880 company-owned restaurants. The net book values of the land and buildings associated with these restaurants totaled approximately $142.9 million and $118.2 million, respectively.

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GENERAL

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand Brinker International, our operations, and our current operating environment. For an understanding of the significant factors that influenced our performance during the quarters ended March 26, 2014 and March 27, 2013, the MD&A should be read in conjunction with the consolidated financial statements and related notes included in this quarterly report.

OVERVIEW

We are committed to strategies and initiatives that are centered on long-term sales and profit growth, enhancing the customer experience and team member engagement. These strategies are intended to differentiate our brands from the competition, reduce the costs associated with managing our restaurants and establish a strong presence for our brands in key markets around the world.

Key economic indicators such as total employment, spending levels and consumer confidence continued to improve slightly this year; however, the casual dining industry has experienced soft sales and traffic. Consumers have shifted spending to housing and large ticket items in part due to historically low interest rates. Slow economic growth has challenged the industry for several years and as a result, our strategies and initiatives have been developed to provide a solid foundation for earnings growth going forward and are appropriate for all operating conditions.

Our current initiatives are designed to drive profitable sales and traffic growth and improve the customer experience in our restaurants. We are investing in new kitchen equipment, operations software and reimage initiatives as the core pieces of our strategy. We have completed the installation of new kitchen equipment in our company-owned Chili's restaurants and are now expanding the project to include additional equipment. We anticipate that the upgraded kitchen equipment will consistently provide a higher quality product at a faster pace, enhancing both profitability and customer satisfaction. We believe the usability and efficiency of the equipment will result in substantial labor savings over time. Also, the flexibility of our equipment allows for the development of new menu categories that we believe will provide opportunities for sales and customer traffic growth.

All company-owned Chili's and Maggiano's restaurants are now operating with an integrated point of sale and back office software system that was designed to enhance the efficiency of our restaurant operations and reporting capabilities. Timely and more detailed reporting in our restaurants has improved inventory and labor management while reducing software maintenance costs. Additionally, our management team will have more timely visibility into operating performance and trends which will enhance decision making and improve profitability.

We have reimaged a significant number of our company-owned Chili's restaurants and are on track to complete a total of approximately 75 percent of company-owned restaurants by the end of fiscal 2014. The reimage design is intended to revitalize Chili's in a way which enhances the relevance of the brand and raises customer expectations regarding the quality of the experience. The design is contemporary while staying true to the Chili's brand heritage. We believe that these updates will positively impact the customer perception of the restaurant in both the dining room and bar areas and provide a long-term positive impact to traffic and sales. In addition to our reimage initiative, we intend to grow our brands by opening restaurants in strategically desirable markets. We anticipate opening approximately eight to twelve Chili's restaurants this fiscal year.

We continually evaluate our menu at Chili's to improve quality, freshness and value by introducing new items and improving existing favorites. The upgraded kitchen equipment at Chili's has allowed for the development of several successful new menu items this year. In January 2014, we introduced our new Fresh Mex platform upgrading some of our current offerings and introducing a variety of new entrees. Other new menu items include the Santa Fe Quesadillas and the Bacon Avocado Chicken sandwich, which remains the best-selling sandwich on our menu. Additionally, the flatbreads continue to perform well. Our two for twenty dollars and lunch combo offerings, which continue to drive traffic and provide our customers an excellent value, have been refreshed with new menu items including Pork Carnitas Fajitas and the renovated Grilled Chicken Fajitas. We will continually seek opportunities to reinforce value and create interest with new and varied offerings to further enhance sales and drive incremental traffic. We are committed to offering a compelling everyday menu that provides items our customers prefer at a solid value.

Improvements at Chili's will have the most significant impact on the business; however, our results will also benefit through additional contributions from Maggiano's and our global business. Maggiano's continues to deliver sales growth and improvements in costs of sales margins. Maggiano's offers a compelling menu and great value with On the House Classic Pasta and Marco's Meal. Menu innovations this year include the Stuffed Pasta entrees. Kitchen efficiency and inventory controls continue to enhance profitability and strengthen the business model. We opened our newest Maggiano’s in Annapolis in October 2013.

Global expansion allows further diversification which will enable us to build strength in a variety of markets and economic conditions. This expansion will come through acquisitions, franchise relationships, joint venture arrangements and equity investments, taking advantage of demographic and eating trends which we believe will accelerate in the international market over the next decade. We completed the acquisition of 11 Chili's restaurants in Alberta, Canada last fiscal year and are excited about the potential growth for the Chili's brand in Canada. During the third quarter of fiscal 2014, ten new international Chili's restaurants were opened. Our growing franchise operations both domestically and internationally enable us to improve margins as royalty payments impact the bottom line.

The casual dining industry is a competitive business which is sensitive to changes in economic conditions, trends in lifestyles and fluctuating costs. Our priority remains increasing profitable growth over time in all operating environments. We have designed both operational and financial strategies to achieve this goal and in our opinion, improve shareholder value. Success with our initiatives to improve sales trends and operational effectiveness will enhance the profitability of our restaurants and strengthen our competitive position. The effective execution of our financial strategies, including repurchasing shares of our common stock, payment of quarterly dividends, disciplined use of capital and efficient management of operating expenses, will further enhance our profitability and return value to our shareholders. We remain confident in the financial health of our company, the long-term prospects of the industry, as well as our ability to perform effectively in a competitive marketplace and a variety of economic environments.

REVENUES

Total revenues for the third quarter of fiscal 2014 increased to $758.4 million, a 2.1% increase from the $742.8 million generated for the same quarter of fiscal 2013 driven by a 2.0% increase in company sales attributable to higher capacity and positive comparable restaurant sales (see table below). Total revenues for the thirty-nine week period ended March 26, 2014 were $2,146.7 million, a 1.5% increase from the $2,116.0 million generated for the same period in fiscal 2013 driven by a 1.5% increase in company sales attributable to higher capacity and a slight increase in comparable restaurant sales (see table below).

	Thirteen Week Period Ended March 26, 2014				
	Comparable Sales	Price Increase	Mix Shift	Traffic	Capacity
Company-owned	0.7 %	1.2 %	0.7 %	(1.2)%	1.6 %
Chili's[1]	0.7 %	1.1 %	0.8 %	(1.2)%	1.6 %
Maggiano's	0.2 %	1.5 %	(0.4)%	(0.9)%	2.3 %
Franchise [2]	0.2 %				
U.S.	0.1 %				
International	0.6 %				
Domestic [3]	0.5 %				
System-wide [4]	0.5 %				

	Thirteen Week Period Ended March 27, 2013				
	Comparable Sales	Price Increase	Mix Shift	Traffic	Capacity
Company-owned	(0.9)%	1.5 %	0.5 %	(2.9)%	0.2 %
Chili's[1]	(1.1)%	1.5 %	0.6 %	(3.2)%	0.2 %
Maggiano's	0.4 %	1.6 %	(0.2)%	(1.0)%	0.0 %
Franchise [2]	1.3 %				
U.S.	(0.3)%				
International	5.1 2,178,613	$ 2,010,303			

Construction in progress primarily represents two development projects for which the Company is responsible for the real estate construction costs, namely Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course. On June 30, 2014, Penn announced that pending final regulatory approval, Hollywood Gaming at Dayton Raceway will open its doors to the public on August 28, 2014. Penn anticipates opening Hollywood Gaming at Mahoning Valley Race Course in mid-September 2014. The increase in land and buildings and related improvements is primarily driven by the Company s acquisition of the real estate of Casino Queen for $140.7 million in January 2014.

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6. Property and Equipment Used in Operations

Property and equipment used in operations, net, consists of the following and primarily represents the assets utilized in the TRS:

	June 30, 2014	December 31, 2013
	(in thousands)	
Land and improvements	$ 31,586	$ 27,586
Building and improvements	116,290	115,888
Furniture, fixtures, and equipment	103,081	101,288
Construction in progress	367	203
Total property and equipment	251,324	244,965
Less accumulated depreciation	(112,314)	(105,844)
Property and equipment, net	$ 139,010	$ 139,121

7. Long-term Debt

Long-term debt is as follows:

[redacted]		
Senior unsecured credit facility	$ 476,000	$ 300,000
[redacted]		
$1,000 million 4.875% senior unsecured notes due November 2020	1,000,000	1,000,000
[redacted]		
	$ 2,526,000	$ 2,350,000

The following is a schedule of future minimum repayments of long-term debt as of June 30, 2014 (in thousands):

2014	$
2015	
2016	
2017	
2018	1,026,000
Thereafter	1,500,000
Total minimum payments	$ 2,526,000

The Company participates in a $1,000.0 million senior unsecured credit facility (the Credit Facility), consisting of a $700.0 million revolving credit facility and a $300.0 million Term Loan A facility. The Credit Facility matures on October 28, 2018. At June 30, 2014, the Credit Facility had a gross outstanding balance of $476.0 million, consisting of the $300 million Term Loan A facility and $176 million of borrowings under the revolving credit facility. As of June 30, 2014, $524.0 million remained available under the Credit Facility.

The Credit Facility contains customary covenants that, among other things, restrict, subject to certain exceptions, the ability of GLPI and its subsidiaries, to grant liens on their assets, incur indebtedness, sell assets, make investments, engage in acquisitions, mergers or consolidations or pay certain dividends and other restricted payments. The Credit Facility contains the following financial covenants, which are measured quarterly on a trailing four-quarter basis: a maximum total debt to total asset value ratio, a maximum senior secured debt to total asset value ratio, a maximum ratio of certain recourse debt to unencumbered asset value and a minimum fixed charge coverage ratio. In addition, GLPI is required to maintain a minimum tangible net worth. GLPI is required to maintain its status as a REIT on and after the effective date of its election to be treated as a REIT, which election GLPI intends to make on its U.S. federal income tax return for its 2014 fiscal year. GLPI is permitted to pay dividends to its shareholders as may be required in order to maintain REIT status, subject to the absence of payment or bankruptcy defaults. GLPI is also permitted to make other dividends and

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distributions subject to pro forma compliance with the financial covenants and the absence of defaults. The Credit Facility also contains certain customary affirmative covenants and events of default. Such events of default include the occurrence of a change of control and termination of the Master Lease (subject to certain replacement rights). The occurrence and continuance of an event of default under the Credit Facility will enable the lenders under the Credit Facility to accelerate the loans, and terminate the commitments, thereunder.

Each of the 4.375% Senior Unsecured Notes due 2018 (the 2018 Notes); 4.875% Senior Unsecured Notes due 2020 (the 2020 Notes); and 5.375% Senior Unsecured Notes due 2023 (the 2023 Notes, and collectively with the 2018 Notes and 2020 Notes, the Notes) contains covenants limiting the Company s ability to: incur additional debt and use their assets to secure debt; merge or consolidate with another company; and make certain amendments to the Master Lease. The Notes also require the Company to maintain a specified ratio of unencumbered assets to unsecured debt. These covenants are subject to a number of important and significant limitations, qualifications and exceptions.

At June 30, 2014, the Company was in compliance with all required covenants.

8. Commitments and Contingencies

Litigation

Pursuant to a Separation and Distribution Agreement between Penn and GLPI, any liability arising from or relating to legal proceedings involving the businesses and operations of Penn s real property holdings prior to the Spin-Off (other than any liability arising from or relating to legal proceedings where the dispute arises from the operation or ownership of the TRS Properties) will be retained by Penn and Penn will indemnify GLPI (and its subsidiaries, directors, officers, employees and agents and certain other related parties) against any losses it may incur arising from or relating to such legal proceedings.

The Company is subject to various legal and administrative proceedings relating to personal injuries, employment matters, commercial transactions, and other matters arising in the normal course of business. The Company does not believe that the final outcome of these matters will have a material adverse effect on the Company s consolidated financial position or results of operations. In addition, the Company maintains what it believes is adequate insurance coverage to further mitigate the risks of such proceedings. However, such proceedings can be costly, time consuming, and unpredictable and, therefore, no assurance can be given that the final outcome of such proceedings may not materially impact the Company s financial condition or results of operations. Further, no assurance can be given that the amount or scope of existing insurance coverage will be sufficient to cover losses arising from such matters.

9. Dividends

On February 18, 2014, GLPI made the Purging Distribution, which totaled $1.05 billion and was comprised of cash and GLPI common stock, to distribute the accumulated earnings and profits related to the real property assets and attributable to any pre-REIT years, including any earnings and profits allocated to GLPI in connection with the Spin-Off. Shareholders were given the option to elect either an all-cash or all-stock dividend, subject to a total cash limitation of $210.0 million. Of the 88,691,827 shares of common stock outstanding on the record date, approximately 54.3% elected the cash distribution and approximately 45.7% elected a stock distribution or made no election. Shareholders electing cash received $4.358049 plus 0.195747 additional GLPI shares per common share held on the record date. Shareholders electing stock or not making an election received 0.309784 additional GLPI shares per common share held on the record date. Stock dividends were paid based on the volume weighted average price for the three trading days ended February 13, 2014 of $38.2162 per share. Approximately 22.0 million shares were issued in connection with this dividend payment. In addition, cash distributions were made to GLPI and Penn employee restricted stock award holders in the amount of $1.0 million for the purging distribution. GLPI and Penn have jointly requested a Pre-Filing Agreement from the Internal Revenue Service pursuant to Revenue Procedure 2009 -14 to confirm the appropriate allocation of Penn s historical earnings and profits between GLPI and Penn. The outcome of this request may affect the amount of the dividend required to be paid by GLPI to its shareholders prior to December 31, 2014.

Additionally, on February 18, 2014, the Company s Board of Directors declared its first quarterly dividend of $0.52 per common share, which was paid on March 28, 2014, in the amount of $58.0 million, to shareholders of record on March 7, 2014. In addition, first quarter dividend payments were made to or accrued for GLPI restricted stock award holders and both GLPI and Penn unvested employee stock options in the amount of $1.0 million. On May 30, 2014, the Company s Board of Directors declared a second quarter dividend of $0.52 per common share, which was paid on June 27, 2014, in the amount of $58.2 million, to shareholders of record on June 12, 2014. In addition, second quarter dividend payments were made to or accrued for GLPI restricted stock award holders and both GLPI and Penn unvested employee stock options in the amount of $1.0 million.

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10. Segment Information

The following tables present certain information with respect to the Company s segments. Intersegment revenues between the Company s segments were not material in any of the periods presented below.

	Three Months Ended June 30, 2014				Three Months Ended June 30, 2013			
(in thousands)	**GLP Capital**	**TRS Properties**	**Eliminations (2)**	**Total**	**GLP Capital (1)**	**TRS Properties**	**Eliminations (2)**	**Total**
Net revenues	$ 119,744	$ 41,042	$	$ 160,786	$	$ 46,072	$	$ 46,072
Income from operations	70,219	7,155		77,374		9,090		9,090
Interest, net	28,440	2,601	(2,601)	28,440		(1)		(1)
Income before income taxes	44,380	4,554		48,934		7,710		7,710
Income tax provision		1,922		1,922		3,011		3,011
Net income	44,380	2,632		47,012		4,699		4,699
Depreciation	23,292	3,057		26,349		3,627		3,627
Capital project expenditures, net of reimbursements	31,502			31,502		476		476
Capital maintenance expenditures		597		597		848		848

	Six Months Ended June 30, 2014				Six Months Ended June 30, 2013			
(in thousands)	**GLP Capital**	**TRS Properties**	**Eliminations (2)**	**Total**	**GLP Capital (1)**	**TRS Properties**	**Eliminations (2)**	**Total**
Net revenues	$ 237,856	$ 81,258	$	$ 319,114	$	$ 88,721	$	$ 88,721
Income from operations	138,090	13,618		151,708		15,900		15,900
Interest, net	56,868	5,202	(5,202)	56,868		(1)		(1)
Income before income taxes	86,424	8,416		94,840		13,240		13,240
Income tax provision		3,516		3,516		5,327		5,327
Net income	86,424	4,900		91,324		7,913		7,913
Depreciation	46,733	6,138		52,871		7,215		7,215
Capital project expenditures, net of reimbursements	55,504			55,504		554		554
Capital maintenance expenditures		1,468		1,468		1,744		1,744

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(1) GLP Capital operations commenced November 1, 2013 in connection with the Spin-Off.

(2) Amounts in the Eliminations column represent the elimination of intercompany interest payments from the Company s TRS Properties business segment to its GLP Capital business segment.

11. Pre-Spin Transactions with Penn

Before the Spin-Off, Hollywood Casino Baton Rouge and Hollywood Casino Perryville had a corporate overhead assessment with Penn, whereby Penn provided various management services in consideration of a management fee equal to 3% of net revenues. The Company incurred and paid management fees of $1.4 million and $2.7 million for the three and six months ended June 30, 2013, respectively. In connection with the completion of the Spin-Off, the management fee agreements between Penn and Hollywood Casino Baton Rouge and Hollywood Casino Perryville were terminated.

12. Supplemental Disclosures of Cash Flow Information

Prior to the Spin-Off, the Company s Hollywood Casino Baton Rouge and Hollywood Casino Perryville paid no federal income taxes directly to tax authorities and instead settled all intercompany balances with Penn. These settlements included, among other things, the share of federal income taxes allocated by Penn to Hollywood Casino Baton Rouge and Hollywood Casino Perryville. The amounts paid to Penn for Hollywood Casino Baton Rouge and Hollywood Casino Perryville s allocated share of federal income taxes were $4.9 million and $6.7 million, respectively, for the three and six months ended June 30, 2013. Hollywood Casino Baton Rouge and Hollywood Casino Perryville made state income tax payments directly to the state authorities of $0.7 million for both the three and six months ended June 30, 2013.

Cash paid for income taxes was $10.8 million and $24.6 million for the three and six months ended June 30, 2014, respectively. This included a payment of $5.1 million directly to Penn for federal and state income tax liabilities incurred prior to the Spin-Off, which Penn will be responsible for when filing its 2013 tax returns.

Cash paid for interest was $52.5 million and $54.6 million for the three and six months ended June 30, 2014, respectively and no interest was paid for the three and six months ended June 30, 2013.

13. Supplementary Condensed Consolidating Financial Information of Parent Guarantor and Subsidiary Issuers

GLPI guarantees the Notes issued by its subsidiaries, GLP Capital, L.P. and GLP Financing II, Inc. Each of the subsidiary issuers is 100% owned by GLPI. The guarantees of GLPI are full and unconditional. GLPI is not subject to any material or significant restrictions on its ability to obtain funds from its subsidiaries by dividend or loan or to transfer assets from such subsidiaries, except as provided by applicable law. No subsidiaries of GLPI guarantee the Notes.

Summarized financial information as June 30, 2014 and December 31, 2013 and for the six months ended June 30, 2014 and 2013 for GLPI as the parent guarantor, for GLP Capital, L.P. and GLP Financing II, Inc. as the subsidiary issuers and the other subsidiary non-issuers is presented below.

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At June 30, 2014 Condensed Consolidating Balance Sheet	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers (in thousands)	Eliminations	Consolidated
Assets					
Real estate investments, net	$	$ 2,039,279	$ 139,334	$	$ 2,178,613
Property and equipment, used in operations, net	26,133		112,877		139,010
Cash and cash equivalents	7,078	5,178	29,423		41,679
Prepaid expenses	622	875	2,062	1,220	4,779
Deferred income taxes			1,933		1,933
Other current assets	1,004	33,081	3,002		37,087
Goodwill			75,521		75,521
Other intangible assets			9,577		9,577
Debt issuance costs, net of accumulated amortization of $5,288 at June 30, 2014		43,165			43,165
Loan receivable			36,000		36,000
Intercompany loan receivable		193,595		(193,595)	
Intercompany transactions and investment in subsidiaries	(76,506)	201,559	134,181	(259,234)	
Other assets	14,178		135		14,313
Total assets	$ (27,491)	$ 2,516,732	$ 544,045	$ (451,609)	$ 2,581,677
Liabilities					
Accounts payable	$ 28,326	$ 20,583	$ 165	$	49,074
Accrued expenses	817	881	5,725		7,423
Accrued interest		17,490			17,490
Accrued salaries and wages	8,011		2,430		10,441
Gaming, property, and other taxes	191	23,794	2,774		26,759
Income taxes	(5,915)	4,943	(248)	1,220	
Other current liabilities	13,999		1,345		15,344
Long-term debt		2,526,000			2,526,000
Intercompany loan payable			193,595	(193,595)	
Deferred income taxes			2,068		2,068
Total liabilities	45,429	2,593,691	207,854	(192,375)	2,654,599
Shareholders (deficit) equity					
Common stock ($.01 par value, 550,000,000 shares authorized, 112,274,380 shares issued at June 30, 2014	1,123				1,123
Additional paid-in capital	869,861	72,270	226,981	(299,251)	869,861
Retained (deficit) earnings	(943,904)	(149,229)	109,210	40,017	(943,906)
Total shareholders (deficit) equity	(72,920)	(76,959)	336,191	(259,234)	(72,922)
Total liabilities and shareholders (deficit) equity	$ (27,491)	$ 2,516,732	$ 544,045	$ (451,609)	$ 2,581,677

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Six months ended June 30, 2014 Condensed Consolidating Statement of Operations	Parent Guarantor	Subsidiary Issuers	Other Subsidiary Non-Issuers (in thousands)	Eliminations	Consolidated
Revenues					
Rental	$	$ 207,240	$ 6,172	$	$ 213,412
Real estate taxes paid by tenants		23,528	916		24,444
Total rental revenue		230,768	7,088		237,856
Gaming			78,204		78,204
Food, beverage and other			5,919		5,919
Total revenues		230,768	91,211		321,979
Less promotional allowances			(2,865)		(2,865)
Net revenues		230,768	88,346		319,114
Operating expenses					
Gaming			43,729		43,729
Food, beverage and other			5,055		5,055
Real estate taxes		23,528	1,751		25,279
General and administrative	27,145	1,442	11,885		40,472
Depreciation	901	44,437	7,533		52,871
Total operating expenses	28,046	69,407	69,953		167,406
Income from operations	(28,046)	161,361	18,393		151,708
Other income (expenses)					
Interest expense		(58,082)			(58,082)
Interest income			1,214		1,214
Management fee					
Intercompany dividends and interest	357,979	19,087	362,189	(739,255)	
Other					
Total other expenses	357,979	(38,995)	363,403	(739,255)	(56,868)
Income before income taxes	329,933	122,366	381,796	(739,255)	94,840
Income tax provision			3,516		3,516
Net income	$ 329,933	$ 122,366	$ 378,280	$ (739,255)	$ 91,324

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Six months ended June 30, 2014 **Condensed Consolidating Statement of Cash Flows**	**Parent Guarantor**	**Subsidiary Issuers**	**Other Subsidiary Non-Issuers** **(in thousands)**	**Eliminations**	**Consolidated**
Operating activities					
Net income	$ 329,933	$ 122,366	$ (360,975)	$	$ 91,324
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation	901	44,437	7,533		52,871
Amortization of debt issuance costs		4,018			4,018
Losses (Gains) on sales of property			159		159
Deferred income taxes			(1,919)		(1,919)
Charge for stock-based compensation	5,087				5,087
(Increase) decrease,					
Prepaid expenses and other current assets	318	(16,415)	(2,419)	1,220	(17,296)
Other assets	(1,288)		(21)		(1,309)
Intercompany	(2,711)	(867)	3,578		
Increase (decrease),					
Accounts payable	7,320	1,089	(226)		8,183
Accrued expenses	(7,641)	880	401		(6,360)
Accrued interest		(565)			(565)
Accrued salaries and wages	880		(776)		104
Gaming, pari-mutuel, property and other taxes	50	6,252	1,668		7,970
Income taxes	(1,442)	(7,365)	(8,449)	(1,220)	(18,476)
Other current and noncurrent liabilities	1,216		1,214		2,430
Net cash provided by (used in) operating activities	332,623	153,830	(360,232)		126,221
Investing activities					
Capital project expenditures, net of reimbursements	(1,586)	(53,918)			(55,504)
Capital maintenance expenditures			(1,468)		(1,468)
Proceeds from sale of property and equipment			6		6
Funding of loan receivable			(43,000)		(43,000)
Principal payments on loan receivable			7,000		7,000
Acquisition of real estate			(140,730)		(140,730)
Net cash used in investing activities	(1,586)	(53,918)	(178,192)		(233,696)
Financing activities					
Dividends paid	(329,224)				(329,224)
Proceeds from exercise of options	17,463				17,463
Proceeds from issuance of long-term debt		208,000			208,000
Financing costs		(306)			(306)
Payments of long-term debt		(32,000)			(32,000)
Intercompany financing	(54,999)	(491,524)	546,523		
Net cash (used in) provided by financing activities	(366,760)	(315,830)	546,523		(136,067)
Net increase in cash and cash equivalents	(35,723)	(215,918)	8,099		(243,542)
Cash and cash equivalents at beginning of year	42,801	221,095	21,325		285,221
Cash and cash equivalents at end of year	$ 7,078	$ 5,178	$ 29,423	$	$ 41,679

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At December 31, 2013 Condensed Consolidating Balance Sheet	**Parent Guarantor**	**Subsidiary Issuers**	**Other Subsidiary Non-Issuers (in thousands)**	**Eliminations**	**Consolidated**
Assets					
Real estate investments, net	$	$ 2,010,303	$	$	$ 2,010,303
Property and equipment, used in operations, net	25,458		113,663		139,121
Cash and cash equivalents	42,801				