

Accounts Receivable and Credit Risk. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of casino accounts receivable. The Company issues markers to approved casino customers following background checks and assessments of creditworthiness. Trade receivables, including casino and hotel receivables, are typically non-interest bearing. Accounts are written off when management deems the account to be uncollectible. Recoveries of accounts previously written off are recorded when received. An estimated allowance for doubtful accounts is maintained to reduce the Company's receivables to their carrying amount, which approximates fair value. The allowance is estimated based on specific review of customer accounts as well as historical collection experience and current economic and business conditions. Management believes that as of December 31, 2018 and 2017, no significant concentrations of credit risk related to receivables existed.

Inventories. Inventories are stated at the lower of average cost, using a first-in, first-out basis, or net realizable value. Inventories consist primarily of food and beverage, retail merchandise and operating supplies.

Corporate Expense. Corporate expense represents unallocated payroll, travel costs, professional fees and various other expenses not directly related to the Company's casino resort operations. In addition, corporate expense includes costs associated with the Company's evaluation and pursuit of new business opportunities, which are expensed as incurred.

Preopening and Start-up Expenses. Preopening and start-up costs, including organizational costs, are expensed as incurred. Costs classified as preopening and start-up expenses include payroll, outside services, advertising, and other expenses related to new or start-up operations. Expenses are reported in operating expenses on the Consolidated Statements of Income.

Property and Equipment. Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful life of the asset or the term of the lease, whichever is less. Costs of major improvements are capitalized, while costs of normal repairs and maintenance are charged to expense as incurred. Gains or losses on the disposal of property and equipment are included in operating income.

Buildings and improvements	10 to 40 years
Land improvements	10 to 20 years
Furniture, fixtures and equipment	3 to 20 years
Riverboats	5 to 25 years

The Company evaluates its property and equipment and other long-lived assets for impairment based on its classification as held for sale or to be held and used. Several criteria must be met before an asset is classified as held for sale, including that management with the appropriate authority commits to a plan to sell the asset at a reasonable price in relation to its fair value and is actively seeking a buyer. For assets held for sale, the Company recognizes the asset at the lower of carrying value or fair market value less costs to sell, as estimated based on comparable asset sales, offers received, or a discounted cash flow model. For assets to be held and used, the Company reviews for impairment whenever indicators of impairment exist. The Company then compares the estimated future cash flows of the asset, on an undiscounted basis, to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then an impairment charge is recorded. All recognized impairment losses, whether for assets held for sale or assets to be held and used, are recorded as operating expenses. For the years ended December 31, 2018, 2017 and 2016, no impairment charges were recorded for assets held and used. For the year ended December 31, 2018, an impairment charge of \$3.8 million was recorded related to the property and equipment held for sale at Namacolin (see Note 5); no impairment was recorded for the years ended December 31, 2017 and 2016.

Investments in and Advances to Unconsolidated Affiliates. The Company's investments in unconsolidated affiliates which are 50% or less owned are accounted for under the equity method and are included in other assets, net. The Company does have variable interests in variable interest entities; however, we are not the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation.

The Company considers whether the fair values of any of its equity method investments have declined below their carrying value whenever adverse events or changes in circumstances indicate that recorded values may not be recoverable. Estimated fair value is determined using a discounted cash flow analysis based on estimated future results of the investee. There were no impairments of the Company's equity method investments during 2018, 2017 or 2016.

Goodwill and Other Intangible Assets. Goodwill represents the excess of purchase price over fair market value of net assets acquired in business combinations. Goodwill and indefinite-lived intangible assets must be reviewed for impairment at least annually and between annual test dates in certain circumstances. The Company performs its annual impairment tests as of October 1 of each fiscal year. As a result of the annual impairment review for goodwill and indefinite-lived intangible assets, the Company recorded impairment charges of \$34.9 million and \$3.1 million related to goodwill and trade names, respectively, in 2017. No impairments were indicated as a result of the annual impairment review for goodwill and indefinite-lived intangible assets in 2018 and 2016. However, in conjunction with the classification of Vicksburg's operations as assets held for sale at March 31, 2018, an impairment charge totaling \$9.8 million to goodwill was recorded (see Note 5).

Indefinite-lived intangible assets consist primarily of expenditures associated with obtaining racing and gaming licenses. Indefinite-lived intangible assets are not subject to amortization but are subject to an annual impairment test. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess amount.

Finite-lived intangible assets consist of trade names and player loyalty programs acquired in business combinations. Amortization is completed using the straight-line method over the estimated useful life of the asset. The Company evaluates for impairment whenever indicators of impairment exist. When indicators are noted, the Company then compares estimated future cash flows, undiscounted, to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is recorded. For the years ended December 31, 2018, 2017 and 2016, no impairment charges were recorded.

Non-Operating Real Properties. We have designated certain assets, consisting principally of land and undeveloped properties, as non-operating real property and have declared our intent to sell those assets. However, we do not anticipate that we will sell the majority of the assets within the next twelve months. As such, these properties are not classified as held-for-sale as of December 31, 2018. For undeveloped properties, including non-operating real properties, when indicators of impairment are present, properties are evaluated for impairment and losses are recorded when undiscounted cash flows estimated to be generated by an asset or market comparisons are less than the asset's carrying amount. The amount of the impairment loss is calculated as the excess of the asset's carrying value over its fair value, which is determined using a discounted cash flow analysis, management estimates or market comparisons. No impairment indicators were noted for the years ended December 31, 2018, 2017 and 2016.

Financing Obligation with GLPI. Substantially concurrently with the consummation of the Tropicana Acquisition, the Company entered into the Master Lease with Gaming and Leisure Properties Inc. ("GLPI") (see Note 3). The Master Lease was evaluated as a sale-leaseback of real estate; however, based on certain prohibited forms of continuing involvement in the leased assets, the Master Lease did not qualify for sale-leaseback accounting and was accounted for as a financing obligation. Under a failed sale-leaseback transaction, the real estate assets generally remain on the consolidated balance sheet at their historical net book value and are depreciated over their remaining useful lives with a failed sale-leaseback financing obligation recognized for the proceeds received. However, in the absence of cash proceeds, the value of the failed sale-leaseback financing obligations recognized is determined to be the fair value of the leased real estate assets. As a result, the Company calculated a financing obligation at the inception of the Master Lease based on the fair value of the real estate assets subject to the Master Lease (see Note 10).

As described above, for failed sale-leaseback transactions, the Company continues to reflect the real estate assets on the Consolidated Balance Sheets as if the Company were the legal owner, and the Company continues to recognize depreciation expense over the estimated useful lives. We do not recognize rent expense related to these leased assets, rather we have recorded a liability for the failed sale-leaseback obligation and the minimum lease payments are recognized as interest expense. In the initial periods, cash payments are less than the interest expense recognized in the Consolidated Statements of Income, which causes the failed sale-leaseback obligation to increase during the initial years of the lease term (see Note 10).

Self-Insurance Reserves. The Company is self-insured for various levels of general liability, employee medical insurance coverage and workers' compensation coverage. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of estimates for claims incurred but not yet reported. We utilize independent consultants to assist management in its determination of estimated insurance liabilities. While the total cost of claims incurred depends on future developments, in managements' opinion, recorded reserves are adequate to cover future claims payments. Self-insurance reserves for employee medical claims and workers' compensations are included in accrued payroll and related on the Consolidated Balance Sheets. Self-insurance reserves for general liability claims are included in accrued other liabilities on the Consolidated Balance Sheets.

Treasury Shares. We account for the repurchase of our shares at the amount of consideration paid. The repurchased shares are classified as treasury shares and are presented as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within additional paid-in capital.

Outstanding Chip Liability. The Company recognizes the impact on gaming revenues on an annual basis to reflect an estimate of the change in the value of outstanding chips that are not expected to be redeemed. This estimate is determined by measuring the difference between the total value of chips placed in service less the value of chips in the inventory of chips under our control. This measurement is performed on an annual basis utilizing a methodology in which a consistent formula is applied to estimate the percentage value of chips not in custody that are not expected to be redeemed. In addition to the formula, certain judgments are made with regard to various denominations and souvenir chips. The outstanding chip liability is included in accrued other liabilities on the Consolidated Balance Sheets.

Player Loyalty Program. The Company offers programs at its properties whereby participating customers can accumulate points for wagering that can be redeemed for credits for free play on slot machines, lodging, food and beverage, merchandise and, in limited situations, cash. The incentives earned by customers under these programs are based on previous revenue transactions and represent separate performance obligations. Points earned, less estimated breakage, are recorded as a reduction of casino revenues at the standalone selling price of the points when earned based upon the retail value of the benefits, historical redemption rates and estimated breakage and recognized as departmental revenue based on where such points are redeemed upon fulfillment of the performance obligation. The loyalty program liability represents a deferral of revenue until redemption occurs, which is typically less than one year.

Complimentaries. The Company offers discretionary coupons and other discretionary complimentaries to customers outside of the loyalty program. The retail value of complimentary food, beverage, hotel rooms and other services provided to customers is recognized as a reduction to the revenues for the department which issued the complimentary and a credit to the revenue for the department redeemed. Complimentaries provided by third parties at the discretion and under the control of the Company is recorded as an expense when incurred.

The Company's revenues included complimentaries and loyalty point redemptions totaling \$210.8 million, \$172.4 million and \$112.8 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Casino Revenue and Pari-mutuel Commissions. The Company recognizes as casino revenue the net win from gaming activities, which is the difference between gaming wins and losses, not the total amount wagered. Progressive jackpots are accrued and charged to revenue at the time the obligation to pay the jackpot is established. Gaming revenues are recognized net of certain cash and free play incentives. Pari-mutuel commissions consist of commissions earned from thoroughbred and harness racing and importing of simulcast signals from other race tracks and are recognized at the time wagers are made. Such commissions are a designated portion of the wagering handle as determined by state racing commissions and are shown net of the taxes assessed by state and local agencies, as well as purses and other contractual amounts paid to horsemen associations. The Company recognizes revenues from fees earned through the exporting of simulcast signals to other race tracks at the time wagers are made and recorded on a gross basis. Such fees are based upon a predetermined percentage of handle as contracted with the other race tracks.

Non-gaming Revenue. Hotel, food and beverage, and other operating revenues are recognized as services are performed and is the net amount collected from the customer for such goods and services. Hotel, food and beverage services have been determined to be separate, stand-alone performance obligations and is recorded as revenue as the good or service is transferred to the customer over the customer's stay at the hotel or when the delivery is made for the food and beverage. Advance deposits for future hotel occupancy, convention space or food and beverage services contracts are recorded as deferred income until the revenue recognition criteria has been met. The Company also provides goods and services that may include multiple performance obligations, such as for packages, for which revenues are allocated on a pro rata basis based on each service's stand-alone selling price.

The Company's Consolidated Statements of Income presents net revenue disaggregated by type or nature of the good or service. A summary of net revenues disaggregated by type of revenue and reportable segment is presented below (amounts in thousands). Refer to Note 19 for a discussion of the Company's reportable segments.

	Year Ended December 31, 2018						Total
	West	Midwest	South	East	Central	Corporate and Other	
Casino	\$ 230,571	\$ 345,499	\$ 365,365	\$ 476,993	\$ 116,526	\$ —	\$ 1,534,954
Pari-mutuel commissions	—	—	10,383	8,054	—	—	18,437
Food and beverage	109,038	27,364	52,924	43,167	14,839	—	247,332
Hotel	108,327	16,365	24,792	26,694	7,620	—	183,798
Other	35,596	7,780	7,717	16,364	3,500	529	71,486
Net revenues	<u>\$ 483,532</u>	<u>\$ 397,008</u>	<u>\$ 461,181</u>	<u>\$ 571,272</u>	<u>\$ 142,485</u>	<u>\$ 529</u>	<u>\$ 2,056,007</u>

	Year Ended December 31, 2017						Total
	West	Midwest	South	East	Central	Corporate and Other	
Casino	\$ 186,779	\$ 231,366	\$ 262,937	\$ 403,932	\$ —	\$ —	\$ 1,085,014
Pari-mutuel commissions	—	—	5,743	8,270	—	—	14,013
Food and beverage	102,244	20,452	42,114	33,436	—	—	198,246
Hotel	91,811	12,177	21,459	7,891	—	—	133,338
Other	29,485	4,884	6,006	9,306	—	506	50,187
Net revenues	<u>\$ 410,319</u>	<u>\$ 268,879</u>	<u>\$ 338,259</u>	<u>\$ 462,835</u>	<u>\$ —</u>	<u>\$ 506</u>	<u>\$ 1,480,798</u>

	Year Ended December 31, 2016						Total
	West	Midwest	South	East	Central	Corporate and Other	
Casino	\$ 121,623	\$ —	\$ 92,108	\$ 377,740	\$ —	\$ —	\$ 591,471
Pari-mutuel commissions	—	—	—	8,544	—	—	8,544
Food and beverage	96,708	—	26,133	32,376	—	—	155,217
Hotel	79,880	—	12,246	8,336	—	—	100,462
Other	29,330	—	3,070	12,371	—	—	44,771
Net revenues	<u>\$ 327,541</u>	<u>\$ —</u>	<u>\$ 133,557</u>	<u>\$ 439,367</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 900,465</u>

Advertising. Advertising costs are expensed in the period the advertising initially takes place and are included in marketing and promotions expenses. Advertising costs included in marketing and promotion expenses were \$33.9 million, \$33.0 million and \$15.5 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Income Taxes. We account for income taxes in accordance with ASC Topic 740, Income Taxes ("ASC 740"). ASC 740 requires the recognition of deferred income tax liabilities and deferred income tax assets for the difference between the book basis and tax basis of assets and liabilities. We have recorded valuation allowances related to certain state-specific net operating loss carry forwards and temporary differences. Recognizable future tax benefits are subject to a valuation allowance, unless such tax benefits are determined to be more-likely-than-not realizable. We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense.

Stock-Based Compensation. We account for stock-based compensation in accordance with ASC Topic 718, Compensation—Stock Compensation ("ASC 718"). ASC 718 requires all share-based payments to employees and non-employee members of the Board of Directors, including grants of stock options and restricted stock units ("RSUs"), to be recognized in the Consolidated Statements of Income based on their fair values and that compensation expense be recognized for awards over the requisite service period of the award or until an employee's eligible retirement date, if earlier.

Earnings per Share. Basic earnings per share is computed by dividing net income (loss) by the weighted average shares outstanding during the reporting period. Diluted earnings per share is computed similarly to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options and the assumed vesting of restricted share units, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised, that outstanding restricted share units were released and that the proceeds from such activities were used to acquire shares of common stock at the average market price during the reporting period.

Reclassifications

Certain reclassifications of prior period presentations have been made to conform to the current period presentation.

Recently Issued Accounting Pronouncements

Pronouncements Implemented in 2018

In May 2014 (amended January 2017), the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (ASC 606) which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and eliminates existing industry guidance, including revenue recognition guidance specific to the gaming industry. The core principle of the revenue model indicates that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company adopted this standard effective January 1, 2018 and elected to apply the full retrospective adoption method. The adoption of ASC 606 on January 1, 2018 principally affected the presentation of promotional allowances and how the Company measured the liability associated with our customer loyalty programs. The presentation of gross revenues for complimentary goods and services provided to guests with a corresponding offsetting amount included in promotional allowances was eliminated. This adjustment in presentation of promotional allowances did not have an impact on the Company’s historically reported net revenues. The majority of such amounts previously included in promotional allowances now offset casino revenues based on an allocation of revenues using stand-alone selling price. Food, beverage, hotel and other services furnished to our guests on a complimentary basis are measured at the respective estimated standalone selling prices and included as revenues within food and beverage, hotel, and other, which generally resulted in a corresponding decrease in gaming revenues. The costs of providing such complimentary goods and services are included as expenses within food and beverage, hotel, and other.

Additionally, as a result of the adoption of the new standard, certain adjustments and other reclassifications to and between revenue categories and to and between expense categories were required; however, the amounts associated with such adjustments did not have a significant impact on the Company’s previously reported operating income or net income.

Liabilities associated with our player loyalty programs are no longer valued at cost; rather a deferred revenue model is used to account for the classification and timing of revenue to be recognized related to the redemption of player loyalty program liabilities by our customers. Points earned under the Company’s player loyalty programs are deemed to be separate performance obligations and recorded as a reduction of casino revenues when earned at the retail value of such benefits owed to the customer and recognized as departmental revenue based on where such points are redeemed, upon fulfillment of the performance obligation.

The Company elected to adopt the full retrospective method to apply the new guidance to each prior reporting period presented as if it had been in effect since January 1, 2015, with a pre-tax cumulative effect adjustment to our retained earnings upon adoption totaling \$4.7 million. Net of tax, the cumulative effect adjustment to our retained earnings upon adoption was \$3.5 million. This was primarily related to our player loyalty program point liability, which increased from an estimated incremental cost model to a deferred revenue model at retail value.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations – Clarifying the Definition of a Business. This amendment was intended to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisition (or disposals) of assets or businesses. Amendments in this update provide a more robust framework to use in determining when a set of assets and activities is a business and to provide more consistency in applying the guidance, reduce the costs of application, and make the definition of a business more operable. The amendments were effective for interim and annual periods beginning after December 15, 2017. We adopted this accounting standard during the first quarter of 2018, and it had no impact on our Consolidated Financial Statements or disclosures.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cashflows (Topic 230): Restricted Cash related to the inclusion of restricted cash in the statement of cash flows. This new guidance required that a statement of cash flows present the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalent. This update was effective in fiscal years, including interim periods, beginning after December 15, 2017. The Company adopted this standard effective January 1, 2018 and elected to apply the full retrospective adoption method. Upon adoption, the Company included a reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Balance Sheets to the total shown in the Consolidated Statements of Cash Flows. Adoptions of this guidance had no other impact on the Consolidated Financial Statements or disclosures. Certain amounts have been retrospectively reclassified for the years ended December 31, 2017 and 2016 to reflect the change in the Company's Consolidated Statements of Cash Flows required with the adoption of ASU No. 2016-18.

In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments. This new guidance was intended to reduce diversity in practice in how certain cash receipts and payments are classified in the Statement of Cash Flows, including debt prepayment or extinguishment costs, the settlement of contingent liabilities arising from a business combination, proceeds from insurance settlements, and distributions from certain equity method investees. The guidance was effective for interim and annual periods beginning after December 15, 2017. The guidance required application using a retrospective transition method. We adopted this standard effective January 1, 2018. The adoption of this standard did not have a significant impact on our Consolidated Statements of Cash Flows.

Pronouncements to Be Implemented in Future Periods

In June 2016 (modified in November 2018), the FASB issued ASU No 2016-13, Financial Instruments – Credit Losses related to timing on recognizing impairment losses on financial assets. The new guidance lowers the threshold on when losses are incurred, from a determination that a loss is probable to a determination that a loss is expected. The change in guidance will be applicable to our evaluation of the CRDA investments obtained through the Tropicana acquisition. The guidance is effective for interim and annual periods beginning after December 15, 2019, and early adoption is allowed for interim and annual periods beginning after December 15, 2018. Adoption of the guidance will require a modified-retrospective approach and a cumulative adjustment to retained earnings to the first reporting period that the update is effective. We currently anticipate adopting this guidance during the first quarter of 2019 and do not expect a cumulative effect on our Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract. This amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred. The amendment is effective for annual and interim periods beginning after December 15, 2019, with early adoption allowed. We expect to adopt the new guidance on January 1, 2020 and are evaluating the qualitative and quantitative effects of the new guidance, but do not believe it will have a significant impact on our Consolidated Financial Statements.

In August 2018, the FASB issued ASU No 2018-14, Compensation – Retirement Benefits – Defined Benefit Plans – General. This amendment improves disclosures over defined benefit plans and is effective for interim and annual periods ending after December 15, 2020 with early adoption allowed. We anticipate adopting this amendment during the first quarter of 2021, and do not expect it to have a significant impact on our Consolidated Financial Statements

In August 2018, the FASB issued ASU 2018-13, Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement. This amendment modifies the disclosure requirements for fair value measurements and is effective for annual and interim periods beginning after December 15, 2019, with early adoption allowed. The Company is evaluating the qualitative and quantitative effect the new guidance will have on our Consolidated Financial Statements.

In February 2016 (as amended through December 2018), the FASB issued ASU No. 2016-02 codified as Accounting Standards Codification (“ASC”) 842, Leases, (“ASC 842”) which addresses the recognition and measurement of leases. Under the new guidance, for all leases (with the exception of short-term leases), at the commencement date, lessees will be required to recognize a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use (“ROU”) asset, which is an asset that represents the lessee’s right to control the use of a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The effective date for this update is for the annual and interim periods beginning after December 15, 2018 with early adoption permitted. ASC 842 requires a transition adoption election using either 1) a modified retrospective approach with periods prior to the adoption date being recast or 2) a prospective adoption approach with a cumulative-effect adjustment recognized to the opening balance of retained earnings on the adoption date with prior periods continuing to be reported under current lease accounting guidance.

The Company will adopt ASC 842 on January 1, 2019 using the prospective adoption approach, and therefore, comparative periods will continue to be reported under current lease accounting guidance consistent with previously issued financial statements. We currently expect to elect the package of practical expedients permitted under the transition guidance within ASC 842, which among other things, allows us to carry forward the historical lease identification, lease classification and treatment of initial direct costs for leases entered into prior to January 1, 2019. We will also make an accounting policy election to not record short-term leases with an initial term of 12 months or less on the balance sheet for all classes of underlying assets. We have also elected to not adopt the hindsight practical expedient for determining lease terms.

Currently, the Company has operating leases in which the Company is the lessor and we expect such arrangements will be accounted for in the same manner. Our operating leases, in which we are the lessee, will be recorded on the balance sheet as an ROU asset with a corresponding lease liability. The lease liability will be remeasured each reporting period with a corresponding change to the ROU. The qualitative and quantitative effects of adoption of ASC 842 are still being analyzed, and the Company is in the process of evaluating the full effect, including the total amount of both financing and operating leases, the new guidance will have on our Consolidated Financial Statements. We have substantially completed the process of collecting and analyzing the Company’s lease contracts but our implementation effort for our new leasing software and selection of incremental borrowing rates are ongoing. Additionally, we are in the process of evaluating our existing failed sale leaseback transactions that are currently accounted for as financing obligations. While our assessment of the impacts of the standard remains open, we do not believe the standard will significantly impact our consolidated net income.

Note 3. Acquisitions, Purchase Price Accounting and Pro forma Information

Tropicana

Acquisition Summary

On April 15, 2018 the Company announced that it had entered into a definitive agreement to acquire Tropicana in a cash transaction valued at \$1.9 billion. At the closing of the transaction on October 1, 2018, a subsidiary of the Company merged into Tropicana and Tropicana became a wholly-owned subsidiary of the Company. Immediately prior to the merger, Tropicana sold Tropicana Aruba Resort and Casino and GLPI acquired substantially all of Tropicana’s real estate, other than the real estate underlying MontBleu and Lumière, for approximately \$964 million and the Company acquired Tropicana’s operations and certain real estate for \$927.3 million. Substantially concurrently with the acquisition of the real estate portfolio by GLPI, the Company also entered into a triple net master lease (see Note 10). The Company funded the purchase of the real estate underlying Lumière with the proceeds of a \$246 million loan (see Note 11) and funded the remaining consideration payable with cash on hand at the Company and Tropicana, borrowings under the Company’s revolving credit facility and proceeds from the Company’s offering of \$600 million in aggregate principal amount of 6% senior notes due 2026.

Transaction expenses related to the Tropicana Acquisition for the year ended December 31, 2018 totaled \$18.3 million. As of December 31, 2018, \$0.5 million of accrued costs and expenses related to the Tropicana Acquisition are included in accrued other liabilities.

Preliminary Purchase Price Accounting

The total purchase consideration for the Tropicana Acquisition was \$927.3 million. The estimated purchase consideration in the acquisition was determined with reference to its acquisition date fair value.

Purchase consideration calculation (dollars in thousands)	
Cash consideration paid	\$ 640,000
Lumière Loan	246,000
Cash paid to retire Tropicana's long-term debt	35,000
ERI portion of taxes due	6,333
Purchase consideration	<u>\$ 927,333</u>

The fair values are based on management's analysis including preliminary work performed by third party valuation specialists, which are subject to finalization and review. The purchase price accounting for Tropicana is preliminary as it relates to determining the fair value of certain assets and liabilities, including goodwill, and is subject to change. The following table summarizes the preliminary allocation of the purchase consideration to the identifiable assets acquired and liabilities assumed of Tropicana, with the excess recorded as goodwill as of December 31, 2018 (dollars in thousands):

Current and other assets	\$ 183,292
Property and equipment	432,758
Property subject to the financing obligation	957,300
Goodwill	220,482
Intangible assets (i)	247,976
Other noncurrent assets	38,276
Total assets	<u>2,080,084</u>
Current liabilities	(168,856)
Financing obligation to GLPI	(957,300)
Noncurrent liabilities	(26,595)
Total liabilities	<u>(1,152,751)</u>
Net assets acquired	<u>\$ 927,333</u>

- (i) Intangible assets consist of gaming licenses valued at \$124.9 million, trade names valued at \$67.1 million and player loyalty programs valued at \$55.9 million.

Valuation methodologies under both a market and income approach used for the identifiable net assets acquired in the Tropicana Acquisition make use of Level 3 inputs including discounted cash flows.

Trade receivables and payables, inventory and other current and noncurrent assets and liabilities were valued at the existing carrying values as they represented the estimated fair value of those items at the Tropicana Acquisition date.

The fair value of land (excluding the real property acquired by GLPI) was determined using the market approach, which arrives at an indication of value by comparing the site being valued to sites that have been recently acquired in arm's-length transactions. The market data is then adjusted for any significant differences, to the extent known, between the identified comparable sites and the site being valued. Building and site improvements were valued using the cost approach using a direct cost model built on estimates of replacement cost. With respect to personal property components of the assets, personal property assets with an active and identifiable secondary market such as riverboats, gaming equipment, computer equipment and vehicles were valued using the market approach. Other personal property assets such as furniture, fixtures, computer software, and restaurant equipment were valued using the cost approach which is based on replacement or reproduction costs of the asset. The cost approach is an estimation of fair value developed by computing the current cost of replacing a property and subtracting any depreciation resulting from one or more of the following factors: physical deterioration, functional obsolescence, and/or economic obsolescence. The income approach incorporates all tangible and intangible property and served as a ceiling for the fair values of the acquired assets of the ongoing business enterprise, while still taking into account the premise of highest and best use. In the instance where the business enterprise value developed via the income approach was exceeded by the initial fair values of the underlying assets, an adjustment to reflect economic obsolescence was made to the tangible assets on a pro rata basis to reflect the contributory value of each individual asset to the enterprise as a whole.

The real estate assets that were sold to GLPI and leased back by the Company were first adjusted to fair value concurrently with the acquisition of Tropicana. The fair value of the properties was determined utilizing the direct capitalization method of the income approach. In allocating the fair value to the underlying acquired assets, a fair value for the buildings and improvements was determined using the above mentioned cost approach method. To determine the underlying land value, the extraction method was applied wherein the fair value of the building and improvements was deducted from the fair value of the property as derived from the direct capitalization approach to determine the fair value of the land. The fair value of GLPI's real estate assets was determined to be \$957.3 million.

The fair value of the gaming licenses was determined using the excess earnings or replacement cost methodology, based on whether the license resides in gaming jurisdictions where competition is limited to a specified number of licensed gaming operators. The excess earnings methodology is an income approach methodology that estimates the projected cash flows of the business attributable to the gaming license intangible asset, which is net of charges for the use of other identifiable assets of the business including working capital, fixed assets and other intangible assets. Under the respective state's gaming legislation, the property specific licenses can only be acquired if a theoretical buyer were to acquire each existing facility. The existing licenses could not be acquired and used for a different facility. The properties' estimated future cash flows were the primary assumption in the respective valuations. Cash flow estimates included net gaming revenue, gaming operating expenses, general and administrative expenses, and tax expense. The replacement cost methodology is a cost approach methodology based on replacement or reproduction cost of the gaming license as an indicator of fair value.

The Company has preliminarily assigned an indefinite useful life to the gaming licenses, in accordance with its review of the applicable guidance of ASC 350. The Company considered, among other things, the expected use of the asset, the expected useful life of other related assets or asset groups, any legal, regulatory, or contractual provisions that may limit the useful life, the Company's own historical experience in renewing similar arrangements, the effects of obsolescence, demand and other economic factors, and the maintenance expenditures required to obtain the expected cash flows. The Company determined that no legal, regulatory, contractual, competitive, economic or other factors limit the useful lives of these intangible assets. Tropicana had licenses in New Jersey, Missouri, Mississippi, Nevada, Indiana, and Louisiana. The renewal of each state's gaming license depends on a number of factors, including payment of certain fees and taxes, providing certain information to the state's gaming regulator, and meeting certain inspection requirements. However, the Company's historical experience has not indicated, nor does the Company expect, any limitations regarding its ability to continue to renew each license. No other competitive, contractual, or economic factor limits the useful lives of these assets. Accordingly, the Company has preliminarily concluded that the useful lives of these licenses are indefinite.

Trade names are valued using the relief from royalty method, which presumes that without ownership of such trademarks, the Company would have to make a stream of payments to a brand or franchise owner in return for the right to use their name. By virtue of this asset, the Company avoids any such payments and records the related intangible value of the Company's ownership of the brand name. The primary assumptions in the valuation included revenue, pre-tax royalty rate, and tax expense. The Company has preliminarily assigned an indefinite useful life to the trade names after considering, among other things, the expected use of the asset, the expected useful life of other related assets or asset groups, any legal, regulatory, or contractual provisions that may limit the useful life, ERI's own historical experience in renewing similar arrangements, the effects of obsolescence, demand and other economic factors, and the maintenance expenditures required to obtain the expected cash flows. In that analysis, ERI determined that no legal, regulatory, contractual, competitive, economic or other factors limit the useful lives of these intangible assets.

Player loyalty programs were valued using the cost approach and the incremental cash flow method under the income approach. The incremental cash flow method is used to estimate the fair value of an intangible asset based on a residual cash flow notion. This method measures the benefits (e.g., cash flows) derived from ownership of an acquired intangible asset as if it were in place, as compared to the acquirer's expected cash flows as if the intangible asset were not in place (i.e., with-and-without). The residual or net cash flows of the two models is ascribable to the intangible asset. The Company has preliminarily estimated a 3-year useful life on the player loyalty programs.

Goodwill is the result of expected synergies from combining operations of the acquired and acquirer. The goodwill acquired is fully amortizable for tax purposes.

For the period from the Tropicana acquisition date of October 1, 2018 through December 31, 2018, Tropicana generated net revenues of \$205.1 million and net loss of \$8.7 million.

Elgin

Preliminary Purchase Price Accounting

On August 7, 2018, the Company completed its acquisition of one hundred percent of the partnership interests in Elgin. The total purchase consideration for the Elgin Acquisition was \$328.8 million, which was funded by cash on hand and borrowings from the Company's revolving credit facility. The estimated purchase consideration in the acquisition was determined with reference to its acquisition date fair value.

<u>Purchase consideration calculation (dollars in thousands)</u>	
Cash consideration paid	\$ 327,500
Working capital and other adjustments	1,304
Purchase consideration	<u>\$ 328,804</u>

The fair values are based on management's analysis including preliminary work performed by third party valuation specialists, which are subject to finalization and review. The purchase price accounting for Elgin is preliminary as it relates to determining the fair value of the long-lived assets, including goodwill, and is subject to change. The following table summarizes the preliminary allocation of the purchase consideration to the identifiable assets acquired and liabilities assumed of Elgin, with the excess recorded as goodwill as of December 31, 2018 (dollars in thousands):

Current and other	\$ 25,349
Property and equipment	60,792
Goodwill	59,774
Intangible assets (i)	205,296
Other noncurrent assets	915
Total assets	<u>352,126</u>
Current liabilities	(21,572)
Noncurrent liabilities	(1,750)
Total liabilities	<u>(23,322)</u>
Net assets acquired	<u>\$ 328,804</u>

- (i) Intangible assets consist of gaming license valued at \$163.9 million, trade names valued at \$12.6 million and player loyalty programs valued at \$28.8 million.

During the three months ended December 31, 2018, the Company adjusted the Elgin preliminary purchase price accounting previously disclosed in our September 30, 2018 Form 10-Q filings, to their updated values. The updated purchase price accounting resulted in minimal changes due to refinements made by management.

Valuation methodologies under both a market and income approach used for the identifiable net assets acquired in the Elgin Acquisition make use of Level 3 inputs including discounted cash flows.

Trade receivables and payables, inventory and other current and noncurrent assets and liabilities were valued at the existing carrying values as they represented the estimated fair value of those items at the Elgin Acquisition date.

The fair value of land was determined using the market approach, which arrives at an indication of value by comparing the site being valued to sites that have been recently acquired in arm's-length transactions. The market data is then adjusted for any significant differences, to the extent known, between the identified comparable sites and the site being valued. Building and site improvements were valued using the cost approach using a direct cost model built on estimates of replacement cost. With respect to personal property components of the assets, personal property assets with an active and identifiable secondary market such as riverboats, gaming equipment, computer equipment and vehicles were valued using the market approach. Other personal property assets such as furniture, fixtures, computer software, and restaurant equipment were valued using the cost approach which is based on replacement or reproduction costs of the asset.

The cost approach is an estimation of fair value developed by computing the current cost of replacing a property and subtracting any depreciation resulting from one or more of the following factors: physical deterioration, functional obsolescence, and/or economic obsolescence. The income approach incorporates all tangible and intangible property and served as a ceiling for the fair values of the acquired assets of the ongoing business enterprise, while still taking into account the premise of highest and best use.

The fair value of the gaming license was determined using the multi period excess earnings method. The excess earnings methodology, which is an income approach methodology that allocates the projected cash flows of the business to the gaming license intangible assets less charges for the use of other identifiable assets of Elgin including working capital, fixed assets and other intangible assets. This methodology was considered appropriate as the gaming license is the primary asset of Elgin. The property's estimated future cash flows were the primary assumption in the respective valuations. Cash flow estimates included net gaming revenue, gaming operating expenses, general and administrative expenses, and tax expense. The renewal of the gaming license depends on a number of factors, including payment of certain fees and taxes, providing certain information to the state's gaming regulator, and meeting certain inspection requirements. However, ERI's historical experience has not indicated, nor does ERI expect, any limitations regarding its ability to continue to renew the license. No other competitive, contractual, or economic factor limits the useful lives of this asset. Accordingly, ERI has concluded that the useful life of this license is indefinite.

The player loyalty program was valued using the cost approach and the incremental cash flow method under the income approach. The incremental cash flow method is used to estimate the fair value of an intangible asset based on a residual cash flow notion. This method measures the benefits (e.g., cash flows) derived from ownership of an acquired intangible asset as if it were in place, as compared to the acquirer's expected cash flows as if the intangible asset were not in place (i.e., with-and-without). The residual or net cash flows of the two models is ascribable to the intangible asset. The Company has preliminarily estimated a 4-year useful life on the player loyalty programs.

The trade name was valued using the relief-from-royalty method. The primary assumptions in the valuation included revenue, pre-tax royalty rate, and tax expense. ERI has assigned the trade name an indefinite useful life after considering, among other things, the expected use of the asset, the expected useful life of other related assets or asset groups, any legal, regulatory, or contractual provisions that may limit the useful life, ERI's own historical experience in renewing similar arrangements, the effects of obsolescence, demand and other economic factors, and the maintenance expenditures required to obtain the expected cash flows. In that analysis, ERI determined that no legal, regulatory, contractual, competitive, economic or other factors limit the useful lives of these intangible assets.

Goodwill is the result of expected synergies from combining operations of the acquired and acquirer. The goodwill acquired is fully amortizable for tax purposes.

For the period from the Elgin acquisition date on August 7, 2018 through December 31, 2018, Elgin generated net revenues of \$63.0 million and net income of \$7.6 million.

Isle

Final Purchase Price Accounting

On May 1, 2017, the Company completed its acquisition of Isle. As of March 31, 2018, the Company finalized its purchase price accounting related to the Isle Acquisition. The total purchase consideration in the Isle Acquisition was determined with reference to the fair value on the date of the Merger Agreement relating to the Isle Acquisition (the "Isle Merger Agreement") as follows:

Purchase consideration calculation (dollars in thousands, except shares and stock price)	Shares	Per share	
Cash paid for outstanding Isle common stock (1)			\$ 552,050
Shares of ERI common stock issued for Isle common stock (2)	28,468,182	\$ 19.12	544,312
Cash paid by ERI to retire Isle's long-term debt (3)			828,000
Shares of ERI common stock for Isle equity awards (4)			10,383
Purchase consideration			\$ 1,934,745

- (1) The cash component of the consideration represents 58% of the aggregate consideration paid in the Isle Acquisition. The Isle Merger Agreement provided that Isle stockholders could elect to exchange each share of Isle common stock for either \$23.00 in cash or 1.638 shares of ERI common stock, subject to proration such that the outstanding shares of Isle common stock will be exchanged for aggregate consideration comprised of 58% cash and 42% ERI common stock. See discussion of the stock consideration component in note (2) below.
- (2) The Stock Consideration component of the consideration represents 42% of the aggregate consideration paid in the Isle Acquisition. The Merger Agreement provided that 58% of the aggregate consideration would be paid by ERI in cash, as described in note (1) above. The remaining 42% of the aggregate consideration was paid in shares of ERI common stock. The total Stock Consideration and per share consideration above were based on the ERI stock price on April 28, 2017 (the last business day prior to Isle Acquisition Date) which was \$19.12 per share.

- (3) In addition to the cash paid to retire the principal amounts outstanding of Isle's long-term debt, ERI paid \$26.6 million in premiums and interest.
- (4) This amount represents consideration paid for the replacement of Isle's outstanding equity awards. As discussed in Note 1, Isle's outstanding equity awards were replaced by ERI equity awards with similar terms. A portion of the fair value of ERI awards issued represents consideration transferred, while a portion represents compensation expense based on the vesting terms of the equity awards.

The following table summarizes the purchase accounting of the purchase consideration to the identifiable assets acquired and liabilities assumed in the Isle Acquisition as of the Isle Acquisition Date, with the excess recorded as goodwill. The fair values were based on management's analysis, including work performed by third-party valuation specialists. The following table summarizes our final purchase price accounting of the acquired assets and liabilities as of December 31, 2018 (dollars in thousands):

Current and other assets, net	\$ 135,925
Property and equipment	908,816
Goodwill	709,087
Intangible assets (i)	517,470
Other noncurrent assets	<u>15,082</u>
Total assets	<u>2,286,380</u>
Current liabilities	(144,306)
Deferred income taxes (ii)	(189,952)
Other noncurrent liabilities	<u>(17,377)</u>
Total liabilities	<u>(351,635)</u>
Net assets acquired	<u>\$ 1,934,745</u>

- (i) Intangible assets consist of gaming licenses valued at \$395.1 million, trade names valued at \$108.3 million, and player loyalty programs valued at \$14.1 million.
- (ii) Deferred tax liabilities were derived based on fair value adjustments for property and equipment and identified intangibles.

During the three months ended March 31, 2018, the Company finalized its valuation procedures and adjusted the Isle of Capri preliminary purchase price accounting, as disclosed in the Annual Report on Form 10-K for the year ended December 31, 2017, to their updated values. Except for other long-term liabilities related to Bettendorf and Nemaquin (see Note 11) and a corresponding goodwill adjustment totaling \$6.1 million (net of tax), the finalization of our purchase price accounting resulted in minimal changes and refinements by management as of, and for the three months ended, March 31, 2018.

Valuation methodologies under both a market and income approach used for the identifiable net assets acquired in the Isle Acquisition make use of Level 3 inputs.

Trade receivables and payables, inventory and other current and noncurrent assets and liabilities were valued at the existing carrying values as they represented the estimated fair value of those items at the Isle Acquisition Date, based on management's judgement and estimates.

The fair value of land was determined using the market approach, which arrives at an indication of value by comparing the site being valued to sites that have been recently acquired in arm's-length transactions. The market data is then adjusted for any significant differences, to the extent known, between the identified comparable sites and the site being valued. Building and site improvements were valued using the cost approach using a direct cost model built on estimates of replacement cost. With respect to personal property components of the assets, personal property assets with an active and identifiable secondary market such as riverboats, gaming equipment, computer equipment and vehicles were valued using the market approach. Other personal property assets such as furniture, fixtures, computer software, and restaurant equipment were valued using the cost approach which is based on replacement or reproduction costs of the asset.

The cost approach is an estimation of fair value developed by computing the current cost of replacing a property and subtracting any depreciation resulting from one or more of the following factors: physical deterioration, functional obsolescence, and/or economic obsolescence. The income approach incorporates all tangible and intangible property and served as a ceiling for the fair values of the acquired assets of the ongoing business enterprise, while still taking into account the premise of highest and best use. In the instance where the business enterprise value developed via the income approach was exceeded by the initial fair values of the underlying assets, an adjustment to reflect economic obsolescence was made to the tangible assets on a pro rata basis to reflect the contributory value of each individual asset to the enterprise as a whole.

The fair value of the gaming licenses was determined using the excess earnings or replacement cost methodology based on the respective states' legislation. The excess earnings methodology, which is an income approach methodology that allocates the projected cash flows of the business to the gaming license intangible assets less charges for the use of other identifiable assets of Isle including working capital, fixed assets and other intangible assets. This methodology was considered appropriate as the gaming licenses are the primary asset of Isle and the licenses are linked to each respective facility. Under the respective state's gaming legislation, the property specific licenses can only be acquired if a theoretical buyer were to acquire each existing facility. The existing licenses could not be acquired and used for a different facility. The properties' estimated future cash flows were the primary assumption in the respective valuations. Cash flow estimates included net gaming revenue, gaming operating expenses, general and administrative expenses, and tax expense. The replacement cost methodology is a cost approach methodology based on replacement or reproduction cost of the gaming license as an indicator of fair value.

Player loyalty programs were valued using the cost approach and the incremental cash flow method under the income approach. The incremental cash flow method is used to estimate the fair value of an intangible asset based on a residual cash flow notion. This method measures the benefits (e.g., cash flows) derived from ownership of an acquired intangible asset as if it were in place, as compared to the acquirer's expected cash flows as if the intangible asset were not in place (i.e., with-and-without). The residual or net cash flows of the two models is ascribable to the intangible asset. The Company has estimated a 3-year useful life on the player loyalty programs.

Trademarks are valued using the relief from royalty method, which presumes that without ownership of such trademarks, ERI would have to make a stream of payments to a brand or franchise owner in return for the right to use their name. By virtue of this asset, ERI avoids any such payments and record the related intangible value of ERI's ownership of the brand name. The primary assumptions in the valuation included revenue, pre-tax royalty rate, and tax expense. ERI has assigned the trade name an indefinite useful life after considering, among other things, the expected use of the asset, the expected useful life of other related assets or asset groups, any legal, regulatory, or contractual provisions that may limit the useful life, ERI's own historical experience in renewing similar arrangements, the effects of obsolescence, demand and other economic factors, and the maintenance expenditures required to obtain the expected cash flows. In that analysis, ERI determined that no legal, regulatory, contractual, competitive, economic or other factors limit the useful lives of these intangible assets.

ERI has assigned an indefinite useful life to the gaming licenses, in accordance with its review of the applicable guidance of ASC Topic 350, Intangibles-Goodwill and Other ("ASC 350"). The standard required ERI to consider, among other things, the expected use of the asset, the expected useful life of other related assets or asset groups, any legal, regulatory, or contractual provisions that may limit the useful life, ERI's own historical experience in renewing similar arrangements, the effects of obsolescence, demand and other economic factors, and the maintenance expenditures required to obtain the expected cash flows. In that analysis, ERI determined that no legal, regulatory, contractual, competitive, economic or other factors limit the useful lives of these intangible assets. The acquired Isle properties currently have licenses in Louisiana, Pennsylvania, Iowa, Missouri, Mississippi, Florida and Colorado. The renewal of each state's gaming license depends on a number of factors, including payment of certain fees and taxes, providing certain information to the state's gaming regulator, and meeting certain inspection requirements. However, ERI's historical experience has not indicated, nor does ERI expect, any limitations regarding its ability to continue to renew each license. No other competitive, contractual, or economic factor limits the useful lives of these assets. Accordingly, ERI has concluded that the useful lives of these licenses are indefinite.

For the period from the Isle Acquisition date of May 1, 2017 through December 31, 2017, Isle and its subsidiaries generated net revenue of \$600.1 million and net income of \$102.5 million.

Unaudited Pro Forma Information

Tropicana

The following unaudited pro forma information presents the results of operations of the Company for the year ended December 31, 2018 and 2017, as if the Tropicana Acquisition had occurred on January 1, 2017 (in thousands).

	Year Ended December 31, 2018	Year Ended December 31, 2017
Net operating revenues	\$ 2,735,760	\$ 2,361,372
Net income	92,556	16,651

These pro forma results do not necessarily represent the results of operations that would have been achieved if the acquisition had taken place on January 1, 2017, nor are they indicative of the results of operations for future periods. The pro forma amounts include the historical operating results of the Company and Tropicana prior to the Tropicana Acquisition with adjustments directly attributable to the Tropicana Acquisition.

Elgin

The following unaudited pro forma information presents the results of operations of the Company for the year ended December 31, 2018 and 2017, as if the Elgin Acquisition had occurred on January 1, 2017 (in thousands).

	Year Ended December 31, 2018	Year Ended December 31, 2017
Net operating revenues	\$ 2,152,948	\$ 1,644,907
Net income	105,689	79,158

These pro forma results do not necessarily represent the results of operations that would have been achieved if the acquisition had taken place on January 1, 2017, nor are they indicative of the results of operations for future periods. The pro forma amounts include the historical operating results of the Company and Elgin prior to the Elgin Acquisition with adjustments directly attributable to the Elgin Acquisition.

Isle

The following unaudited pro forma information presents the results of operations of the Company for the year ended December 31, 2017 as if the Isle Acquisition, which closed on May 1, 2017, had occurred on January 1, 2016 (in thousands).

	Year Ended December 31, 2017
Net operating revenues	\$ 1,810,815
Net income	173,027

These pro forma results do not necessarily represent the results of operations that would have been achieved if the acquisition had taken place on January 1, 2016, nor are they indicative of the results of operations for future periods. The pro forma amounts include the historical operating results of the Company and Isle prior to the Isle Acquisition with adjustments directly attributable to the Isle Acquisition.

Note 4. Accounts Receivable

Components of accounts receivable, net are as follows (in thousands):

	December 31,	
	2018	2017
Accounts receivable	\$ 63,843	\$ 47,017
Allowance for doubtful accounts	(3,674)	(1,220)
Total	\$ 60,169	\$ 45,797

Reserve for Uncollectible Accounts Receivable

We reserve an estimated amount for receivables that may not be collected. Methodologies for estimating bad debt reserves range from specific reserves to various percentages applied to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific reserves. As with many estimates, management must make judgments about potential actions by third parties in establishing and evaluating our reserves for bad debts. In the years ended December 31, 2018 and 2017, the Company's bad debt expense totaled \$1.6 million and \$0.5 million, respectively.

Note 5. Assets Held for Sale

On February 28, 2018, the Company entered into definitive agreements to sell substantially all of the assets and liabilities of Presque Isle Downs and Vicksburg to Churchill Downs Incorporated ("CDI"). Under the terms of the agreements, CDI agreed to purchase Presque Isle Downs for cash consideration of approximately \$178.9 million and Vicksburg for cash consideration of approximately \$50.6 million, in each case subject to a customary working capital adjustment. In conjunction with the classification of Vicksburg's operations as assets held for sale at March 31, 2018, as a result of the announced sale to CDI, an impairment charge totaling \$9.8 million was recorded due to the carrying value exceeding the estimated net sales proceeds.

The definitive agreements provided that the dispositions were subject to receipt of required regulatory approvals, termination of the waiting period under the Hart-Scott-Rodino Act and other customary closing conditions, including, in the case of Presque Isle Downs, the prior closing of the sale of Vicksburg or the entry into an agreement to acquire another asset of the Company. On May 7, 2018, the Company and CDI each received a Request for Additional Information and Documentary Materials, often referred to as a "Second Request," from the Federal Trade Commission in connection with its review of the Vicksburg acquisition.

On July 6, 2018, in consideration of the time and expense needed to reply to the Second Request, the Company and CDI entered into a termination agreement and release pursuant to which the parties agreed to terminate the asset purchase agreement with respect to Vicksburg and to enter into an asset purchase agreement pursuant to which CDI would acquire and assume the rights and obligations to operate Nemaquin (the "Vicksburg Termination Agreement"). The Vicksburg Termination Agreement also provided that CDI would pay the Company a \$5.0 million termination fee upon execution of a definitive agreement with respect to the Nemaquin transaction, which is recorded as proceeds from terminated sale on the Consolidated Statements of Income. On August 10, 2018, the Company entered into a definitive agreement to sell substantially all of the assets and liabilities of Nemaquin to CDI. Under the terms of the agreement, CDI agreed to purchase Nemaquin for cash consideration of approximately \$0.1 million, subject to a customary working capital adjustment.

As a result of the agreement to sell Nemaquin, an impairment charge of \$3.8 million for the year ended December 31, 2018 was recorded due to the carrying value of the net property and equipment being sold exceeding the estimated net sales proceeds.

The Nemaquin transaction is expected to close in the first quarter of 2019, subject to satisfaction of closing conditions, including receipt of Pennsylvania regulatory approvals. The Presque transaction was consummated in accordance with the terms noted above on January 11, 2019.

The dispositions of Nemaquin and Presque Isle Downs, both of which are reported in the East segment, met the requirements for presentation as assets held for sale under generally accepted accounting principles as of December 31, 2018. Due to the termination of the Vicksburg sale, Vicksburg is no longer presented as an asset held for sale.

The assets and liabilities held for sale, accounted for at carrying value as it was lower than fair value, were as follows (in thousands):

	December 31, 2018		
	Nemacolin	Presque Isle Downs	Total
Assets:			
Accounts receivable, net	\$ 272	\$ 2,208	\$ 2,480
Inventories	79	1,607	1,686
Prepaid expenses and other	370	773	1,143
Property and equipment, net	1,784	70,134	71,918
Goodwill	—	3,122	3,122
Other intangibles, net	—	75,422	75,422
Assets held for sale	<u>\$ 2,505</u>	<u>\$ 153,266</u>	<u>\$ 155,771</u>
Liabilities:			
Accounts payable	\$ 147	\$ 683	\$ 830
Accrued payroll and related	838	596	1,434
Accrued property and other taxes	552	71	623
Accrued other liabilities	1,628	3,659	5,287
Other long-term liabilities	105	—	105
Long term obligation	2,412	—	2,412
Liabilities related to assets held for sale	<u>\$ 5,682</u>	<u>\$ 5,009</u>	<u>\$ 10,691</u>

The following information presents the net operating revenues and net income (in thousands):

	Year Ended December 31, 2018	
	Nemacolin	Presque Isle Downs
Net operating revenues	\$ 33,461	\$ 139,993
Net (loss) income	(3,571)	13,935

These amounts include historical operating results, adjusted to eliminate the internal allocation of interest expense that will not be assumed by the buyer.

Note 6. Investments in and Advances to Unconsolidated Affiliates

Hampton Inn & Suites

The Company holds a 42.1% variable interest in a partnership with other investors that developed a new 118-room Hampton Inn & Suites hotel at Scioto Downs that opened in March 2017. Pursuant to the terms of the partnership agreement, the Company contributed \$1.0 million of cash and 2.4 acres of a leasehold immediately adjacent to *The Brew Brothers* microbrewery and restaurant at Scioto Downs. The partnership constructed the hotel at a cost of \$16.0 million and other investor members operate the hotel. In November 2017, the Company contributed \$0.6 million to the partnership for its proportionate share of additional construction costs pursuant to the partnership agreement. At December 31, 2018 and 2017, the Company's investment in the partnership totaled \$1.3 million and \$1.5 million, respectively, recorded in other assets, net in the Consolidated Balance Sheets, representing the Company's maximum loss exposure. As of December 31, 2018, the Company's receivable from the partnership totaled \$0.3 million and is reflected in due from affiliates on the Consolidated Balance Sheets.

Pompano Joint Venture

In April 2018, the Company entered into a joint venture with Cordish Companies (“Cordish”) to master plan and develop a mixed-use entertainment and hospitality destination expected to be located on unused land adjacent to the casino and racetrack at the Company’s Pompano property. As the managing member, Cordish will operate the business and manage the development, construction, financing, marketing, leasing, maintenance and day-to-day operation of the various phases of the project. Additionally, Cordish will be responsible for the development of the master plan for the project with the Company’s input and will submit it for the Company’s review and approval. The Company and Cordish have made initial cash contributions of \$250,000 each and could be required to make additional contributions to a maximum of \$2.0 million (\$1.0 million per member) at the request of the managing member. The Company has agreed to contribute land to the joint venture for the project. While the Company holds a 50% variable interest in the joint venture, it is not the primary beneficiary; as such the investment in the joint venture is accounted for using the equity method. The Company will participate evenly with Cordish in the profits and losses of the joint venture, which is included in loss from unconsolidated affiliates on the Consolidated Statements of Income.

William Hill

In September 2018, the Company entered into a 25-year agreement, which became effective January 2019, with William Hill PLC and William Hill US, its U.S. subsidiary (together, “William Hill”) pursuant to which the Company (i) granted to William Hill the right to conduct betting activities in retail channels and under the Company’s first skin and third skin for online channels with respect to the Company’s current and future properties located in the United States and the territories and possessions of the United States, including Puerto Rico and the U.S. Virgin Islands and (ii) agreed that William Hill will have the right to conduct real money online gaming activities utilizing the Company’s second skin available with respect to properties in such territory. Pursuant to the terms of the agreement, in January 2019 the Company received a 20% equity stake in William Hill US as well as 13.4 million ordinary shares of William Hill PLC, and the Company will receive a revenue share from the operation of retail betting and online betting and gaming activities. “Skin” in the context of this agreement refers to Eldorado’s ability to grant to William Hill an online channel that allows William Hill to operate online casino and sports gaming activities in reliance on, and utilizing the benefit of, any licenses granted to Eldorado or its subsidiaries.

Note 7. Property and Equipment

Property and equipment consisted of the following (in thousands):

	December 31,	
	2018	2017
Non-Master Lease:		
Land and improvements	\$ 316,456	\$ 284,374
Buildings and other leasehold improvements	1,472,516	1,187,642
Riverboats	81,762	61,091
Furniture, fixtures and equipment	586,404	420,399
Furniture, fixtures and equipment held under capital leases (Note 17)	193	870
Construction in progress	41,346	14,451
	<u>2,498,677</u>	<u>1,968,827</u>
Less—Accumulated depreciation and amortization	(569,073)	(466,010)
	<u>1,929,604</u>	<u>1,502,817</u>
Master Lease:		
Land and improvements	377,150	—
Buildings and other leasehold improvements	578,250	—
Riverboats	1,900	—
	<u>957,300</u>	<u>—</u>
Less—Accumulated depreciation and amortization	(4,298)	—
	<u>953,002</u>	<u>—</u>
Property and equipment, net	<u>\$ 2,882,606</u>	<u>\$ 1,502,817</u>

Substantially all non-Master Lease property and equipment are pledged as collateral under our long-term debt (see Note 11).

Depreciation expense, including amortization expense on capital leases, was \$140.3 million, \$100.9 million and \$58.9 million for the years ended December 31, 2018, 2017 and 2016, respectively. Depreciation expense on the Master Lease assets was \$4.3 million for the year ended December 31, 2018.

Note 8. Intangible Assets, net and Other Long Term Assets

Intangible assets, net, include the following amounts (in thousands):

	December 31,		Useful Life
	2018	2017	
Goodwill	\$ 1,008,316	\$ 747,106	Indefinite
Gaming licenses	\$ 1,090,682	\$ 877,174	Indefinite
Trade names	187,929	108,250	Indefinite
Trade names	5,100	6,700	3.5 years
Player loyalty programs	105,005	21,820	3 - 4 years
Subtotal	1,388,716	1,013,944	
Accumulated amortization trade names	(5,100)	(6,290)	
Accumulated amortization player loyalty programs	(21,610)	(10,838)	
Total gaming licenses and other intangible assets, net	\$ 1,362,006	\$ 996,816	

Gaming licenses represent intangible assets acquired from the purchase of a gaming entity located in a gaming jurisdiction where competition is limited, such as when only a limited number of gaming operators are allowed to operate in the jurisdiction. These gaming license rights are not subject to amortization as the Company has determined that they have indefinite useful lives.

Goodwill represents the excess of the purchase price of acquiring MTR Gaming, Isle, Elgin and Tropicana over the fair market value of the net assets acquired.

Amortization expense with respect to trade names and loyalty program for the years ended December 31, 2018 and 2017 totaled \$12.7 million and \$5.1 million, respectively, which is included in depreciation and amortization in the Consolidated Statements of Income. Such amortization expense is expected to be \$30.6 million, \$27.4 million, \$21.2 million and \$4.2 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively.

In conjunction with the classification of Presque's assets being held for sale, \$75.4 million in licenses, \$1.6 million in finite lived trade names and amortization were transferred to assets held for sale on the Consolidated Balance Sheet.

The following table presents changes to goodwill for the years ended December 31, 2018 and 2017 (in thousands):

	Goodwill	Accumulated Impairment	Goodwill, net
January 1, 2017	\$ 66,826	\$ —	\$ 66,826
Acquisitions	715,196	—	715,196
Impairments	—	(34,916)	(34,916)
December 31, 2017	782,022	(34,916)	747,106
Acquisitions	280,256	—	280,256
Finalization of purchase price accounting	(6,109)	—	(6,109)
Assets held for sale	(3,122)	—	(3,122)
Impairments	—	(9,815)	(9,815)
December 31, 2018	\$ 1,053,047	\$ (44,731)	\$ 1,008,316

On October 1, 2018 the Company performed its annual impairment tests of its intangible assets by reviewing each of its reporting units. During the impairment test, no reporting units were noted to have a carrying value in excess of fair value. As a result, no impairments were indicated as a result of this testing for goodwill.

In conjunction with the classification of Vicksburg's operations as assets held for sale at March 31, 2018 (see Note 5) as a result of the announced sale to CDI, an impairment charge totaling \$9.8 million was recorded due to the carrying value exceeding the estimated net sales proceeds. The impairment reduced the value of goodwill in the South segment.

On October 1, 2017 the Company performed its annual impairment tests of its intangible assets by reviewing each of its reporting units. The goodwill analysis of the Company's Lake Charles, Lula and Vicksburg reporting units indicated the fair value of Lake Charles' and Vicksburg's goodwill and all three reporting units' trade names were less than their carrying values.

As a result of its analysis, the Company recorded a \$38.0 million impairment charge in 2017 comprised of the following: \$1.5 million, \$0.3 million and \$1.3 million related to trade names for Lake Charles, Lula and Vicksburg, respectively, and \$11.7 million and \$23.2 million related to goodwill for Lake Charles and Vicksburg, respectively.

The Company's goodwill impairment charges in 2017 were primarily the result of expected decreases in future cash flows as a result of unfavorable economic conditions and the impact of changes in our competitors. The non-recurring fair values used in our determination of the goodwill impairment charges considered Level 3 inputs, including the review of comparable activities in the marketplace, discounted cash flows and market based multiple valuation methods.

The Company's trade name impairment charges in 2017 were primarily the result of expected decreases in future net revenues. The non-recurring fair values used in our determination of the trade name impairment charges considered Level 3 inputs, including use of the relief-from-royalty method.

Other assets, net

Other assets, net, include the following amounts (in thousands):

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
CRDA bonds and deposits	6,694	—
Unamortized debt issuance costs - Revolving Credit Facility	9,533	8,616
Non-operating real property	17,880	18,069
Long-term prepaid rent	20,198	—
Restricted cash and investments	15,064	9,886
Other	15,969	12,130
Total other assets, net	<u>\$ 85,338</u>	<u>\$ 48,701</u>

The CRDA bonds have various contractual maturities that range up to 40 years. Actual maturities may differ from contractual maturities because of prepayment rights. The Company treats CRDA bonds as held-to-maturity since the Company has the ability and the intent to hold these bonds to maturity and under the CRDA, the Company is not permitted to do otherwise.

After the initial determination of fair value, the Company analyzes the CRDA bonds for recoverability on a quarterly basis based on management's historical collection experience and other information received from the CRDA. If indications exist that the CRDA bond is impaired, additional valuation allowances are recorded.

Approximately ten acres of the approximately 20 acres on which Tropicana Evansville is situated is subject to a lease with the City of Evansville, Indiana. Under the terms of the agreement, a pre-payment of lease rent in the amount of \$25 million was due at the commencement of the construction project. The prepayments will be applied against future rent in equal monthly amounts over a period of one hundred and twenty (120) months which commenced upon the opening of the property in January 2018. The current term of the lease expires November 30, 2027.

Note 9. Accrued Other Liabilities

Accrued other liabilities consisted of the following (in thousands):

	December 31,	
	2018	2017
Accrued general liability claims	\$ 16,465	\$ 13,816
Unclaimed chips	8,930	4,743
Accrued purses and track related liabilities	1,899	3,256
Jackpot progressives and other accrued gaming liabilities	26,383	18,724
Player loyalty program point liability	17,639	11,753
Accrued Illinois donation liability	8,912	—
Accrued rent	4,324	2,074
Other	18,430	11,672
Total accrued other liabilities	\$ 102,982	\$ 66,038

In connection with the Company's gaming license in the State of Illinois, the Company has agreed to contribute to both the County of Kane and the Grand Victoria Foundation, a foundation established for the benefit of education, environmental and economic development programs in the region, a donation equal to 20% of annual adjusted net operating income. The expense for the period from the Elgin Acquisition date through December 31, 2018 totaled \$3.5 million and is included in general and administrative expense. Payment of the donation is due 120 days after the end of the fiscal year.

Note 10. Long-Term Financing Obligation

The Company's Master Lease with GLPI is accounted for as a failed sale-leaseback financing obligation equal to the fair value of the leased real estate assets. Under the terms of the Master Lease, and based on certain prohibited forms of continuing involvement in the leased assets, the Master Lease did not qualify for sale-leaseback accounting and was accounted for as a financing obligation.

When cash proceeds are exchanged, a failed sale-leaseback financing obligation is equal to the proceeds received for the assets that are sold and then leased back. However, in the absence of cash proceeds, the value of the failed sale-leaseback financing obligations recognized in this transaction was determined to be the fair value of the leased real estate assets. In subsequent periods, a portion of the periodic lease payment under the Master Lease will be recognized as interest expense with the remainder of the lease payment reducing the failed sale-leaseback financing obligation using the effective interest method. However, the failed sale-leaseback obligations will not be reduced to less than the net book value of the leased real estate assets as of the end of the lease term, which is estimated to be \$372.8 million.

The fair value of the real estate assets and the related failed sale-leaseback financing obligations were estimated based on the present value of the estimated future lease payments over the lease term of 35 years, including renewal options, using an imputed discount rate of approximately 10.2%. The value of the failed sale-leaseback financing obligations is dependent upon assumptions regarding the amount of the lease payments and the estimated discount rate of the lease payments required by a market participant.

The Master Lease provides for the lease of land, buildings, structures and other improvements on the land (including barges and riverboats), easements and similar appurtenances to the land and improvements relating to the operation of the leased properties. The Master Lease provides for an initial term of fifteen years with no purchase option. At the Company's option, the Master Lease may be extended for up to four five-year renewal terms beyond the initial 15-year term. If we elect to renew the term of the Master Lease, the renewal will be effective as to all, but not less than all, of the leased property then subject to the Master Lease. The Company does not have the ability to terminate its obligations under the Master Lease prior to its expiration without GLPI's consent.

The rent payable under the Master Lease is comprised of "Base Rent" and "Percentage Rent." Base rent is the sum of:

- Building Base Rent: a fixed component equal to \$60.9 million during the first year of the Master Lease, and thereafter escalated annually by 2%, subject to a cap that would cause the preceding year's adjusted revenue to rent ratio for the properties in the aggregate not to fall below 1.20:1.00 for the first five years of the Master Lease and 1.80:1.00 thereafter; plus
- Land Base Rent: an additional fixed component equal to \$13.4 million, subject to adjustment in the event of the termination of the Master Lease with respect to any of the leased properties.

The percentage rent payable under the Master Lease is adjusted every two years based on the actual net revenues of the leased properties during the two-year period then ended. The initial variable rent percentage, which is fixed for the first two years, is \$13.4 million per year. The actual percentage increase is based on actual performance and is subject to change.

Under the Master Lease, the Company is required to pay the following, among other things: lease payments to the underlying ground lessor for properties that are subject to ground leases, facility maintenance costs, all insurance premiums for insurance with respect to the leased properties and the business conducted on the leased properties, taxes levied on or with respect to the leased properties (other than taxes on the income of the lessor and all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties).

The initial annual rent under the terms of the lease is \$87.6 million.

The estimated future lease payments include the minimum lease payments and were adjusted to reflect estimated lease payments as described in the agreements, including an annual escalator of up to 2%.

The future minimum payments related to the Master Lease financing obligation with GLPI at December 31, 2018 are as follows (in thousands):

2019	\$ 87,943
2020	89,168
2021	90,417
2022	91,691
2023	92,990
Thereafter	<u>3,506,673</u>
Total future payments	3,958,882
Less: Amounts representing interest at 10.2%	(3,371,847)
Plus: Residual values	<u>372,800</u>
Financing obligation to GLPI	<u>\$ 959,835</u>

Total payments and interest expense related to the Master Lease were \$21.9 million and \$24.4 million, respectively, for the period from October 1, 2018 to December 31, 2018. For the initial periods of the Master Lease, cash payments are less than the interest expense recognized, which causes the failed sale-leaseback obligation to increase during the initial years of the lease term.

The Master Lease contains certain covenants, including minimum capital improvement expenditures.

Note 11. Long-Term Debt and Other Long-Term Liabilities

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

	December 31, 2018	December 31, 2017
Term Loan	\$ 956,750	\$ 956,750
Less: Unamortized discount and debt issuance costs	(18,426)	(18,748)
Net	938,324	938,002
6% Senior Notes due 2026	600,000	—
Less: Unamortized debt issuance costs	(19,630)	—
Net	580,370	—
6% Senior Notes due 2025	875,000	875,000
Plus: Unamortized debt premium	23,491	26,605
Less: Unamortized debt issuance costs	(18,405)	(20,716)
Net	880,086	880,889
7% Senior Notes due 2023	375,000	375,000
Less: Unamortized discount and debt issuance costs	(6,075)	(7,146)
Net	368,925	367,854
Revolving Credit Facility	245,000	—
Lumière Loan	246,000	—
Capital leases	590	917
Long-term notes payable	2,440	2,531
Less: Current portion	(462)	(615)
Total long-term debt	<u>\$ 3,261,273</u>	<u>\$ 2,189,578</u>

Maturities of the principal amount of the Company's long-term debt as of December 31, 2018 are as follows:

Years ending December 31,	(In thousands)
2019	\$ 462
2020	246,235
2021	167
2022	173
2023	620,138
Thereafter	2,433,605
	<u>\$ 3,300,780</u>

Amortization of the debt issuance costs and the discount and premium associated with our indebtedness totaled \$5.6 million, \$6.3 million and \$3.5 million for the years ended December 31, 2018, 2017 and 2016, respectively. Amortization of debt issuance costs is computed using the effective interest method and is included in interest expense.

In accordance with ASC Topic 470-50, Debt Modifications and Extinguishments ("ASC 470-50"), the Company recognized a loss totaling \$27.3 million for the year ended December 31, 2017 as a result of the refinance of the Prior Credit Facility (as defined below) in May 2017. The Company also recognized a loss totaling \$11.1 million as a result of the issuance of additional 6% Senior Notes due 2025 (as defined below) in September 2017 resulting in a combined total loss of \$38.4 million for the year ended December 31, 2017.

The Company is a holding company with no independent assets or operations. Our 6% Senior Notes due 2025, 6% Senior Notes due 2026 (as defined below) and 7% Senior Notes due 2023 (as defined below) are fully and unconditionally guaranteed, on a joint and several basis, by the subsidiary guarantors. As of December 31, 2018, there were no significant restrictions on the ability of our subsidiaries to distribute cash to us or our guarantor subsidiaries.

Senior Notes

7% Senior Notes due 2023

On July 23, 2015, the Company issued at par \$375.0 million in aggregate principal amount of 7.0% senior notes due 2023 (“7% Senior Notes due 2023”) pursuant to the Indenture, dated as of July 23, 2015 (the “2023 Indenture”), between the Company and U.S. Bank, National Association, as Trustee. The 7% Senior Notes due 2023 will mature on August 1, 2023, with interest payable semi-annually in arrears on February 1 and August 1 of each year.

On or after August 1, 2018, the Company may redeem all or a portion of the Senior Notes upon not less than 30 nor more than 60 days’ notice, at the redemption prices (expressed as percentages of the principal amount) set forth below plus accrued and unpaid interest and additional interest, if any, on the Senior Notes redeemed, to the applicable redemption date, if redeemed during the twelve month period beginning on August 1 of the years indicated below:

<u>Year</u>	<u>Percentage</u>
2018	105.250 %
2019	103.500 %
2020	101.750 %
2021 and thereafter	100.000 %

If the Company experiences certain change of control events (as defined in the 2023 Indenture), it must offer to repurchase the 7% Senior Notes due 2023 at 101% of their principal amount, plus accrued and unpaid interest to the applicable repurchase date. If the Company sells assets under certain circumstances and does not use the proceeds for specified purposes, the Company must offer to repurchase the 7% Senior Notes due 2023 at 100% of their principal amount, plus accrued and unpaid interest to the applicable repurchase dates.

The 7% Senior Notes due 2023 are subject to redemption imposed by gaming laws and regulations of applicable gaming regulatory authorities.

The 2023 Indenture contains certain covenants limiting, among other things, the Company’s ability and the ability of its subsidiaries (other than its unrestricted subsidiaries) to:

- pay dividends or distributions or make certain other restricted payments or investments;
- incur or guarantee additional indebtedness or issue disqualified stock or create subordinated indebtedness that is not subordinated to the 7% Senior Notes due 2023 or the guarantees of the 7% Senior Notes due 2023;
- create liens;
- transfer and sell assets;
- merge, consolidate, or sell, transfer or otherwise dispose of all or substantially all of the Company’s assets;
- enter into certain transactions with affiliates;
- engage in lines of business other than the Company’s core business and related businesses; and
- create restrictions on dividends or other payments by restricted subsidiaries.

These covenants are subject to a number of exceptions and qualifications as set forth in the 2023 Indenture. The 2023 Indenture also provides for customary events of default which, if any of them occurs, would permit or require the principal of and accrued interest on such 7% Senior Notes due 2023 to be declared due and payable.

6% Senior Notes due 2025

On March 29, 2017, Eagle II Acquisition Company LLC (“Eagle II”), a wholly-owned subsidiary of the Company, issued \$375.0 million in aggregate principal amount of 6.0% senior notes due 2025 (the “6% Senior Notes due 2025”) pursuant to an indenture, dated as of March 29, 2017 (the “2025 Indenture”), between Eagle II and U.S. Bank, National Association, as Trustee. The 6% Senior Notes will mature on April 1, 2025, with interest payable semi-annually in arrears on April 1 and October 1, commencing October 1, 2017. The proceeds of the offering, and additional funds in the amount of \$1.9 million in respect of interest expected to be accrued on the 6% Senior Notes due 2025, were placed in escrow pending satisfaction of certain conditions, including consummation of the Isle Acquisition. In connection with the consummation of the Isle Acquisition on May 1, 2017, the escrowed funds were released, and the Company assumed Eagle II’s obligations under the 6% Senior Notes due 2025 and the 2025 Indenture and certain of the Company’s subsidiaries (including Isle and certain of its subsidiaries) executed guarantees of the Company’s obligations under the 6% Senior Notes due 2025.

On September 13, 2017, the Company issued an additional \$500.0 million principal amount of its 6% Senior Notes due 2025 at an issue price equal to 105.5% of the principal amount of the 6% Senior Notes due 2025. The additional notes were issued pursuant to the 2025 Indenture that governs the 6% Senior Notes due 2025. The Company used the proceeds of the offering to repay \$78.0 million of outstanding borrowings under the previous revolving credit facility and used the remainder to repay \$444.5 million outstanding borrowings under the previous term loan facility and related accrued interest.

On or after April 1, 2020, the Company may redeem all or a portion of the 6% Senior Notes due 2025 upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of the principal amount) set forth below plus accrued and unpaid interest and additional interest, if any, on the 6% Senior Notes due 2025 redeemed, to the applicable redemption date, if redeemed during the 12-month period beginning on April 1 of the years indicated below:

<u>Year</u>	<u>Percentage</u>
2020	104.500 %
2021	103.000 %
2022	101.500 %
2023 and thereafter	100.000 %

Prior to April 1, 2020, the Company may redeem all or a portion of the 6% Senior Notes due 2025 at a price equal to 100% of the 6% Senior Notes due 2025 redeemed plus accrued and unpaid interest to the redemption date, plus a make-whole premium. At any time prior to April 1, 2020, the Company is also entitled to redeem up to 35% of the original aggregate principal amount of the 6% Senior Notes due 2025 with proceeds of certain equity financings at a redemption price equal to 106% of the principal amount of the 6% Senior Notes due 2025 redeemed, plus accrued and unpaid interest. If the Company experiences certain change of control events (as defined in the 2025 Indenture), it must offer to repurchase the 6% Senior Notes due 2025 at 101% of their principal amount, plus accrued and unpaid interest to the applicable repurchase date. If the Company sells assets under certain circumstances and does not use the proceeds for specified purposes, the Company must offer to repurchase the 6% Senior Notes due 2025 at 100% of their principal amount, plus accrued and unpaid interest to the applicable repurchase date.

The 6% Senior Notes due 2025 are subject to redemption imposed by gaming laws and regulations of applicable gaming regulatory authorities.

The 2025 Indenture contains certain covenants limiting, among other things, the Company's ability and the ability of its subsidiaries (other than its unrestricted subsidiaries) to:

- pay dividends or distributions or make certain other restricted payments or investments;
- incur or guarantee additional indebtedness or issue disqualified stock or create subordinated indebtedness that is not subordinated to the 6% Senior Notes due 2025 or the guarantees of the 6% Senior Notes due 2025;
- create liens;
- transfer and sell assets;
- merge, consolidate, or sell, transfer or otherwise dispose of all or substantially all of the Company's assets;
- enter into certain transactions with affiliates;
- engage in lines of business other than the Company's core business and related businesses; and
- create restrictions on dividends or other payments by restricted subsidiaries.

These covenants are subject to a number of exceptions and qualifications as set forth in the 2025 Indenture. The 2025 Indenture also provides for customary events of default which, if any of them occurs, would permit or require the principal of and accrued interest on such 6% Senior Notes due 2025 to be declared due and payable.

6% Senior Notes due 2026

On September 20, 2018, Delta Merger Sub, Inc. ("Escrow Issuer"), a Delaware corporation and a wholly-owned subsidiary of the Company, issued \$600 million in aggregate principal amount of 6.0% senior notes due 2026 (the "6% Senior Notes due 2026") pursuant to an indenture, dated as of September 20, 2018 (the "2026 Indenture"), between Escrow Issuer and U.S. Bank, National Association, as Trustee. Interest on the 6% Senior Notes due 2026 will be paid semi-annually in arrears on March 15 and September 15, commencing March 15, 2019. The Company and the subsidiary guarantors assumed the obligations under the 2026 Indenture in connection with the consummation of the Tropicana Acquisition.

On or after September 15, 2021, the Company may redeem all or a portion of the 6% Senior Notes due 2026 upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of the principal amount) set forth below plus accrued and unpaid interest and additional interest, if any, on the 6% Senior Notes due 2026 redeemed, to the applicable redemption date, if redeemed during the 12-month period beginning on September 15 of the years indicated below:

Year	Percentage
2021	104.500 %
2022	103.000 %
2023	101.500 %
2024 and thereafter	100.000 %

Prior to September 15, 2021, we may redeem all or a portion of the 6% Senior Notes due 2026 at a price equal to 100% of the 6% Senior Notes due 2026 redeemed plus accrued and unpaid interest to the redemption date, plus a make-whole premium. At any time prior to September 15, 2021, we are also entitled to redeem up to 35% of the original aggregate principal amount of the 6% Senior Notes due 2026 with proceeds of certain equity financings at a redemption price equal to 106% of the principal amount of the 6% Senior Notes due 2026 redeemed, plus accrued and unpaid interest. Upon the occurrence of a Change of Control (if the 6% Senior Notes due 2026 do not have investment grade status) or a Change of Control Triggering Event (each as defined in the 2026 Indenture), the Company must offer to repurchase the 6% Senior Notes due 2026 at 101% of their principal amount, plus accrued and unpaid interest to the applicable repurchase date.

If the Company sells assets under certain circumstances and does not use the proceeds for specified purposes, the Company must apply the net proceeds of such sale to make an offer to repurchase the 6% Senior Notes due 2026 at 100% of their principal amount, plus accrued and unpaid interest to the applicable repurchase date.

The 6% Senior Notes due 2026 are subject to redemption imposed by gaming laws and regulations of applicable gaming regulatory authorities.

The 2026 Indenture contains certain covenants limiting, among other things, the Company's ability to:

- incur additional indebtedness;
- create, incur or suffer to exist certain liens;
- pay dividends or make distributions on capital stock or repurchase capital stock;
- make certain investments;
- place restrictions on the ability of subsidiaries to pay dividends or make other distributions to the Issuer;
- sell certain assets or merge with or consolidate into other companies; and
- enter into certain types of transactions with the stockholders and affiliates.

These covenants are subject to a number of exceptions and qualifications as set forth in the 2026 Indenture. The 2026 Indenture also provides for events of default which, if any of them occurs, would permit or require the principal of and accrued interest on such 6% Senior Notes due 2026 to be declared due and payable.

The Company applied the net proceeds of the sale of the 6% Senior Notes due 2026, together with borrowings under its existing revolving credit, cash on hand and Tropicana's cash on hand, to pay the consideration payable by the Company pursuant to the merger agreement, repay all of the debt outstanding under Tropicana's existing credit facility and pay fees and costs associated with the Tropicana Acquisition that closed on October 1, 2018.

Credit Facility

On April 17, 2017, Eagle II entered into a credit agreement by and among Eagle II, as initial borrower, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders party thereto dated as of April 17, 2017 (the "Credit Facility"), consisting of a \$1.45 billion term loan facility (the "Term Loan Facility" or "Term Loan") and a \$300.0 million revolving credit facility (the "Revolving Credit Facility"), which was undrawn at closing. The proceeds of the Term Loan Facility, and additional funds in the amount of \$4.5 million in respect of interest expected to be accrued on the Term Loan Facility, were placed in escrow pending satisfaction of certain conditions, including consummation of the Isle Acquisition. In connection with the consummation of the Isle Acquisition on May 1, 2017, the escrowed funds were released and ERI assumed Eagle II's obligations under the Credit Facility and certain of ERI's subsidiaries (including Isle and certain of its subsidiaries) executed guarantees of ERI's obligations under the Credit Facility.

As of December 31, 2018, the Company had \$956.8 million outstanding under the Term Loan and \$245.0 million of borrowings outstanding under the Revolving Credit Facility. The Company had \$242.3 million of available borrowing capacity, after consideration of \$12.7 million in outstanding letters of credit, under its Revolving Credit Facility as of December 31, 2017. At December 31, 2018, the weighted average interest rate on the Term Loan was 4.3%, and the weighted average interest rate on the Revolving Credit Facility was 4.6%.

The Company applied the net proceeds of the Term Loan Facility and borrowings under the Revolving Credit Facility, together with the proceeds of the 6% Senior Notes due 2025 and cash on hand, to (i) pay the cash portion of the consideration payable in the Isle Merger, (ii) refinance all of the debt outstanding under Isle's existing credit facility, (iii) redeem or otherwise repurchase all of Isle's outstanding senior and senior subordinated notes, (iv) refinance the Company's Prior Credit Facility and (v) pay fees and costs associated with the foregoing.

The Company's obligations under the Revolving Credit Facility will mature on April 17, 2022. The Company's obligations under the Term Loan Facility will mature on April 17, 2024. The Company was required to make quarterly principal payments in an amount equal to \$3.6 million on the Term Loan Facility on the last day of each fiscal quarter beginning on June 30, 2017 but satisfied this requirement as a result of the principal prepayment of \$444.5 million on September 13, 2017 in conjunction with the issuance of the additional 6% Senior Notes due 2025. In addition, the Company is required to make mandatory payments of amounts outstanding under the Credit Facility with the proceeds of certain casualty events, debt issuances, and asset sales and, depending on its consolidated total leverage ratio, the Company may be required to apply a portion of its excess cash flow to repay amounts outstanding under the Credit Facility.

The interest rate per annum applicable to loans under the Revolving Credit Facility are, at our option, either (i) LIBOR plus a margin ranging from 1.75% to 2.50% or (ii) a base rate plus a margin ranging from 0.75% to 1.50%, which margin is based on our total leverage ratio. The interest rate per annum applicable to the loans under the Term Loan Facility is, at our option, either (i) LIBOR plus 2.25%, or (ii) a base rate plus 1.25%; provided, however, that in no event will LIBOR be less than zero or the base rate be less than 1.00% over the term of the Term Loan Facility or the Revolving Credit Facility. Additionally, the Company pays a commitment fee on the unused portion of the Revolving Credit Facility not being utilized in the amount of 0.50% per annum.

The Credit Facility contains a number of customary covenants that, among other things, restrict, subject to certain exceptions, the Company's ability and the ability of the subsidiary guarantors to incur debt; create liens; engage in mergers, consolidations or asset dispositions; pay dividends or make distributions; make investments, loans or advances; engage in certain transactions with affiliates or subsidiaries; or modify their lines of business.

The Credit Facility is secured by substantially all of the Company's personal property assets and substantially all personal property assets of each subsidiary that guaranties the Credit Facility (other than certain subsidiary guarantors designated as immaterial) (the "Credit Facility Guarantors"), whether owned on the closing date of the Credit Facility or thereafter acquired, and mortgages on the real property and improvements owned or leased to us or the Credit Facility Guarantors. The Credit Facility is also secured by a pledge of all of the equity owned by the Company and the Credit Facility Guarantors (subject to certain gaming law restrictions). The credit agreement governing the Credit Facility contains a number of customary covenants that, among other things, restrict, subject to certain exceptions, the Company's ability and the ability of the Credit Facility Guarantors to incur additional indebtedness, create liens, engage in mergers, consolidations or asset dispositions, make distributions, make investments, loans or advances, engage in certain transactions with affiliates or subsidiaries or make capital expenditures.

The Credit Facility also includes certain financial covenants, including the requirements that we maintain throughout the term of the Credit Facility and measured as of the end of each fiscal quarter, and solely with respect to loans under the Revolving Credit Facility, a maximum consolidated total leverage ratio of not more than 6.50 to 1.00 for the period beginning on the closing date and ending with the fiscal quarter ending December 31, 2018, 6.00 to 1.00 for the period beginning with the fiscal quarter beginning January 1, 2019 and ending with the fiscal quarter ending December 31, 2019, and 5.50 to 1.00 for the period beginning with the fiscal quarter beginning January 1, 2020 and thereafter. The Company will also be required to maintain an interest coverage ratio in an amount not less than 2.00 to 1.00 measured on the last day of each fiscal quarter beginning on the closing date, and ending with the fiscal quarter ending December 31, 2018, 2.50 to 1.00 for the period beginning with the fiscal quarter beginning January 1, 2019 and ending with the fiscal quarter ending December 31, 2019, and 2.75 to 1.00 for the period beginning with the fiscal quarter beginning January 1, 2020 and thereafter.

The Credit Facility contains a number of customary events of default, including, among others, for the non-payment of principal, interest or other amounts; the inaccuracy of certain representations and warranties, the failure to perform or observe certain covenants, a cross-default to our other indebtedness including the Notes, certain events of bankruptcy or insolvency; certain ERISA events, the invalidity of certain loan documents, certain changes of control and the loss of certain classes of licenses to conduct gaming. If any event of default occurs, the lenders under the Credit Facility would be entitled to take various actions, including accelerating amounts outstanding thereunder and taking all actions permitted to be taken by a secured creditor.

On June 6, 2018, the Company executed an amendment that modified certain covenants in the Credit Facility to allow for considerations related to the acquisition of Tropicana. The borrowing capacity of the Revolving Credit Facility increased from \$300 million to \$500 million effective substantially concurrently with the consummation of the Tropicana Acquisition on October 1, 2018 and the maturity date of the Revolving Credit Facility extended to October 1, 2023.

Lumière Loan

In connection with the purchase of the real estate related to Lumière, GLPI, Tropicana St. Louis RE LLC, a Wholly owned subsidiary of the Company (“Tropicana St. Louis RE”), and the Company entered into a loan agreement, dated as of October 1, 2018 (the “Lumière Loan”), relating to a loan of \$246 million by GLPI to Tropicana St. Louis RE to fund the entire purchase price of the real estate underlying Lumière and a guaranty by the Company of the amounts owed by Tropicana St. Louis RE. The Lumière Loan bears interest at a rate equal to (i) 9.09% until October 1, 2019 and (ii) 9.27% until October 1, 2020, and matures on October 1, 2020. The Lumière Loan is secured by a first priority mortgage on the Lumière Real Property until October 1, 2019. In connection with the issuance of the Lumière Loan, the Company agreed to use its commercially reasonable efforts to transfer one or more of the Grand Victoria Casino, Isle Casino Bettendorf, Isle Casino Hotel Waterloo, Isle of Capri Lufä, Lady Luck Casino Vicksburg and Mountaineer Casino, Racetrack and Resort or such other property or properties mutually acceptable to Tropicana St. Louis RE and GLPI, provided that the aggregate value of such property, individually or collectively, is at least \$246 million (the “Replacement Property”), to GLPI with a simultaneous leaseback to the Company of such Replacement Property. In connection with such Replacement Property sale, (i) the Company and GLPI will enter into an amendment to the Master Lease to revise the economic terms to include the Replacement Property, (ii) GLPI, or one of its affiliates, will assume the Lumière Loan and Tropicana St. Louis RE’s obligations under the Lumière Loan in consideration of the acquisition of the Replacement Property and the obligations of Tropicana St. Louis RE and the Company under the Lumière Loan will be deemed to have been satisfied, (iii) the Lumière Real Property will be released from the lien placed on it in connection with the Lumière Loan (if such lien has not yet been released in accordance with the terms of the Lumière Loan) and (iv) in the event the value of the Replacement Property is greater than the outstanding obligations of Tropicana St. Louis RE under the Lumière Loan, GLPI will pay Tropicana St. Louis RE the difference between the value of the Replacement Property and the amount of outstanding obligations under the Lumière Loan. If such Replacement Property transaction is not consummated prior to the maturity date of the Lumière Loan, other than as a result of certain failures to perform by GLPI, then the amounts outstanding will be paid in full and the rent under the Master Lease will automatically increase, subject to certain escalations.

Debt Covenant Compliance

As of December 31, 2018, we were in compliance with all of the covenants under the 7% Senior Notes due 2023, 6% Senior Notes due 2025, 6% Senior Notes due 2026, the Credit Facility, the Lumière Loan and the Master Lease.

Other Long-Term Liabilities

In conjunction with the Isle Acquisition, the Company acquired the existing lease and management agreements at its Nemacolin location. Under the terms of the agreements, Nemacolin Woodland Resort (“Resort”) provided land, land improvements and a building for the casino property. The Company was deemed, for accounting purposes only, to be the owner of these assets provided by the Resort during the construction and casino operating periods due to the Company’s continuing involvement. Therefore, the transaction was accounted for using the direct financing method. As of December 31, 2018 and December 31, 2017, the Company recorded property and equipment, net of accumulated depreciation, of \$1.2 million and \$4.2 million, respectively, and a liability of \$2.4 and \$4.5 million, respectively. The decreases in the assets and liability were primarily due to the impairment charges (see Note 5) and the Company’s finalization of its purchase price accounting related to the Isle Acquisition. These assets and liabilities are reported as held for sale at December 31, 2018.

In conjunction with the Isle Acquisition, the Company acquired the existing lease and management agreements at its Bettendorf location. Under the terms of the agreements with the City of Bettendorf, Iowa, the Company leases, manages, and provides financial and operating support for the convention center (Quad-Cities Waterfront Convention Center). The Company was deemed, for accounting purposes only, to be the owner of the convention center due to the Company's continuing involvement. Therefore, the transaction was accounted for using the direct financing method. As of December 31, 2018 and 2017, the Company recorded property and equipment, net of accumulated depreciation, of \$11.7 million and \$11.9 million, respectively, and a liability of \$5.8 million and \$12.5 million, respectively, in other long-term liabilities related to the agreement. The changes in property and equipment and in the liability were primarily due to the Company's finalization of its purchase price accounting related to the Isle Acquisition.

Note 12. Income Taxes

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35% to 21%; (2) eliminating the corporate alternative minimum tax (AMT) and changing how existing AMT credits can be realized; (3) creating a new limitation on deductible interest expense; (4) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017; (5) bonus depreciation that will allow for full expensing of qualified property; and (6) limitations on the deductibility of certain executive compensation.

The SEC staff issued Staff Accounting Bulletin ("SAB") 118, which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

As of the fourth quarter of the year ended December 31, 2018, we have completed our accounting for the effects of the Tax Act.

As of December 31, 2017, in connection with our initial analysis of the impact of the Tax Act, for certain of our net deferred tax liabilities, we recorded a decrease of \$111.9 million, net of the related change in valuation allowance, with a corresponding net adjustment to deferred income tax benefit as a result of the corporate rate reduction. We recorded a provisional benefit for 2017 expenditures based on our intent to fully expense all qualifying expenditures. We have made immaterial adjustments to the provisional amount as of December 31, 2018.

The components of the Company's provision (benefit) for income taxes for the years ended December 31, 2018, 2017 and 2016 are presented below (amounts in thousands).

	2018	2017	2016
Current:			
Federal	\$ 3,813	\$ (3,959)	\$ (12)
State	2,445	380	1,173
Local	304	(627)	739
Total current	<u>6,562</u>	<u>(4,206)</u>	<u>1,900</u>
Deferred:			
Federal	16,561	(104,400)	12,748
State	17,574	(186)	(1,458)
Local	(310)	(7,977)	(89)
Total deferred	<u>33,825</u>	<u>(112,563)</u>	<u>11,201</u>
Income tax (benefit) expense	<u>\$ 40,387</u>	<u>\$ (116,769)</u>	<u>\$ 13,101</u>

The following is a reconciliation of the statutory federal income tax rate to the Company's effective tax rate for the years ended December 31, 2018, 2017 and 2016:

	2018	2017	2016
Federal statutory rate	21.0 %	35.0 %	35.0 %
State and local taxes	3.7 %	2.8 %	4.3 %
State tax rate adjustment	8.9 %	5.7 %	— %
Stock compensation	(1.8)%	0.8 %	(0.9)%
Goodwill impairment	— %	(27.1)%	— %
Transaction expenses	— %	(10.7)%	— %
Tax Cuts and Jobs Act	(1.6)%	264.0 %	— %
Valuation allowance	(0.3)%	(2.3)%	(3.6)%
Tax credits	(1.1)%	3.5 %	(1.8)%
Other	1.0 %	(2.6)%	1.8 %
Effective income tax rate	<u>29.8 %</u>	<u>269.1 %</u>	<u>34.8 %</u>

For the year ended December 31, 2018, the difference between the effective rate and the statutory rate is attributable primarily to state tax rate adjustment and changes in the effective state tax rate associated with the acquisitions of Elgin and Tropicana. The Company continues to provide for a valuation allowance against net federal and state deferred tax assets associated with non-operating land, the sale of which could result in capital losses that can only be offset against capital gains. The Company also continues to provide for a valuation allowance against net state deferred tax assets relating to certain operations in a few states. Management determined it was not more-likely-than-not that the Company will realize these net deferred tax assets.

For the year ended December 31, 2017, the difference between the effective rate and the statutory rate is attributable primarily to the impact of the Tax Act, non-deductible asset impairment charges and non-deductible transaction costs incurred and changes in the effective state tax rate associated with the acquisition of Isle.

For the year ended December 31, 2016, the difference between the effective rate and the statutory rate is attributable primarily to the release of a majority of the state valuation allowances on the Company's West Virginia deferred tax assets and excess tax benefits on stock compensation under Accounting Standards Update 2016-09, Compensation – Stock Compensation, which the Company adopted effective the first quarter of 2016.

A valuation allowance is recognized if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax asset will not be realized. Management must analyze all available positive and negative evidence regarding realization of the deferred tax assets and make an assessment of the likelihood of sufficient future taxable income. For the years ended December 31, 2018, 2017 and 2016, the Company released valuation allowances of \$0.5 million, \$5.2 million and \$1.4 million, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred taxes related to continuing operations at December 31, 2018 and 2017 are as follows (amounts in thousands):

	2018	2017
Deferred tax assets:		
Loss carryforwards	\$ 31,880	\$ 58,245
Accrued expenses	19,306	10,806
Credit carryforwards	8,986	19,838
Financing obligation to GLPI	126,368	—
Other	9,623	11,336
	<u>196,163</u>	<u>100,225</u>
Deferred tax liabilities:		
Identified intangibles	(214,756)	(203,015)
Fixed assets	(149,491)	(28,375)
Other	(6,560)	(5,531)
	<u>(370,807)</u>	<u>(236,921)</u>
Valuation allowance	(25,366)	(26,271)
Net deferred tax liabilities	<u>\$ (200,010)</u>	<u>\$ (162,967)</u>

As of December 31, 2018, the Company had federal and state net operating loss carryforwards of \$40.7 million and \$361.2 million, respectively. State net operating losses began to expire in 2018 and federal net operating losses begin to expire in 2030. As of December 31, 2018, the Company had federal jobs credit carryforwards of \$9.0 million, which begin to expire in 2024.

The acquisitions of Elgin and Tropicana were treated as asset acquisitions for tax purposes and the assets and liabilities were stepped up to fair value. As a result, there are no deferred tax assets or liabilities recorded upon acquisition.

Utilization of net operating loss, credit, and other carryforwards are subject to annual limitations due to ownership changes as provided by the Internal Revenue Code of 1986, as amended and similar state provisions. An ownership change is defined as a greater than 50% change in ownership by 5% stockholders in any three-year period. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, the Company had a "change in ownership" event that limits the utilization of net operating loss, credit, and other carryforwards that were previously available to Isle and the Company to offset future taxable income. The "change in ownership" event for Isle and the Company occurred on May 1, 2017 in connection with the merger with Isle of Capri. This limitation resulted in no significant loss of federal attributes, but did result in significant loss of state attributes. The federal and state net operating loss credit and other carryforwards are stated net of limitations.

As of December 31, 2018, there were no unrecognized tax benefits and the Company does not expect a significant increase or decrease to the total amounts of unrecognized tax benefits within the next twelve months. We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense.

The Company was notified by the Internal Revenue Service in October of 2016 that its federal tax return for the year ended December 31, 2014 had been selected for examination. In September 2017, the IRS informed the Company that they completed the examination of the tax return and made no changes. However, the Company may be subject to audit in the future and the outcome of tax audits cannot be predicted with certainty.

The Company and its subsidiaries file US federal income tax returns and various state and local income tax returns. The Company does not have tax sharing agreements with the other members within the consolidated ERI group. With few exceptions, the Company is no longer subject to US federal or state and local tax examinations by tax authorities for years before 2012.

Note 13. Employee Benefit Plans

401(k) Plans

The Company offers several 401(k) plans to substantially all employees who are not covered by collective bargaining agreements, who meet certain eligibility requirements, namely terms of service. Employer match policies vary between the plans.

The Company's matching contributions totaled \$2.4 million, \$2.6 million and \$1.5 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Mountaineer's qualified defined contribution plan (established by West Virginia legislation) covers substantially all of its employees. Contributions to the plan are based on 1/4% of the race track and simulcast wagering handles and approximately 1% of the net win from gaming operations until the racetrack reaches its Excess Net Terminal Income threshold, which for Mountaineer is approximately \$160 million per year based on the state's June 30 fiscal year. Contributions to the ERI 401(k) Plan for the benefit of Mountaineer employees were \$1.1 million, \$1.1 million and \$1.2 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Defined Benefit-Plan

Scioto Downs sponsors a noncontributory defined-benefit plan covering all full-time employees meeting certain age and service requirements. On May 31, 2001, the plan was amended to freeze eligibility, accrual of years of service and benefits. As of December 31, 2018, the fair value of the plan assets was \$1.0 million, and the fair value of the benefit obligations was \$0.7 million, resulting in an over-funded status of \$0.3 million. The plan assets are comprised primarily of money market and mutual funds whose values are determined based on quoted market prices and are classified in Level 1 of the fair value hierarchy. We did not make cash contributions to the Scioto Downs pension plan during 2018, 2017 and 2016.

Trop AC Employees Variable Annuity Pension Plan

In connection with the collective bargaining agreement and related settlement agreement (the "Settlement Agreement") that was executed in May 2014 between Trop AC and UNITE HERE Local 54 ("Local 54"), the parties agreed that Trop AC would establish a Variable Annuity Pension Plan ("VAPP"), a defined benefit pension plan, for certain Trop AC Local 54 employees.

Contributions to the VAPP through the end of the current collective bargaining agreement of February 29, 2020, will be calculated at \$1.93 per straight time hour paid to employees covered by the agreement.

The components of net periodic benefit costs for the period beginning with the Tropicana Acquisition date of October 1, 2018 through December 31, 2018 related to the VAPP consists of the following (in thousands):

Service costs	\$	808
Interest costs		150
Expected return on plan assets		(178)
Amortization of net (gain) loss		—
Net periodic benefit cost	\$	<u>780</u>

Net periodic benefit costs are reported in the various operation departments in the Consolidated Statements of Income.

The change in the projected benefit obligation, change in plan assets and funded status for the period beginning with the Tropicana Acquisition date of October 1, 2018 through December 31, 2018 is as follows (in thousands):

Change in benefit obligations:	
Projected benefit obligation beginning of period	\$ 12,024
Service and interest cost during period	958
Benefit payments during period	—
Expenses during period	(29)
Actuarial gain	(303)
Projected benefit obligation end of period	<u>\$ 12,650</u>
Change in plan assets:	
Fair value of plan assets at beginning of period	\$ 14,283
Return on plan assets during period	76
Benefit payments during period	—
Expenses during period	(29)
Employer contributions	—
Fair value of plan assets at end of period	<u>\$ 14,330</u>
Funded status at end of period	<u>\$ 1,680</u>

As of December 31, 2018, the VAPP was in an overfunded status in the amount of \$1.7 million, which is included in other assets, net on the Consolidated Balance Sheet. Actuarial assumptions used to determine the benefit obligations for the VAPP include an expected rate of return on assets of 5%, discount rate of 5.0% pre-retirement and a discount rate of 3.0% post-retirement, which, as defined in the Settlement Agreement, will result in no adjustments to the plan benefit.

The plan assets are comprised primarily of money market and mutual funds whose value is determined based on quoted market prices and are classified as Level 1 within the fair value hierarchy.

Future estimated expected benefit payments for 2019 through 2028 are as follows (in thousands):

	Expected Benefit Payments
2019	\$ 125
2020	172
2021	236
2022	346
2023	446
2024 through 2028	3,879
	<u>\$ 5,204</u>

Trop AC's net periodic pension cost for the year ended December 31, 2019 is expected to be approximately \$3.1 million.

Note 14. Stock-Based Compensation and Stockholder's Equity

Stock-Based Awards

The Board of Directors ("BOD") adopted the Eldorado Resorts, Inc. 2015 Equity Incentive Plan ("2015 Plan") on January 23, 2015 and our stockholders subsequently approved the adoption of the 2015 Plan on June 23, 2015. The Plan permits the granting of stock options, including incentive stock options ("ERI Stock Options"), stock appreciation rights, restricted stock or restricted stock units ("RSUs"), performance awards, and other stock-based awards and dividend equivalents. ERI Stock Options primarily vest ratably over three years and RSUs granted to employees and executive officers primarily vest and become non-forfeitable upon the third anniversary of the date of grant. RSUs granted to non-employee directors vest immediately and are delivered upon the date that is the earlier of termination of service on the BOD or the consummation of a change of control of the Company. The performance awards relate to the achievement of defined levels of performance and are generally measured over a one or two-year performance period depending upon the award agreement. If the performance award levels are achieved, the awards earned will vest and become payable at the end of the vesting period, defined as either a one or two calendar year period following the performance period. Payout ranges are from 0% up to 200% of the award target.

The outstanding equity awards of Isle were converted into comparable equity awards of ERI stock upon consummation of the merger in May 2017.

A summary of the RSU activity, including performance awards and converted Isle awards, for the years ended December 31, 2016, 2017 and 2018 is as follows:

	Units	Weighted-Average Grant Date Fair Value (in millions)	Weighted-Average Remaining Contractual Life	Aggregate Fair Value (in millions)
Unvested outstanding as of January 1, 2016	827,383	\$ 4.09	2.12	\$ 3.40
Granted (1)	410,694	10.81		
Vested	(255,707)	5.83		
Unvested outstanding as of December 31, 2016	982,370	\$ 6.45	1.41	6.33
Granted (1)	600,206	20.91		
Exchanged	860,557	18.94		
Forfeited	(11,870)	15.74		
Vested	(851,764)	18.37		
Unvested outstanding as of December 31, 2017	1,579,499	\$ 12.25	0.92	19.35
Granted (1)	574,753	33.91		
Vested	(860,995)	9.79		
Canceled	(9,885)	19.13		
Unvested outstanding as of December 31, 2018	1,283,372	\$ 23.93	1.41	\$ 30.71

(1) Included are 32,284, 46,282, and 34,920 RSUs granted to non-employee members of the BOD during the year ended December 31, 2018, 2017 and 2016, respectively.

As of December 31, 2018 and 2017, the Company had \$18.0 million and \$11.1 million, respectively, of unrecognized compensation expense. The RSUs are expected to be recognized over a weighted-average period of 1.41 years and 0.92 years, respectively.

The Company accounts for stock-based compensation in accordance with ASC 718, Compensation—Stock Compensation. Total stock-based compensation expense in the accompanying consolidated statements of income was \$13.1 million, \$6.3 million and \$3.3 million during the years ended December 31, 2018, 2017 and 2016, respectively. These amounts are included in corporate expenses and, in the case of certain property positions, general and administrative expenses in the Company's Consolidated Statements of Income. We recognized a reduction in income tax expense of \$4.8 million, \$1.0 million and \$0.8 million for the year ended December 31, 2018, 2017 and 2016, respectively, for excess tax benefits related to stock-based compensation.

A summary of the ERI Stock Option activity for the years ended December 31, 2016, 2017 and 2018:

	Options	Weighted-Average Exercise Price
Outstanding as of January 1, 2016 (1)	312,200	\$ 6.94
Expired	(10,000)	11.30
Exercised	(132,900)	2.89
Outstanding as of December 31, 2016 (1)	169,300	9.94
Exchanged	1,351,168	10.12
Expired	(62,871)	4.63
Exercised	(1,185,745)	10.45
Outstanding as of December 31, 2017 (1)	271,852	9.63
Expired	(15,776)	10.89
Exercised	(120,120)	9.09
Outstanding as of December 31, 2018 (1)	135,956	\$ 9.96

- (1) 119,505 and 228,143 options were exercisable as of December 31, 2018 and 2017, respectively. All outstanding options as of December 31, 2016 and January 1, 2016 were exercisable.

Cash received from the exercise of stock options was \$0.2 million and \$2.9 million for the years ended December 31, 2018 and 2017, respectively.

A summary of the ERI Restricted Stock Awards activity for the years ended December 31, 2016, 2017 and 2018 is as follows:

	Restricted Stock	Weighted-Average Grant Date Fair Value
Outstanding as of December 31, 2016	—	\$ —
Exchanged (1)	180,374	19.23
Forfeited	(1,602)	19.13
Vested	(167,963)	19.24
Outstanding as of December 31, 2017	10,809	19.13
Vested	(10,809)	19.13
Outstanding as of December 31, 2018	—	\$ —

- (1) Represents exchanged Isle Restricted Stock Awards as a result of the Isle Acquisition.

Share Repurchase Program

In November 2018 the BOD authorized a \$150 million common stock repurchase program (the "Share Repurchase Program") pursuant to which the Company may, from time to time, repurchase shares of common stock on the open market (either with or without a 10b5-1 plan) or through privately negotiated transactions. The Share Repurchase Program has no time limit and may be suspended or discontinued at any time without notice. There is no minimum number of shares of common stock that the Company is required to repurchase under the Share Repurchase Program.

The Company acquired 223,823 shares of common stock at an aggregate value of \$9.1 million and an average of \$40.80 per share during the year ended December 31, 2018.

Note 15. Earnings per Share

The following table illustrates the required disclosure of the reconciliation of the numerators and denominators of the basic and diluted net income per share computations during the years ended December 31, 2018, 2017 and 2016 (dollars in thousands, except per share amounts):

	2018	2017	2016
Net income available to common stockholders	\$ 95,235	\$ 73,380	\$ 24,527
Shares outstanding:			
Weighted average shares outstanding – basic	77,458,902	67,133,531	47,033,311
Effect of dilutive securities:			
Stock options	119,418	98,294	96,515
RSUs	703,781	870,989	571,736
Weighted average shares outstanding – diluted	78,282,101	68,102,814	47,701,562
Net income per common share attributable to common stockholders – basic:	\$ 1.23	\$ 1.09	\$ 0.52
Net income per common share attributable to common stockholders – diluted:	\$ 1.22	\$ 1.08	\$ 0.51

Note 16. Fair Value Measurements

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Accordingly, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, there is a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair values as follows:

- *Level 1 Inputs:* Quoted market prices in active markets for identical assets or liabilities.
- *Level 2 Inputs:* Observable market-based inputs or unobservable inputs that are corroborated by market data.
- *Level 3 Inputs:* Unobservable inputs that are not corroborated by market data. Level 3 assets include financial instruments whose value is determined using pricing models relying on stock volatility of 44% and risk free rate of 2.7%.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practical to estimate fair value:

Cash and Cash Equivalents: Cash equivalents include cash held in money market funds and investments that can be redeemed immediately at the current net asset value per share. A money market fund is a mutual fund whose investments are primarily in short-term debt securities designed to maximize current income with liquidity and capital preservation, usually maintaining per share net asset value at a constant amount, such as one dollar. Cash and cash equivalents also include cash maintained for gaming operations. The carrying amounts approximate the fair value because of the short maturity of those instruments (Level 1).

Restricted Cash and Investments: The estimated fair values of our restricted cash and investments are based upon quoted prices available in active markets (Level 1), or quoted prices for similar assets in active and inactive markets (Level 2), or quoted prices available in active markets adjusted for time restrictions related to the sale of the investment (Level 3) and represent the amounts we would expect to receive if we sold our restricted cash and investments.

Restricted Investment: In November 2018, we entered into a 20-year agreement with The Stars Group Inc. (“TSG”) pursuant to which we agreed to provide TSG with options to obtain access to our second skin for online sports wagering and third skin for real money online gaming and poker, in each case with respect to our properties in the United States. Under the terms of the agreement, we will receive a revenue share from the operation of the applicable verticals by TSG under our licenses. Pursuant to the terms of the TSG agreement, we received 1.1 million TSG common shares and we may receive an additional \$5.0 million in TSG common shares upon the exercise of the first option by TSG. We may also receive additional TSG common shares in the future based on TSG net gaming revenue generated in our markets. The initial 1.1 million shares are subject to a restriction on transfer and may not be sold until November 2019.

Accounts Receivable and Credit Risk: The allowance is estimated based on specific review of customer accounts as well as historical collection experience and current economic and business conditions. Management believes that no significant concentrations of credit risk related to receivables existed.

Marketable Securities: Marketable securities consist primarily of trading securities held the Company’s captive insurance subsidiary. The estimated fair values of the Company’s marketable securities are determined on an individual asset basis based upon quoted prices of identical assets available in active markets (Level 1), quoted prices of identical assets in inactive markets, or quoted prices for similar assets in active and inactive markets (Level 2), and represent the amounts we would expect to receive if we sold these marketable securities.

Long-term Debt: The fair value of our long-term debt or other long-term obligations is estimated based on the quoted market price of the underlying debt issue (Level 1) or, when a quoted market price is not available, the discounted cash flow of future payments utilizing current rates available to us for the debt of similar remaining maturities (Level 2). Debt obligations with a short remaining maturity have a carrying amount that approximates fair value.

Acquisition-Related Contingent Considerations: Contingent consideration related to the July 2003 acquisition of Scioto Downs represents the estimate of amounts to be paid to former stockholders of Scioto Downs under certain earn-out provisions. Acquisition related contingent considerations of \$0.5 million is included in accrued other liabilities on the Consolidated Balance Sheets as of December 31, 2018 and 2017.

Items Measured at Fair Value on a Recurring Basis: The following table sets forth the assets measured at fair value on a recurring basis, by input level, in the Consolidated Balance Sheets at December 31, 2018:

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted cash and investments	\$ 19,481	\$ 4,467	\$ 16,008	\$ 39,956
Marketable securities	9,515	7,442	—	16,957
	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted cash and investments	\$ 9,055	\$ 4,098	\$ —	\$ 13,153
Marketable securities	7,906	9,725	—	17,631

The change in restricted investments valued using Level 3 inputs for the year ended December 31, 2018 is as follows:

	Level 3 Investment
Value of investment received	\$ 18,595
Unrealized loss in restricted investments	(2,587)
Fair value at December 31, 2018	\$ 16,008

There were no transfers between Level 1, Level 2 and Level 3 investments.

The estimated fair values of the Company's financial instruments are as follows (amounts in thousands):

	December 31, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities:				
7% Senior Notes due 2023	\$ 368,925	\$ 385,312	\$ 367,854	\$ 400,800
6% Senior Notes due 2025	880,086	840,000	880,889	914,375
6% Senior Notes due 2026	580,370	567,000	—	—
Term Loan	938,324	916,088	938,002	956,750
Revolving Credit Facility	245,000	245,000	—	—
Lumière Loan	246,000	246,000	—	—
Other long-term debt	2,440	2,440	2,531	2,531
Capital leases	590	590	917	917

Note 17. Commitments and Contingencies

Capital Leases. The Company leases certain equipment under agreements classified as capital leases. The future minimum lease payments, including interest, at December 31, 2018 were \$0.5 million, \$0.1 million, \$0.1 million and \$0.1 million in 2019, 2020, 2021 and 2022, respectively. After reducing these amounts for interest of \$0.1 million, the present value of the minimum lease payments at December 31, 2018 was \$0.5 million.

Operating Leases. The Company leases land and certain equipment, including some of our slot machines, timing and photo finish equipment, videotape and closed-circuit television equipment, and certain pari-mutuel equipment, under operating leases. Future minimum payments under non-cancellable operating leases with initial terms of one year or more consisted of the following at December 31, 2018 (in thousands):

	Leases
2019	\$ 23,250
2020	20,172
2021	18,605
2022	17,467
2023	17,362
Thereafter	178,247
	<u>\$ 275,103</u>

Total rental expense under operating leases totaled \$42.9 million, \$28.2 million and \$17.0 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Litigation. The Company is a party to various legal and administrative proceedings, which have arisen in the normal course of its business. Estimated losses are accrued for these proceedings when the loss is probable and can be estimated. The current liability for the estimated losses associated with these proceedings is not material to the Company's consolidated financial condition and those estimated losses are not expected to have a material impact on its 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 consolidated financial condition or results of operations. Further, no assurance can be given that the amount of scope of existing insurance coverage will be sufficient to cover losses arising from such matter.

Collective Bargaining Agreements. As of December 31, 2018, we had approximately 18,700 employees and 21 collective bargaining agreements covering approximately 3,400 employees. Two collective bargaining agreements are scheduled to expire in 2019, and we are currently renegotiating three that expired in 2018. There can be no assurance that we will be able to extend or enter into replacement agreements. If we are able to extend or enter into replacement agreements, there can be no assurance as to whether the terms will on comparable terms to the existing agreements.

Agreements with Horsemen and Pari-mutuel Clerks. The Federal Interstate Horse Racing Act and the state racing laws in West Virginia, Ohio and Pennsylvania require that, in order to simulcast races, we have written agreements with the horse owners and trainers at those racetracks. In addition, in order to operate slot machines in West Virginia, we are required to enter into written agreements regarding the proceeds of the slot machines (a "proceeds agreement") with a representative of a majority of the horse owners and trainers and with a representative of a majority of the pari-mutuel clerks. We are required to have a proceeds agreement in effect on July 1 of each year with the horsemen and the pari-mutuel clerks as a condition to renewal of our video lottery license for such year. If the requisite proceeds agreement is not in place as of July 1 of a particular year, Mountaineer's application for renewal of its video lottery license could be denied, in which case Mountaineer would not be permitted to operate either its slot machines or table games. In Pennsylvania and Ohio, we must have an agreement with the representative of the horse owners. We have all the requisite agreements in place referenced in this sub section at Mountaineer, Scioto Downs and Presque Isle Downs. Certain agreements referenced above may be terminated upon written notice by either party.

Note 18. Related Parties

REI

As of December 31, 2018, REI owned approximately 14.4% of outstanding common stock of the Company. The directors of REI are Company's Executive Chairman of the Board, Gary L. Carano, its Chief Executive Officer and Board member, Thomas R. Reeg, and its former Senior Vice President of Regional Operations, Gene Carano. In addition, Gary L. Carano also serves as the Vice President of REI and Gene Carano also serves as the Secretary and Treasurer of REI. Members of the Carano Family, including Gary L. Carano and Gene Carano, own the equity interests in REI. As such, the Carano Family has the ability to significantly influence the affairs of the Company. Donald L. Carano, who was formerly the president and a director of REI, received remuneration in the amount of, \$0.3 million and \$0.4 million in 2017 and 2016, respectively, for his service to ERI and its subsidiaries. For each of the years ended December 31, 2018, 2017 and 2016, there were no related party transactions between the Company and the Carano Family other than compensation, including salary and equity incentives and the CSY Lease listed below.

Hotel Casino Management, Inc.

Prior to November 2017, Hotel Casino Management, Inc., which is beneficially owned by members of the Poncia family, including Raymond J. Poncia, owned more than 5% of the outstanding common stock of the Company. Raymond J. Poncia received remuneration in the amount of \$0.2 million in each of 2018, 2017 and 2016 for services that he provided to ERI and its subsidiaries.

C. S. & Y. Associates

The Company owns the entire parcel on which Eldorado Reno is located, except for approximately 30,000 square feet which is leased from C. S. & Y. Associates which is an entity partially owned by REI (the "CSY Lease"). The CSY Lease expires on June 30, 2057. Rent pursuant to the CSY Lease amounted to \$0.6 million in each of the years ended December 31, 2018, 2017 and 2016. As of December 31, 2018 and 2017 there were no amounts due to or from C.S. & Y. Associates.

Note 19. Segment Information

The following table sets forth, for the period indicated, certain operating data for our reportable segments. The executive decision maker of our Company reviews operating results, assesses performance and makes decisions on a "significant market" basis. Management views each of our casinos as an operating segment. Operating segments are aggregated based on their similar economic characteristics, types of customers, types of services and products provided, and their management and reporting structure. Prior to our acquisition of Isle, our principal operating activities occurred in three geographic regions: Nevada, Louisiana and parts of the eastern United States. Following the Isle Acquisition, the Company's principal operating activities occurred in four geographic regions and reportable segments: West, Midwest, South and East. Following the Tropicana Acquisition and Elgin Acquisition, and additional segment, Central, was added increasing our reportable segments to five.

The following table summarizes our current segments and dates at which each property was aggregated into the segment:

Segment	Property	Date Acquired	State
West	Eldorado Reno	(a)	Nevada
	Silver Legacy	(a)	Nevada
	Circus Reno	(a)	Nevada
	MontBleu	October 1, 2018	Nevada
	Laughlin	October 1, 2018	Nevada
	Isle Black Hawk	May 1, 2017	Colorado
	Lady Luck Black Hawk	May 1, 2017	Colorado
Midwest	Waterloo	May 1, 2017	Iowa
	Bettendorf	May 1, 2017	Iowa
	Boonville	May 1, 2017	Missouri
	Cape Girardeau	May 1, 2017	Missouri
	Caruthersville	May 1, 2017	Missouri
	Kansas City	May 1, 2017	Missouri
South	Pompano	May 1, 2017	Florida
	Eldorado Shreveport	(a)	Louisiana
	Lake Charles	May 1, 2017	Louisiana
	Baton Rouge	October 1, 2018	Louisiana
	Lula	May 1, 2017	Mississippi
	Vicksburg Greenville	May 1, 2017 October 1, 2018	Mississippi Mississippi
East	Presque Isle Downs	(a)	Pennsylvania
	Nemacolin	May 1, 2017	Pennsylvania
	Scioto Downs	(a)	Ohio
	Mountaineer	(a)	West Virginia
	Trop AC	October 1, 2018	New Jersey
Central	Elgin	August 7, 2018	Illinois
	Lumière	October 1, 2018	Missouri
	Evansville	October 1, 2018	Indiana

(a) Property was aggregated into segment prior to January 1, 2016.

	For the Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
Capital Expenditures, Net			
West	\$ 75,297	\$ 44,952	\$ 22,812
Midwest	18,889	9,115	—
South	18,149	7,672	5,842
East	19,334	9,794	14,284
Central	3,868	—	—
Corporate	11,878	11,628	235
Total	\$ 147,415	\$ 83,161	\$ 43,173

	Year ended Ended December 31,		
	2018	2017	2016
	(in thousands)		
Revenues and expenses			
<i>West:</i>			
Net operating revenues	\$ 483,532	\$ 410,319	\$ 327,541
Depreciation and amortization	40,131	26,950	20,221
Operating income	84,548	66,108	41,451
<i>Midwest:</i>			
Net operating revenues	397,008	268,879	—
Depreciation and amortization	33,083	20,997	—
Operating income	105,809	62,071	—
<i>South:</i>			
Net operating revenues	461,181	338,259	133,557
Depreciation and amortization	37,357	25,307	7,861
Operating income	64,851	3,680	23,378
<i>East:</i>			
Net operating revenues	571,272	462,835	439,367
Depreciation and amortization	27,913	30,517	34,887
Operating income	97,963	68,101	53,361
<i>Central:</i>			
Net operating revenues	142,485	—	—
Depreciation and amortization	13,583	—	—
Operating income	24,240	—	—
<i>Corporate:</i>			
Net operating revenues	529	506	—
Depreciation and amortization	5,362	2,120	480
Operating loss	(67,308)	(105,150)	(29,490)
Total Reportable Segments			
Net operating revenues	<u>\$ 2,056,007</u>	<u>\$ 1,480,798</u>	<u>\$ 900,465</u>
Depreciation and amortization	<u>157,429</u>	<u>105,891</u>	<u>63,449</u>
Operating income	<u>\$ 310,103</u>	<u>\$ 94,810</u>	<u>\$ 88,700</u>
Reconciliations to consolidated net income:			
Operating income	\$ 310,103	\$ 94,810	\$ 88,700
Unallocated income and expenses:			
Interest expense, net	(171,732)	(99,769)	(50,917)
Loss on early retirement of debt, net	(162)	(38,430)	(155)
Unrealized loss on restricted investment	(2,587)	—	—
(Provision) benefit for income taxes	(40,387)	116,769	(13,101)
Net income	<u>\$ 95,235</u>	<u>\$ 73,380</u>	<u>\$ 24,527</u>

	West	Midwest	South	East	Central	Corporate, Other & Eliminations	Total
	(in thousands)						
Balance sheet as of December 31, 2018							
Total assets	\$ 1,710,375	\$ 1,245,521	\$ 1,068,258	\$ 2,166,730	\$ 1,457,961	\$ (1,737,383)	\$ 5,911,462
Balance sheet as of December 31, 2017							
Total assets	\$ 1,278,062	\$ 1,188,758	\$ 804,318	\$ 1,185,806	\$ —	\$ (910,472)	\$ 3,546,472

	Balance at January 1, 2018	Acquisitions	Impairments	Finalization of Isle Purchase Price Accounting	Assets Held for Sale	Balance at December 31, 2018
(in thousands)						
Goodwill by reportable segment:						
West	\$ 152,775	\$ 68,100	\$ —	(14)	—	\$ 220,861
Midwest	327,088	—	—	(4,343)	—	322,745
South	200,417	24,300	(9,815)	(1,752)	—	213,150
East	66,826	113,782	—	—	(3,122)	177,486
Central	—	74,074	—	—	—	74,074
Total Goodwill	\$ 747,106	\$ 280,256	\$ (9,815)	\$ (6,109)	\$ (3,122)	\$ 1,008,316

	Balance at January 1, 2017	Acquisitions	Impairments	Finalization of Isle Purchase Price Accounting	Assets Held for Sale	Balance at December 31, 2017
(in thousands)						
Goodwill by reportable segment:						
West	\$ —	\$ 152,775	\$ —	—	—	\$ 152,775
Midwest	—	327,088	—	—	—	327,088
South	—	235,333	(34,916)	—	—	200,417
East	66,826	—	—	—	—	66,826
Central	—	—	—	—	—	—
	\$ 66,826	\$ 715,196	\$ (34,916)	\$ —	\$ —	\$ 747,106

Note 20. Consolidating Condensed Financial Information

Certain of our wholly-owned subsidiaries have fully and unconditionally guaranteed on a joint and several basis, the payment of all obligations under our 7% Senior Notes due 2023, 6% Senior Notes due 2025, 6% Senior Notes due 2026 and Credit Facility.

The following wholly-owned subsidiaries of the Company are guarantors, on a joint and several basis, under the 7% Senior Notes due 2023, 6% Senior Notes due 2025, 6% Senior Notes due 2026 and Credit Facility: Isle of Capri Casinos LLC; Eldorado Holdco LLC; Eldorado Resorts LLC; Eldorado Shreveport 1 LLC; Eldorado Shreveport 2 LLC; Eldorado Casino Shreveport Joint Venture; MTR Gaming Group Inc.; Mountaineer Park Inc.; Presque Isle Downs Inc.; Scioto Downs Inc.; Eldorado Limited Liability Company; Circus and Eldorado Joint Venture, LLC; CC Reno LLC; CCR Newco LLC; Black Hawk Holdings, L.L.C.; IC Holdings Colorado, Inc.; CCSC/Blackhawk, Inc.; IOC-Black Hawk Distribution Company, LLC; IOC-Black Hawk County, Inc.; Isle of Capri Bettendorf, L.C.; PPI, Inc.; Pompano Park Holdings LLC; IOC-Lula, Inc.; IOC-Kansas City, Inc.; IOC-Boonville, Inc.; IOC-Caruthersville, LLC; IOC Cape Girardeau, LLC; IOC-Vicksburg, Inc.; IOC-Vicksburg, L.L.C.; Rainbow Casino-Vicksburg Partnership, L.P.; IOC Holdings L.L.C.; St. Charles Gaming Company, L.L.C Elgin Holdings I LLC; Elgin Holdings II LLC, PPI Development Holdings LLC; PPI Development LLC; Tropicana Entertainment, Inc.; New Tropicana Holdings, Inc.; New Tropicana OpCo, Inc.; TLH LLC; TropWorld Games LLC; TEI R7 Investment LLC; TEI Management Services LLC; Tropicana St. Louis LLC; TEI (St. Louis) RE, LLC; TEI (STLH), LLC; TEI (ES), LLC; Aztar Riverboat Holding Company, LLC; Aztar Indiana Gaming Company, LLC; New Jazz Enterprises, LLC; Catfish Queen Partnership in Commendam; Centroplex Centre Convention Hotel LLC; Columbia Properties Tahoe, LLC; MB Development, LLC; Lighthouse Point, LLC and Tropicana Laughlin, LLC. Each of the subsidiaries' guarantees is joint and several with the guarantees of the other subsidiaries.

The consolidating condensed balance sheet as of December 31, 2018 is as follows:

Balance Sheet	Eldorado Resorts, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (in thousands)	Consolidating and Eliminating Entries	Eldorado Resorts, Inc. Consolidated
Current assets	\$ 48,268	\$ 497,309	\$ 27,619	\$ —	\$ 573,196
Intercompany receivables	—	11,885	23,988	(35,873)	—
Investments in subsidiaries	3,648,961	—	—	(3,648,961)	—
Property and equipment, net	18,555	2,859,271	4,780	—	2,882,606
Other assets	35,072	2,425,699	26,674	(31,785)	2,455,660
Total assets	\$ 3,750,856	\$ 5,794,164	\$ 83,061	\$ (3,716,619)	\$ 5,911,462
Current liabilities	\$ 48,579	\$ 328,319	\$ 25,279	\$ —	\$ 402,177
Intercompany payables	10,873	—	25,000	(35,873)	—
Long-term financing obligation to GLPI	—	959,835	—	—	959,835
Long-term debt, less current maturities	2,640,046	621,193	34	—	3,261,273
Deferred income tax liabilities	—	231,795	—	(31,785)	200,010
Other accrued liabilities	22,206	36,808	—	—	59,014
Stockholders' equity	1,029,152	3,616,214	32,748	(3,648,961)	1,029,153
Total liabilities and stockholders' equity	\$ 3,750,856	\$ 5,794,164	\$ 83,061	\$ (3,716,619)	\$ 5,911,462

The consolidating condensed balance sheet as of December 31, 2017 is as follows:

Balance Sheet	Eldorado Resorts, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (in thousands)	Consolidating and Eliminating Entries	Eldorado Resorts, Inc. Consolidated
Current assets	\$ 27,572	\$ 201,321	\$ 22,139	\$ —	\$ 251,032
Intercompany receivables	274,148	—	34,492	(308,640)	—
Investments in subsidiaries	2,437,287	—	—	(2,437,287)	—
Property and equipment, net	12,042	1,483,473	7,302	—	1,502,817
Other assets	37,458	1,764,291	27,283	(36,409)	1,792,623
Total assets	\$ 2,788,507	\$ 3,449,085	\$ 91,216	\$ (2,782,336)	\$ 3,546,472
Current liabilities	\$ 28,677	\$ 169,348	\$ 25,726	\$ —	\$ 223,751
Intercompany payables	—	283,640	25,000	(308,640)	—
Long-term debt, less current maturities	1,814,185	375,000	393	—	2,189,578
Deferred income tax liabilities	—	199,376	—	(36,409)	162,967
Other accrued liabilities	4,127	19,624	4,828	—	28,579
Stockholders' equity	941,518	2,402,097	35,269	(2,437,287)	941,597
Total liabilities and stockholders' equity	\$ 2,788,507	\$ 3,449,085	\$ 91,216	\$ (2,782,336)	\$ 3,546,472

The consolidating condensed statements of income for the year ended December 31, 2018 is as follows:

Statements of Income:

	Eldorado Resorts, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (in thousands)	Consolidating and Eliminating Entries	Eldorado Resorts, Inc. Consolidated
Revenues:					
Gaming and pari-mutuel commissions	\$ —	\$ 1,522,572	\$ 30,819	\$ —	\$ 1,553,391
Non-gaming	11	492,679	9,926	—	502,616
Net revenues	11	2,015,251	40,745	—	2,056,007
Operating expenses:					
Gaming and pari-mutuel commissions	—	728,709	20,580	—	749,289
Non-gaming	—	303,706	2,597	—	306,303
Marketing and promotions	—	104,402	1,759	—	106,161
General and administrative	—	342,185	7,413	—	349,598
Corporate	42,466	2,405	1,761	—	46,632
Impairment charges	—	9,815	3,787	—	13,602
Management fee	(25,340)	25,340	—	—	—
Depreciation and amortization	3,655	153,396	378	—	157,429
Total operating expenses	20,781	1,669,958	38,275	—	1,729,014
Loss on sale of asset or disposal of property and equipment					
	—	(828)	(7)	—	(835)
Proceeds from terminated sale	5,000	—	—	—	5,000
Transaction expenses	(11,369)	(9,473)	—	—	(20,842)
Equity in loss of unconsolidated affiliate	—	(213)	—	—	(213)
Operating (loss) income	(27,139)	334,779	2,463	—	310,103
Interest expense, net	(115,745)	(54,226)	(1,761)	—	(171,732)
Loss on early retirement of debt, net	(162)	—	—	—	(162)
Unrealized loss	(2,587)	—	—	—	(2,587)
Subsidiary income (loss)	201,353	—	—	(201,353)	—
Income (loss) before income taxes	55,720	280,553	702	(201,353)	135,622
Income tax benefit (provision)	39,515	(80,474)	572	—	(40,387)
Net income (loss)	\$ 95,235	\$ 200,079	\$ 1,274	\$ (201,353)	\$ 95,235

The consolidating condensed statements of income for the year ended December 31, 2017 is as follows:

Statements of Income:

	Eldorado Resorts, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Eldorado Resorts, Inc. Consolidated
	(in thousands)				
Revenues:					
Gaming and pari-mutuel commissions	\$ —	\$ 1,076,957	\$ 22,070	\$ —	\$ 1,099,027
Non-gaming	—	374,246	7,525	—	381,771
Net revenues	—	1,451,203	29,595	—	1,480,798
Operating expenses:					
Gaming and pari-mutuel commissions	—	546,207	14,882	—	561,089
Non-gaming	—	250,160	2,419	—	252,579
Marketing and promotions	—	80,893	2,281	—	83,174
General and administrative	—	235,905	5,132	—	241,037
Corporate	31,620	(4,318)	3,437	—	30,739
Impairment charges	—	38,016	—	—	38,016
Management fee	(31,620)	31,620	—	—	—
Depreciation and amortization	1,030	104,454	407	—	105,891
Total operating expenses	1,030	1,282,937	28,558	—	1,312,525
Loss on sale of asset or disposal of property and equipment	(20)	(299)	—	—	(319)
Proceeds from terminated sale	—	20,000	—	—	20,000
Transaction expenses	(70,865)	(21,912)	—	—	(92,777)
Equity in loss of unconsolidated affiliate	—	(367)	—	—	(367)
Operating (loss) income	(71,915)	165,688	1,037	—	94,810
Interest expense, net	(73,448)	(25,221)	(1,100)	—	(99,769)
Loss on early retirement of debt, net	(38,430)	—	—	—	(38,430)
Subsidiary income (loss)	205,251	—	—	(205,251)	—
Income (loss) before income taxes	21,458	140,467	(63)	(205,251)	(43,389)
Income tax benefit (provision)	51,922	69,787	(4,940)	—	116,769
Net income (loss)	\$ 73,380	\$ 210,254	\$ (5,003)	\$ (205,251)	\$ 73,380

The consolidating condensed statements of income for the year ended December 31, 2016 is as follows:

Statements of Income:

	Eldorado Resorts, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Eldorado Resorts, Inc. Consolidated
Revenues:					
Gaming and pari-mutuel commissions	\$ —	\$ 599,750	\$ 265	\$ —	\$ 600,015
Non-gaming	—	300,360	90	—	300,450
Net revenues	—	900,110	355	—	900,465
Operating expenses:					
Gaming and pari-mutuel commissions	—	352,220	—	—	352,220
Non-gaming	—	194,586	—	—	194,586
Marketing and promotions	—	40,886	4	—	40,890
General and administrative	—	130,720	—	—	130,720
Corporate	19,560	320	—	—	19,880
Management fee	(19,841)	19,841	—	—	—
Depreciation and amortization	454	62,995	—	—	63,449
Total operating expenses	173	801,568	4	—	801,745
Loss on sale of asset or disposal of property and equipment	—	(836)	—	—	(836)
Transaction expenses	(9,184)	—	—	—	(9,184)
Operating (loss) income	(9,357)	97,706	351	—	88,700
Interest expense, net	(24,562)	(26,355)	—	—	(50,917)
Loss on early retirement of debt, net	(155)	—	—	—	(155)
Subsidiary income (loss)	45,372	—	—	(45,372)	—
Income (loss) before income taxes	11,298	71,351	351	(45,372)	37,628
Income tax benefit	13,229	(26,207)	(123)	—	(13,101)
Net income (loss)	<u>\$ 24,527</u>	<u>\$ 45,144</u>	<u>\$ 228</u>	<u>\$ (45,372)</u>	<u>\$ 24,527</u>

The consolidating condensed statement of cash flows for the year ended December 31, 2018 is as follows:

Statement of Cash Flows

	<u>Eldorado Resorts, Inc. (Parent Obligor)</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries (in thousands)</u>	<u>Consolidating and Eliminating Entries</u>	<u>Eldorado Resorts, Inc. Consolidated</u>
Net cash (used in) provided by operating activities	\$ (65,836)	\$ 387,576	\$ 1,540	\$ —	\$ 323,280
INVESTING ACTIVITIES:					
Purchase of property and equipment, net	(8,467)	(136,102)	(2,846)	—	(147,415)
Purchase of restricted investments	—	—	(8,008)	—	(8,008)
Proceeds from sale of property and equipment	—	1,002	—	—	1,002
Cash (used in) provided by business combinations	(1,010,175)	(103,052)	—	—	(1,113,227)
Investments in and advances to unconsolidated affiliate	—	(581)	—	—	(581)
Net cash used in investing activities	(1,018,642)	(238,733)	(10,854)	—	(1,268,229)
FINANCING ACTIVITIES:					
Proceeds from issuance of long-term debt	600,000	246,000	—	—	846,000
Borrowings under Revolving Credit Facility	315,358	—	—	—	315,358
Payments under Revolving Credit Facility	(70,358)	—	—	—	(70,358)
Net proceeds from (payments to) related parties	285,026	(290,312)	5,286	—	—
Debt issuance costs	(25,758)	—	—	—	(25,758)
Taxes paid related to net share settlement of equity awards	(11,708)	—	—	—	(11,708)
Proceeds from exercise of stock options	154	—	—	—	154
Purchase of treasury stock	(9,131)	—	—	—	(9,131)
Payments on other long-term payables	(92)	(278)	(296)	—	(666)
Net cash provided by (used in) financing activities	1,083,491	(44,590)	4,990	—	1,043,891
Increase in cash, cash equivalents and restricted cash	(987)	104,253	(4,324)	—	98,942
Cash, cash equivalents and restricted cash, beginning of period	13,831	118,419	15,499	—	147,749
Cash, cash equivalents and restricted cash, end of period	<u>\$ 12,844</u>	<u>\$ 222,672</u>	<u>\$ 11,175</u>	<u>\$ —</u>	<u>\$ 246,691</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO AMOUNTS REPORTED WITHIN THE CONDENSED CONSOLIDATED BALANCE SHEETS:					
Cash and cash equivalents	\$ 12,127	\$ 208,697	9,928	\$ —	\$ 230,752
Restricted cash	717	7,920	247	—	8,884
Restricted and escrow cash included in other noncurrent assets	—	6,055	1,000	—	7,055
Total cash, cash equivalents and restricted cash	<u>\$ 12,844</u>	<u>\$ 222,672</u>	<u>\$ 11,175</u>	<u>\$ —</u>	<u>\$ 246,691</u>

The consolidating condensed statement of cash flows for the year ended December 31, 2017 is as follows:

Statement of Cash Flows

	<u>Eldorado Resorts, Inc. (Parent Obligor)</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries (in thousands)</u>	<u>Consolidating and Eliminating Entries</u>	<u>Eldorado Resorts, Inc. Consolidated</u>
Net cash (used in) provided by operating activities	\$ (44,737)	\$ 170,553	\$ 4,070	\$ —	\$ 129,886
INVESTING ACTIVITIES:					
Purchase of property and equipment, net	(11,073)	(70,449)	(1,639)	—	(83,161)
Proceeds from sale of property and equipment	—	135	—	—	135
Net cash (used in) provided by business combinations	(1,355,370)	37,103	5,216	—	(1,313,051)
Investments in and advances to unconsolidated affiliate	—	(604)	—	—	(604)
Net cash used in investing activities	(1,366,443)	(33,815)	3,577	—	(1,396,681)
FINANCING ACTIVITIES:					
Proceeds from issuance of long-term debt	2,325,000	—	—	—	2,325,000
Borrowings under Revolving Credit Facility	207,953	—	—	—	207,953
Payments under long-term debt	(911,875)	—	—	—	(911,875)
Payments under Revolving Credit Facility	(236,953)	—	—	—	(236,953)
Net proceeds from (payments to) related parties	72,011	(79,634)	7,623	—	—
Debt premium proceeds	27,500	—	—	—	27,500
Payments on other long-term payables	(43)	(318)	(172)	—	(533)
Debt issuance costs	(51,526)	—	—	—	(51,526)
Taxes paid related to net share settlement of equity awards	(11,365)	—	—	—	(11,365)
Proceeds from exercise of stock options	2,900	—	—	—	2,900
Net cash provided by (used in) financing activities	1,423,602	(79,952)	7,451	—	1,351,101
Increase in cash, cash equivalents and restricted cash	12,422	56,786	15,098	—	84,306
Cash, cash equivalents and restricted cash, beginning of period	1,409	61,633	401	—	63,443
Cash, cash equivalents and restricted cash, end of period	\$ 13,831	\$ 118,419	\$ 15,499	\$ —	\$ 147,749
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO AMOUNTS REPORTED WITHIN THE CONDENSED CONSOLIDATED BALANCE SHEETS:					
Cash and cash equivalents	\$ 13,202	\$ 114,925	\$ 6,469	\$ —	\$ 134,596
Restricted cash	629	2,495	143	—	3,267
Restricted cash included in other noncurrent assets	—	999	8,887	—	9,886
Total cash, cash equivalents and restricted cash	\$ 13,831	\$ 118,419	\$ 15,499	\$ —	\$ 147,749

The consolidating condensed statement of cash flows for the year ended December 31, 2016 is as follows:

Statement of Cash Flows

	Eldorado Resorts, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Eldorado Resorts, Inc. Consolidated
Net cash (used in) provided by operating activities	\$ (16,337)	\$ 111,608	\$ 101	\$ —	\$ 95,372
INVESTING ACTIVITIES:					
Purchase of property and equipment, net	133	(43,305)	(1)	—	(43,173)
Proceeds from sale of property and equipment	—	1,560	—	—	1,560
Net cash used in business combinations	—	(194)	—	—	(194)
Net cash used in by investing activities	133	(41,939)	(1)	—	(41,807)
FINANCING ACTIVITIES:					
Payments under long-term debt	(4,250)	—	—	—	(4,250)
Borrowings under Revolving Credit Facility	73,000	—	—	—	73,000
Payments under Revolving Credit Facility	(137,500)	—	—	—	(137,500)
Principal payments on capital leases	(4,288)	—	—	—	(4,288)
Net proceeds from (payments to) related parties	90,353	(90,486)	133	—	—
Taxes paid related to net share settlement of equity awards	(744)	—	—	—	(744)
Proceeds from exercise of stock options	385	—	—	—	385
Payments on other long-term payables	—	(274)	—	—	(274)
Net cash provided by (used in) financing activities	16,956	(90,760)	133	—	(73,671)
Increase in cash, cash equivalents and restricted cash	752	(21,091)	233	—	(20,106)
Cash, cash equivalents and restricted cash, beginning of period	657	82,724	168	—	83,549
Cash, cash equivalents and restricted cash, end of period	\$ 1,409	\$ 61,633	\$ 401	\$ —	\$ 63,443

Note 21. Quarterly Data (Unaudited)

The following table sets forth certain consolidated quarterly financial information for the years ended December 31, 2018, 2017 and 2016. The quarterly information only includes the operations of Elgin from the Elgin Acquisition date through December 31, 2018, operations of Tropicana from the Tropicana Acquisition date through December 31, 2018 and operations of Isle from the Isle Acquisition Date through December 31, 2018.

	Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(Dollars in thousands, except per share amounts)			
2018:				
Net revenues	440,192	456,802	487,253	671,760
Operating expenses	382,659	376,439	396,220	573,696
Operating income	54,194	77,414	91,769	86,726
Net income (loss)	\$ 20,855	\$ 36,796	\$ 37,704	\$ (120)
Basic net income (loss) per common share	\$ 0.27	\$ 0.48	\$ 0.49	\$ 0.00
Diluted net income (loss) per common share	\$ 0.27	\$ 0.47	\$ 0.48	\$ 0.00
Weighted average shares outstanding—basic	77,353,730	77,458,584	77,522,664	77,503,732
Weighted average shares outstanding—diluted (1)	78,080,049	78,258,629	78,283,588	77,503,732

- (1) Excluded from “Weighted average shares outstanding-diluted” are 100,091 stock options and 905,420 RSUs for the three months ended December 31, 2018 as the inclusion of these shares would have an anti-dilutive effect.

	Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(Dollars in thousands, except per share amounts)			
2017:				
Net revenues	202,393	\$ 375,626	\$ 472,878	\$ 429,901
Operating expenses	186,561	320,480	389,273	416,211
Operating income (loss)	14,028	(30,467)	81,493	29,756
Net income (loss)	\$ 945	\$ (46,190)	\$ 29,687	\$ 88,938
Basic net income (loss) per common share	\$ 0.02	\$ (0.68)	\$ 0.39	\$ 1.16
Diluted net income (loss) per common share	\$ 0.02	\$ (0.68)	\$ 0.38	\$ 1.14
Weighted average shares outstanding—basic	47,120,751	67,453,095	76,902,070	76,961,015
Weighted average shares outstanding—diluted	48,081,281	67,453,095	77,959,689	77,998,742

- (2) Excluded from “Weighted average shares outstanding-diluted” are 78,435 stock options and 937,661 RSUs for the three months ended June 30, 2017 as the inclusion of these shares would have an anti-dilutive effect

	Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(Dollars in thousands, except per share amounts)			
2016:				
Net revenues	215,583	\$ 233,493	\$ 243,049	\$ 208,340
Operating expenses	196,855	203,016	210,584	191,290
Operating income	18,281	29,585	27,739	13,095
Net income	\$ 3,379	\$ 10,737	\$ 9,450	\$ 961
Basic net income per common share	\$ 0.07	\$ 0.23	\$ 0.20	\$ 0.02
Diluted net income per common share	\$ 0.07	\$ 0.22	\$ 0.20	\$ 0.02
Weighted average shares outstanding—basic	46,933,094	47,071,608	47,193,120	47,105,744
Weighted average shares outstanding—diluted	47,534,761	47,721,075	47,834,644	47,849,554

ELDORADO RESORTS, INC.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

Column A	Column B Balance at Beginning of Period	Column C Acquisitions	Column D Additions (1)	Column E Deductions (2)	Column F Balance at End of Period
Year ended December 31, 2018: Allowance for doubtful accounts	\$ 1,220	\$ 2,394	\$ 1,407	\$ 1,347	\$ 3,674
Year ended December 31, 2017: Allowance for doubtful accounts	\$ 1,221	\$ 461	\$ 531	\$ 993	\$ 1,220
Year ended December 31, 2016: Allowance for doubtful accounts	\$ 2,074	\$ —	\$ 161	\$ 1,014	\$ 1,221

- (1) Amounts charged to costs and expenses, net of recoveries.
- (2) Uncollectible accounts written off, net of recoveries of \$0.1 million and \$0.7 million in 2018 and 2017, respectively. There were no recoveries in 2016.

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Section 2: EX-10.19 (EX-10.19)

Exhibit 10.19

PERFORMANCE STOCK UNIT AWARD AGREEMENT

**ELDORADO RESORTS, INC.
2015 Equity Incentive Plan**

This PERFORMANCE STOCK UNIT AWARD AGREEMENT (this "Agreement"), is made as of the ___ day of _____ (the "Grant Date") between Eldorado Resorts, Inc., a Nevada corporation (the "Company"), and _____ (the "Participant"), and is made pursuant to the terms of the Company's 2015 Equity Incentive Plan (the "Plan"). Capitalized terms used herein but not defined shall have the meanings set forth in the Plan.

Section 1. Restricted Stock Units.

(a) The Company hereby issues to the Participant, as of the Date of Grant, _____ restricted stock units (the "RSUs"), subject to such vesting, transfer and other restrictions and conditions as set forth in this Agreement (the "Award"), which represents the target number of RSUs that may potentially be earned under the Award (the "Target RSUs"). The Participant's right to receive all or any portion of the RSUs granted hereunder will be contingent upon the Company's achievement of one or more Performance Goals specified in the performance matrix attached as Exhibit A to this Agreement (the "Performance Matrix"), measured over the Performance Period(s) indicated in the Performance Matrix. The number of RSUs that will be issued pursuant to the Award shall be determined based on the achievement of the applicable Performance Goals set forth in the Performance Matrix, and the Participant's overall maximum-level Award hereunder is equal to 200% of Target RSUs. The Committee shall specify the Performance Goals applicable to each Performance Period not later than 90 days following the commencement of the applicable Performance Period (or such longer period as may be permitted by Section 162(m) of the Code) and, if applicable, the Performance Matrix shall be deemed updated accordingly.

(b) Each RSU represents the value equal to the Fair Market Value of one Share, subject to the terms and conditions set forth in this Agreement and the Plan.

Section 2. Vesting Requirements.

(a) Generally. Subject to Section 2(b) hereof, if, as of the end of the applicable Performance Period, an applicable Performance Goal has been achieved, the payout percentage specified for such level of achievement in the Performance

Matrix shall be earned with respect to the RSUs attributable to such Performance Goal (the "Payout Percentage"). To the extent the Participant's achievement level falls between Performance Goal achievement levels, the Payout Percentage shall be determined using a straight-line interpolation between the two nearest Performance Goal achievement levels. Except as otherwise provided herein, the applicable portion of the RSUs determined by the Payout Percentage(s) shall vest and become non-forfeitable on January 1, 2021 (the "Vesting Date"), subject to the Participant's continuous service or employment with the Company and its Affiliates ("Service") from the Grant Date through the Vesting Date.

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(b) Determination of Earned Award. Not later than three days following the filing of the Company's Form 10-K covering the period during which the applicable Performance Period ended, the Company's Chief Financial Officer (the "CFO") will notify the Committee if one or more of the applicable Performance Goal(s) set forth in the Performance Matrix have been satisfied for the applicable Performance Period. Not later than ten days following any such notification from the CFO, the Committee will determine (i) whether and to what extent the applicable Performance Goal(s) have been satisfied for the applicable Performance Period, (ii) the applicable Payout Percentage(s) in respect of the RSUs applicable to such Performance Goal(s) for the applicable Performance Period, and (iii) the aggregate number of RSUs that shall remain eligible to vest hereunder pursuant to the terms hereof. The Committee's determination of the foregoing shall be final and binding on the Participant absent a showing of manifest error. Upon such determinations by the Committee, any RSUs applicable to the Performance Goal(s) and Performance Period(s) relating to the Committee's determination that are no longer eligible to vest (due to the failure to achieve the maximum applicable Performance Goal achievement level(s)) shall immediately be forfeited and cancelled, and the Participant shall not be entitled to any compensation or other amount with respect thereto. Notwithstanding any other provision of this Agreement, but subject to clause (i) of Section 2(c) hereof, no portion of the RSUs shall vest until the Committee has made the foregoing determinations.

(c) Change in Control. Notwithstanding Sections 2(a) and 2(b) hereof and Section 13 of the Plan, upon the occurrence of a Change in Control, (i) prior to the Committee's determination pursuant to Section 2(b) hereof with respect to an applicable Performance Period, the portion of the Target RSUs attributable to such Performance Period, and (ii) following the Committee's determination pursuant to Section 2(b) hereof with respect to an applicable Performance Period, 100% of any then unvested RSUs remaining eligible to vest following the Committee's determination with respect thereto for the applicable Performance Period pursuant to Section 2(b) hereof, in each case, shall immediately become fully vested and non-forfeitable.

(d) Termination of Service without Cause, for Good Reason, or due to Death or Disability. Notwithstanding Sections 2(a) and 2(b) hereof, except in the event of the occurrence of a Change in Control prior to the settlement of any portion of the RSUs pursuant to Section 3 hereof (in which case Section 2(c) hereof shall apply), in the event of the Participant's termination of Service prior to the Vesting Date by the Company and its Affiliates without Cause, by the Participant for Good Reason, or due to the Participant's death or Disability (the date of such termination, the "Termination Date"), then:

(i) 100% of any then unvested RSUs attributable to any Performance Period(s) that ended prior to the Termination Date shall immediately become fully vested and non-forfeitable upon the later to occur of (A) the Termination Date, or (B) the Committee's determination with respect to the applicable Performance Period pursuant to Section 2(b) hereof (in either case, after taking into account the forfeiture and cancellation of any RSUs pursuant to Section 2(b) hereof due to the failure to achieve the maximum applicable Performance Goal achievement level(s) for any applicable Performance Period); provided, however, that if the Committee's determination with respect to such Performance Period for purposes of Section 2(b) hereof does not occur by March 15th of the calendar year following the calendar year in which the Termination Date occurs, then zero RSUs shall vest with respect to such Performance Period (with all RSUs attributable to such Performance Period being immediately forfeited and cancelled, without any compensation or other amount payable with respect thereto); and

(ii) 100% of any then unvested RSUs attributable to any Performance Period that has not ended (including, without limitation, any Performance Period that has not commenced) prior to the Termination Date shall become fully vested and non-forfeitable upon the Committee's determination with respect to such Performance Period pursuant to Section 2(b) hereof (after taking into account the forfeiture and cancellation of any RSUs pursuant to Section 2(b) hereof due to the failure to achieve the maximum applicable Performance Goal achievement level(s) for any applicable Performance Period); provided, however, that if the Committee's determination with respect to the applicable Performance Period for purposes of Section 2(b) hereof does not occur by March 15th of the calendar year following the calendar year to which the applicable Performance Period relates (or, if later, March 15th of the calendar year following the calendar year in which the Termination Date occurs), then zero RSUs shall vest with respect to such Performance Period (with all RSUs attributable to such Performance Period being immediately forfeited and cancelled, without any compensation or other amount payable with respect thereto).

(e) Other Terminations of Service. Upon the occurrence of a termination of the Participant's Service for any reason other than as contemplated by Section 2(d) hereof, all outstanding and unvested RSUs shall immediately be forfeited and cancelled, and the Participant shall not be entitled to any compensation or other amount with respect thereto. Notwithstanding anything to the contrary herein, upon a termination of the Participant's Service for Cause, all RSUs, whether vested or unvested, shall immediately be forfeited and cancelled, and the Participant shall not be entitled to any compensation or other amount with respect thereto.

Section 3. Settlement. As soon as reasonably practicable (and in any event within 10 days) following the Vesting Date, Termination Date, the date of the Committee's determination with respect to the applicable Performance Period for purposes of Section 2(b) hereof, or the occurrence of the Change in Control, as applicable, any RSUs that become vested and non-forfeitable shall be paid, unless otherwise determined by the Committee, by the Company delivering to the Participant a number of Shares equal to the number of RSUs that vested and became non-forfeitable pursuant to Section 2 hereof; provided, however, that, in the event that the Termination Date occurs during any Performance Period, then the settlement of the applicable portion of the RSUs attributable to such Performance Period shall occur no later than March 15th of the calendar year following the calendar year in which the Termination Date occurs. Notwithstanding the foregoing, if the Participant is subject to a trading blackout on the Vesting Date, Termination Date, the date of the Committee's determination with respect to the applicable Performance Period for purposes of Section 2(b) hereof, or the occurrence of the Change in Control, as applicable, then the applicable RSUs shall instead be settled and paid as soon as reasonably practicable (and in any event within 10 days) following the date on which the trading blackout is no longer applicable (but in no event later than March 15th of the calendar year following the calendar year in which the Vesting Date, the date on which the applicable Performance Period ended (or, if later, the Termination Date), or the occurrence of the Change in Control, as applicable, occurs).

Section 4. Restrictions on Transfer. No RSUs (nor any interest therein) may be sold, assigned, alienated, pledged, attached or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any such purported sale, assignment, alienation, pledge, attachment, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; provided that the designation of a beneficiary shall not constitute a sale, assignment, alienation, pledge, attachment, transfer or encumbrance. Notwithstanding the foregoing, at the discretion of the Committee, RSUs may be transferred by the Participant solely to the Participant's spouse, siblings, parents, children and grandchildren or trusts for the benefit of such persons or partnerships, corporations, limited liability companies or other entities owned solely by such persons, including, but not limited to, trusts for such persons.

Section 5. Investment Representation. The Participant is acquiring the RSUs for investment purposes only and not with a view to, or in connection with, the public distribution thereof in violation of the Securities Act of 1933, as amended (the "Securities Act"). No Shares shall be acquired unless and until the Company and/or the Participant shall have complied with all applicable federal or state registration, listing and/or qualification requirements and all other requirements of law or of any regulatory agencies having jurisdiction, unless the Committee has received evidence satisfactory to it that the Participant may acquire such shares pursuant to an exemption from registration under the applicable securities laws. The Participant understands and agrees that none of the RSUs may be offered, sold, assigned, transferred, pledged, hypothecated or otherwise disposed of except in compliance with this Agreement and the Securities Act pursuant to an effective registration statement or applicable exemption from the registration requirements of the Securities Act and applicable state securities or "blue sky" laws. Notwithstanding anything herein to the contrary, the Company shall have no obligation to deliver any Shares hereunder or make any other distribution of benefits under hereunder unless such delivery or distribution would comply with all applicable laws (including, without limitation, the Securities Act), and the applicable requirements of any securities exchange or similar entity.

Section 6. Adjustments. The Award granted hereunder shall be subject to the adjustment as provided in Section 4(b) of the Plan.

Section 7. No Right of Continued Service. Nothing in the Plan or this Agreement shall confer upon the Participant any right to continued Service.

Section 8. Confidentiality. The Performance Goals specified in the Performance Matrix are highly confidential. If the Participant discloses, or if the Company reasonably believes that the Participant has disclosed, the contents of the Performance Matrix to anyone else, the Participant may be subject to the Company's formal disciplinary procedure, the terms of this Agreement will be rendered null and void, and all RSUs granted hereunder shall immediately be forfeited and cancelled, and the Participant shall not be entitled to any compensation or other amount with respect thereto.

Section 9. Tax Withholding. This Agreement and the Award shall be subject to tax and/or other withholding in accordance with Section 16(e) of the Plan.

Section 10. No Rights as a Stockholder; Dividends. The Participant shall not have any privileges of a stockholder of the Company with respect to any RSUs, including without limitation any right to vote any Shares underlying such RSUs or to receive dividends or other distributions in respect thereof, unless and until Shares underlying the RSUs are delivered to the Participant in accordance with Section 3 hereof. Notwithstanding the foregoing, any dividends payable with respect to the RSUs underlying the Award during the Period from the Grant Date through the date the applicable RSUs are settled in accordance with Section 3 hereof will accumulate in cash and be payable to the Participant on a deferred basis, but only to the extent that the Award vests in accordance with Section 2 hereof. In no event shall the Participant be entitled to any payments relating to dividends paid after the earlier to occur of the settlement or forfeiture of the applicable RSUs underlying the Award and, for the avoidance of doubt, all accumulated dividends shall be forfeited immediately upon the forfeiture or cancellation of the Award or applicable portion thereof.

Section 11. Clawback. The Award will be subject to recoupment in accordance with any existing clawback policy or clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Board may impose such other clawback, recovery or recoupment provisions as the Board determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired Shares or other cash or property upon the occurrence of Cause. The implementation of any clawback policy will not be deemed a triggering event for purposes of any definition of "good reason" for resignation or "constructive termination."

Section 12. Amendment and Termination. Subject to the terms of the Plan, any amendment to this Agreement shall be in writing and signed by the parties hereto. Notwithstanding the immediately-preceding sentence, subject to the terms of the Plan, the Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, this Agreement and/or the Award; provided that, subject to the terms of the Plan, any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially impair the rights of the Participant or any holder or beneficiary of the Award shall not be effective without the written consent of the Participant, holder or beneficiary.

Section 13. Construction. The Award granted hereunder is granted by the Company pursuant to the Plan and is in all respects subject to the terms and conditions of the Plan. The Participant hereby acknowledges that a copy of the Plan has been delivered to the Participant and accepts the Award hereunder subject to all terms and provisions of the Plan, which are incorporated herein by reference. In the event of a conflict or ambiguity between any term or provision contained herein and a term or provision of the Plan, the Plan will govern and prevail. The construction of and decisions under the Plan and this Agreement are vested in the Committee, whose determinations shall be final, conclusive and binding upon the Participant.

Section 14. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Nevada, without giving effect to the choice of law principles thereof.

Section 15. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

Section 16. Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

Section 17. Entire Agreement. This Agreement and the Plan constitute the entire agreement between the parties with respect to the subject matter hereof and thereof.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date first written above.

ELDORADO RESORTS, INC.

By: _____
Name: _____
Title: _____

PARTICIPANT

Participant's Signature _____ Date _____
Name: _____
Address: _____

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Section 3: EX-21.1 (EX-21.1)

Exhibit 21.1

LIST OF THE REGISTRANT'S SUBSIDIARIES

<u>Name</u>	<u>Jurisdiction of Organization</u>
Eldorado HoldCo LLC	Nevada
Eldorado Resorts LLC	Nevada
Eldorado Limited Liability Company	Nevada
Circus and Eldorado Joint Venture, LLC	Nevada
CC-Reno, LLC	Nevada
Eldorado Shreveport #1, LLC	Nevada
Eldorado Shreveport #2, LLC	Nevada
Eldorado Casino Shreveport Joint Venture	Louisiana
Shreveport Capital Corporation	Louisiana
MTR Gaming Group, Inc.	Delaware
Mountaineer Park, Inc.	West Virginia
Presque Isle Downs, Inc.	Pennsylvania
Scioto Downs, Inc.	Ohio
Racelinebet, Inc.	Oregon
Isle of Capri Casinos LLC	Delaware
Black Hawk Holdings, L.L.C.	Colorado
Capri Insurance Company	Hawaii
CCSC/Blackhawk, Inc.	Colorado
IC Holdings Colorado, Inc.	Colorado
IOC-Black Hawk Distribution Company, LLC	Colorado
IOC-Boonville, Inc.	Nevada
IOC-Cape Girardeau LLC	Missouri
IOC-Caruthersville, L.L.C.	Missouri
IOC-Kansas City, Inc.	Missouri
IOC-Lula, Inc.	Mississippi
IOC-PA, L.L.C.	Pennsylvania
IOC-Vicksburg, Inc.	Delaware
IOC-Vicksburg, L.L.C.	Delaware
IOC Black Hawk County, Inc.	Iowa
IOC Holdings, L.L.C.	Louisiana
Isle of Capri Bettendorf, L.C.	Iowa

Isle of Capri Black Hawk, L.L.C.
PPI, Inc.
Rainbow Casino-Vicksburg Partnership, L.P.
St. Charles Gaming Company, L.L.C.
Elgin Holdings I LLC
Elgin Holdings II LLC
Elgin Riverboat Resort – Riverboat Casino
Tropicana Entertainment, Inc.
Tropicana Atlantic City Corp.
New Tropicana Holdings, Inc.
New Tropicana OpCo, Inc.
Aztar Riverboat Holding Company, LLC
Aztar Indiana Gaming Company, LLC
New Jazz Enterprises, L.L.C.
Cattfish Queen Partnership in Commendam
Centroplex Centre Convention Hotel, L.L.C.
Columbia Properties Tahoe, LLC
MB Development, LLC

Colorado
Florida
Mississippi
Louisiana
Delaware
Delaware
Illinois
Delaware
New Jersey
Delaware
Delaware
Indiana
Indiana
Nevada
Louisiana
Louisiana
Nevada
Nevada

Name	Jurisdiction of Organization
Lighthouse Point, LLC	Mississippi
Tropicana Laughlin, LLC	Nevada
Tropicana St. Louis LLC	Delaware
Tropicana St. Louis RE LLC	Delaware
TEI (STLH), LLC	Delaware
TEI (ES), LLC	Delaware
TEI (St. Louis) RE, LLC	Delaware
TLH LLC	Delaware
TropWorld Games LLC	Nevada
TEI R7 Investment LLC	Delaware
TEI Management Services LLC	Delaware

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Section 4: EX-23.1 (EX-23.1)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statements on Form S-3 (No.'s 333-218775 and 333-220412) and in the related Prospectuses of Eldorado Resorts Inc., and
- (2) Registration Statements on Form S-8 (No.'s 333-198830 and 333-203227) of Eldorado Resorts, Inc.

of our reports dated March 1, 2019 with respect to the consolidated financial statements and schedule of Eldorado Resorts, Inc. and the effectiveness of internal control over financial reporting of Eldorado Resorts, Inc. included in this Annual Report (Form 10-K) of Eldorado Resorts, Inc. for the year ended December 31, 2018.

/s/ Ernst & Young LLP

Las Vegas, Nevada
March 1, 2019

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Section 5: EX-31.1 (EX-31.1)

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Thomas R. Reeg, certify that:

1. I have reviewed this Annual Report on Form 10-K of Eldorado Resorts, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2019

/s/ THOMAS R. REEG

Thomas R. Reeg

Chief Executive Officer and Chief Financial Officer

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Section 6: EX-32.1 (EX-32.1)

Exhibit 32.1

CERTIFICATION
of
Thomas R. Reeg
Chief Executive Officer

I, Thomas R. Reeg, Chief Executive Officer of Eldorado Resorts, Inc. (the "Company"), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2018 (the "Periodic Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Periodic Report fairly represents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2019

/s/ THOMAS R. REEG

Thomas R. Reeg

Chief Executive Officer and Chief Financial Officer

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Section 7: EX-99.1 (EX-99.1)

Exhibit 99.1

Description of Governmental Regulations

General

The ownership, operation, and management of our gaming, betting and racing facilities (generically referred to herein as “gaming”) are subject to significant regulation under the laws and regulations of each of the jurisdictions in which we operate. Gaming laws are generally based upon declarations of public policy designed to protect gaming consumers and the viability and integrity of the gaming industry. Gaming laws also may be designed to protect and maximize state and local revenues derived through taxes and licensing fees imposed on gaming industry participants, as well as to enhance economic development and tourism. To accomplish these public policy goals, gaming laws establish stringent procedures to ensure that participants in the gaming industry meet certain standards of character and fitness. In addition, gaming laws require gaming industry participants to:

- ensure that unsuitable individuals and organizations have no role in gaming operations;
- establish procedures designed to prevent cheating and fraudulent practices;
- establish and maintain responsible accounting practices and procedures;
- maintain effective controls over their financial practices, including establishing minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues;
- maintain systems for reliable record keeping;
- file periodic reports with gaming regulators;
- ensure that contracts and financial transactions are commercially reasonable, reflect fair market value and are arms-length transactions; and
- establish programs to promote responsible gaming.

Typically, a state regulatory environment is established by statute and is administered by a regulatory agency with broad discretion to regulate the affairs of owners, managers, and persons with financial interests in gaming operations. Among other things, gaming authorities in the various jurisdictions in which we operate:

- adopt rules and regulations under the implementing statutes;
- interpret and enforce gaming laws;
- impose disciplinary sanctions for violations, including fines and penalties;
- review the character and fitness of participants in gaming operations and make determinations regarding their suitability or qualification for licensure;
- grant licenses for participation in gaming operations;
- collect and review reports and information submitted by participants in gaming operations;
- review and approve transactions, such as acquisitions or change-of-control transactions of gaming industry participants, securities offerings and debt transactions engaged in by such participants; and
- establish and collect fees and taxes.

Any change in the laws or regulations of a gaming jurisdiction could have a material adverse effect on our gaming operations.

Licensing and Suitability Determinations

Gaming laws require us, each of our subsidiaries engaged in gaming operations, certain of our directors, officers and employees, and in some cases, certain of our shareholders and holders of our debt securities, to obtain licenses from gaming authorities. Licenses typically require a determination that the applicant qualifies or is suitable to hold the license. Gaming authorities have broad discretion in determining whether an applicant qualifies for licensing or should be deemed suitable. Criteria used in determining whether to grant or renew a license to conduct gaming operations, while varying between jurisdictions, generally include consideration of factors such as:

- the good character, honesty and integrity of the applicant;
- the financial stability, integrity and responsibility of the applicant, including whether the operation is adequately capitalized in the state and exhibits the ability to maintain adequate insurance levels; the quality of the applicant's casino facilities;
- the amount of revenue to be derived by the applicable state from the operation of the applicant's casino;
- the applicant's practices with respect to minority hiring and training; and
- the effect on competition and general impact on the community.

In evaluating individual applicants, gaming authorities consider the individual's business experience and reputation for good character, the individual's criminal history and the character of those with whom the individual associates.

Many gaming jurisdictions limit the number of licenses granted to operate casinos within the state, and some states limit the number of licenses granted to any one gaming operator. Licenses under gaming laws are generally not transferable without regulatory approval. Licenses in most of the jurisdictions in which we conduct gaming operations are granted for limited durations and require renewal from time to time. There can be no assurance that any of our licenses will be renewed. The failure to renew any of our licenses could have a material adverse effect on our gaming operations.

In addition to us and our direct and indirect subsidiaries engaged in gaming operations, gaming authorities may investigate any individual who has a material relationship to or material involvement with any of these entities to determine whether such individual is suitable or should be licensed. Our officers, directors and certain key employees must file applications with the gaming authorities and may be required to be licensed, qualify or be found suitable in many jurisdictions. Gaming authorities may deny an application for licensing for any cause which they deem reasonable. Qualification and suitability determinations require submission of detailed personal and financial information followed by a thorough investigation. The applicant must pay all the costs of the investigation. Changes in licensed positions must be reported to gaming authorities and in addition to their authority to deny an application for licensure, qualification or a finding of suitability, gaming authorities have jurisdiction to disapprove a change in a corporate position.

If one or more gaming authorities were to find that an officer, director or key employee fails to qualify or is unsuitable for licensing or unsuitable to continue having a relationship with us, we would be required to sever all relationships with such person. In addition, gaming authorities may require us to terminate the employment of any person who refuses to file appropriate applications.

Moreover, in many jurisdictions, certain of our stockholders or holders of our debt securities may be required to undergo a suitability investigation similar to that described above. Many jurisdictions require any person who acquires beneficial ownership of more than a certain percentage of our voting securities, typically 5%, to report the acquisition to gaming authorities, and gaming authorities may require such holders to apply for qualification or a finding of suitability.

Most gaming authorities, however, allow an "institutional investor" to apply for a waiver. An "institutional investor" is generally defined as an investor acquiring and holding voting securities in the ordinary course of business as an institutional investor for passive investment purposes only, and not for the purpose of causing, directly or indirectly, the election of a member of our board of directors, any change in our corporate charter, bylaws, management, policies or operations, or those of any of our gaming affiliates, or the taking of any other action which gaming authorities find to be inconsistent with holding our voting securities for passive investment purposes only. Even if a waiver is granted, an institutional investor generally may not take any action inconsistent with its status when the waiver was granted without once again becoming subject to the foregoing reporting and application obligations.

Generally, any person who fails or refuses to apply for a finding of suitability or a license within the prescribed period after being advised that it is required by gaming authorities may be denied a license or found unsuitable, as applicable. Any stockholder found unsuitable or denied a license and who holds, directly or indirectly, any beneficial ownership of our voting securities beyond such period of time, as may be prescribed by the applicable gaming authorities, may be guilty of a criminal offense. Furthermore, we may be subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us or any of our subsidiaries, we: (i) pay that person any dividend or interest upon our voting securities; (ii) allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person; (iii) pay remuneration in any form to that person for services rendered or otherwise; or (iv) fail to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities including, if necessary, the immediate purchase of said voting securities for cash at fair market value.

The gaming jurisdictions in which we operate also require that suppliers of certain goods and services to gaming industry participants be licensed and require us to purchase and lease gaming equipment, and certain supplies and services only from licensed suppliers.

Violations of Gaming Laws

If we or our subsidiaries violate applicable gaming laws, our gaming licenses could be limited, conditioned, suspended or revoked by gaming authorities, and we and any other persons involved could be subject to substantial fines. Further, a supervisor or conservator can be appointed by gaming authorities to operate our gaming properties, or in some jurisdictions, take title to our gaming assets in the jurisdiction, and under certain circumstances, earnings generated during such appointment could be forfeited to the applicable state or states. Furthermore, violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. As a result, violations by us of applicable gaming laws could have a material adverse effect on our gaming operations.

Some gaming jurisdictions prohibit certain types of political activity by a gaming licensee, its officers, directors and key people. A violation of such a prohibition may subject the offender to criminal and/or disciplinary action.

Reporting and Record-keeping Requirements

We are required periodically to submit detailed financial and operating reports and furnish any other information about us and our subsidiaries which gaming authorities may require. Under federal law, we are required to record and submit detailed reports of currency transactions involving greater than \$10,000 at our casinos as well as any suspicious activity that may occur at such facilities. We are required to maintain a current stock ledger which may be examined by gaming authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to gaming authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. Gaming authorities may require certificates for our securities to bear a legend indicating that the securities are subject to specified gaming laws.

Review and Approval of Transactions

Substantially all material loans, leases, sales of securities and similar financing transactions by us and our subsidiaries must be reported to and in some cases approved by gaming authorities. Neither we nor any of our subsidiaries may make a public offering of securities without the prior approval of certain gaming authorities. Changes in control through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or otherwise are subject to receipt of prior approval of gaming authorities. Entities seeking to acquire control of us or one of our subsidiaries must satisfy gaming authorities with respect to a variety of stringent standards prior to assuming control. Gaming authorities may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control to be investigated and licensed as part of the approval process relating to the transaction.

Because of regulatory restrictions, our ability to grant a security interest in any of our gaming assets is limited and subject to receipt of prior approval by certain gaming authorities.

License Fees and Gaming Taxes

We pay substantial license fees and taxes in many jurisdictions, including some of the counties and cities in which our operations are conducted, in connection with our casino gaming operations, computed in various ways depending on the type of gaming or activity involved. Depending upon the particular fee or tax involved, these fees and taxes are payable with varying frequency. License fees and taxes are based upon such factors as:

- a percentage of the gross gaming revenues received;
- the number of gaming devices and table games operated;
- admission fees for customers boarding our riverboat casinos; and/or
- one time fees payable upon the initial receipt of license and fees in connection with the renewal of license.

In many jurisdictions, gaming tax rates are graduated, such that they increase as gross gaming revenues increase. Furthermore, tax rates are subject to change, sometimes with little notice, and such changes could have a material adverse effect on our gaming operations.

In addition to taxes specifically unique to gaming, we are required to pay all other applicable taxes.

Operational Requirements

In most jurisdictions, we are subject to certain requirements and restrictions on how we must conduct our gaming operations. In many states, we are required to give preference to local suppliers and include minority and women-owned businesses as well as organized labor in construction projects to the maximum extent practicable as well as in general vendor business activity. Similarly, we may be required to give employment preference to minorities, women and in-state residents in certain jurisdictions.

Some gaming jurisdictions also prohibit a distribution, except to allow for the payment of taxes, if the distribution would impair the financial viability of the gaming operation. Moreover, many jurisdictions require a gaming operation to maintain insurance and post bonds in amounts determined by their gaming authority. In addition, our ability to conduct certain types of games, introduce new games or move existing games within our facilities may be restricted or subject to regulatory review and approval. Some of our operations are subject to restrictions on the number of gaming positions we may have and the maximum wagers allowed to be placed by our customers.

Riverboat Casinos

In addition to all other regulations generally applicable to the gaming industry, certain of our riverboat casinos are also subject to regulations applicable to vessels operating on navigable waterways, including regulations of the U.S. Coast Guard, or alternative inspection requirements. These requirements set limits on the operation of the vessel, mandate that it must be operated by a minimum complement of licensed personnel, establish periodic inspections, including the physical inspection of the outside hull, and establish other mechanical and operations rules. In addition, the riverboat casinos may be subject to future U.S. Coast Guard regulations, or alternative security procedures, designed to increase homeland security which could affect some of our properties and require significant expenditures to bring such properties into compliance.

Racetracks

We conduct horse racing operations at our harness racing track Isle Casino Racing Pompano Park, located in Pompano Beach, Florida, live thoroughbred racing at Presque Isle Downs in Erie, Pennsylvania, live standard bred harness racing at Scioto Downs in the Columbus, Ohio area, and live thoroughbred racing at Mountaineer in the northern tip of West Virginia's northwestern panhandle. Each of these facilities also offer pari-mutuel wagering and live wagering on races held at other facilities.

We currently operate slot machines at the Pompano Beach racetrack, slot machines and table games at the Presque Isle Downs and Mountaineer racetracks and video lottery terminals at the Scioto Downs racetrack. Generally, our slot and table operations at racetracks are regulated in the same manner as our gaming operations in other jurisdictions. In some jurisdictions, our ability to conduct gaming operations may be conditioned on the maintenance of agreements or certain arrangements with horsemen's or labor groups or meeting minimum live racing requirements.

Regulations governing our horse, and harness racing operations are, in most jurisdictions, administered separately from the regulations governing gaming operations, with separate licenses and license fee structures. The racing authorities responsible for regulating our racing operations have broad oversight authority, which may include: annually reviewing and granting racing licenses and racing dates; approving the opening and operation of off track wagering facilities; approving simulcasting activities; licensing all officers, directors, racing officials and certain other employees of a racing licensee; and approving certain contracts entered into by a racing licensee affecting racing, pari-mutuel wagering, account wagering and off track wagering operations.

Interactive Business

We are subject to various federal, state and international laws and regulations that affect our interactive business, including those relating to the privacy and security of customer and employee personal information and those relating to the Internet, behavioral tracking, mobile applications, advertising and marketing activities, sweepstakes and contests. Additional laws in all of these areas are likely to be passed in the future, which could result in significant limitations on or changes to the ways in which we can collect, use, host, store or transmit the personal information and data of our customers or employees, communicate with our customers, and deliver products and services, or may significantly increase our compliance costs. As our business expands to include new uses or collection of data that is subject to privacy or security regulations, our compliance requirements and costs will increase and we may be subject to increased regulatory scrutiny.

Some of our social gaming products and features are based upon traditional casino games, such as slots and table games. Although we do not believe these products and features constitute gambling, it is possible that additional laws or regulations may be passed in the future that would restrict or impose additional requirements on our social gaming products and features.

Sports Book Wagering & Online Wagering

We and our partners are subject to various federal, state and international laws and regulations that affect our sports wagering and online wagering businesses. Additional laws in any of these areas are likely to be passed in the future, which could result in impact to the ways in which we and our partners are able to offer sports wagering and online wagering in jurisdictions that permit such activities.